

RESPONSES TO SURVEY OF MARKET PARTICIPANTS

Markets Group, Federal Reserve Bank of New York



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The **Survey of Market Participants** 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 participants, along with the 25th and 75th percentiles, are reported. For questions that ask respondents to give a probability distribution, the average response across participants for each potential outcome is reported.¹ Brief summaries of the comments received in free response form are also provided.

Responses were received from 29 market participants. Except where noted, all 29 participants responded to each question. In some cases, participants 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.

Table of Contents

Q-1) FOMC Meeting Expectations

Q-2) Target Federal Funds Rate/Range and Lower Bound Expectations

Q-3) Additional Federal Reserve Actions

Q-4) Federal Reserve Assets

Q-5) Money Market Rate Spreads

Q-6) U.S. Real GDP Growth

Q-7) Peak Unemployment Rate

Q-8) Fiscal Policy Expectations

Q-9) Inflation Probability Distributions

Q-10) U.S. and Global Recession Probabilities

- 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 respondents indicated that they did not expect any changes to this section of the statement. Several indicated that they expected the Committee to acknowledge that economic activity has started to pick up from low levels. Several indicated that they expected the Committee to repeat language from its April statement that noted “sharp declines” in economic activity.

Economic outlook and communication on the expected path of the target federal funds rate:
(27 responses)

Many respondents indicated that they did not expect any changes to both elements of the statement, and several indicated that they expected no material changes specifically to communication on the expected path of the target range for the federal funds rate. Several indicated expectations for changes to communication on the expected path of the target range for the federal funds rate. Finally, several indicated that they expected the Committee to repeat language from its April statement that noted the economic outlook remains uncertain.

Communication on tools other than the target federal funds rate:
(27 responses)

Many respondents indicated that they expected no material changes to this section of the statement.

Other:
(10 responses)

Respondents did not provide significant commentary in this section.

- 1b)** What are your expectations for the medians of FOMC participants' economic projections in the Summary of Economic Projections (SEP)?
(28 responses)

Many respondents indicated that they expected downgrades across participants' median economic projections for GDP, the unemployment rate, and inflation relative to the December 2019 Summary of Economic Projections. With respect to participants' median GDP growth forecasts, many respondents indicated that they expected a large decline in 2020, and several respondents suggested that they expected a rebound in the medians of GDP growth forecasts after 2020. With respect to participants' median unemployment rate forecasts, some respondents indicated that they expected a large increase in 2020. Several respondents also suggested that they expected a decline in the medians after 2020. With respect to participants' median inflation forecasts, some

respondents indicated that they expected a low inflation forecast in 2020. In addition, several respondents highlighted uncertainty surrounding their estimates for participants' median economic projections.

- 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 2020	Year-End 2021	Year-End 2022	Longer Run
25th Pctl	0.13%	0.13%	0.13%	2.13%
Median	0.13%	0.13%	0.38%	2.25%
75th Pctl	0.13%	0.13%	0.63%	2.50%

- 1d) Additionally, please describe your expectations for the distributions of FOMC participants' target rate projections.
(28 responses)

Many respondents indicated that they expected the distribution of participants' target rate projections to be wide or to widen in later years relative to the 2020 projections. Several respondents indicated that they expected the distribution of participants' target rate projections to move higher in 2022. Several respondents indicated that they expected a narrow distribution through 2020 or 2021, while several others discussed an expectation for a narrow distribution overall. Several respondents indicated that they expected the distribution of participants' target rate projections to be around the current range in 2020. Several respondents indicated that they did not expect the distribution of participants' target rate projections to include negative rates. Several respondents noted uncertainty around their expectations and/or the economic impact of the coronavirus.

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

Most respondents noted that they expected the Chair's remarks during his press conference to be similar to his previous communications. Some respondents indicated that they expected the Chair to convey that the Fed would remain accommodative or use its full range of tools to support the economy as needed, and several indicated that they expected the Chair to reiterate the need for more fiscal support.

With respect to expected topics of discussion during the Chair's press conference, several respondents noted that they expected the Chair to discuss various credit facilities, several noted negative policy rates, several noted forward guidance, several noted yield curve control, and several noted the balance sheet. In addition, several respondents indicated that they did not expect a major announcement at the press conference.

