Survey of Primary Dealers

Markets Group, Federal Reserve Bank of New York

June, 2011

Policy Expectations Survey

Please respond by **Monday, June 13th 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%**
June 21-22:							
August 9:							
September 20:							

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

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

b) What additional information do you expect Chairman Bernanke to provide in his post-FOMC meeting press conference on June 22nd?

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 Q2	**2011 Q3**	**2011 Q4**	**2012 Q1**	**2012 Q2**	**2012 Q3**	**2012 Q4**	**2013 Q1**	**≥2013 Q2**
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 Q2	**2011 Q3**	**2011 Q4**	**2012 Q1**	**2012 Q2**	**2012 Q3**	**2012 Q4**	**2013 Q1**
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%**
June 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 4/18/11? Please provide a rating between 1 and 5, with 1 indicating **in**effectiveness and 5 indicating effectiveness.

Rank: Dropdown

Please explain, highlighting any effect the first post-FOMC press conference had on your grade:

7) What is your expectation for the amount of domestic securities held outright in the SOMA portfolio at year-end for each of the next five years? For your reference, the current level of domestic assets in SOMA is $2,569 billion, according to the latest H.4.1 release.

Year	**2010***	**2011**	**2012**	**2013**	**2014**	**2015**
Expected Amount of Domestic Assets in SOMA ($ Billions)	**2,156**					

* Taken from the 12/30/2010 Federal Reserve H.4.1, Table 9, "Securities Held Outright."

Please explain:

8) Please indicate whether the measures listed below will most likely be used for the first time before, concurrent with, or after the first increase in the fed funds target rate, if at all (excluding any operational readiness exercises). Secondly, if you select "before" or "after," please indicate the number of FOMC meetings relative to the first increase in the fed funds target rate you expect each measure to be first utilized.

	Before/Concurrent/ After/Never :	**# of Meetings Before/After, or N/A :**
Increase IOER*		
Change in "Extended Period" Language in FOMC Statement		
Reverse Repurchases Operations		
Term Deposits		
Halting Treasury Reinvestment		
Halting Agency Debt Reinvestment		
Halting Agency MBS Reinvestment		
Treasury Sales		
Agency Debt Sales		
Agency MBS Sales		

** IOER refers to the rate paid on excess reserves.*

Please explain:

9) What is the maximum dollar amount of assets that could be sold through permanent open market operations in a six month period without creating market dislocations (such as transitory large flow-driven movements in prices or a significant loss of liquidity)? Please assume market conditions similar to current market conditions.

	Treasuries	Agency Debt and MBS	Treasuries, Agency Debt, and Agency MBS Combined
Maximum Amount of Asset Sales over 6 Month Period ($bns)			

Please explain:

10) In the previous survey, you were asked about your expectations for the effective fed funds rate at several different levels of interest on excess reserves (IOER) and excess reserves. Since then, the New York Fed announced an expansion in the base of its eligible counterparties for reverse repo operations to include Government Sponsored Enterprises (GSEs). What effect, if any, do you think this expansion will have on the spread between IOER and the effective fed funds rate relative to what you forecasted in the previous survey?

Effect on expected spread between IOER and Effective Fed Funds Rate: Dropdown

Please explain:

11) Please indicate the percent chance you attach to the Federal Reserve **expanding its securities portfolio through additional purchases** (not including those related to the current $600 billion Treasury purchase program) in each of the following asset classes within the next **2 years**. Additionally, please indicate the percent chance you attach to the Federal Reserve **conducting asset sales** within the next **2 years** and within the next **5 years**.

	Purchases	*Sales*	
	Probability within 2 years	*Probability within 2 years*	*Probability within 5 years*
Treasury Securities :			
Agency Debt or MBS Securities:			

Please explain :

Economic Indicator Forecasts

12) 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.)**
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)**		**Unemployment Rate (Q4 Average Level)**	
	Estimate	*Balance of Risk*	*Estimate*	*Balance of Risk*	*Estimate*	*Balance of Risk*
2011 :		Dropdown	Fill from 12a	Dropdown		Dropdown
2012 :		Dropdown		Dropdown		Dropdown
2013 :		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 4/18/11?

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

13) What percent chance do you attach to the 4-quarter change in the core PCE deflator falling below zero by the end of Q2 2012?

14) 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:

15) 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.*

16) What effects do you believe the anticipated end of the current $600 billion Treasury purchase program in June has had or will have on the 10-year Treasury yield, U.S. dollar, and U.S. equities over the next few months?

Ten-Year Treasury Yield: Dropdown **U.S. Dollar Index:** Dropdown **U.S. Equities:** Dropdown

Please explain:

17) 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 4/18/11? 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

10) In the previous survey, you were asked about your expectations for the effective fed funds rate at several different levels of interest on excess reserves (IOER) and excess reserves. Since then, the New York Fed announced an expansion in the base of its eligible counterparties for reverse repo operations to include Government Sponsored Enterprises (GSEs). What effect, if any, do you think this expansion will have on the spread between IOER and the effective fed funds rate relative to what you forecasted in the previous survey?

Effect on expected spread between IOER and Effective Fed Funds Rate:
Tighten Significantly
Tighten Somewhat
No effect
Widen Somewhat
Widen Significantly

12) 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 4/18/11?

Uncertainty:
More Uncertain
Equally Uncertain
Less Uncertain

16) What effects do you believe the anticipated end of the current $600 billion Treasury purchase program in June has had or will have on the 10-year Treasury yield, U.S. dollar, and U.S. equities over the next few months?

For Each Asset:
Increase Significantly
Increase Somewhat
No effect
Decrease Somewhat
Decrease Significantly