Responses to Survey of Primary Dealers

Markets Group, Federal Reserve Bank of New York

October 2012

Responses to the Primary Dealer Policy Expectations Survey

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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] For multiple choice questions, the number of responses for each option is reported. Brief summaries of the comments received in free response form have also been provided.

Except where noted, all primary dealers responded to each question. In some cases, dealers may not have forecasts extending to the same time horizon as requested in the survey. In these instances, the number of respondents who fully answered all parts of the question is provided.

Monetary Policy Expectations

1. Do you expect any changes in the FOMC statement and, if so, what changes?

Many dealers expected no significant changes to policy in the October FOMC statement, and anticipated that the overall characterization of economic conditions would remain downbeat. Some, however, did expect some language describing the modest improvement they saw in the labor market and the decline in the unemployment rate in September. A couple of others expected the statement to acknowledge further housing market improvement.

2. Of the possible outcomes below, please indicate the percent chance you attach to the timing of the first federal funds target rate increase.

	H2 2012	H1 2013	H2 2013	H1 2014	H2 2014	H1 2015	H2 2015	H1 2016	H2 2016	≥ H1 2017
Average	0%	1%	3%	5%	11%	21%	24%	16%	13%	7%

	Most likely quarter and year of first target rate increase:
25th Pctl	*Q2 2015*
Median	Q3 2015
75th Pctl	*Q3 2015*

3. Provide your firm's estimate of the most likely outcome (i.e., the mode) for the federal funds target rate or range at the end of each half-year period:

	H2 2012	H1 2013	H2 2013	H1 2014	H2 2014	H1 2015	H2 2015	H1 2016	H2 2016	H1 2017	Longer Run
25th Pctl	*0-.25%*	*0-.25%*	*0-.25%*	*0-.25%*	*0-.25%*	*0-.25%*	*0.44%*	*0.75%*	*1.50%*	*2.00%*	*4.00%*
Median	0-.25%	0-.25%	0-.25%	0-.25%	0-.25%	0-.25%	0.63%	1.13%	1.88%	2.50%	4.00%
75th Pctl	*0-.25%*	*0-.25%*	*0-.25%*	*0-.25%*	*0-.25%*	*0.50%*	*1.06%*	*2.00%*	*2.50%*	*3.31%*	*4.00%*

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

4. How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey on 9/4/12? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness. Please explain.

	Number of Respondents
1 - Very Ineffective	0
2	1
3	7
4	9
5 - Very Effective	4

Some dealers viewed the language changes contained in the September FOMC statement as clear, and some considered Chairman Bernanke's post-meeting press conference as helpful. A few dealers viewed public commentary from Federal Reserve officials following the September meeting positively, while a few others regarded the different views expressed by various officials as detracting from the consistency of the Committee's message. A few dealers also viewed official communications leading up to the September meeting as helpful in preparing the market for the possibility of further accommodative policy action. A few dealers offered criticism for what they regarded as a lack of detail around economic or market conditions governing the measurement of a 'substantial improvement' in the labor market outlook or the eventual exit from accommodative policies.

5. In the September FOMC statement, the Committee announced a new asset purchase program. In the statement, the Committee said "These actions...together will increase the Committee's holdings of longer-term securities by about $85 billion each month through the end of the year."

a) Please provide your expectation for the monthly pace of purchases that will be in effect after each of the below FOMC meetings.

Monthly Pace of Longer-Term Security Purchases ($Billions)

		Treasuries	*Agency MBS*
	25th Pctl	*45*	*40*
October 23-24	Median	45	40
	75th Pctl	*45*	*40*
	25th Pctl	*45*	*40*
December 11-12	Median	45	40
	75th Pctl	*45*	*40*
	25th Pctl	*40*	*40*
January 29-30	Median	*45*	*40*
	75th Pctl	*45*	*40*

b) For each option of monthly Treasury purchases listed below, relative to the monthly size of longer-term Treasury purchases in effect since the June 2012 FOMC meeting, please indicate the probability of that option being selected at the next FOMC meeting and within the next 6 months, 1 year, and 2 years. Please explain.

