SURVEY OF PRIMARY DEALERS

SEPTEMBER 2019

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, September 9th at 2:00 pm Eastern Time** to the questions below.
Your time and input are greatly appreciated.

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

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

Current economic conditions:	
Economic outlook:	
Communication on the expected path of the target federal funds rate:	
Other:	

1b) What are your expectations for the medians of FOMC participants' <u>economic</u> projections in the Summary of Economic Projections (SEP)?

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

	Year-end 2019	Year-end 2020	Year-end 2021	Year-end 2022	Longer run
June SEP median:	**2.375%**	**2.125%**	**2.375%**		**2.500%**
September SEP median:					

Please comment on the balance of risks around your own expectations for the median projections.

1d) Additionally, please describe any expected changes to the distributions of FOMC participants' target rate projections, if applicable.

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

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 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.

	2019 FOMC meetings			**2020 FOMC meetings**			
	Sep 17-18	Oct 29-30	Dec 10-11	Jan 28-29	Mar 17-18	Apr 28-29	Jun 9-10
Target rate / midpoint of target range:							

	Quarters						**Half-Years**	
	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 H1	2022 H2
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 <u>between now and the end of 2019</u>.

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 2019	Sum
			0.00%

**Responses should add up to 100 percent.*

3d) Please indicate the percent chance* that you attach to the target federal funds rate or range falling in each of the following ranges <u>immediately following the September FOMC meeting</u>. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	2.01 - 2.25%	2.26 - 2.50%	2.51 - 2.75%	≥ 2.76%	Sum
Following the September FOMC meeting:									**0.00%**

**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 at the end of 2019. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	2.01 - 2.25%	2.26 - 2.50%	2.51 - 2.75%	≥ 2.76%	Sum
Year-end 2019:									**0.00%**

**Responses 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 at the end of 2020, 2021 and 2022, conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2022. 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 - 4.00%	≥ 4.01%	Sum
Year-end 2020:									**0.00%**
Year-end 2021:									**0.00%**
Year-end 2022:									**0.00%**

**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 now and the end of 2022.

Probability of moving to the ZLB at some point between now and the end of 2022: [ ]

Please comment on the change, if any, to your response compared to question 3g, part ii in the survey on July 22, as well as the degree to which this arises from a change in your outlook, the change to the question's forecast horizon, or both.

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 at the end of 2020, 2021 and 2022, conditional on moving to the ZLB at some point between now and the end of 2022. 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 2022. 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%	Sum
Year-end 2020:									**0.00%**
Year-end 2021:									**0.00%**
Year-end 2022:									**0.00%**

**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.

4a) Over the past week, the spread between the top of the target range for the federal funds rate and the interest on excess reserves (IOER) rate has been +15 basis points; the spread between the effective federal funds rate (EFFR) and IOER has averaged +2 basis points; the spread between the Overnight Bank Funding Rate (OBFR) and IOER has averaged +1 basis point; and the spread between the Tri-Party General Collateral Rate (TGCR) and IOER has averaged +2 basis points. Please provide your expectation for each of these rate spreads immediately following each of the FOMC meetings below and over the longer run**. **Please ensure your signs are correct.**

	Average over past week	**2019 FOMC meetings**			**2020 FOMC meeting**	Longer run**
		Sep 17-18	Oct 29-30*	Dec 10-11	Jan 28-29	
Top of target range minus IOER (in bps):	**+15**					
EFFR minus IOER (in bps):	**+2**					
OBFR minus IOER (in bps):	**+1**					
TGCR minus IOER rate (in bps):	**+2**					

** Please provide your response as of Nov. 1, the first post-FOMC day that is not a period-end reporting date.*
*** "Longer run" as discussed in the January 2019 Statement Regarding Monetary Policy Implementation and Balance Sheet Normalization.*

4b) Please indicate the lowest average weekly level ($ billions) you expect reserve balances to reach between now and the end of 2025, <u>conditional on **not** moving to the ZLB at any point between now and the end of 2025,</u> as reported in the weekly H.4.1 release. For reference, the average level of reserve balances for the week ended August 28, 2019 was $1499 billion according to the most recent H.4.1 release.

