

RESPONSES TO SURVEY OF PRIMARY DEALERS

Markets Group, Federal Reserve Bank of New York



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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 25 primary dealers. Except where noted, all 25 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.

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

Current economic conditions:

Some dealers indicated they expected little or no change. Several dealers indicated they expected continued reference to modest economic growth, and several indicated they expected continued reference to robust job gains. Several dealers indicated they expected continued reference to the unemployment rate being low, and several indicated they expected some reference to the recent increase in the unemployment rate.

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

Some dealers explicitly indicated that they expected the statement to retain language on taking into account monetary policy lags and economic and financial developments in determining the extent of additional policy firming. Several dealers indicated that if the Committee elected to not increase the target range at the June meeting, they expected an adjustment in the statement to suggest that the Committee left rates unchanged in order to assess the cumulative impact of policy tightening, tightening in credit conditions, or incoming data. Several dealers indicated they expected little or no change.

Communication on tools other than the target federal funds rate:

Most dealers indicated they expected little or no change.

Other:

(16 responses)

Dealers did not provide significant commentary in this section.

- 1b)** 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 2023	Year-end 2024	Year-end 2025	Longer Run
25th Percentile	5.38%	4.25%	3.13%	2.50%
Median	5.38%	4.38%	3.13%	2.50%
75th Percentile	5.38%	4.38%	3.13%	2.50%
# of Respondents	25	25	25	25

- 1c)** What are your expectations for the Chair's press conference?

Most dealers indicated they expected the Chair to note some potential for or express a lean toward further tightening. Some dealers indicated they expected the Chair to note that additional policy firming will depend on incoming data, and some expected the Chair to reiterate the FOMC's commitment to returning inflation to target. Several dealers indicated they

expected the Chair to reiterate that rates would remain at an elevated level for an extended period or to push back on near-term rate cuts.

If the target range was unchanged at the June meeting, some dealers indicated that they expected the Chair to discuss the rationale for leaving rates unchanged at the June meeting. Several dealers indicated that in this situation, they expected the Chair to reference factors including assessing monetary policy lags and the cumulative effect of policy tightening, assessing the impact of banking sector stress, or assessing incoming data.

Several dealers indicated they expected the Chair to acknowledge a range of views on the FOMC and openness to further rate increases contingent on incoming data.

- 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 years below. For the time periods at which you expect a target range, please indicate the midpoint of that range in providing your response.

	Jun. 13-14	Jul. 25-26	Sep. 19-20	Oct. 31- Nov. 1	Dec. 12-13	Jan. 30-31
25th Percentile	5.13%	5.13%	5.13%	5.13%	5.13%	4.88%
Median	5.13%	5.38%	5.38%	5.38%	5.38%	5.13%
75th Percentile	5.13%	5.38%	5.38%	5.38%	5.38%	5.38%
# of Respondents	25	25	25	25	25	24

	2024 Q1	2024 Q2	2024 Q3	2024 Q4
25th Percentile	4.63%	4.13%	3.63%	3.13%
Median	4.88%	4.63%	4.13%	3.63%
75th Percentile	5.13%	4.88%	4.63%	4.13%
# of Respondents	25	25	25	25

	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026	2027
25th Percentile	2.88%	2.63%	2.56%	2.38%	2.38%	2.38%
Median	3.13%	3.13%	2.88%	2.63%	2.50%	2.63%
75th Percentile	3.88%	3.44%	3.19%	3.13%	2.94%	2.88%
# of Respondents	20	20	20	20	19	19

- 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.

	10-yr Average FF Rate	Longer Run
25th Percentile	2.70%	2.50%
Median	2.90%	2.50%
75th Percentile	3.10%	2.63%
# of Respondents	25	25

2c) Please indicate the percent chance that you attach to the target federal funds rate or range falling in each of the following ranges immediately following the June and July FOMC meetings and at the end of 2023 and 2024. If you expect a target range, please use the midpoint of that range in providing your response.