		Probability at next FOMC meeting	**Probability within 6 months**	**Probability within 1 year**	**Probability within 2 years**
Increase monthly size of Treasury purchases	*25th Pctl*	*0%*	*10%*	*10%*	*5%*
	Median	1%	10%	15%	15%
	75th Pctl	*10%*	*25%*	*25%*	*30%*
Leave monthly size of Treasury purchases unchanged	*25th Pctl*	*90%*	*35%*	*30%*	*15%*
	Median	98%	50%	40%	20%
	75th Pctl	*100%*	*75%*	*50%*	*30%*
Decrease monthly size of Treasury purchases	*25th Pctl*	*0%*	*5%*	*20%*	*45%*
	Median	0%	20%	45%	60%
	75th Pctl	*1%*	*45%*	*55%*	*75%*

(20 primary dealer comments)

Several dealers provided their estimates for the pace of Treasury purchases and period over which Treasury purchases would continue. A couple of dealers stated that market functioning concerns would impact the pace of purchases or the time period over which purchases could take place. A couple of dealers mentioned that a negative outcome related to the 'fiscal cliff' could lead to a possible increase in the pace of purchases, and a couple mentioned that improvement in the labor market could lead to a decrease in the pace of purchases.

c) For each option of monthly agency MBS purchases listed below, relative to the monthly size of agency MBS purchases in effect since the September 2012 FOMC meeting, please indicate the probability of that option being selected at the next FOMC meeting and within the next 6 months, 1 year, and 2 years. Please explain.

		Probability at next FOMC meeting	**Probability within 6 months**	**Probability within 1 year**	**Probability within 2 years**
Increase monthly size of agency MBS purchases	*25th Pctl*	*0%*	*5%*	*10%*	*5%*
	Median	0%	10%	18%	20%
	75th Pctl	*5%*	*15%*	*25%*	*30%*
Leave monthly size of agency MBS purchases unchanged	*25th Pctl*	*95%*	*73%*	*35%*	*15%*
	Median	100%	75%	50%	20%
	75th Pctl	*100%*	*88%*	*60%*	*30%*
Decrease monthly size of agency MBS purchases	*25th Pctl*	*0%*	*5%*	*15%*	*45%*
	Median	*0%*	10%	30%	60%
	75th Pctl	*1%*	*10%*	*50%*	*80%*

(19 primary dealer comments)

Some dealers stated that market functioning concerns would impact the pace and overall magnitude of agency MBS purchases. Some dealers also provided their size estimates for the monthly pace of agency MBS purchases and estimates for the period over which agency MBS purchases would continue. Several dealers provided their estimates for the timing of changes in the pace of purchases and when they envision purchases ceasing.

d) Please indicate the quarter and year you expect purchases associated with the flow-based asset purchase program to end. Please explain, including a description of why you expect the purchase program to end at the quarter and year indicated.

	Expected End of Flow-Based Asset Purchase Program:
25th Pctl	*Q3 2013*
Median	Q1 2014
75th Pctl	*Q2 2014*

Several dealers expected the purchase program to end when a substantial improvement in the labor market (or labor market outlook) and a sustainable economic recovery are achieved, with a few dealers estimating the program end date relative to progress toward a specific level of the unemployment rate. A few dealers expected the program to be halted as a result of an increase in perceived costs of the purchase program or a decline in the perceived benefit. A couple of dealers cited expectations for a tapering of purchases before the program is halted.

e) The September FOMC statement included the phrase "If the outlook for the labor market does not improve substantially, the Committee will continue its purchases of agency mortgage-backed securities, undertake additional asset purchases, and employ its other policy tools as appropriate until such improvement is achieved in a context of price stability." Please describe what you believe the FOMC would consider a substantial improvement in the labor market outlook.

Many dealers interpreted the meaning of substantial improvement as a certain number of net new jobs created over a specific time horizon, with most of these dealers citing an average of around 200 thousand jobs per month for a minimum of 6 months. Several dealers also defined substantial improvement as the acheivement of a specific level for the unemployment rate, with most of these dealers citing a level of around 7 percent. Some other dealers interpreted substantial improvement as the unemployment rate declining in the context of steady or increasing labor force participation. A few dealers stated they would expect several quarters of above-trend GDP growth, while a few others viewed substantial improvement as including a decline in long-term unemployment and those working part time for economic reasons.

