NOVEMBER 2020

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The **Survey of Primary Dealers** 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.

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] Brief summaries of the comments received in free response form are also provided.

Responses were received from 24 primary dealers. Except where noted, all 24 dealers responded to each question. In some cases, dealers may not have provided complete responses (e.g. may not have provided forecasts extending to the same time horizon as requested in the survey). In these instances, the number of respondents who answered all parts of the question is indicated.

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

List of Primary Dealers:
www.newyorkfed.org/markets/primarydealers

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1a) Provide below your expectations for **changes**, if any, to the language referencing each of the following topics in the November FOMC statement. **Please write N/A if you do not expect any changes.**

Current economic conditions:

Some dealers indicated that they expected no material changes to this section of the statement. Several dealers indicated that they expected the statement to note ongoing improvement in economic conditions, and several indicated that they expected the statement to continue to note that economic activity and employment remain well below their levels at the beginning of the year.

Economic outlook and communication on the expected path of the target federal funds rate:

Most dealers indicated that they expected no material changes to this section of the statement.

Communication on tools other than the target federal funds rate:

Many dealers indicated that they expected no material changes to this section of the statement, while several others indicated that they saw a possibility that communication on asset purchases would be changed in some way.

Other:
(13 responses)

Dealers did not provide significant commentary in this section.

1b) What are your expectations for the Chair's press conference?

Some dealers indicated that they expected the Chair to reiterate the importance of further fiscal stimulus, and several indicated that they expected him to address the COVID-19 pandemic or note that the economic outlook depends on the evolution of the pandemic. Several dealers indicated that they expected the Chair to reiterate that the Fed will use its full range of tools to support the economy or that policy will remain accommodative, several indicated that they expected him to note uncertainty around or risks to the economic outlook, and several indicated that they expected him to note recent resilience in economic conditions. Finally, several dealers indicated that they expected the Chair to comment on the Committee's thinking regarding asset purchases, and several indicated that they expected comments on recent changes to the Fed's monetary policy framework, such as the flexible form of average inflation targeting.

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.

	Number of Respondents
1 - Ineffective	**0**
2	**0**
3	**9**
4	**13**
5 - Effective	**2**
# of Responses	**24**

Please explain.

In explaining their rating, some dealers suggested that Fed communications were unclear or could have provided more information, with several suggesting the need for more clarity on the future of asset purchases and/or noting uncertainty around the details of the flexible form of average inflation targeting. Several dealers noted that Committee members had been clear in their remarks, with several suggesting that communications around changes to forward guidance for the federal funds rate had been clear. Several dealers characterized recent remarks from Federal Reserve officials as consistent, while several others suggested that their remarks had been inconsistent.

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.

	Nov. 4-5	Dec. 15-16	Jan. 26-27	Mar. 16-17	Apr. 27-28	Jun. 15-16	Jul. 27-28
25th Pctl	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**
Median	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**
75th Pctl	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**
# of Responses	**24**	**24**	**24**	**24**	**24**	**24**	**24**

	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 H1	2023 H2
25th Pctl	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**
Median	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**
75th Pctl	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.13%**	**0.50%**
# of Responses	**24**	**24**	**23**	**23**	**23**	**23**	**20**	**20**

If your responses above do not reflect an increase from the current target range at any point, please provide the earliest half-year period in which your modal expectation for the level of the target range is higher than the current level.

	Earliest half-year period*
25th Pctl	**H1 2024**
Median	**H2 2024**
75th Pctl	**H1 2025**
# of Responses	**15**

** Dropdown selections: H1 2024, H2 2024, H1 2025, H2 2025, H1 2026, H2 2026, H1 2027 or later.*

3b) Provide your estimate for the most likely value for the following indicators at the time of the next increase in the target range for the federal funds rate.
(22 responses)

Most Likely Value of Economic Indicator at Time of First Increase in Target Range				
	Unemployment rate (%)	Labor force participation rate (%)	Total change in the level of real GDP since 2019 Q4 (%)	Headline 12-month PCE inflation (%)
25th Pctl	**3.9%**	**62.6%**	**3.5%**	**2.0%**
Median	**4.0%**	**63.0%**	**5.0%**	**2.2%**
75th Pctl	**4.7%**	**63.2%**	**8.5%**	**2.4%**

