RESPONSES TO SURVEY OF PRIMARY DEALERS

Markets Group, Federal Reserve Bank of New York

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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.

List of Primary Dealers:
www.newyorkfed.org/markets/primarydealers

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

Current economic conditions:

Some dealers indicated that they expected the Committee to repeat language from its April statement that noted "sharp declines" in economic activity. Several others indicated that they did not expect any changes to this section of the statement. Several indicated that they expected the Committee to acknowledge that economic activity has started to pick up from low levels. Several indicated that they expected this part of the statement to acknowledge the disruptions that the virus has caused to the economy in general. Several indicated that they expected the Committee to note the continued deterioration of the labor market, with several of these indicating that they expected the Committee to point to recent increases in job losses. Finally, several indicated that they expected the Committee to note a recent decline in consumer spending.

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

Some dealers indicated that they expected no material changes specifically to communication on the expected path of the target range for the federal funds rate, and several indicated that they did not expect any changes to both elements of the statement. Several others indicated expectations for changes to communication on the expected path of the target range for the federal funds rate.

Communication on tools other than the target federal funds rate:

Several dealers indicated that they expected no material changes to this section of the statement. Several others indicated that they expected this section of the statement to repeat language that the Committee stands ready to use its full range of tools. Several indicated that they expected the Committee to provide an update on the pace or purpose of asset purchases.

Other:
(12 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)?

Many dealers indicated that they expected downgrades across participants' median economic projections for GDP, the unemployment rate, and inflation relative to the December 2019 Summary of Economic Projections. With respect to participants' median GDP growth forecasts, most dealers indicated that they expected a large decline in 2020, and many dealers suggested that they expected a rebound in the medians of GDP growth forecasts

after 2020. With respect to participants' median unemployment rate forecasts, most dealers indicated that they expected a large increase in 2020. Some dealers also indicated that they expected a decline in the medians after 2020. With respect to participants' median inflation forecasts, most dealers indicated that they expected a low inflation forecast in 2020. Several dealers noted that they expected the median to be below 2 percent through 2022, however, several other dealers noted that they expected the median to be at 2 percent by 2022. In addition, several dealers highlighted uncertainty surrounding their estimates for participants' median economic projections.

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	Longer Run
25th Pctl	**0.13%**	**0.13%**	**0.13%**	**2.25%**
Median	**0.13%**	**0.13%**	**0.25%**	**2.31%**
75th Pctl	**0.13%**	**0.13%**	**0.63%**	**2.50%**

1d) Additionally, please describe your expectations for the distributions of FOMC participants' target rate projections.

Many dealers indicated that they expected the distribution of participants' target rate projections to be wide or to widen in later years relative to the 2020 projections. Some dealers indicated that they expected the distribution of participants' target rate projections to eventually move higher. Several dealers indicated that they expected a narrow distribution through 2020 or 2021, while several others indicated that they expected a narrow distribution across the entire forecast horizon. Some dealers indicated that they expected the distribution of participants' target rate projections to be around the current target range in 2020. Of these, several specified that they expected all participants to project the target rate to remain at the current level in 2020. Several dealers indicated that they expected the distribution to also remain around the current target range through 2021. Several dealers indicated that they expected the distribution of participants' longer-run target rate projection to shift lower.

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

Most dealers noted that they expected the Chair's remarks during his press conference to be similar to his previous communications. Many dealers indicated that they expected the Chair to convey that the Fed would remain accommodative or use its full range of tools to support the economy as needed, and several indicated that they expected the Chair to reiterate the need for more fiscal support.

With respect to expected topics of discussion during the Chair's press conference, several dealers noted that they expected the Chair to discuss various credit facilities, several noted forward guidance, several noted yield curve control, several noted the balance sheet, and several noted negative policy rates.

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 below. For the time periods at which you expect a target range, please indicate the midpoint of that range in providing your response.

