SURVEY OF PRIMARY DEALERS

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, December 4th at 5:00 pm** to the questions below. Your time and input are greatly appreciated.

Dealer:

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

Current economic conditions:

Economic outlook:

Communication on the expected path of the target fed funds rate:

Communication on the Committee's policy of reinvesting principal payments on Treasury and agency securities:

Other:

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

1c) What are your expectations for the most likely levels of the medians of FOMC participants' target federal funds rate projections in the SEP?

Year-end 2017:	Year-end 2018:	Year-end 2019:	Year-end 2020:	Longer run:

Please comment on the balance of risks around your expectations.

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?

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.

	2017	**2018**					
	Dec 12-13	Jan 30-31	Mar 20-21	May 1-2	Jun 12-13	Jul 31 - Aug 1	Sep 25-26
Target rate / midpoint of target range:							

	Quarters					**Half Years**	
	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 H1	2020 H2
Target rate / midpoint of target range:							

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:

Expectation for average federal funds rate over next 10 years:

2c) Please indicate the percent chance* that you attach to the following possible outcomes for the Committee's next policy action between now and the end of 2018.

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 2018

**Responses should add up to 100 percent.*

2d) Conditional on the Committee's next policy action between now and the end of 2018 being an increase in the target federal funds rate or range, please indicate the percent chance* that you attach to the following possible outcomes for the timing of such a change. Only fill out this conditional probability distribution if you assigned a non-zero probability to the Committee's next policy action between now and the end of 2018 being an increase.

Increase Occurs at December 2017 FOMC meeting	Increase Occurs at January 2018 FOMC meeting	Increase Occurs at March 2018 FOMC meeting or later

**Responses should add up to 100 percent.*

2e) 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 2018, conditional on the following possible scenarios for the direction and timing of the Committee's next policy action between now and the end of 2018**.** Only fill out the conditional probability distributions for which you assigned a non-zero probability to the conditioning event occurring. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	2.01 - 2.25%	2.26 - 2.50%	≥ 2.51%
Next change is an increase, occurs at Jan. 2018 FOMC meeting or earlier:								
Next change is an increase, occurs at Mar. 2018 FOMC meeting or later:								

	< 0.0%	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%
Next change is a decrease:								

**Responses across each row should add up to 100 percent.*

2f-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 2019 and 2020, conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2020. 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%
Year-end 2019:							
Year-end 2020:							

**Responses across each row should add up to 100 percent.*

2f-ii) Please indicate the percent chance that you attach to moving to the ZLB at some point between now and the end of 2020.

Probability of moving to the ZLB at some point between now and the end of 2020:	

2f-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 2019 and 2020, conditional on moving to the ZLB at some point between now and the end of 2020. 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 2020. 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%
Year-end 2019:								
Year-end 2020:								

**Responses across each row should add up to 100 percent.*

2f-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):	

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

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.

Quarters					Half Years				
2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 H1	2019 H2	2020 H1	2020 H2	Longer run:

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.

Quarters					Half Years				
2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 H1	2019 H2	2020 H1	2020 H2	Longer run:

4a) The spread between 2-year and 30-year U.S. Treasury yields has narrowed around 100 bps since December 2015. Please decompose this change into the following components. Please ensure that your sum matches -100 bps. **Please also ensure that your signs are correct.**

Change in market expectations for the average effective federal funds rate over the following 2 years (bps):	
Change in market-implied 2-year nominal term premium (bps):	
Change in market expectations for the average effective federal funds rate over the following 30 years (bps):	
Change in market-implied 30-year nominal term premium (bps):	
Other (please explain) (bps):	
Your sum:	**0**
Change in spread between 2-Year and 30-Year U.S. Treasury yields:	**-100**

If "Other", please explain:

4b) Please rate the importance of the following factors in explaining the change in the spread between 2-year and 30-year Treasury yields over this period **(5=very important, 1=not important).**

Change in expected U.S. economic growth:	
Change in expected U.S. inflation:	
Change in estimates of the longer-run neutral real federal funds rate:	
Change in expected net supply of Treasuries held by the public:	
Change in expectations for maturity distribution of Treasury issuance:	
Spillovers from foreign monetary policy:	
Change in demand for longer-dated Treasuries from liability-driven investors:	
Other (please explain):	

If "Other", please explain:

4c-i) Please comment on what signals regarding the U.S. economic outlook, if any, you draw from the level of and/or flattening in the yield curve.

4c-ii) Please comment on what impact, if any, the flattening of the yield curve may have on U.S. economic outcomes.

