SURVEY OF PRIMARY DEALERS

This survey is formulated by the Trading Desk at the Federal Reserve Bank of New York to enhance policymakers' understanding of market expectations on a variety of topics related to the economy, monetary policy and financial markets. The questions involve only topics that are widely discussed in the public domain and never presume any particular policy action. FOMC participants are not involved in the survey's design.

Please respond by **Monday, July 23rd at 2:00 pm** to the questions below. Your time and input are greatly appreciated.

Type of Respondent: **Primary Dealer**   Respondent Name:

1) Provide below your expectations for changes, if any, to the language referencing each of the following topics in the July/August FOMC statement.

Current economic conditions:

Economic outlook:

Communication on the expected path of the target federal funds rate:

Other:

2) How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

Rating: Please Explain:

3a) Provide your estimate of the most likely outcome (i.e., the mode) for the target federal funds rate or range, as applicable, immediately following the FOMC meetings and at the end of each quarter below. For the time periods at which you expect a target range, please indicate the midpoint of that range in providing your response.

	2018 FOMC meetings				2019 FOMC meetings		
	Jul 31 - Aug 1	Sep 25-26	Nov 7-8	Dec 18-19	Jan 29-30	Mar 19-20	Apr 30 - May 1
Target rate / midpoint of target range:							

	Quarters						
	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Target rate / midpoint of target range:							

3b) In addition, provide your estimate of the longer run target federal funds rate and your expectation for the average federal funds rate over the next 10 years.

Longer run: [ ]

Expectation for average federal funds rate over next 10 years: [ ]

3c) Please indicate the percent chance* that you attach to the following possible outcomes for the Committee's next policy action between now and the end of 2018.

Next Change is Increase in Target Rate or Range	Next Change is Decrease in Target Rate or Range	No Change in Target Rate or Range Through the End of 2018

Responses should add up to 100 percent.

3d) Conditional on the Committee's next policy action between now and the end of 2018 being an increase in the target federal funds rate or range, please indicate the percent chance* that you attach to the following possible outcomes for the timing of such a change. Only fill out this conditional probability distribution if you assigned a non-zero probability to the Committee's next policy action between now and the end of 2018 being an increase.

Increase Occurs at July/August FOMC meeting	Increase Occurs at September FOMC meeting	Increase Occurs at November FOMC meeting or later

Responses should add up to 100 percent.

3e) Please indicate the percent chance* that you attach to the target federal funds rate or range falling in each of the following ranges <u>at the end of 2018,</u> conditional on the following possible scenarios for the direction and timing of the Committee's next policy action <u>between now and the end of 2018</u>. Only fill out the conditional probability distributions for which you assigned a non-zero probability to the conditioning event occurring. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	2.01 - 2.25%	2.26 - 2.50%	≥ 2.51%
Next change is an increase, occurs at Sep. FOMC meeting or earlier:								
Next change is an increase, occurs at Nov. FOMC meeting or later:								

	< 0.0%	0.00 - 0.25%	0.26 - 0.50%	0.51 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	≥ 1.51%
Next change is a decrease:								

Responses across each row should add up to 100 percent.

3f-i) Please indicate the percent chance* that you attach to the target federal funds rate or range falling in each of the following ranges <u>at the end of 2019 and 2020,</u> <u>conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2020</u>. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	≥ 3.51%
Year-end 2019:							
Year-end 2020:							

Responses across each row should add up to 100 percent.

3f-ii) Please indicate the percent chance that you attach to moving to the ZLB at some point between <u>now and the end of 2020</u>.

Probability of moving to the ZLB at some point between <u>now and the end of 2020</u>:

3f-iii) Please indicate the percent chance* that you attach to the target federal funds rate or range falling in each of the following ranges <u>at the end of 2019 and 2020</u>, <u>conditional on moving to the ZLB at some point between now and the end of 2020</u>. Only fill out these conditional probability distributions if you assigned a non-zero probability to moving to the ZLB at some point between now and the end of 2020. If you expect a target range, please use the midpoint of that range in providing your response.

	< 0.00%	0.00 - 0.25%	0.26 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	≥ 2.51%
Year-end 2019:								
Year-end 2020:								

Responses across each row should add up to 100 percent.

3f-iv) What is your estimate of the target federal funds rate or range at the effective lower bound?

Level of the target federal funds rate or range at the effective lower bound (in percent): [ ]

3g) For parts a-f, please explain the factors behind any change to your expectations, where applicable, since the last policy survey.

[ ]

4) Please indicate the percent chance* that you attach to the 10-year Treasury yield falling in each of the following ranges at the end of 2018 and 2019.

	≤ 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	3.51 - 4.00%	≥ 4.01%
Year-end 2018:							
Year-end 2019:							

Responses across each row should add up to 100 percent.

