

RESPONSES TO SURVEY OF PRIMARY DEALERS

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The **Survey of Primary Dealers** 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.

For most questions, median responses across dealers, along with the 25th and 75th percentiles, are reported. For questions that ask respondents to give a probability distribution, the average response across dealers for each potential outcome is reported.¹ Brief summaries of the comments received in free response form are also provided.

Responses were received from 24 primary dealers. Except where noted, all 24 dealers responded to each question. In some cases, dealers may not have provided complete responses (e.g. may not have provided forecasts extending to the same time horizon as requested in the survey). In these instances, the number of respondents who answered all parts of the question is indicated.

¹ Answers may not sum to 100 percent due to rounding.

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- 1a)** Provide below your expectations for **changes**, if any, to the language referencing each of the following topics in the December FOMC statement. **Please write N/A if you do not expect any changes.**

Current economic conditions:

Some dealers indicated that they did not expect material changes to the Committee's characterization of current economic conditions. Several dealers indicated that they expected the Committee to note that the pace of economic growth has recently moderated and several indicated that they expected the Committee to highlight concern over slowing near-term growth prospects due to the recent rise in virus cases in the U.S.

Economic outlook and communication on the expected path of the target federal funds rate:

Many dealers indicated that they expected no material changes to this section of the statement.

Communication on tools other than the target federal funds rate:

Many dealers indicated that they expected the Committee to announce changes to its guidance for asset purchases, with some specifying that they expected this guidance to be qualitative and outcome-based and several specifying that they expected it to be tied to outcomes for inflation and employment. In addition, several dealers indicated that they expected the Committee to announce an extension of the weighted average maturity of its Treasury purchases.

Other:

(9 responses)

Dealers did not provide significant commentary in this section.

- 1b)** What are your expectations for the medians of FOMC participants' economic projections in the Summary of Economic Projections (SEP)?

Relative to the previous (September) SEP, many dealers indicated that they expected participants' median GDP growth projection for 2020 to increase, several indicated that they expected the median for 2021 to decline, and several indicated that they expected the median for 2023 to remain unchanged. With respect to participants' unemployment rate projections, many dealers indicated that they expected the median projection for 2020 to decline, and several also indicated that they expected the median for 2021 to decline. With respect to participants' median inflation projections, several dealers indicated that they expected little to no change. In addition, several dealers noted that they expected changes to SEP median projections to reflect better-than-expected economic data.

- 1c)** What are your expectations for the most likely levels of the medians of FOMC participants' target federal funds rate projections in the SEP? Please provide your responses out to three decimal places.

	Year-End 2020	Year-End 2021	Year-End 2022	Year-End 2023	Longer Run
25th Pctl	0.13%	0.13%	0.13%	0.13%	2.50%
Median	0.13%	0.13%	0.13%	0.13%	2.50%
75th Pctl	0.13%	0.13%	0.13%	0.13%	2.50%

1d) What are your expectations for the Chair's press conference?

Most dealers indicated that they expected the Chair to discuss the Committee's asset purchases, including some who indicated that they expected him to discuss guidance on purchases. Some dealers indicated that they expected the Chair to reiterate the importance of further fiscal stimulus, some indicated that they expected him to emphasize downside risks to the economic outlook and/or note the recent rise in virus cases, and several indicated that they expected him to note recent vaccine-related developments as positive for the outlook. In addition, several dealers indicated that they expected the Chair to note uncertainty around the outlook.

2a) 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 of the following quarters and half-years below. For the time periods at which you expect a target range, please indicate the midpoint of that range in providing your response.

	Dec. 15-16	Jan. 26-27	Mar. 16-17	Apr. 27-28	Jun. 15-16	Jul. 27-28	Sep. 21-22
25th Pctl	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Median	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
75th Pctl	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
# of Responses	24	24	24	24	24	24	24
	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 H1	2023 H2
25th Pctl	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Median	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
75th Pctl	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.63%
# of Responses	24	23	23	23	23	21	21

If your responses above do not reflect an increase from the current target range at any point, please provide the earliest half-year period in which your modal expectation for the level of the target range is higher than the current level.

Earliest half-year period*	
25th Pctl	H1 2024
Median	H2 2024
75th Pctl	H2 2024
# of Responses	13

* Dropdown selections: H1 2024, H2 2024, H1 2025, H2 2025, H1 2026, H2 2026, H1 2027 or later.