6. Please provide your expectation for the change in the amount of domestic securities held outright in the SOMA portfolio by year-end, and then the half-year changes for the following 4 years. For your reference, as of the last H.4.1 release the current level of Treasury holdings including inflation accretion is $1653 billion and the current level of agency debt and settled and unsettled agency MBS holdings is $1009 billion. Please explain.[2,3]

		2012 Q4	2013 H1	2013 H2	2014 H1	2014 H2	2015 H1	2015 H2	2016 H1	2016 H2
		$Billions								
Change in the estimated amount of Treasuries	25th Pctl portfolio	0	240	63	72	0	0	0	-25	-119
	Median portfolio	0	270	210	60	0	0	0	-60	-98
	75th Pctl portfolio	0	270	270	180	60	0	-50	-10	23
Change in the estimated amount of agency debt and MBS	25th Pctl portfolio	120	240	180	0	-30	-110	-90	-140	-208
	Median portfolio	120	240	240	0	0	0	-140	-75	-132
	75th Pctl portfolio	120	240	240	150	90	-35	-85	-90	-89

[2] This table has been revised since its original release.
[3] Respondents provided their expected change in the SOMA portfolio of Treasuries and agency debt and MBS at each time horizon. The above data is constructed by creating a portfolio level for each respondent at each time horizon based upon their responses. The 25th percentile, median, and 75th percentile portfolio level are then sampled at each time horizon. The above data represent the changes in these portfolios at each time horizon.

Nearly all dealers reiterated their expectations for the expected monthly pace of purchases and their expected timing for a halt to purchases. Many dealers also provided their assumptions for future portfolio runoff and exit steps. A couple of dealers expected no outright sales of securities within the forecast period. A couple of dealers expected mortgage prepayment speeds to decline in the future and built this assumption into their expectations for portfolio runoff.

7. Of the possible outcomes below, please indicate the percent chance you attach to the SOMA portfolio level falling in each of the following ranges at year-end 2013 and year-end 2014. For your reference, the current level of the SOMA portfolio including inflation accretion and settled and unsettled agency MBS according to the latest H.4.1 is $2662 billion. Please explain.

				Year End 2013			
	<3000	**3000-3250**	**3250-3500**	**3500-3750**	**3750-4000**	**4000-4250**	**>4250**
Average	2%	11%	16%	29%	27%	8%	8%

				Year End 2014			
	<2500	**2500-3000**	**3000-3500**	**3500-4000**	**4000-4500**	**4500-5000**	**>5000**
Average	1%	4%	22%	34%	18%	8%	13%

(18 primary dealer comments)

Several dealers provided their most likely estimate for the size of the SOMA portfolio at end 2013 and 2014, with a few also reiterating their expectations for the monthly pace of securities purchases. For 2013, a couple of dealers perceived a risk of a higher-than-expected pace of purchases and a couple of dealers expected some risk that the overall size of purchases could be smaller than anticipated. For 2014, a few dealers perceived balanced risks to their forecasts for the level of the SOMA portfolio.

8. FOMC communications have discussed several different ways monetary policy could be altered to provide either less or more accommodation.

a) For each listed policy tool, please indicate the probability the tool will be used to signal future policy tightening or to tighten policy at the next FOMC meeting and within the next 1 and 2 years. Please explain.

		Probability at next FOMC meeting	Probability within 1 year	Probability within 2 years
	25th Pctl	*0%*	*0%*	*10%*
Raise interest on excess reserves	Median	0%	1%	15%
	75th Pctl	*0%*	*2%*	*20%*
	25th Pctl	*0%*	*1%*	*15%*
Drain reserves through temporary tools	Median	0%	3%	20%
	75th Pctl	*0%*	*5%*	*30%*
	25th Pctl	*0%*	*1%*	*20%*
Halt reinvestments	Median	0%	5%	30%
	75th Pctl	*0%*	*10%*	*36%*
	25th Pctl	*0%*	*0%*	*1%*
Reduce size of SOMA portfolio through selling securities	Median	0%	0%	5%
	75th Pctl	*0%*	*0%*	*5%*
	25th Pctl	*0%*	*2%*	*20%*
Change the forward guidance on the path of the federal funds rate	Median	0%	5%	30%
	75th Pctl	*0%*	*10%*	*40%*
	25th Pctl	*0%*	*0%*	*0%*
Other	Median	0%	0%	0%
	75th Pctl	*0%*	*2%*	*10%*

(17 primary dealer comments)

Several dealers expected that the Committee will alter the forward guidance on the path of the federal funds target rate as a first step in the tightening process. A couple of dealers each regarded halting portfolio reinvestments and providing guidance on the size and composition of the balance sheet as the first step in the tightening process. A few dealers perceived the temporary draining of reserves as a second step in the process, and a few regarded halting reinvestments as a second step. Some dealers expected asset sales and interest rate hikes to come as the last steps in the tightening process. Some dealers thought that there was only a small chance of any policy tightening over the next two years.

