Survey of Market Participants

Markets Group, Federal Reserve Bank of New York

April 2014

Please respond by **Tuesday, April 22, at 10:30 am** to the questions below. Your time and input are greatly appreciated.

This survey is formulated by the Trading Desk at the Federal Reserve Bank of New York. The questions involve only topics that are widely discussed in the public domain and never presume any particular policy action. FOMC members are not involved in the survey's design.

Participant:

Monetary Policy Expectations

1) a) How do you expect the release of the April FOMC statement to influence market perceptions of the stance of monetary policy, if at all? (1 = less accommodative, 3 = neutral, 5 = more accommodative)

Perceived stance of monetary policy:

b) What announced purchase pace, effective following the upcoming FOMC meeting, do you believe would result in roughly no change in the price of the 10-year Treasury note, assuming no other policy action?

	Treasuries	*Agency MBS*
Pace of purchases following the upcoming FOMC meeting ($ billions):		

2) a) Of the possible outcomes below, provide the percent chance* you attach to the timing of the first target federal funds rate increase.

2014 H1	2014 H2	2015 H1	2015 H2	2016 H1	2016 H2	2017 H1	2017 H2	≥2018 H1

** Percentages should add up to 100 percent.*

b) Provide your estimate for the most likely quarter and year of the first target rate increase. Also, provide your estimate for the most likely target rate following the first increase.

Estimate for most likely quarter and year of first target rate increase:
Estimate for most likely target rate following first increase (percent):

c) Provide your estimate of the most likely outcome (i.e., the mode) for the target federal funds rate or range at the end of each period below. 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.

2014 H1	2014 H2	2015 H1	2015 H2	2016 H1	2016 H2	2017 H1	2017 H2	≥2018 H1

Longer run:

Expectation for average federal funds rate over next 10 years:

3) Of the possible outcomes below, please indicate the percent chance* you attach to the target federal funds rate or range falling in each of the following ranges at the end of 2014, 2015, and 2016.

	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 2014:							
Year-end 2015:							
	≤0.50%	**0.51 - 1.00%**	**1.01 - 1.50%**	**1.51 - 2.00%**	**2.01 - 2.50%**	**2.51 - 3.00%**	**≥3.01%**
****Year-end 2016:**							

** Percentages across rows should add to 100 percent.*
***Bins are centered around highest average probability from January SPD.*

4) a) Provide the percent chance* you attach to the unemployment rate falling within the following ranges at the time of the first increase in the target federal funds rate.

	< 5.5 %	5.5 - 5.9%	6.0 - 6.5%	> 6.5%
Unemployment rate:				

**Percentages across rows should add up to 100 percent.*

b) Provide the percent chance* you attach to inflation between 1 and 2 years ahead falling within the following ranges at the time of the first increase in the target federal funds rate.

	< 1.25%	1.25 - 1.74%	1.75 - 2.24%	2.25 - 2.74%	≥ 2.75%
Inflation between 1 and 2 years ahead at liftoff:					

**Percentages across rows should add up to 100 percent.*

c) Provide your estimate for the most likely value for the following indicators at the time of the first increase in the target federal funds rate. When specifying values below, where appropriate, provide your estimate consistent with the last published value prior to the announcement of liftoff. For reference, the level of total U.S. employees on nonfarm payrolls for March seasonally adjusted, was 137.9 million.

Unemployment rate:	
Labor force participation rate:	
Total U.S. employees on non-farm payrolls (millions):	
12-month change in average hourly earnings:	
Headline 12-month PCE Inflation:	
Inflation between 1 and 2 years ahead (at liftoff):	

5) a) The 5-year nominal Treasury yield 5 years forward has declined from 4.60 percent on December 31, 2013 to 3.86 percent on April 17, 2014. Provide your estimate of the decomposition of this forward rate at the two dates cited.