Federal Funds Rate or Range after the June 2023 FOMC Meeting										
	<= 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	>= 6.26%
Average	0%	0%	0%	0%	67%	33%	0%	0%	0%	0%

Federal Funds Rate or Range after the July 2023 FOMC Meeting										
	<= 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	>= 6.26%
Average	0%	0%	0%	2%	39%	45%	13%	0%	0%	0%

Federal Funds Rate or Range at the End of 2023										
	<= 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	>= 6.26%
Average	6%	2%	5%	9%	28%	30%	13%	5%	2%	1%

Federal Funds Rate or Range at the End of 2024										
	<= 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	3.51 - 4.00%	4.01 - 4.50%	4.51 - 5.00%	5.01 - 5.50%	>= 5.51%
Average	8%	5%	7%	13%	15%	14%	16%	11%	5%	6%

2d) Please indicate the percent chance that you attach to the highest level of the target range for the federal funds rate before the target range is next decreased falling in each of the following ranges.

	<= 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	>= 6.26%
Average	0%	0%	0%	0%	35%	35%	17%	7%	3%	2%

3a) Please provide your modal expectation for the total net change in SOMA holdings of U.S. Treasury securities and agency mortgage-backed securities (MBS) over each of the periods below.

If you expect SOMA holdings to increase on net in a given period, for example through net asset purchases, please enter a positive number. If you expect SOMA holdings to be unchanged on net in a given period, for example through reinvestments that result in no net change in holdings, please enter 0. If you expect SOMA holdings to decline on net in a given period, for example through maturities or paydowns that exceed any reinvestments or through sales, please enter a negative number.

Net Change in U.S. Treasury Securities (\$ billions)							
	Jun. 2023	Jul. 2023	Aug. 2023	Sep. 2023	Oct. 2023	Nov. 2023	Dec. 2023
25th Percentile	-60	-60	-60	-60	-60	-60	-60
Median	-60	-60	-60	-60	-60	-60	-60
75th Percentile	-60	-60	-60	-60	-60	-60	-60
# of Respondents	24	24	24	24	24	24	23

Net Change in U.S. Treasury Securities (\$ billions)								
	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
25th Percentile	-180	-178	-160	-143	0	0	0	0
Median	-180	0	0	0	0	0	0	0
75th Percentile	0	0	0	0	49	50	56	50
# of Respondents	23	23	23	23	22	22	22	22

Net Change in Agency MBS (\$ billions)							
	Jun. 2023	Jul. 2023	Aug. 2023	Sep. 2023	Oct. 2023	Nov. 2023	Dec. 2023
25th Percentile	-22	-21	-21	-20	-20	-20	-20
Median	-20	-20	-19	-20	-19	-19	-19
75th Percentile	-18	-17	-17	-16	-16	-15	-15
# of Respondents	23	23	23	23	23	23	23

Net Change in Agency MBS (\$ billions)								
	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
25th Percentile	-60	-60	-62	-56	-52	-55	-60	-53
Median	-51	-50	-50	-39	-49	-50	-50	-50
75th Percentile	-36	0	0	0	0	0	0	0
# of Respondents	23	23	23	23	22	22	22	22

3b) Please indicate the period in which you expect the SOMA portfolio will cease to decline as well as the size of the SOMA portfolio when it ceases to decline. Please also indicate the size of specified liabilities, reserves and take-up at the overnight reverse repurchase facility, when the SOMA portfolio ceases to decline.

	Period in which SOMA portfolio ceases to decline*	Size of SOMA portfolio when it ceases to decline**	Size of reserves***	Take-up at the overnight reverse repurchase facility****
25th Percentile	2024 Q1	6,250	2,375	813
Median	2024 Q2	6,750	2,625	1,125
75th Percentile	2025 Q1	7,250	2,875	1,375
# of Respondents	25	24	24	24

*Dropdown selections: Q2 2023, Q3 2023, Q4 2023, Q1 2024, Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027, Q2 2027, Q3 2027, Q4 2027, Q1 2028, Q2 2028, Q3 2028, Q4 2028, Q1 2029 or later.