From part a), please explain any other tightening tools that might be introduced:

(7 primary dealer comments)

A couple of dealers cited that guidance on the size and composition of the balance sheet could be introduced, while a couple of dealers also mentioned that a program to reduce the duration of the SOMA portfolio was also an option.

b) Because respondents could see some of the choices from part a) as overlapping, the answers to that part do not necessarily reveal the combined probability of various choices. Please indicate the probability that the FOMC will take any of the policy actions listed in part a) above. Please indicate the probability that any of these tools will be used at the next FOMC meeting and within the next 1 and 2 years. Please explain.

		Probability at next FOMC meeting	Probability within 1 year	Probability within 2 years
	25th Pctl	*0%*	*5%*	*25%*
Add any type of policy tightening	Median	0%	*6%*	*35%*
	75th Pctl	*0%*	*15%*	*45%*

(11 primary dealer comments)

A few dealers highlighted that altering the forward rate guidance and allowing security redemptions without reinvestment could be implemented simultaneoulsy or within the same timeframes provided in the question.

c) For each listed policy tool, please indicate the probability the tool will be used to signal future policy easing or to ease policy at the next FOMC meeting and within the next 1 and 2 years. Please explain.

		Probability at next FOMC meeting	Probability within 1 year	Probability within 2 years
	25th Pctl	*0%*	*10%*	*40%*
Lower interest on excess reserves	Median	1%	20%	60%
	75th Pctl	*5%*	*25%*	*76%*
Change the forward guidance in the FOMC statement on the path of the federal funds rate	*25th Pctl*	*0%*	*25%*	*30%*
	Median	0%	40%	50%
	75th Pctl	*5%*	*60%*	*65%*
Introduce new tools to promote more accommodative financial conditions	*25th Pctl*	*0%*	*10%*	*15%*
	Median	*1%*	20%	20%
	75th Pctl	*5%*	*25%*	*40%*
	25th Pctl	*0%*	*2%*	*5%*
Other	Median	*0%*	5%	10%
	75th Pctl	*1%*	*30%*	*30%*

(16 primary dealer comments)

Several dealers anticipated further changes to the forward rate guidance over the forecast horizon. A few regarded a lowering of interest paid on excess reserves as possible, while a couple regarded it as unlikely. A couple of dealers stated that they did not anticipate any easing measures at the October meeting.

From part c), please describe what new tools might be introduced:

(19 primary dealer comments)

Some dealers continued to cite the introduction of a program similar to the Bank of England's Funding for Lending scheme as a possible new tool, while a few dealers stated that a more general discount window lending program was a possibility. A few dealers offered that an enhancement to the forward rate guidance that would condition it on macroeconomic variables was an option. A couple of dealers also cited the possibility of GDP targeting.

From part c), please explain any other easing tools that might be introduced:

(12 primary dealer comments)

Guidance on the size and composition of the balance sheet, another maturity exension program (MEP), and an acceleration in the pace of purchases under the flow-based program were each mentioned by a couple of dealers.

d) Because respondents could see some of the choices from part c) as overlapping, the answers to that part do not necessarily reveal the combined probability of various choices. Please indicate the probability that the FOMC will take any of the policy actions listed in part c) above. Please indicate the probability that any of these tools will be used at the next FOMC meeting and within the next 1 and 2 years. Please explain.

		Probability at next FOMC meeting	Probability within 1 year	Probability within 2 years
Add any type of policy accommodation	*25th Pctl*	*0%*	*35%*	*40%*
	Median	2%	50%	60%
	75th Pctl	*5%*	*61%*	*76%*

(14 primary dealer comments)

Some dealers highlighted additional changes to the forward rate guidance as the most likely option for further easing over the forecast horizon. A couple of dealers also cited the possibility of a further asset purchase program, and a couple noted that further rate guidance and further asset purchases could occur simultaneously.

9. a) Provide your firm's estimate of the most likely outcome (i.e., the mode) for output, inflation, and unemployment. Are the risks to output, inflation and unemployment skewed to the downside, balanced, or skewed to the upside relative to your forecast? Please comment on any risks you see to your forecast.