5) The neutral real federal funds rate can be understood as the level of the real federal funds rate that would be neither expansionary nor contractionary if the economy were operating at or near its potential. Please provide your estimate for the level of the neutral real federal funds rate at each of the time periods below.

Current level: [ ]   Year-end 2018: [ ]   Year-end 2019: [ ]   Year-end 2020: [ ]

Please explain the factors behind any changes to your estimates since the policy survey on January 22.

[ ]

6) The following matrix lays out hypothetical scenarios in which the realized levels of the 2019 unemployment rate (Q4 average level) and 2019 core PCE inflation (Q4/Q4) are either 50 basis points above, below, or equal to the medians of FOMC participants' projections for these indicators in the June Summary of Economic Projections (SEP). For example, the upper left box represents a scenario in which the unemployment rate and core PCE inflation are both 50 basis points below the current SEP medians. The upper right box represents a scenario in which the unemployment rate is 50 basis points above the current SEP median, while core PCE inflation is 50 basis points below the current median.

For each of the following scenarios, please indicate the level of the target federal funds rate or range that you expect would prevail <u>at the end of Q1 2020</u>. If you expect a target range, please indicate the midpoint of that range in providing your response.

	2019 Unemployment rate (Q4 average level)		
	- 50 bps	Current median 3.5%	+ 50 bps
2019 Core PCE inflation (Q4/Q4) — 50 bps			
Current median 2.1%			
+ 50 bps			

Please explain any assumptions underlying your responses.

[ ]

7a) Since the June FOMC meeting, the spread between the top of the target range for the federal funds rate and the interest on excess reserves (IOER) rate has been +5 basis points; the spread between IOER and the effective federal funds rate (EFFR) has averaged +4 basis points; and the spread between the Tri-Party General Collateral Rate (TGCR) and the overnight reverse repurchase (ON RRP) rate has averaged +15 basis points. Please provide your expectation for each of these rate spreads on each of the following dates.

	Average since June FOMC	Dec. 28, 2018*	Jun. 27, 2019*	Dec. 30, 2019*
Top of target range minus IOER (in bps):	+5			
IOER minus EFFR (in bps):	+4			
TGCR minus ON RRP rate (in bps):	+15			

Note: These dates are not period-end reporting dates.

7b) Please explain changes to your expectations in part a since the policy survey on April 23, where applicable.

7c) Please rate the importance of the following factors in influencing the change, if any, in the spread between IOER and EFFR between now and December 28, 2018, as well as over calendar year 2019. **(5=very important, 1=not important)**

	Now to Dec. 28, 2018*	Over calendar year 2019
Change in level of reserve balances:		
Reduction in FDIC fees:		
Change in regulatory constraints:		
Treasury securities supply dynamics:		
Change in amount of IOER arbitrage:		
Other (please explain):		

If "Other", please explain:

Note: This date is not a period-end reporting date.

7d) Please provide your estimate of the most likely level of the spread between IOER and EFFR conditional on each of the following levels of reserve balances.

Reserves ($ billions):	2000	Current* 1958	1750	1500	1250	1000	750	500
IOER minus EFFR (in bps):		+4						

* Refers to the average of daily figures for the week ended July 11, 2018, according to the most recent H.4.1 release.

8a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	Real GDP (Q4/Q4 Growth)	Core PCE Inflation (Q4/Q4)	Headline PCE Inflation (Q4/Q4)	Unemployment Rate (Q4 Average Level)
2018:				
2019:				
2020:				
Longer run:				

8b) Please explain changes to your estimates in part a since the last policy survey, where applicable.

9a) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from July 1, 2018 - June 30, 2023 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%

Point estimate for most likely outcome: [ ]

*Responses should add up to 100 percent.

9b) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from July 1, 2023 - June 30, 2028 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%

Point estimate for most likely outcome: [ ]

*Responses should add up to 100 percent.

10a) What percent chance do you attach to the U.S. economy **currently** being in a recession*?

Recession currently:

10b) What percent chance do you attach to the U.S. economy being in a recession* **in 6 months**?

Recession in 6 months:

10c) What percent chance do you attach to the global economy being in a recession** **in 6 months**?

Global recession in 6 months:

10d) Please explain the factors behind any change to your expectations in parts a-c since the last policy survey.

NBER-defined recession

**Previous IMF staff work has suggested that a "global recession" can be characterized as a period during which there is a decline in annual per-capita real global GDP, backed up by a decline or worsening in one or more of the following global macroeconomic indicators: industrial production, trade, capital flows, oil consumption and unemployment.

Thank you for your time and input. Please send survey results to **ny.mktpolicysurvey@ny.frb.org**