3c) 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	10-yr Average FF Rate
25th Pctl	**2.00%**	**0.95%**
Median	**2.25%**	**1.23%**
75th Pctl	**2.50%**	**1.65%**

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 2020, 2021, 2022, and 2023. If you expect a target range, please use the midpoint of that range in providing your response.
(22 responses)

Federal Funds Rate or Range at the End of 2020										
	< 0.00%	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 - 1.75%	1.76 - 2.00%	≥ 2.01%
Average	**1%**	**95%**	**3%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**

Federal Funds Rate or Range at the End of 2021										
	< 0.00%	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 - 1.75%	1.76 - 2.00%	≥ 2.01%
Average	**2%**	**84%**	**9%**	**4%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**

Federal Funds Rate or Range at the End of 2022										
	< 0.00%	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 - 1.75%	1.76 - 2.00%	≥ 2.01%
Average	**2%**	**68%**	**15%**	**6%**	**3%**	**2%**	**2%**	**1%**	**0%**	**0%**

Federal Funds Rate or Range at the End of 2023										
	< 0.00%	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 - 1.75%	1.76 - 2.00%	≥ 2.01%
Average	**2%**	**50%**	**17%**	**13%**	**7%**	**4%**	**3%**	**2%**	**1%**	**1%**

3e) What is your estimate of the target federal funds rate or range at the effective lower bound?

	Level of Target Federal Funds Rate or Range at ELB
25th Pctl	**0.00%**
Median	**0.13%**
75th Pctl	**0.13%**

3f) For parts a-e, please explain the factors behind any change to your expectations, where applicable, since the last policy survey.
(20 responses)

Several dealers indicated that there were no material changes to their expectations for the target range for the federal funds rate. In addition, several indicated that changes to their expectations for the target range were influenced by recent better-than-expected economic data.

4) Please indicate the percent chance that you attach to the 10-year Treasury yield falling in each of the following ranges at the end of 2020 and 2021.

Year-end 2020							
	< 0.00%	0.00 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	≥ 2.51%
Average	**0%**	**12%**	**58%**	**24%**	**4%**	**1%**	**0%**

Year-end 2021							
	< 0.00%	0.00 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	≥ 2.51%
Average	**1%**	**7%**	**25%**	**36%**	**23%**	**6%**	**2%**

5a) Please provide your modal expectation for the amount of purchases, net of reinvestments, of U.S. Treasury securities, agency mortgage-backed securities (MBS), and agency commercial mortgage-backed securities (CMBS) the Desk will conduct for each month listed below through the end of the year and the total over

each of the half-years below. If you expect any of these amounts to be zero in a given period, please enter 0.
(19 responses)

Net purchases of U.S. Treasury securities ($ billions)								
	Nov. 2020	Dec. 2020	2021 H1	2021 H2	2022 H1	2022 H2	2023 H1	2023 H2
25th Pctl	**80**	**80**	**420**	**245**	**50**	**0**	**0**	**0**
Median	**80**	**80**	**480**	**450**	**250**	**210**	**100**	**0**
75th Pctl	**80**	**80**	**480**	**480**	**460**	**300**	**180**	**120**

Net purchases of agency MBS ($ billions)								
	Nov. 2020	Dec. 2020	2021 H1	2021 H2	2022 H1	2022 H2	2023 H1	2023 H2
25th Pctl	**40**	**40**	**200**	**100**	**0**	**0**	**0**	**0**
Median	**40**	**40**	**240**	**225**	**120**	**50**	**0**	**0**
75th Pctl	**40**	**40**	**240**	**240**	**220**	**120**	**60**	**50**

Net purchases of agency CMBS ($ millions)								
	Nov. 2020	Dec. 2020	2021 H1	2021 H2	2022 H1	2022 H2	2023 H1	2023 H2
25th Pctl	**50**	**50**	**0**	**0**	**0**	**0**	**0**	**0**
Median	**100**	**100**	**250**	**200**	**100**	**0**	**0**	**0**
75th Pctl	**200**	**150**	**600**	**600**	**450**	**150**	**3**	**0**

If applicable, please describe your expectations for any changes to the communications regarding and/or key elements of asset purchases going forward.
(22 responses)

Going forward, several dealers indicated that they expected changes to forward guidance for asset purchases, several indicated that they expected the Committee to extend the average maturity of Treasury purchases, and several indicated that they expected the pace of asset purchases to gradually decline. In addition, several dealers indicated that they did not expect any changes.