**Dropdown selections: \$0-500bn, \$501-1000bn, \$1001-1500bn, \$1501-2000bn, \$2001-2500bn, \$2501-3000bn, \$3001-3500bn, \$3501-4000bn, \$4001-4500bn, \$4501-5000bn, \$5001-5500bn, \$5501-6000bn, \$6001-6500bn, \$6501-7000bn, \$7001-7500bn, \$7501-8000bn, \$8001bn or larger

***Dropdown selections: \$1000bn or smaller, \$1001-1250bn, \$1251-1500bn, \$1501-1750bn, \$1751-2000bn, \$2001-2250bn, \$2251-2500bn, \$2501-2750bn, \$2751-3000bn, \$3001-3250bn, \$3251-3500bn, \$3501-3750bn, \$3751-4000bn, \$4001bn or larger.

****Dropdown selections: \$0-250bn, \$251-500bn, \$501-750bn, \$751-1000bn, \$1001-1250bn, \$1251-1500bn, \$1501-1750bn, \$1751-2000bn, \$2001-2250bn, \$2251-2500bn, \$2501bn or larger.

3c) Please indicate the percent chance that you attach to the size of the SOMA portfolio falling in each of the following ranges when it ceases to decline. For reference, Securities Held Outright in the SOMA portfolio on May 24, 2023 was \$7,768 billion according to the most recent H.4.1 release.
(24 responses)

	\$4000bn or smaller	\$4001-4500bn	\$4501-5000bn	\$5001-5500bn	\$5501-6000bn	\$6001-6500bn	\$6501-7000bn	\$7001-7500bn	\$7501bn or larger
Average	1%	1%	4%	9%	12%	16%	23%	23%	11%

3d) Please provide any additional information on your expectations for balance sheet reduction, including the period in which you expect the SOMA portfolio will cease to decline and the factors behind your expectations. Please include any factors that influenced the probability that you assigned to the distribution of outcomes in part c above.
(24 responses)

Some dealers indicated they expected the end of balance sheet reduction to be determined by reserve scarcity, strains in wholesale funding markets, or more generally by disruptions in market functioning. Several dealers indicated they expected balance sheet reduction to end around the time the Fed starts reducing the level of the target range. Several dealers cited a possibility that balance sheet reduction could continue even after the Fed starts reducing the level of the target range. Several dealers indicated they expected that the start of a recession would be a determining factor of the end of balance sheet reduction.

- 4) Please provide your modal expectation for the size of reserves and take-up at the overnight reverse repurchase facility, averaged for each of the periods below.

Estimate of the Size of Reserves (\$ billions)							
	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
25th Percentile	2,960	2,686	2,515	2,497	2,420	2,369	2,308
Median	3,080	2,822	2,700	2,650	2,577	2,518	2,509
75th Percentile	3,150	2,926	2,863	2,917	2,996	2,987	2,976
# of Respondents	23	23	23	22	22	22	22

Estimate of Take-up at the Overnight Reverse Repurchase Facility (\$ billions)							
	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
25th Percentile	2,068	1,745	1,442	1,200	1,056	927	763
Median	2,199	1,830	1,600	1,389	1,239	1,200	1,119
75th Percentile	2,222	1,962	1,856	1,642	1,530	1,425	1,377
# of Respondents	23	23	23	22	22	22	22

Please provide any additional information or factors behind your expectations for the size of reserves and take-up at the overnight reverse repurchase facility. Please also describe the balance of risks around your expectations.

(22 responses)

Several dealers indicated they expected or saw risks as skewed toward greater overnight reverse repurchase (ON RRP) take-up over the near-term. Several dealers indicated they expected replenishment of the Treasury General Account (TGA) to mostly reduce take-up in the ON RRP facility, and several expected the TGA to reach around \$600 billion by the end of Q3 2023. Several dealers indicated that they expected or saw risks of reserves becoming scarce.

