Survey of Primary Dealers

Markets Group, Federal Reserve Bank of New York

August, 2011

Policy Expectations Survey

Please respond by **Monday, August 1st at 5:00 p.m.** to the questions below. Your time and input are greatly appreciated.

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 only involve topics that are widely discussed in the public domain and never presume any particular policy action. FOMC members are not involved in the survey's design. This survey should not be distributed beyond those directly involved in its completion.

Dealer:

Monetary Policy Expectations

1) Of the possible outcomes below, please indicate the percent chance* you attach to the indicated policy target range or target rate following each of the next 3 FOMC meetings:

Level of Target Range or Rate

	0.00% - 0.25%	**0.25%**	**0.50%**	**0.75%**	**1.00%**	**1.25%**	**>1.25%**
August 9:							
September 20:							
November 1-2:							

** Percentages should add up to **100 percent**.*

2) a) Do you expect any changes in the FOMC statement and if so, what changes?

3) Of the possible outcomes below, please indicate the percent chance* you attach to the timing of the first fed funds target rate increase:

	2011 Q3	**2011 Q4**	**2012 Q1**	**2012 Q2**	**2012 Q3**	**2012 Q4**	**2013 Q1**	**2013 Q2**	**≥2013 Q3**
Timing of First Increase :									

** Percentages should add up to **100 percent**.*

Estimate for most likely quarter and year of first target rate increase:

4) Provide your firm's estimate of the most likely outcome (i.e. the mode) for the fed funds target rate or range at the end of each quarter:

	2011 Q3	**2011 Q4**	**2012 Q1**	**2012 Q2**	**2012 Q3**	**2012 Q4**	**2013 Q1**	**2013 Q2**
Fed Funds Target Rate or Range :	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown

5) Of the possible outcomes below, please indicate the percent chance* you attach to the fed funds target rate or range 12 months from now:

	0.00% - 0.25%	**0.26 - 0.50%**	**0.51 - 1.00%**	**1.01 - 1.50%**	**1.51 - 2.00%**	**2.01 - 2.5%**	**≥2.51%**
August 2012 :							

** Percentages should add up to **100 percent**.*

*** Distribution of probability buckets scaled to rates implied by June 2012 Eurodollar futures contracts.*

6) How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey on 6/13/11? Please provide a rating between 1 and 5, with 1 indicating **in**effectiveness and 5 indicating effectiveness.

Rank: Dropdown **Please explain:**

7) What are your expectations for the amount of domestic securities held outright in the SOMA portfolio and for the expected level of excess reserves at year-end for each of the next five years? For your reference, the current level of U.S. Treasuries in SOMA is $1,634 billion the current level of agency debt and MBS is $1,018 billion and the current level of reserves is $1,625 billion according to the latest H.4.1 release.

Year	**2010***	**2011**	**2012**	**2013**	**2014**	**2015**
Expected Amount of U.S. Treasury Securities in SOMA ($ Billions)	**1,016**					
Expected Amount of Agency Debt and Agency MBS Securities in SOMA ($ Billions)	**1,140**					
Expected Amount of Domestic Assets in SOMA ($ Billions)	**2,156**					
Expected Level of Reserves ($ Billions)	**1,019**					

* Taken from the 12/30/2010 Federal Reserve H.4.1

Please explain:

8) Recent FOMC communication has discussed several different ways monetary policy could be altered to provide either less or more accommodation.

a) For each listed policy tool, please indicate the probability the tool will be used to **signal future policy tightening or to tighten policy within the next 1 and 2 years.**

	Probability within 1 year	*Probability within 2 years*
Raise Interest on Excess Reserves		
Drain Reserves through Temporary Tools		
Halt Reinvestments		
Reduce Size of SOMA Portfolio through Selling Securities		
Reduce Duration of Portfolio*		
Change guidance on the period over which the target rate will remain in effect		

Please Explain:

*i.e. a deliberate action to decrease the duration of the SOMA portfolio, independent of other policy changes

b) For each listed policy tool, please indicate the probability the tool will be used to **signal future policy easing or to ease policy within the next 1 and 2 years.**