5b) Please comment on what you view as the most likely conditions or developments that would lead you to revise higher and/or lower your modal estimates in part a.

Among the most likely conditions or developments that would lead to upward revisions, some dealers noted a deterioration in economic conditions or the economic outlook and several noted an acceleration of the pandemic or the adoption of lockdown measures. In addition, several dealers noted a tightening in financial conditions, and several noted an increase in interest rates. Among the most likely conditions or developments that would lead to downward revisions, several dealers noted a robust or faster-than-expected economic recovery.

5c) Please provide your 10th and 90th percentiles of your subjective distribution over the range of possible values for the following total net purchases from November 2020 until year-end 2023.
(19 responses)

		10th Percentile	90th Percentile
U.S. Treasury securities ($ billions)	25th Pctl	500	2000
	Median	680	2900
	75th Pctl	960	3200
Agency MBS ($ billions)	25th Pctl	200	1000
	Median	310	1350
	75th Pctl	480	1700
Agency CMBS ($ millions)	25th Pctl	0	1200
	Median	150	3500
	75th Pctl	1000	10000

5d) If you have formed expectations for the most likely level ($ billions) of Federal Reserve assets associated with any of the following, please provide your expectations for their levels on December 30, 2020 below. If you expect any of these amounts to be zero on this date, please enter 0.

Level on December 30, 2020 ($ billions)								
	Discount Window	PDCF	MMLF	CPFF	MSNLF	MSELF	MSPLF	MLF
25th Pctl	0	0	0	2	10	0	3	16
Median	0	0	5	7	20	15	13	20
75th Pctl	5	0	5	9	40	22	20	25
# of Responses	19	19	19	19	17	14	14	18

	TALF	PMCCF	SMCCF	PPPLF	Central bank liquidity swaps	FIMA repo	Repo agreements with primary dealers	Any additional programs
25th Pctl	12	0	25	50	5	0	0	0
Median	14	8	45	60	10	0	0	0
75th Pctl	15	25	50	65	75	0	6	0
# of Responses	18	18	17	18	19	18	19	10

6) Beyond your responses provided in the questions above, please describe your expectations for any additional actions or monetary policy measures, or modifications to those previously announced, by the Federal Reserve through year-end 2020 and over 2021.
(22 responses)

Several dealers indicated that they expected various credit and liquidity programs to be adjusted, with several specifying that they

expected these programs to be extended. In addition, several dealers indicated that they did not expect substantial further actions or measures to be implemented this year or over 2021 beyond what was reported in responses to previous questions. Several dealers indicated that they expected the Federal Reserve to eventually extend the average maturity of Treasury purchases.

7) What percent chance do you attach to any additional U.S. federal fiscal policy measures being enacted over the next six months to support the economy?

	Probability
25th Pctl	**68%**
Median	**80%**
75th Pctl	**90%**

If you assigned a non-zero probability above, please provide your estimate of the most likely total amount of additional U.S. federal fiscal policy measures to be enacted over the next six months to support the economy, conditional on there being such additional measures.
(23 responses)

	Estimate of most likely total amount ($ billions)
25th Pctl	**1500**
Median	**1500**
75th Pctl	**2200**

Please describe any assumptions underlying your estimates above.
(23 responses)

In discussing their expectations for any additional U.S. federal fiscal policy measures to support the economy over the next six months, several dealers suggested that they expected Democratic control of both houses of Congress and the Presidency following the upcoming election and some said this would result in a larger amount of stimulus than would be the case with divided control of Congress and the Presidency. In addition, several dealers indicated that they expected a fiscal stimulus package to be enacted following the November election.

8a) Please indicate your modal projections for U.S. real GDP growth for each of the following quarters (seasonally adjusted annual rate).