- 5) The table below lists the average spreads of selected money market rates* over the past week. Please provide your expectation for each of these rate spreads for the day after each of the FOMC meetings. Please ensure your signs are correct and please do not include decimal places.

Top of target range** minus IORB (in bps)				
	Jun. 13-14	Jul. 25-26	Sep. 19-20	Oct. 31- Nov. 1
25th Percentile	10.0	10.0	10.0	10.0
Median	10.0	10.0	10.0	10.0
75th Percentile	10.0	10.0	10.0	10.0
# of Respondents	23	23	23	23

EFFR minus IORB (in bps)				
	Jun. 13-14	Jul. 25-26	Sep. 19-20	Oct. 31- Nov. 1
25th Percentile	-7.0	-7.0	-7.0	-7.0
Median	-7.0	-7.0	-7.0	-6.0
75th Percentile	-6.5	-6.0	-5.0	-5.0
# of Respondents	23	23	23	23

SOFR minus IORB (in bps)				
	Jun. 13-14	Jul. 25-26	Sep. 19-20	Oct. 31- Nov. 1
25th Percentile	-10.0	-10.0	-9.5	-10.0
Median	-9.0	-8.0	-8.0	-8.0
75th Percentile	-8.0	-6.0	-5.0	-4.0
# of Respondents	23	23	23	23

Bottom of target range** minus ON RRP rate (in bps)				
	Jun. 13-14	Jul. 25-26	Sep. 19-20	Oct. 31- Nov. 1
25th Percentile	-5.0	-5.0	-5.0	-5.0
Median	-5.0	-5.0	-5.0	-5.0
75th Percentile	-5.0	-5.0	-5.0	-5.0
# of Respondents	23	23	23	23

3m U.S. Treasury bill yield minus 3m OIS (in bps):				
	Jun. 13-14	Jul. 25-26	Sep. 19-20	Oct. 31- Nov. 1
25th Percentile	4.3	0.8	0.0	-0.8
Median	5.0	5.0	5.0	4.0
75th Percentile	9.5	9.3	8.3	9.8
# of Respondents	22	22	22	22

*Listed rates include the interest on reserve balances (IORB) rate, effective federal funds rate (EFFR), Secured Overnight Financing Rate (SOFR), overnight reverse repurchase agreement (ON RRP) rate, and 3-month overnight index swap rate (3m OIS).

**Target range for the federal funds rate

- 6) Please provide the percent chance you attach to the following outcomes for U.S. real GDP growth in 2023 and 2024 (Q4/Q4).

Probability Distribution of U.S. Real GDP Growth in 2023 (Q4/Q4)										
	<= -1.01%	-1.00 - -0.51%	-0.50 - 0.00%	0.01 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	>= 3.01%
Average	4%	9%	19%	23%	18%	14%	8%	2%	1%	1%

Probability Distribution of U.S. Real GDP Growth in 2024 (Q4/Q4)										
	<= -1.01%	-1.00 - -0.51%	-0.50 - 0.00%	0.01 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	>= 3.01%
Average	4%	6%	10%	13%	21%	18%	14%	7%	4%	3%

Please also provide your point estimate for the most likely outcome.

U.S. Real GDP Modal Point Estimates (Q4/Q4)		
	2023	2024
25th Percentile	0.00%	0.70%
Median	0.40%	1.00%
75th Percentile	0.70%	1.70%
# of Respondents	25	25

- 7) Please indicate your modal projections for headline and core PCE inflation for each of the following quarters.*

Headline PCE Inflation Quarterly Modal Point Estimates					
	Q2 2023 (saar)	Q3 2023 (saar)	Q4 2023 (saar)	Q1 2024 (saar)	Q2 2024 (saar)
25th Percentile	2.7%	2.3%	2.3%	2.0%	1.9%
Median	3.0%	2.5%	2.7%	2.4%	2.2%
75th Percentile	3.1%	3.3%	3.1%	2.6%	2.4%
# of Respondents	25	25	25	25	25