- 2b)** Provide your estimate for the most likely value for the following indicators at the time of the next increase in the target range for the federal funds rate.
(22 responses)

Most Likely Value of Economic Indicator at Time of First Increase in Target Range				
	Unemployment rate (%)	Labor force participation rate (%)	Total change in the level of real GDP since 2019 Q4 (%)	Headline 12-month PCE inflation (%)
25th Pctl	3.8%	62.6%	3.6%	2.0%
Median	4.0%	63.0%	6.0%	2.2%
75th Pctl	4.5%	63.2%	8.0%	2.4%

- 2c)** 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	10-yr Average FF Rate
25th Pctl	2.00%	0.98%
Median	2.25%	1.25%
75th Pctl	2.50%	1.70%

- 2d)** Please indicate the percent chance that you attach to the target federal funds rate or range falling in each of the following ranges at the end of 2020, 2021, 2022, and 2023. If you expect a target range, please use the midpoint of that range in providing your response.
(22 responses)

Federal Funds Rate or Range at the End of 2020										
	< 0.00%	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 - 1.75%	1.76 - 2.00%	≥ 2.01%
Average	0%	99%	1%	0%	0%	0%	0%	0%	0%	0%

Federal Funds Rate or Range at the End of 2021										
	< 0.00%	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 - 1.75%	1.76 - 2.00%	≥ 2.01%
Average	2%	86%	9%	3%	0%	0%	0%	0%	0%	0%

Federal Funds Rate or Range at the End of 2022										
	< 0.00%	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 - 1.75%	1.76 - 2.00%	≥ 2.01%
Average	2%	69%	14%	7%	4%	2%	1%	1%	0%	0%

Federal Funds Rate or Range at the End of 2023										
	< 0.00%	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 - 1.75%	1.76 - 2.00%	≥ 2.01%
Average	2%	45%	22%	14%	6%	4%	3%	2%	1%	1%

2e) What is your estimate of the target federal funds rate or range at the effective lower bound?

Level of Target Federal Funds Rate or Range at ELB	
25th Pctl	0.00%
Median	0.06%
75th Pctl	0.13%

2f) For parts a-e, please explain the factors behind any change to your expectations, where applicable, since the last policy survey.
(20 responses)

In explaining changes to their expectations for the target range for the federal funds rate, some dealers cited recent vaccine-related developments. In addition, several dealers indicated that there were no material changes to their expectations.

3a) Provide your estimate of the most likely outcome for the 10-year Treasury yield at the end of each period below. In addition, provide your estimate of the longer-run level of the 10-year Treasury yield. For reference, as of December 1 the yield was roughly 0.92 percent.

	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
25th Pctl	0.90%	1.00%	1.10%	1.20%	1.25%
Median	0.95%	1.05%	1.15%	1.25%	1.30%
75th Pctl	1.00%	1.10%	1.23%	1.35%	1.48%
# of Responses	22	24	23	23	24
	2022 H1	2022 H2	2023 H1	2023 H2	Longer Run
25th Pctl	1.43%	1.50%	1.70%	1.80%	2.00%
Median	1.51%	1.66%	1.87%	2.00%	2.50%
75th Pctl	1.70%	1.93%	2.23%	2.45%	3.25%
# of Responses	20	20	16	16	21

- 3b)** Provide your estimate of the most likely outcome for the 30-year fixed primary mortgage rate at the end of each period below. In addition, provide your estimate of the longer-run level of the 30-year fixed primary mortgage rate. For reference, as of December 1 the rate was roughly 2.75 percent.

	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
25th Pctl	2.75%	2.75%	2.78%	2.86%	2.90%
Median	2.75%	2.85%	2.95%	3.00%	3.10%
75th Pctl	2.80%	2.95%	3.08%	3.08%	3.20%
# of Responses	19	20	20	20	20
	2022 H1	2022 H2	2023 H1	2023 H2	Longer Run
25th Pctl	3.10%	3.15%	3.25%	3.30%	3.75%
Median	3.20%	3.25%	3.53%	3.63%	4.08%
75th Pctl	3.40%	3.50%	4.00%	4.25%	4.75%
# of Responses	17	17	14	14	18

- 4a)** Please provide your modal expectation for the amount of purchases, net of reinvestments, of U.S. Treasury securities, agency mortgage-backed securities (MBS), and agency commercial mortgage-backed securities (CMBS) the Desk will conduct for each month listed below and the total over each of the half-years below. If you expect any of these amounts to be zero in a given period, please enter 0.
(20 responses)

Net purchases of U.S. Treasury securities (\$ billions)												
	Dec. 2020	Jan. 2021	Feb. 2021	Mar. 2021	Apr. 2021	May 2021	Jun. 2021	2021 H2	2022 H1	2022 H2	2023 H1	2023 H2
25th Pctl	80	80	80	80	80	80	80	343	175	5	0	0
Median	80	80	80	80	80	80	80	480	285	180	10	0
75th Pctl	80	80	80	80	80	80	80	480	383	240	120	100