	Jun. 9-10	Jul. 28-29	Sep. 15-16	Nov. 4-5	Dec. 15-16	Jan. 26-27	2021 Q1
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 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
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%**	**0.38%**	**0.38%**	**0.63%**	**0.63%**
# of Responses	**24**	**24**	**24**	**19**	**19**	**19**	**19**

2b) 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%**	**1.10%**
Median	**2.25%**	**1.38%**
75th Pctl	**2.50%**	**1.88%**

2c) 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, and 2022. If you expect a target range, please use the midpoint of that range in providing your response.
(21 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	**3%**	**89%**	**5%**	**1%**	**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	**3%**	**64%**	**11%**	**7%**	**7%**	**6%**	**1%**	**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	**3%**	**47%**	**16%**	**10%**	**6%**	**5%**	**4%**	**4%**	**3%**	**3%**

2d) 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%**

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

Several dealers indicated that there were no material changes to their policy expectations. Several dealers indicated that they do not expect the FOMC to implement a negative target range for the federal funds rate. In addition, several dealers indicated that changes to their policy expectations were influenced by their outlook for a slow, gradual rebound in economic activity as lockdowns are lifted.

3) If applicable, please describe your expectations for additional actions or monetary policy measures by the Federal Reserve through year-end 2020.

In describing their expectations through year-end 2020, some dealers indicated that they expected the introduction of yield curve control. In addition, some indicated that they expected the Committee to provide additional communication on the expected path for the federal funds rate, with several noting that they expect outcome-based forward guidance related to unemployment rate and/or inflation outcomes. Finally, several dealers indicated that they do not expect substantial additional actions or measures.

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 through the end of the year and the total over

each calendar year for 2021 and 2022. If you expect any of these amounts to be zero in a given period, please enter 0.
(22 responses)

Net purchases of U.S. Treasury securities ($ billions)									
	Jun. 2020	Jul. 2020	Aug. 2020	Sep. 2020	Oct. 2020	Nov. 2020	Dec. 2020	Total in 2021	Total in 2022
25th Pctl	**80**	**63**	**55**	**50**	**43**	**33**	**23**	**253**	**0**
Median	**89**	**80**	**80**	**78**	**60**	**50**	**53**	**500**	**100**
75th Pctl	**100**	**100**	**100**	**100**	**80**	**80**	**80**	**980**	**500**

Net purchases of agency MBS ($ billions)									
	Jun. 2020	Jul. 2020	Aug. 2020	Sep. 2020	Oct. 2020	Nov. 2020	Dec. 2020	Total in 2021	Total in 2022
25th Pctl	**43**	**40**	**30**	**25**	**20**	**15**	**10**	**55**	**0**
Median	**65**	**50**	**43**	**43**	**40**	**28**	**25**	**200**	**0**
75th Pctl	**85**	**73**	**60**	**55**	**50**	**48**	**48**	**440**	**240**

Net purchases of agency CMBS ($ millions)									
	Jun. 2020	Jul. 2020	Aug. 2020	Sep. 2020	Oct. 2020	Nov. 2020	Dec. 2020	Total in 2021	Total in 2022
25th Pctl	**1000**	**1000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Median	**2000**	**1625**	**1000**	**1000**	**300**	**100**	**50**	**1350**	**0**
75th Pctl	**5000**	**4000**	**3000**	**2000**	**2000**	**2000**	**2000**	**12000**	**0**

4b) Please describe any assumptions that underlie your expectations in part a, as well as the uncertainty around your estimates.

Some dealers indicated that they expected the Federal Reserve to gradually reduce the pace of U.S. Treasury securities and agency MBS purchases through year-end. Several dealers indicated that they expected the Federal Reserve to implement a form of yield curve control at some point in the future.

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 September 30, 2020 below. If you expect any of these amounts to be zero on this date, please enter 0.