Core PCE Inflation Quarterly Modal Point Estimates					
	Q2 2023 (saar)	Q3 2023 (saar)	Q4 2023 (saar)	Q1 2024 (saar)	Q2 2024 (saar)
25th Percentile	3.9%	2.7%	2.3%	2.3%	2.1%
Median	4.0%	3.1%	2.8%	2.6%	2.4%
75th Percentile	4.2%	3.4%	3.2%	2.9%	2.7%
# of Respondents	25	25	25	25	25

*Percent change from the previous quarter at an annualized rate, based on the average of monthly levels (seasonally adjusted) in each quarter.

8a) Please provide the percent chance you attach to the following outcomes for headline PCE inflation in 2023 and 2024 (Q4/Q4).

Probability Distribution of Headline PCE Inflation in 2023 (Q4/Q4)										
	<= 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 - 3.75%	3.76 - 4.00%	>= 4.01%
Average	4%	3%	5%	12%	16%	18%	15%	12%	9%	6%

Probability Distribution of Headline PCE Inflation in 2024 (Q4/Q4)										
	<= 1.50%	1.51 - 1.75%	1.76 - 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%
Average	7%	7%	11%	16%	19%	16%	9%	5%	5%	4%

Please also provide your point estimate for the most likely outcome.

Headline PCE Inflation Modal Point Estimates (Q4/Q4)		
	2023	2024
25th Percentile	2.90%	2.00%
Median	3.10%	2.30%
75th Percentile	3.50%	2.40%
# of Respondents	25	25

8b) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from June 1, 2023 - May 31, 2028 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

	<= 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%
Average	1%	2%	5%	15%	25%	27%	17%	8%

	Most Likely Outcome
25th Percentile	2.50%
Median	2.50%
75th Percentile	2.75%
# of Respondents	25

8c) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from June 1, 2028 - May 31, 2033 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

	<= 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%
Average	1%	2%	7%	21%	37%	22%	7%	4%

	Most Likely Outcome
25th Percentile	2.20%
Median	2.30%
75th Percentile	2.40%
# of Respondents	25

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?

	Currently in U.S. Recession	U.S. Recession in 6 Months	Global Recession in 6 Months
25th Percentile	5%	39%	34%
Median	10%	50%	50%
75th Percentile	15%	60%	60%
# of Respondents	25	25	24

**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?

	2022**	H1 2023	H2 2023	H1 2024	H2 2024	No recession by end 2024
Average	0%	9%	40%	23%	10%	18%

**NBER-defined recession*

***Percent chance that the economy first entered an NBER-defined recession in 2022.*

- 10)** Provide your estimate of the most likely outcome for output, inflation, and unemployment.
(16 responses)

		2023	2024	2025	Longer Run
Real GDP (Q4/Q4 Growth)	25th Percentile	0.00%	0.70%	1.80%	1.80%
	Median	0.40%	1.00%	1.95%	1.80%
	75th Percentile	0.70%	1.70%	2.13%	2.00%
Core PCE Inflation (Q4/Q4)	25th Percentile	3.50%	2.20%	2.00%	
	Median	3.70%	2.40%	2.15%	
	75th Percentile	3.90%	2.60%	2.23%	
Headline PCE Inflation (Q4/Q4)	25th Percentile	2.90%	2.00%	2.00%	2.00%
	Median	3.10%	2.30%	2.10%	2.00%
	75th Percentile	3.50%	2.40%	2.30%	2.00%
Unemployment Rate (Q4 Average Level)	25th Percentile	3.80%	4.40%	4.35%	4.00%
	Median	4.00%	4.50%	4.55%	4.00%
	75th Percentile	4.20%	5.00%	4.80%	4.20%