(12 complete primary dealer responses)

		Q4/Q4 2012*	Q4/Q4 2013*	Q4/Q4 2014*	Q4/Q4 2015*	Long Run
	25th Pctl	*1.60%*	*1.80%*	*2.50%*	*2.75%*	*2.21%*
GDP	Median	1.70%	2.10%	2.75%	3.00%	2.25%
	75th Pctl	*1.80%*	*2.30%*	*2.98%*	*3.20%*	*2.50%*
	25th Pctl	*1.70%*	*1.70%*	*1.80%*	*1.80%*	
Core PCE	Median	1.80%	1.80%	1.90%	1.90%	
	75th Pctl	*1.90%*	*1.90%*	*2.00%*	*2.00%*	
	25th Pctl	*1.70%*	*1.60%*	*1.68%*	*1.80%*	*2.00%*
Headline PCE	Median	1.90%	1.90%	2.00%	2.00%	2.00%
	75th Pctl	*2.00%*	*2.00%*	*2.08%*	*2.20%*	*2.20%*
	25th Pctl	*7.90%*	*7.60%*	*7.05%*	*6.50%*	*5.74%*
Unemployment Rate	Median	8.00%	7.70%	7.25%	6.70%	6.00%
	75th Pctl	*8.10%*	*7.90%*	*7.30%*	*6.80%*	*6.26%*

*Average level over Q4 in the case of the unemployment rate.

(13 complete primary dealer responses)

2012 Forecasts
Number of Respondents Citing:

	Downside Risk	Balanced Risk	Upside Risk
GDP	4	15	2
Core PCE	2	19	0
Headline PCE	1	18	2
Unemployment Rate	3	14	4

2013 Forecasts
Number of Respondents Citing:

	Downside Risk	Balanced Risk	Upside Risk
GDP	10	9	2
Core PCE	4	15	2
Headline PCE	4	12	5
Unemployment Rate	7	10	4

2014 Forecasts

Number of Respondents Citing:

	Downside Risk	Balanced Risk	Upside Risk
GDP	4	10	0
Core PCE	2	9	3
Headline PCE	2	9	3
Unemployment Rate	5	8	1

2015 Forecasts

Number of Respondents Citing:

	Downside Risk	Balanced Risk	Upside Risk
GDP	4	9	0
Core PCE	1	8	4
Headline PCE	1	8	4
Unemployment Rate	6	6	1

(20 primary dealer comments)

Regarding downside risks to dealers' economic growth forecasts, some cited ongoing strains emanating from the European fiscal and banking crisis while some highlighted slowing global growth. Many dealers cited fiscal policy uncertainty in the U.S., with a couple noting its effects on business confidence and spending specifically. In terms of upside risks, some dealers noted a resolution to the fiscal cliff would be supportive of business investment and economic growth. A few cited ongoing improvement in the housing market as an upside risk. A couple of dealers viewed a pickup in trade in the context of a global growth strengthening as another upside risk.

In terms of inflation, a few dealers cited tensions in the Middle East and the potential for higher energy prices to contribute to inflation, while a couple noted the potential negative impact of rising food prices on households. A couple of dealers cited accommodative monetary policy as posing upside risks to inflation, while a couple of others regarded potential U.S. election outcomes as a downside risk to growth.

b) Do you feel more, less, or equally uncertain regarding your economic forecasts since the last survey on 9/4/12?

Number of Dealers:

	Less Uncertain	Equally Uncertain	More Uncertain
GDP Uncertainty	0	16	5
Core PCE Uncertainty	0	18	3

10. What percent chance do you attach to the 4-quarter change in the core PCE deflator falling below zero by the end of Q4 2013?

	Probability
25th Pctl	*5%*
Median	5%
75th Pctl	*10%*

11. For the outcomes below, please indicate the percent chance you attach to the annual average CPI inflation rate from 2017 - 2022. Please also indicate your point estimate for the most likely outcome (i.e., the mode).

	≤1.0%	**1.01-1.5%**	**1.51-2.0%**	**2.01-2.5%**	**2.51-3.0%**	**≥3.01%**
Average	4%	9%	22%	34%	21%	9%

	Point Estimate for most likely outcome
25th Pctl	*2.00%*
Median	2.25%
75th Pctl	*2.50%*

12. a and b) What percent chance do you attach to the U.S. economy currently being in a recession (NBER-defined)? What percent chance would you attach to the U.S. economy being in a recession in 6 months (NBER-defined)?

	Currently in NBER Recession
25th Pctl	*5%*
Median	5%
75th Pctl	*15%*

	NBER Recession in 6 Months
25th Pctl	*25%*
Median	25%
75th Pctl	*30%*

13. a) Please provide your firm's estimate of the most likely joint outcome (i.e., the mode) for the unemployment rate and headline 12-month PCE inflation at the time of your estimate for the first federal funds target rate increase.

	Joint Outcome at First Federal Funds Rate Hike	
	Unemployment Rate	**Headline PCE**
25th Pctl	*6.5%*	*2.0%*
Median	6.8%	2.0%
75th Pctl	*7.0%*	*2.5%*

b) Given the levels of headline 12-month PCE inflation listed below, at what level of the unemployment rate would you expect the Committee to increase its target for the federal funds rate?