Lowest average weekly level of reserve balances ($ billions):

4c) According to the March 2019 Balance Sheet Normalization Principles and Plans, "[w]hen the Committee judges that reserve balances have declined to [a level consistent with efficient and effective implementation of monetary policy], the SOMA portfolio will hold no more securities than necessary for efficient and effective policy implementation. Once that point is reached, the Committee will begin increasing its securities holdings to keep pace with trend growth of the Federal Reserve's non-reserve liabilities and maintain an appropriate level of reserves in the system."

Please indicate the quarter in which you expect the Committee will begin increasing its securities holdings as described above, <u>conditional on not moving to the ZLB at any point between now and the end of 2025</u>.

Estimate for most likely quarter**:

***Dropdown selections:*
Q3 2019, Q4 2019, Q1 2020, Q2 2020, Q3 2020, Q4 2020, Q1 2021, Q2 2021, Q3 2021, Q4 2021, Q1 2022, Q2 2022, Q3 2022, Q4 2022, Q1 2023, Q2 2023, Q3 2023, Q4 2023, Q1 2024, Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025 or later

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5a) As of September 3, 2-year and 30-year nominal Treasury yields have declined by roughly 40 and 60 basis points on net since the July FOMC meeting, respectively. Please rate the importance of the following factors in explaining changes in these yields over this period. **(5=very important, 1=not important)**

	2-year	30-year
Changes in the outlook and uncertainty around the outlook for U.S. economic growth:		
Changes in the outlook and uncertainty around the outlook for foreign economic growth:		
Changes in expectations for U.S. inflation:		
Changes in perception of the FOMC's reaction function:		
Changes in the expected duration or frequency of policy rates at the ZLB:		
Changes in estimates of the U.S. neutral real rate of interest:		
Relative value of Treasury securities to foreign government securities:		
Investor positioning:		
Safe haven flows:		
Other (please explain):		

If "Other", please explain:

5b) As of September 3, the 2-year U.S. Treasury yield has declined by roughly 40 basis points since the July FOMC meeting. Please decompose this change into the following components. Please ensure that your sum matches -40 basis points. **Please ensure that your signs are correct.**

Change in Market Expectations for Average Real Policy Rate Over the Following 2 Years (bps)	Change in Market Expectations for Average Inflation Rate Over the Following 2 Years (bps)	Change in Market-Implied Nominal Term Premium (bps)	Your Sum (bps)	Change in 2-year U.S. Treasury Yield (bps)
			0	**-40**

5c) As of September 3, the 30-year U.S. Treasury yield has declined by roughly 60 basis points since the July FOMC meeting. Please decompose this change into the following components. Please ensure that your sum matches -60 basis points. **Please ensure that your signs are correct.**

Change in Market Expectations for Average Real Policy Rate Over the Following 30 Years (bps)	Change in Market Expectations for Average Inflation Rate Over the Following 30 Years (bps)	Change in Market-Implied Nominal Term Premium (bps)	Your Sum (bps)	Change in 30-year U.S. Treasury Yield (bps)
			0	**-60**

6a) Please describe your modal expectation and the balance of risks around your modal expectation for international trade developments from now until the end of 2019. In addition, please explain the factors behind any change to your views since the last policy survey.

6b) Please comment on your estimate of the magnitude of the impact, if any, of realized and expected international trade developments, including uncertainty, from now until the end of 2019 on the U.S. economy and financial conditions. In addition, please comment on how this estimate has changed since the last policy survey, if at all.

7a) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from September 1, 2019 - August 31, 2024 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%	Sum
						0.00%

Point estimate for most likely outcome:

**Responses should add up to 100 percent.*

7b) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from September 1, 2024 - August 31, 2029 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%	Sum
						0.00%

Point estimate for most likely outcome:

**Responses should add up to 100 percent.*

8a) 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**?	

**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.*

8b) What percent chance* do you attach to the U.S. economy first entering a recession** in each of the following periods?

2019 or earlier	2020	2021	2022	2023 or later	Sum
					0.00%

**Responses should add up to 100 percent.*

***NBER-defined recession*

8c) Please explain the factors behind any change to your expectations in parts a-b since the last policy survey.

9a) 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)
2019:				
2020:				
2021:				
2022:				
Longer run:				

9b) Please explain changes, if any, to your estimates in part a since the last policy survey.

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