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

	Jun. 9-10	Jul. 28-29	Sep. 15-16	Nov. 4-5	Dec. 15-16	Jan. 26-27	2021 Q1
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	29	29	29	29	29	29	29
	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
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%	0.38%	0.38%	0.63%
# of Responses	29	29	29	29	29	29	29

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.

	Longer Run	10-yr Average FF Rate
25th Pctl	1.75%	0.75%
Median	2.00%	1.25%
75th Pctl	2.50%	1.50%

2c) 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, and 2022. If you expect a target range, please use the midpoint of that range in providing your response.

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	2%	95%	2%	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	3%	66%	14%	8%	5%	2%	1%	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	5%	42%	16%	10%	8%	6%	5%	3%	3%	2%

2d) 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	-0.38%
Median	0.00%
75th Pctl	0.13%

2e) For parts a-d, please explain the factors behind any change to your expectations, where applicable, since the last policy survey.
(26 responses)

Some respondents indicated that there were no material changes to their policy expectations. Several respondents indicated that they expected the target range for the federal funds rate to remain low or at the zero lower bound for a long period of time.

3) If applicable, please describe your expectations for additional actions or monetary policy measures by the Federal Reserve through year-end 2020.
(25 responses)

In describing their expectations through year-end 2020, many respondents indicated that they expected the Committee to provide additional communication on the expected path for the federal funds rate, with several noting that they expect outcome-based forward guidance. In addition, some respondents indicated that they expected the Committee to adopt a formal asset purchase program, with several suggesting that these purchases would be undertaken to ease financial conditions. Several respondents indicated that they expected the introduction of yield curve control, and several indicated that they expect existing credit or liquidity facilities to be extended or expanded.

4a) 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 calendar year for 2021 and 2022. If you expect any of these amounts to be zero in a given period, please enter 0.
(22 responses)

Net purchases of U.S. Treasury securities (\$ billions)									
	Jun. 2020	Jul. 2020	Aug. 2020	Sep. 2020	Oct. 2020	Nov. 2020	Dec. 2020	Total in 2021	Total in 2022
25th Pctl	90	80	80	75	75	60	60	360	0
Median	100	100	90	90	80	80	80	710	360
75th Pctl	120	100	100	100	100	100	100	1200	600

Net purchases of agency MBS (\$ billions)									
	Jun. 2020	Jul. 2020	Aug. 2020	Sep. 2020	Oct. 2020	Nov. 2020	Dec. 2020	Total in 2021	Total in 2022
25th Pctl	50	38	36	28	25	25	25	100	0
Median	80	68	50	45	40	36	35	240	100
75th Pctl	95	80	80	78	78	70	70	600	315

Net purchases of agency CMBS (\$ millions)									
	Jun. 2020	Jul. 2020	Aug. 2020	Sep. 2020	Oct. 2020	Nov. 2020	Dec. 2020	Total in 2021	Total in 2022
25th Pctl	700	500	350	0	0	0	0	0	0
Median	1000	1000	1000	1000	1000	1000	1000	3600	0
75th Pctl	3000	2000	1000	1000	1000	1000	1000	12000	9000

- 4b)** Please describe any assumptions that underlie your expectations in part a, as well as the uncertainty around your estimates.
(25 responses)

Several respondents indicated that they expected the Federal Reserve to gradually reduce the pace of U.S. Treasury securities and agency MBS purchases through year-end.

- 4c)** 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 September 30, 2020 below. If you expect any of these amounts to be zero on this date, please enter 0.

Level on September 30, 2020 (\$ billions)								
	Discount Window	PDCF	MMLF	CPFF	MSNLF	MSELF	MLF	TALF
25th Pctl	0	0	15	0	50	25	115	25
Median	10	5	30	9	200	200	238	63
75th Pctl	30	10	50	25	300	275	500	90
# of Responses	13	13	14	14	14	14	16	14

	PMCCF	SMCCF	PPPLF	Central bank liquidity swaps	FIMA repo	Repo agreements with primary dealers	Any additional programs
25th Pctl	10	75	60	200	0	0	0
Median	70	100	350	300	0	93	0
75th Pctl	250	200	500	350	50	150	25
# of Responses	14	14	15	13	13	14	6

- 4d)** Please describe any views you have on the realized or expected effectiveness of specific programs listed in part c in achieving their stated goals.
(23 responses)

Many respondents indicated that they viewed various programs described in question 4c as effective in achieving their stated goals, and several noted that certain facilities served as effective backstops. Several respondents indicated the Primary and Secondary Market Corporate Credit Facilities in particular were effective.