	Unemployment Rate at First Hike of Federal Funds Rate		
	1% PCE	**2% PCE**	**3% PCE**
25th Pctl	*5.5%*	*6.3%*	*7.0%*
Median	6.0%	6.5%	7.2%
75th Pctl	*6.5%*	*7.0%*	*7.5%*

Please explain, listing any other factors you deem important in determining the timing of the first increase to the target federal funds rate:

(19 primary dealer comments)

Some dealers regarded the level of core inflation and the influence of transitory factors in headline inflation as important determinants in the timing of the first increase to the federal funds target rate. Labor force participation and medium-term inflation expectations were also cited by a few dealers. A few dealers regarded the unemployment rate as the primary factor in determining the timing of interest rate increases, while a couple of dealers viewed the pace of job gains as important. A couple of dealers also mentioned the availability of credit as an important variable.

14. Please comment on any changes to your macroeconomic assessments since the last FOMC meeting.

(18 primary dealer comments)

Several dealers reiterated the downside risks they perceived to their economic forecasts. A couple of dealers upgraded their medium-term economic forecasts as a result of Federal Reserve policy actions taken in September. A couple downgraded their current-quarter estimates as a result of incoming economic data and an environment of elevated macroeconomic uncertainty. A couple of dealers revised their forecasts for the unemployment rate down as a result of the larger-than-expected decline in the unemployment rate in September. Some dealers stated that they made no significant changes to their forecasts. A couple of dealers upgraded their GDP forecast as a result of better-than-expected housing market data.

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Updated as of October 31, 2012
Following the October FOMC meeting (October 23-24), primary dealers were asked to update their responses to questions number 6 and 7.

6. **Please provide your expectation for the change in the amount of domestic securities held outright in the SOMA portfolio by year-end, and then the half-year changes for the following 4 years. For your reference, as of the last H.4.1 release the current level of Treasury holdings including inflation accretion is $1653 billion and the current level of agency debt and settled and unsettled agency MBS holdings is $1009 billion. Please explain.[4,5]**

(19 complete primary dealer responses)

		2012 Q4	2013 H1	2013 H2	2014 H1	2014 H2	2015 H1	2015 H2	2016 H1	2016 H2
						$Billions				
Change in the estimated amount of Treasuries	25th Pctl portfolio	0	153	147	60	15	0	-25	-100	-71
	Median portfolio	0	270	180	30	0	0	0	-105	0
	75th Pctl portfolio	0	270	270	180	60	0	-50	-10	23
Change in the estimated amount of agency debt and MBS	25th Pctl portfolio	120	240	180	0	-30	-122	-88	-180	-135
	Median portfolio	120	240	240	0	0	0	-50	-165	-227
	75th Pctl portfolio	120	240	240	240	0	0	0	-120	-15

(19 primary dealer comments)

A couple of dealers cited their expectations for the Committee to continue purchasing Treasury and MBS securities into 2013, and noted their expected pace of purchases of Treasury securities. Many dealers indicated that they perceived no change to their forecasts following the October FOMC meeting.

7. **Of the possible outcomes below, please indicate the percent chance* you attach to the SOMA portfolio level falling in each of the following ranges at year-end 2013 and year-end 2014.** For your reference, the current level of the SOMA portfolio including inflation accretion and settled and unsettled agency MBS according to the latest H.4.1 is $2662 billion. Please explain.**

(19 complete primary dealer responses)

Year End 2013

	<3000	3000-3250	3250-3500	3500-3750	3750-4000	4000-4250	>4250
Average	3%	12%	16%	29%	29%	9%	3%

Year End 2014

	<2500	2500-3000	3000-3500	3500-4000	4000-4500	4500-5000	>5000
Average	0%	4%	19%	33%	21%	13%	9%

[4] This table has been revised since its original release.
[5] Respondents provided their expected change in the SOMA portfolio of Treasuries and agency debt and MBS at each time horizon. The above data is constructed by creating a portfolio level for each respondent at each time horizon based upon their responses. The 25th percentile, median, and 75th percentile portfolio level are then sampled at each time horizon. The above data represent the changes in these portfolios at each time horizon.

(19 primary dealer comments)

Following the October FOMC meeting, many dealers indicated that they perceived no change to the probabilities they would assign to the various levels of SOMA relative to their responses to the October survey of primary dealers.