Level on September 30, 2020 ($ billions)								
	Discount Window	PDCF	MMLF	CPFF	MSNLF	MSELF	MLF	TALF
25th Pctl	**0**	**0**	**0**	**5**	**50**	**50**	**90**	**25**
Median	**10**	**5**	**20**	**20**	**100**	**125**	**250**	**50**
75th Pctl	**15**	**10**	**33**	**40**	**250**	**300**	**500**	**100**
# of Responses	**18**	**18**	**18**	**19**	**17**	**16**	**18**	**18**

	PMCCF	SMCCF	PPPLF	Central bank liquidity swaps	FIMA repo	Repo agreements with primary dealers	Any additional programs
25th Pctl	**15**	**80**	**100**	**250**	**0**	**75**	**0**
Median	**25**	**150**	**300**	**400**	**0**	**100**	**0**
75th Pctl	**200**	**300**	**550**	**450**	**5**	**150**	**50**
# of Responses	**17**	**19**	**18**	**19**	**17**	**18**	**9**

4d) Please describe any views you have on the realized or expected effectiveness of specific programs listed in part c in achieving their stated goals.

Some dealers indicated that they viewed various programs described in question 4c as effective in achieving their stated goals, and several noted that certain facilities served as effective backstops. Some dealers indicated that the Primary and Secondary Market Corporate Credit Facilities in particular were effective.

5) The table below lists the average spreads of money market rates* over the past week. Please provide your expectation for each of these rate spreads for the day after each of the FOMC meetings. **Please ensure your signs are correct.**

	Top of target range** minus IOER (in bps)		
	Jun. 9-10	Jul. 28-29	Sep. 15-16
25th Pctl	**15.0**	**15.0**	**15.0**
Median	**15.0**	**15.0**	**15.0**
75th Pctl	**15.0**	**15.0**	**15.0**
# of Responses	**24**	**24**	**24**

	EFFR minus IOER (in bps)		
	Jun. 9-10	Jul. 28-29	Sep. 15-16
25th Pctl	**-5.0**	**-5.0**	**-5.0**
Median	**-5.0**	**-5.0**	**-5.0**
75th Pctl	**-5.0**	**-5.0**	**-5.0**
# of Responses	**24**	**24**	**24**

	SOFR minus IOER (in bps)		
	Jun. 9-10	Jul. 28-29	Sep. 15-16
25th Pctl	**-7.0**	**-6.0**	**-6.5**
Median	**-5.0**	**-5.0**	**-5.0**
75th Pctl	**-4.0**	**-4.0**	**-4.0**
# of Responses	**24**	**24**	**24**

	Bottom of target range** minus ON RRP rate (in bps)		
	Jun. 9-10	Jul. 28-29	Sep. 15-16
25th Pctl	**0.0**	**0.0**	**0.0**
Median	**0.0**	**0.0**	**0.0**
75th Pctl	**0.0**	**0.0**	**0.0**
# of Responses	**24**	**24**	**24**

	3-Month U.S. Treasury bill yield minus 3-Month OIS (in bps)		
	Jun. 9-10	Jul. 28-29	Sep. 15-16
25th Pctl	**6.5**	**6.5**	**5.0**
Median	**8.0**	**8.5**	**8.0**
75th Pctl	**10.0**	**10.0**	**10.0**
# of Responses	**24**	**24**	**24**

** Listed rates include the interest on excess reserves (IOER) rate, effective federal funds rate (EFFR), Secured Overnight Financing Rate (SOFR), overnight reverse repurchase (ON RRP) rate, and 3-month overnight index swap rate (3m OIS).*

*** Target range for the federal funds rate.*

6a) Please indicate your modal projections for U.S. real GDP growth for each quarter (seasonally adjusted annual rate).