Net purchases of agency MBS (\$ billions)												
	Dec. 2020	Jan. 2021	Feb. 2021	Mar. 2021	Apr. 2021	May 2021	Jun. 2021	2021 H2	2022 H1	2022 H2	2023 H1	2023 H2
25th Pctl	40	40	40	40	40	40	40	128	23	0	0	0
Median	40	40	40	40	40	40	40	240	128	25	0	0
75th Pctl	40	40	40	40	40	40	40	240	191	110	50	0

Net purchases of agency CMBS (\$ millions)												
	Dec. 2020	Jan. 2021	Feb. 2021	Mar. 2021	Apr. 2021	May 2021	Jun. 2021	2021 H2	2022 H1	2022 H2	2023 H1	2023 H2
25th Pctl	26	0	0	0	0	0	0	0	0	0	0	0
Median	100	80	75	75	75	50	50	240	50	0	0	0
75th Pctl	150	125	125	125	125	125	125	750	450	225	1	0

If applicable, please describe your expectations for any changes to key elements of and/or the communications regarding asset purchases going forward.

(23 responses)

Some dealers indicated that they eventually expected changes to the Committee's guidance for asset purchases, including several who indicated that they expected these changes to be announced at the December FOMC meeting.

4b) Please indicate the percent chance that you attach to the following possible outcomes* for total purchases, net of reinvestments, of U.S. Treasury securities and agency mortgage-backed securities (MBS) that the Desk will conduct from the beginning of 2021 until year-end 2023.

Net purchases of U.S. Treasury securities (\$ billions)								
	≤ 500	501 - 1000	1001 - 1500	1501 - 2000	2001 - 2500	2501 - 3000	3001 - 3500	≥ 3501
Average	6%	16%	27%	25%	17%	6%	2%	1%

Net purchases of agency MBS (\$ billions)								
	≤ 250	251 - 500	501 - 750	751 - 1000	1001 - 1250	1251 - 1500	1501 - 1750	≥ 1751
Average	12%	22%	24%	22%	11%	6%	2%	1%

* Range determined by the levels implied by median estimates for the 10th and 90th percentiles of respondents' subjective distribution over the range of possible values for net asset purchases in the November Survey of Primary Dealers and Survey of Market Participants.

- 4c)** If you have formed expectations for the most likely level (\$ billions) of Federal Reserve assets associated with any of the following, please provide your expectations for their levels on December 30, 2020 below. If you expect any of these amounts to be zero on this date, please enter 0.

Level on December 30, 2020 (\$ billions)								
	Discount Window	PDCF	MMLF	CPFF	MSNLF	MSELF	MSPLF	MLF
25th Pctl	2	0	2	5	5	1	3	4
Median	2	0	5	8	10	7	11	17
75th Pctl	3	0	5	9	20	15	15	17
# of Responses	19	18	19	19	17	14	14	17

	TALF	PMCCF	SMCCF	PPPLF	Central bank liquidity swaps	FIMA repo	Repo agreements with primary dealers	Any additional programs
25th Pctl	4	0	14	51	8	0	0	0
Median	12	0	35	55	9	1	0	0
75th Pctl	13	20	47	57	20	1	5	0
# of Responses	18	18	16	18	18	17	18	8

- 5)** Beyond your responses provided in the questions above, please describe your expectations for any additional actions or monetary policy measures, or modifications to those previously announced, by the Federal Reserve through year-end 2020 and over 2021.
(21 responses)

Several dealers indicated that they did not expect substantial further actions or measures to be implemented this year or over 2021 beyond what was reported in responses to previous questions.

- 6)** What percent chance do you attach to any additional U.S. federal fiscal policy measures being enacted over the next six months to support the economy?

	Probability
25th Pctl	68%
Median	80%
75th Pctl	88%

If you assigned a non-zero probability above, please provide your estimate of the most likely total amount of additional U.S. federal fiscal policy measures to be enacted over the next six months to support the economy, conditional on there being such additional measures.

	Estimate of most likely total amount (\$ billions)
25th Pctl	700
Median	900
75th Pctl	1000

Please describe any assumptions underlying your estimates above.

Several dealers indicated that they expected additional measures to include an extension of unemployment insurance benefits, an expansion of the Paycheck Protection Program, and/or additional funding for state and local governments. Several dealers indicated that they assumed that these additional measures would be similar to a bipartisan proposal recently introduced by members of Congress, and several indicated that they assumed that these measures would be enacted in the first quarter of 2021. Finally, several dealers indicated that they assumed split control of Congress in forming their expectations.