	Expected Average Real Policy Rate	*Expected Average Inflation Rate*	*Term Premium*	*Your Sum**	*5y/5y Forward*
December 31, 2013:				0.00%	4.60%
April 17, 2014:				0.00%	3.86%

**Please ensure the sum of your individual components is equal to the level of the 5y5y forward on the date specified*

b) Rate the importance of the factors below in explaining the change in each of the components of the 5-year/5-year nominal Treasury yield. (5 = very important, 1 = not important)

	Expected Average Real Policy Rate	*Expected Average Inflation Rate*	*Term Premium*
Change in component of 5-year/5-year since 12/31/13:	0 bps	0 bps	0 bps
Change in the outlook for economic growth:			
Change in the outlook for inflation:			
Change in perception of future FOMC reaction function:			
Market-related factors (e.g., portfolio reallocation, trading dynamics, safe haven flows):			
Other factors not noted above:			

If Other, please explain:

6) a) Provide your estimate for the most likely 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*
2014	April 29-30:		
	June 17-18:		
	July 29-30:		
	September 16-17:		
	October 28-29:		
	December 16-17:		
2015	January 27-28:		
	March 2015:		
	April 2015:		

b) Provide the percent chance you attach to a reduction in asset purchase pace being announced at the April FOMC meeting.

	Percent Chance of Reduction
April 29-30:	

c) Provide your expectation for the most likely change in the amount of domestic securities held in the SOMA portfolio during each of the periods below. In the case of purchases, include settled and unsettled amounts.

	Half Years				*Full Year*
	2015 H1	2015 H2	2016 H1	2016 H2	2017
Expected change in amount of U.S. Treasury securities in SOMA ($ billions):					
Expected change in amount of agency debt and agency MBS in SOMA ($ billions):					

**Note, expectations begin with H1 2015 as prior periods are obtained from part a).*

d) Provide your estimate of the most likely quarter and year during which the FOMC will cease reinvesting some or all payments of principal on Tresuries and/or agency debt and MBS. In addition, please provide your expectation for the timing, in months, relative to the first increase in the target rate. If you do not expect the FOMC to cease reinvestments for either or both asset classes during the process of policy normalization, please leave the fields blank.

	Quarter & Year	*Number of months relative to liftoff*
Treasuries:		
Agency debt and MBS:		

7) Of the possible outcomes below, indicate the percent chance* you attach to the SOMA portfolio level falling in each of the following ranges at year-end 2014 and year-end 2015. For your reference, the level of the SOMA portfolio including inflation accretion and settled and unsettled agency MBS according to the January 2, 2014 H.4.1 was $3,814 billion.

Level of SOMA Portfolio ($ billions)

	<3500	3500-3750	3750-4000	4000-4250	4250-4500	4500-4750	4750-5000	>5000
Year-end 2014:								
Year-end 2015:								

** Percentages should add up to 100 percent.*

Dropdown Selections

1) a) How do you expect the release of the April FOMC statement to influence market perceptions of the stance of monetary policy, if at all? (1 = less accommodative, 3 = neutral, 5 = more accommodative)

Perceived stance of monetary policy:

1 -- Less Accommodative
2
3 -- Neutral
4
5 -- More Accommodative

2) b) Provide your estimate for the most likely quarter and year of the first target rate increase. Also, provide your estimate for the most likely target rate following the first increase.

Estimate for most likely quarter and year of first target rate increase:

Q2 2014
Q3 2014
Q4 2014
Q1 2015
Q2 2015
Q3 2015
Q4 2015
Q1 2016
Q2 2016
Q3 2016
Q4 2016
Q1 2017
Q2 2017
Q3 2017
Q4 2017
>= Q1 2018

c) Provide your estimate of the most likely outcome (i.e., the mode) for the target federal funds rate or range at the end of each period below. 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.

Target Federal Funds Rate or Range:

0 - .25%
0.25%
0.50%
0.75%
1.00%
1.25%
1.50%
1.75%
2.00%
2.25%
2.50%
2.75%
3.00%
3.25%
3.50%
3.75%
4.00%
4.25%
4.50%
4.75%
5.00%
5.25%
5.50%
5.75%
6.00%
> 6.00%

5) b) Rate the importance of the factors below in explaining the change in each of the components of the 5-year/5-year nominal Treasury yield. (5 = very important, 1 = not important)

Rating:

5 -- Very Important
4
3
2
1 -- Not Important

6) d) Provide your estimate of the most likely quarter and year during which the FOMC will cease reinvesting some or all payments of principal on Tresuries and/or agency debt and MBS. In addition, please provide your expectation for the timing, in months, relative to the first increase in the target rate. If you do not expect the FOMC to cease reinvestments for either or both asset classes during the process of policy normalization, please leave the fields blank.

Quarter & Year:

Q2 2014
Q3 2014
Q4 2014
Q1 2015
Q2 2015
Q3 2015
Q4 2015
Q1 2016
Q2 2016
Q3 2016
Q4 2016
Q1 2017
Q2 2017
Q3 2017
Q4 2017
>= Q1 2018