SURVEY OF PRIMARY DEALERS

DECEMBER 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, December 2nd at 2:00pm 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 December 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' target federal funds rate 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
September SEP median:	**1.875%**	**1.875%**	**2.125%**	**2.375%**	**2.500%**
December 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?

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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	**2020 FOMC meetings**					
	Dec 10-11	Jan 28-29	Mar 17-18	Apr 28-29	Jun 9-10	Jul 28-29	Sep 15-16
Target rate / midpoint of target range:							

	Quarters					**Half-Years**	
	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 target federal funds rate or range falling in each of the following ranges <u>immediately following the December and January FOMC meetings and at the end of 2020</u>. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	2.01 - 2.25%	≥ 2.26%	Sum
Following the December FOMC meeting:									**0.00%**
Following the January FOMC meeting:									**0.00%**
Year-end 2020:									**0.00%**

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

3d) If you assign significant probability to outcomes for the target range for the federal funds rate at the end of 2020 that are above, equal to, and/or below your estimate for the target range immediately following the December 2019 FOMC meeting, please describe the scenarios that in your view would most likely lead to such outcomes.

above December 2019 estimate:	
equal to December 2019 estimate:	
below December 2019 estimate:	

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 2021 and 2022. If you expect a target range, please use the midpoint of that range in providing your response.

	< 0.00%	0.00 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	≥ 3.51%	Sum
Year-end 2021:										**0.00%**
Year-end 2022:										**0.00%**

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

3f-i) 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:

3f-ii) 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) 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. For reference, as of November 25 the yield was roughly 1.76 percent.

Quarters					Half Years				
2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 H1	2021 H2	2022 H1	2022 H2	Longer run:

4b) 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. For reference, as of November 25 the rate was roughly 3.70 percent.

Quarters					Half Years				
2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 H1	2021 H2	2022 H1	2022 H2	Longer run:

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5) According to the Implementation Note issued October 30, 2019, “In light of recent and expected increases in the Federal Reserve's non-reserve liabilities, the Committee directs the [Open Market Desk at the Federal Reserve Bank of New York] to purchase Treasury bills at least into the second quarter of next year to maintain over time ample reserve balances at or above the level that prevailed in early September 2019. The Committee also directs the Desk to conduct term and overnight repurchase agreement operations at least through January of next year to ensure that the supply of reserves remains ample even during periods of sharp increases in non-reserve liabilities, and to mitigate the risk of money market pressures that could adversely affect policy implementation.”

In light of these directives, and given details published by the Desk on the Repurchase Agreement Operational Details site,* please provide your expectation ($ billions) for the amount of reserve management purchases of Treasury bills as well as the maximum offered amounts for overnight and total term repurchase agreements (repo) during each of the following months.** If you expect any of these amounts to be zero in a given period, please enter 0.

($ billions)	December 2019	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020
Reserve management purchases of Treasury bills:							
Maximum daily overnight repo offered:							
Maximum daily total term repo offered**:							

**Please see the Repurchase Agreement Operational Details site at https://www.newyorkfed.org/markets/domestic-market-operations/monetary-policy-implementation/repo-reverse-repo-agreements/repurchase-agreement-operational-details*

***For term repo, please provide your expectation for the maximum total offered amount at any point during the period. If you expect multiple operations with overlapping terms (excluding overnight repo), please sum across all operations to arrive at the total offered amount. For example, in September 2019, 14-day term repo operations settled on September 24, 26, and 27 with offered amounts of $30 billion, $60 billion, and $60 billion, respectively, yielding a maximum total offered amount of $150 billion for that month (as of September 27).*

6a) 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 +20 basis points; the spread between the effective federal funds rate (EFFR) and IOER has averaged 0 basis points; the spread between the Overnight Bank Funding Rate (OBFR) and IOER has averaged 0 basis points; the spread between the Tri-Party General Collateral Rate (TGCR) and IOER has averaged -1 basis point; and the spread between the bottom of the target range for the federal funds rate and the overnight reverse repurchase (ON RRP) rate has been +5 basis points. Please provide your expectation for each of these rate spreads immediately following each of the FOMC meetings below, at year-end, and over the longer run*. **Please ensure your signs are correct.**

	Average over past week	**2019 FOMC meeting**	Dec. 31, 2019	**2020 FOMC meetings**		Longer run*
		Dec 10-11		Jan 28-29	Mar 17-18	
Top of target range minus IOER (in bps):	**+20**					
EFFR minus IOER (in bps):	**0**					
OBFR minus IOER (in bps):	**0**					
TGCR minus IOER (in bps):	**-1**					
Bottom of target range minus ON RRP (in bps):	**+5**					

*"Longer run" as discussed in the *January 2019 Statement Regarding Monetary Policy Implementation and Balance Sheet Normalization*.

6b) Please describe the factors, if any, that are impacting each of your estimates of money market rates spreads for December 31, 2019 in part a above.

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7) Please describe your modal expectation and the balance of risks around your modal expectation for international trade developments over the next 6 months. In addition, please explain the factors behind any change to your views since the last policy survey.

8a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from December 1, 2019 - November 30, 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.*

8b) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from December 1, 2024 - November 30, 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.*

9a) 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.*

9b) 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*

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

10a) 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:				

10b) 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**