- 7a)** Please indicate your modal projections for U.S. real GDP growth for each of the following quarters (seasonally adjusted annual rate).

Modal Projection for U.S. Real GDP Growth (percent)					
	Q4 2020 (saar)	Q1 2021 (saar)	Q2 2021 (saar)	Q3 2021 (saar)	Q4 2021 (saar)
25th Pctl	2.5%	0.9%	3.5%	3.0%	2.8%
Median	4.0%	1.6%	4.6%	4.9%	3.8%
75th Pctl	5.4%	2.9%	5.1%	5.7%	4.8%

- 7b)** Please provide the percent chance you attach to the following outcomes for U.S. real GDP growth in 2020 and 2021 (Q4/Q4).

Probability Distribution of U.S. Real GDP Growth in 2020 (Q4/Q4)						
	≤ -8.01%	-8.00 - -6.01%	-6.00 - -4.01%	-4.00 - -2.01%	-2.00 - -0.01%	≥ 0 %
Average	1%	2%	9%	66%	22%	1%

Probability Distribution of U.S. Real GDP Growth in 2021 (Q4/Q4)						
	< 0%	0.00 - 2.00%	2.01 - 4.00%	4.01 - 6.00%	6.01 - 8.00%	≥ 8.01%
Average	4%	12%	37%	36%	10%	2%

8a) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from December 1, 2020 - November 30, 2025 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%
Average	6%	15%	34%	30%	12%	3%

Most Likely Outcome	
25th Pctl	1.90%
Median	2.00%
75th Pctl	2.15%

8b) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from December 1, 2025 – November 30, 2030 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%
Average	4%	12%	31%	33%	15%	5%

Most Likely Outcome	
25th Pctl	2.00%
Median	2.20%
75th Pctl	2.35%

9a) What percent chance do you attach to:
the U.S. economy currently being in a recession*?
the U.S. economy being in a recession* **in 6 months**?
the global economy being in a recession** **in 6 months**?

	Currently in U.S. Recession	U.S. Recession in 6 Months	Global Recession in 6 Months
25th Pctl	5%	25th Pctl 13%	25th Pctl 17%
Median	10%	Median 20%	Median 25%
75th Pctl	25%	75th Pctl 30%	75th Pctl 30%

*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.

9b) Please explain the factors behind any change to your expectations in part a since the last policy survey.

(21 responses)

In explaining changes to their recession probabilities, some dealers cited vaccine-related developments and several cited the recent rise in virus cases in the U.S. In addition, several dealers indicated that there were no significant changes to their recession probabilities.

- 10a)** Provide your estimate of the most likely outcome for output, inflation, and unemployment.
(15 responses)

		2020	2021	2022	2023	Longer Run
Real GDP (Q4/Q4 Growth)	25th Pctl	-2.80%	2.95%	2.30%	2.00%	1.80%
	Median	-2.45%	3.80%	2.70%	2.20%	1.90%
	75th Pctl	-2.20%	4.50%	3.10%	2.65%	2.00%
Core PCE Inflation (Q4/Q4)	25th Pctl	1.40%	1.50%	1.70%	1.90%	-
	Median	1.40%	1.65%	1.80%	2.00%	-
	75th Pctl	1.50%	1.85%	1.96%	2.02%	-
Headline PCE Inflation (Q4/Q4)	25th Pctl	1.20%	1.60%	1.70%	1.85%	2.00%
	Median	1.20%	1.70%	1.80%	2.00%	2.00%
	75th Pctl	1.30%	1.90%	2.00%	2.00%	2.00%
Unemployment Rate (Q4 Average Level)	25th Pctl	6.70%	5.10%	4.20%	3.75%	3.80%
	Median	6.80%	5.50%	4.70%	4.20%	4.00%
	75th Pctl	6.85%	5.71%	4.80%	4.40%	4.50%

- 10b)** Please explain changes, if any, to your estimates in part a since the last policy survey.
(23 responses)

Many dealers indicated that they had revised their estimates for 2020, including several who indicated that they had revised 2020 GDP growth upward and the 2020 unemployment rate downward, and some cited realized data as a factor behind these revisions. In addition, many dealers indicated that they had revised their estimates for 2021, including some who cited vaccine-related developments as a factor behind these revisions, several who cited developments relating to additional fiscal stimulus, and several who cited the recent rise in virus cases. Finally, several dealers indicated that they had lowered one or more of their estimates for inflation.