- 5) The table below lists the average spreads of 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.**

	Top of target range** minus IOER (in bps)		
	Jun. 9-10	Jul. 28-29	Sep. 15-16
25th Pctl	15.0	15.0	15.0
Median	15.0	15.0	15.0
75th Pctl	15.0	15.0	15.0
# of Responses	18	18	18

	EFFR minus IOER (in bps)		
	Jun. 9-10	Jul. 28-29	Sep. 15-16
25th Pctl	-5.0	-5.0	-5.0
Median	-5.0	-5.0	-5.0
75th Pctl	-5.0	-3.0	-3.0
# of Responses	18	18	18

	SOFR minus IOER (in bps)		
	Jun. 9-10	Jul. 28-29	Sep. 15-16
25th Pctl	-7.0	-7.0	-7.0
Median	-5.0	-5.0	-5.0
75th Pctl	-4.0	-2.0	-1.0
# of Responses	17	17	17

	Bottom of target range** minus ON RRP rate (in bps)		
	Jun. 9-10	Jul. 28-29	Sep. 15-16
25th Pctl	0.0	0.0	0.0
Median	0.0	0.0	0.0
75th Pctl	0.0	0.0	0.0
# of Responses	17	17	17

	3-Month U.S. Treasury bill yield minus 3-Month OIS (in bps)		
	Jun. 9-10	Jul. 28-29	Sep. 15-16
25th Pctl	6.0	4.0	3.0
Median	7.0	5.0	5.0
75th Pctl	9.0	10.0	7.0
# of Responses	17	17	17

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

** Target range for the federal funds rate.

- 6a)** Please indicate your modal projections for U.S. real GDP growth for each quarter (seasonally adjusted annual rate).
(28 responses)

Modal Projection for U.S. Real GDP Growth (percent)				
	Q1 2020 (saar)	Q2 2020 (saar)	Q3 2020 (saar)	Q4 2020 (saar)
25th Pctl	-5.8%	-40.0%	9.8%	5.0%
Median	-5.0%	-36.5%	15.0%	8.0%
75th Pctl	-5.0%	-30.0%	20.0%	10.0%

- 6b) Please provide the percent chance you attach to the following outcomes for U.S. real GDP growth in 2020 (Q4/Q4).
(28 responses)

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	18%	28%	31%	15%	5%	3%

- 7) At what level do you expect the unemployment rate (U-3) to peak and when?
(28 responses)

Peak Unemployment (U-3) Rate		
	Peak Unemployment (U-3) Rate	Peak Unemployment Rate Time Period
25th Pctl	19.0%	May 2020
Median	20.0%	June 2020
75th Pctl	20.5%	June 2020

* Dropdown selections:

Apr 2020, May 2020, Jun 2020, Jul 2020, Aug 2020, Sep 2020, Oct 2020, Nov 2020, Dec 2020, Jan 2021, Feb 2021, Mar 2021, Apr 2021, May 2021, Jun 2021, Jul 2021, Aug 2021, Sep 2021, Oct 2021, Nov 2021, Dec 2021, Jan 2022 or later

- 8) Please describe your expectations for any additional U.S. federal fiscal policy measures through year-end 2020 to support the economy, if applicable.
(28 responses)

Many respondents indicated that they expected additional fiscal stimulus, with some indicating that they expected an expansion of unemployment insurance benefits and several indicating they expected additional funding for state and local governments.

- 9a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from June 1, 2020 - May 31, 2025 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(27 responses)

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%
Average	11%	21%	31%	24%	9%	4%

	Most Likely Outcome
25th Pctl	1.50%
Median	1.75%
75th Pctl	2.05%

- 9b)** For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from June 1, 2025 – May 31, 2030 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(28 responses)

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%
Average	7%	15%	28%	28%	14%	8%

	Most Likely Outcome
25th Pctl	1.80%
Median	2.00%
75th Pctl	2.20%

- 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	100%	25th Pctl 35%	25th Pctl 40%
Median	100%	Median 50%	Median 65%
75th Pctl	100%	75th Pctl 85%	75th Pctl 90%

*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.
(25 responses)

Several respondents cited easing shutdown or social distancing measures in explaining changes to one or more of their recession probabilities, and several noted that they had made no material changes to their recession probabilities.