SURVEY OF MARKET PARTICIPANTS

JUNE 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, June 10th at 2:00 pm Eastern Time** to the questions below. Your time and input are greatly appreciated.

Type of Respondent:	**Market Participant**	Respondent Name:	

1a) Provide below your expectations for changes, if any, to the language referencing each of the following topics in the June 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' 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? Please provide your responses out to three decimal places.

	Year-end 2019	Year-end 2020	Year-end 2021	Longer run
March SEP median:	**2.375%**	**2.625%**	**2.625%**	**2.750%**
June 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 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**	
	Jun 18-19	Jul 30-31	Sep 17-18	Oct 29-30	Dec 10-11	Jan 28-29	Mar 17-18
Target rate / midpoint of target range:							

	Quarters						
	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
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 between now and the end of 2019.

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 at the end of 2019, conditional on the following possible scenarios for the direction of the Committee's next policy action between now and the end of 2019**.** 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.

	≤ 2.00%	2.01 - 2.25%	2.26 - 2.50%	2.51 - 2.75%	2.76 - 3.00%	3.01 - 3.25%	3.26 - 3.50%	≥ 3.51%	Sum
Next change is an increase:									**0.00%**

	≤ 0.50%	0.51 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	≥ 2.01%	Sum
Next change is a decrease:									**0.00%**

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

3e-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 and 2021, conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2021. 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%**

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

3e-ii) Please indicate the percent chance that you attach to moving to the ZLB at some point between now and the end of 2021.

Probability of moving to the ZLB at some point between now and the end of 2021:

3e-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 and 2021, conditional on moving to the ZLB at some point between now and the end of 2021. 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 2021. 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%**

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

3e-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):

3f) For parts a-e, 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 June 4 the yield is roughly 2.10 percent.

Quarters					Half Years				
2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 H2	2021 H1	2021 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 June 4 the rate is roughly 4.00 percent.

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

5a) During 2019 to date, the average size of the Federal Reserve System's balance sheet was $3964 billion, and was composed roughly as follows:

Assets*	Level of Assets ($ billions)	Share of Total Assets (%)
US Treasuries:	**2172**	**55%**
Agency MBS:	**1601**	**40%**
All Other Assets**:	**191**	**5%**
Total Assets:	**3964**	**100%**

Liabilities and Capital*	Level of Liabilities and Capital ($ billions)	Share of Total Liabilities and Capital (%)
Federal Reserve Notes:	**1673**	**42%**
Reserves:	**1601**	**40%**
Deposits in Treasury General Account (TGA):	**324**	**8%**
Reverse repos with private counterparties:	**3**	**0%**
Reverse repos with foreign official accounts:	**252**	**6%**
Other deposits***:	**66**	**2%**
All Other Liabilities and Capital:	**45**	**1%**
Total Liabilities and Capital:	**3964**	**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 2019 H.4.1 releases through 5/30.

Please indicate your expectations for the composition of the Federal Reserve System's balance sheet, on average, in 2025, <u>conditional on **not** moving to the ZLB at any point between now and the end of 2025</u>. 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.

5b) 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 May 29, 2019 was $1545 billion according to the most recent H.4.1 release.

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

5c) Please describe any assumptions that underlie your expectations in parts a-b.

6a) Please describe your modal expectation and the balance of risks around your modal expectation for international trade policy developments from now until the end of 2019.

6b) Please comment on the channels through which you expect international trade policy developments to impact the U.S. economy and financial conditions, if any. Please also comment on the relative importance of these channels.

6c) Please comment on your estimate of the impact of various potential outcomes in international trade policy from now until the end of 2019 on the U.S. economy and financial conditions, if any.

7a) As of June 4, the 10-year nominal Treasury yield has declined by roughly 40 basis points since the April/May FOMC meeting. Please rate the importance of the following factors in explaining the change in the 10-year nominal Treasury yield over this period. **(5=very important, 1=not important)**

Realized U.S. economic activity data:	
Realized U.S. inflation data:	
Realized foreign economic data:	
Changes in perception of the FOMC's reaction function:	
Changes in outlook for international trade policy:	
Changes in uncertainty around outlook for international trade policy:	
Changes in global political uncertainty:	
Other (please explain):	

If "Other", please explain:

7b) Please comment on the factors driving changes in U.S. equity prices and the trade-weighted dollar as well as the relative importance of these factors since the April/May FOMC meeting, if different from your response above.

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

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

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.

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