Modal Projection for U.S. Real GDP Growth (percent)				
	Q1 2020 (saar)	Q2 2020 (saar)	Q3 2020 (saar)	Q4 2020 (saar)
25th Pctl	**-5.0%**	**-40.0%**	**9.3%**	**5.8%**
Median	**-5.0%**	**-38.2%**	**20.5%**	**8.0%**
75th Pctl	**-5.0%**	**-33.1%**	**26.4%**	**10.5%**

6b) Please provide the percent chance you attach to the following outcomes for U.S. real GDP growth in 2020 (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	**17%**	**26%**	**27%**	**22%**	**7%**	**1%**

7) At what level do you expect the unemployment rate (U-3) to peak and when?

Peak Unemployment (U-3) Rate		
	Peak Unemployment (U-3) Rate	Peak Unemployment Rate Time Period
25th Pctl	**18.5%**	**May 2020**
Median	**19.4%**	**May 2020**
75th Pctl	**20.0%**	**June 2020**

** Dropdown selections:*
Apr 2020, May 2020, Jun 2020, Jul 2020, Aug 2020, Sep 2020, Oct 2020, Nov 2020, Dec 2020, Jan 2021, Feb 2021, Mar 2021, Apr 2021, May 2021, Jun 2021, Jul 2021, Aug 2021, Sep 2021, Oct 2021, Nov 2021, Dec 2021, Jan 2022 or later

8) Please describe your expectations for any additional U.S. federal fiscal policy measures through year-end 2020 to support the economy, if applicable.

Many dealers indicated that they expected additional fiscal stimulus, with some indicating that they expected additional funding for state and local governments and some indicating that they expected an expansion of unemployment insurance benefits. Several dealers expressed uncertainty around additional spending.

9a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from June 1, 2020 - May 31, 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	**8%**	**21%**	**33%**	**26%**	**10%**	**3%**

	Most Likely Outcome
25th Pctl	**1.73%**
Median	**1.95%**
75th Pctl	**2.10%**

9b) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from June 1, 2025 – May 31, 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	**5%**	**13%**	**32%**	**33%**	**13%**	**4%**

	Most Likely Outcome
25th Pctl	**2.00%**
Median	**2.15%**
75th Pctl	**2.25%**

10a) 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	**100%**	25th Pctl	**28%**	25th Pctl	**33%**
Median	**100%**	Median	**40%**	Median	**40%**
75th Pctl	**100%**	75th Pctl	**45%**	75th Pctl	**50%**

**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.*

10b) Please explain the factors behind any change to your expectations in part a since the last policy survey.
(19 responses)

Several dealers noted that they had made no material changes to their recession probabilities, and several others cited improving data and/or the passage of time in explaining changes to one or more of their recession probabilities.

11a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.
(15 responses)

		2020	2021	2022	Longer Run
Real GDP (Q4/Q4 Growth)	25th Pctl	-7.75%	3.65%	2.20%	1.70%
	Median	-5.90%	4.65%	2.80%	1.90%
	75th Pctl	-4.45%	5.69%	3.00%	2.00%
Core PCE Inflation (Q4/Q4)	25th Pctl	0.55%	1.20%	1.45%	-
	Median	0.90%	1.55%	1.70%	-
	75th Pctl	1.10%	1.80%	2.00%	-
Headline PCE Inflation (Q4/Q4)	25th Pctl	0.20%	1.30%	1.45%	2.00%
	Median	0.50%	1.60%	1.80%	2.00%
	75th Pctl	0.80%	1.95%	2.00%	2.00%
Unemployment Rate (Q4 Average Level)	25th Pctl	8.55%	6.30%	4.50%	4.00%
	Median	10.15%	7.45%	5.15%	4.35%
	75th Pctl	12.00%	8.00%	6.25%	4.50%

11b) Please explain changes, if any, to your estimates in part a since the last policy survey.
(23 responses)

Many dealers noted recent economic data releases as a factor behind revisions to their economic forecasts, with some citing labor market data releases and some pointing to indicators of economic activity. Several dealers indicated that they had revised their economic forecasts because the severity of the economic contraction due to the coronavirus outbreak was larger than they had expected, and several others cited expectations for the economic recovery to be gradual or more gradual than originally anticipated.