	Probability within 1 year	*Probability within 2 years*
Lower Interest on Excess Reserves		
Expand SOMA Portfolio through Security Purchases		
Increase Duration of Portfolio*		
Change guidance on the period over which the target rate will remain in effect		
Provide guidance on the period over which the SOMA portfolio will remain at the current level		

Please Explain:

*i.e. a deliberate action to increase the duration of the SOMA portfolio, independent of other policy changes

Economic Indicator Forecasts

9) **a)** Provide your firm's estimate of the most likely outcome (i.e. the mode) for output and inflation:

	GDP (q.o.q.)	**Core PCE (y.o.y.)**	**Headline PCE (y.o.y.)**
2011 Q2 :			
2011 Q3 :			
2011 Q4 :			
2012 Q1 :			

b) Provide your firm's estimate of the most likely outcome (i.e. the mode) for output, inflation, and unemployment. Are the risks to output, inflation and unemployment skewed to the downside, balanced, or skewed to the upside relative to your forecast?

	GDP (Q4/Q4 Growth)		**Core PCE (Q4/Q4 Growth)**		**Headline PCE (Q4/Q4 Growth)**		**Unemployment Rate (Q4 Average Level)**	
	Estimate	*Balance of Risk*	*Estimate*	*Balance of Risk*	*Estimate*	*Balance of Risk*	*Estimate*	*Balance of Risk*
2011 :		Dropdown	Fill from 9a	Dropdown	Fill from 9a	Dropdown		Dropdown
2012 :		Dropdown		Dropdown		Dropdown		Dropdown
2013 :		Dropdown		Dropdown		Dropdown		Dropdown

Please comment on any risks you see to your forecast :

c) Do you feel more, less or equally uncertain regarding your economic forecasts since the last survey on 6/13/11?

GDP Uncertainty: Dropdown **Core PCE Uncertainty:** Dropdown

10) What percent chance do you attach to the 4-quarter change in the core PCE deflator falling below zero by the end of Q3 2012?

11) For the outcomes below, please indicate the percent chance* you attach for the annual average CPI inflation rate from 2016 - 2021. Please also indicate your point estimate for the most likely outcome (i.e. the mode).

≤1.0%	**1.01-1.5%**	**1.51-2.0%**	**2.01-2.5%**	**2.51-3.0%**	**≥3.01%**

Percentages should add up to **100 percent.*

Point estimate for most likely outcome:

12) **a)** What percent chance do you attach to the US economy **currently** being in a **RECESSION***? **Recession currently:**
** NBER-defined recession.*

b) What percent chance would you attach to the US economy being in a **RECESSION* in 6 months**? **Recession in 6 months:**
** NBER-defined recession.*

13) Please comment on any changes to your macroeconomic assessments since the last FOMC meeting.

Dropdown Selections

4) Provide your firm's estimate of the most likely outcome (i.e. the mode) for the fed funds target rate or range at the end of each quarter:

Fed Funds Target Rate or Range :	
	0 - .25%
	0.25%
	0.50%
	0.75%
	1.00%
	1.25%
	1.50%
	1.75%
	2.00%
	2.25%
	2.50%
	2.75%
	3.00%
	3.25%
	3.50%
	3.75%
	4.00%
	4.25%
	4.50%
	4.75%
	5.00%
	> 5.00%

6) How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey on 6/13/11? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

Rank:	
	5 -- Very effective
	4
	3
	2
	1 -- Very ineffective

9) b) Provide your firm's estimate of the most likely outcome (i.e. the mode) for output, inflation, and unemployment. Are the risks to output, inflation and unemployment skewed to the downside, balanced, or skewed to the upside relative to your forecast?

Balance of Risk:	
	Downside
	Balanced
	Upside

c) Do you feel more, less or equally uncertain regarding your economic forecasts since the last survey on 6/13/11?

Uncertainty:	
	More Uncertain
	Equally Uncertain
	Less Uncertain