Modal Projection for U.S. Real GDP Growth (percent)						
	Q3 2020 (saar)	Q4 2020 (saar)	Q1 2021 (saar)	Q2 2021 (saar)	Q3 2021 (saar)	Q4 2021 (saar)
25th Pctl	**30.0%**	**2.4%**	**2.8%**	**3.2%**	**2.6%**	**2.4%**
Median	**32.2%**	**3.0%**	**3.8%**	**4.2%**	**3.7%**	**3.0%**
75th Pctl	**33.7%**	**3.8%**	**5.3%**	**5.0%**	**4.3%**	**3.5%**

8b) Please provide the percent chance you attach to the following outcomes for U.S. real GDP growth in 2020 and 2021 (Q4/Q4).

Probability Distribution of U.S. Real GDP Growth in 2020 (Q4/Q4)						
	≤ -8.01%	-8.00 - -6.01%	-6.00 - -4.01%	-4.00 - -2.01%	-2.00 - -0.01%	≥ 0 %
Average	**1%**	**3%**	**15%**	**57%**	**23%**	**1%**

Probability Distribution of U.S. Real GDP Growth in 2021 (Q4/Q4)						
	< 0%	0.00 - 2.00%	2.01 - 4.00%	4.01 - 6.00%	6.01 - 8.00%	≥ 8.01%
Average	**4%**	**16%**	**38%**	**31%**	**9%**	**2%**

9a) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from November 1, 2020 - October 31, 2025 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%
Average	**6%**	**16%**	**36%**	**28%**	**11%**	**3%**

	Most Likely Outcome
25th Pctl	**1.83%**
Median	**2.00%**
75th Pctl	**2.10%**

9b) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from November 1, 2025 – October 31, 2030 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%
Average	**5%**	**12%**	**31%**	**33%**	**15%**	**5%**

	Most Likely Outcome
25th Pctl	**2.00%**
Median	**2.20%**
75th Pctl	**2.30%**

10a) 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**?

	Currently in U.S. Recession		U.S. Recession in 6 Months		Global Recession in 6 Months
25th Pctl	**3%**	25th Pctl	**18%**	25th Pctl	**20%**
Median	**10%**	Median	**25%**	Median	**28%**
75th Pctl	**20%**	75th Pctl	**33%**	75th Pctl	**37%**

**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.*

10b) Please explain the factors behind any change to your expectations in part a since the last policy survey.
(22 responses)

Several dealers indicated that there were no significant changes to their recession probabilities, and several dealers cited resilient economic conditions and/or economic data in explaining changes to their probabilities.

11a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.
(15 responses)

		2020	2021	2022	2023	Longer Run
Real GDP (Q4/Q4 Growth)	25th Pctl	**-3.15%**	**3.15%**	**2.30%**	**2.00%**	**1.80%**
	Median	**-2.80%**	**3.80%**	**2.70%**	**2.00%**	**1.90%**
	75th Pctl	**-2.45%**	**4.15%**	**3.00%**	**2.70%**	**2.00%**
Core PCE Inflation (Q4/Q4)	25th Pctl	**1.60%**	**1.40%**	**1.70%**	**1.80%**	**-**
	Median	**1.70%**	**1.60%**	**1.70%**	**2.00%**	**-**
	75th Pctl	**1.70%**	**1.80%**	**2.00%**	**2.00%**	**-**
Headline PCE Inflation (Q4/Q4)	25th Pctl	**1.25%**	**1.45%**	**1.70%**	**1.90%**	**2.00%**
	Median	**1.40%**	**1.60%**	**1.80%**	**2.00%**	**2.00%**
	75th Pctl	**1.40%**	**1.93%**	**2.00%**	**2.10%**	**2.00%**
Unemployment Rate (Q4 Average Level)	25th Pctl	**7.35%**	**5.35%**	**4.30%**	**3.90%**	**4.00%**
	Median	**7.60%**	**5.95%**	**5.10%**	**4.50%**	**4.00%**
	75th Pctl	**7.70%**	**6.60%**	**5.50%**	**4.90%**	**4.50%**

11b) Please explain changes, if any, to your estimates in part a since the last policy survey.
(23 responses)

Many dealers indicated that revisions to their near-term economic projections were based largely on recent economic data releases, which several characterized as better than expected, and several noted the decline in the unemployment rate in particular.