5a) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio at the end of 2020, conditional on **not** moving to the ZLB at any point between now and the end of 2020. For reference, the level of the SOMA portfolio on November 22nd, 2017 was $4257 billion, including inflation compensation and settled and unsettled agency MBS, according to the most recent H.4.1 release. Levels referenced below are in $ billions.

≤ 3000	3001 - 3500	3501 - 4000	4001 - 4500	≥ 4501

**Responses should add up to 100 percent.*

5b) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio at the end of 2020, conditional on moving to the ZLB at any point between now and the end of 2020. Only fill out this conditional probability distribution if you assigned a non-zero probability to moving to the ZLB at some point between now and the end of 2020 in question 2. Levels referenced below are in $ billions.

≤ 4000	4001 - 4500	4501 - 5000	5001 - 5500	≥ 5501

**Responses should add up to 100 percent.*

6) During 2017 to date, the average size of the Federal Reserve System's balance sheet was $4464 billion, and was composed roughly as follows:

Assets*	Level of Assets ($ billions)	Share of Total Assets (%)
US Treasuries:	**2464**	**55%**
Agency MBS:	**1769**	**40%**
All Other Assets**:	**231**	**5%**
Total Assets:	**4464**	**100%**

Liabilities and Capital*	Level of Liabilities and Capital ($ billions)	Share of Total Liabilities and Capital (%)
Federal Reserve Notes:	**1505**	**34%**
Reserves:	**2252**	**50%**
Deposits in Treasury General Account (TGA):	**178**	**4%**
Reverse repos with private counterparties:	**156**	**3%**
Reverse repos with foreign official accounts:	**243**	**5%**
Other deposits***:	**74**	**2%**
All Other Liabilities and Capital:	**55**	**1%**
Total Liabilities and Capital:	**4464**	**100%**

*Individual categories rounded to the nearest $ billion.

**Includes net unamortized premiums and discounts on securities held outright, repos, and other assets.

***Includes balances held by designated financial market utilities (DFMUs), government sponsored entities (GSEs) and international and multilateral organizations.

The figures above refer to averages of Wednesday levels from 2017 H.4.1 releases through 11/24.

Please indicate your expectations for the composition of the Federal Reserve System's balance sheet, on average, in 2025, conditional on **not** moving to the ZLB at any point between now and the end of 2025. Please provide your responses in levels ($ billions), the total levels and shares will automatically populate so as to aid responding. Please ensure total assets are equal to total liabilities plus capital.

Assets

	Level of Assets ($ billions)	Share of Total Assets (%)
US Treasuries:		**0.00%**
Agency MBS:		**0.00%**
All Other Assets*:		**0.00%**
Total Assets:	**0**	**0.00%**

Liabilities and Capital

	Level of Liabilities and Capital ($ billions)	Share of Total Liabilities and Capital (%)
Federal Reserve Notes:		**0.00%**
Reserves:		**0.00%**
Deposits in Treasury General Account (TGA):		**0.00%**
Reverse repos with private counterparties:		**0.00%**
Reverse repos with foreign official accounts:		**0.00%**
Other deposits**:		**0.00%**
All Other Liabilities and Capital:		**0.00%**
Total Liabilities and Capital:	**0**	**0.00%**

*Includes net unamortized premiums and discounts on securities held outright, repos, and other assets.

**Includes balances held by designated financial market utilities (DFMUs), government sponsored entities (GSEs) and international and multilateral organizations.

7a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	GDP (Q4/Q4 Growth)	Core PCE Deflator (Q4/Q4 Growth)	Headline PCE Deflator (Q4/Q4 Growth)	Unemployment Rate (Q4 Average Level)
2017:				
2018:				
2019:				
2020:				
Longer run:				

7b) Provide your estimate of the most likely outcome for the U.S. federal fiscal deficit (as a percent of GDP) for fiscal years 2018, 2019 and 2020.

	FY 2018	FY 2019	FY 2020
Estimate for U.S. federal fiscal deficit:			

7c) Please explain changes to your estimates in parts a and b since the last policy survey, where applicable.

8a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from December 1, 2017 - November 30, 2022 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%

Responses should add up to 100 percent.

Point estimate for most likely outcome:

8b) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from December 1, 2022 - November 30, 2027 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%

Responses should add up to 100 percent.

Point estimate for most likely outcome:

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

Recession currently:

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

Recession in 6 months:

9c) What percent chance do you attach to the global economy being in a recession** **in 6 months**?

Global recession in 6 months:

9d) Please explain the factors behind any change to your expectations in parts a-c since the last policy survey.

**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.*

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