SURVEY OF PRIMARY DEALERS

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 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.

Please respond by **Monday, July 17th at 5:00 pm** to the questions below. Your time and input are greatly appreciated.

Dealer:

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1) Provide below your expectations for changes, if any, to the language referencing each of the following topics in the July FOMC statement.

Current economic conditions:	
Economic outlook:	
Communication on the expected path of the target fed funds rate:	
Communication on the Committee's policy of reinvesting principal payments on Treasury and agency securities:	
Other:	

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

Rating:

Please Explain:

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

	2017 FOMC meetings				2018 FOMC meetings		
	Jul 25-26	Sep 19-20	Oct 31 - Nov 1	Dec 12-13	Jan 30-31	Mar 20-21	May 1-2
Target rate / midpoint of target range:							

	Quarters						
	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4
Target rate / midpoint of target range:							

3b) 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:		Expectation for average federal funds rate over next 10 years:	

3c) Please indicate the percent chance* that you attach to the following possible outcomes for the Committee's next policy action in 2017.

Next Change is Increase in Target Rate or Range	Next Change is Decrease in Target Rate or Range	No Change in Target Rate or Range in 2017

Responses should add up to 100 percent.

3d) Conditional on the Committee's next policy action in 2017 being an increase in the target federal funds rate or range, please indicate the percent chance* that you attach to the following possible outcomes for the timing of such a change. Only fill out this conditional probability distribution if you assigned a non-zero probability to the Committee's next policy action in 2017 being an increase.

Increase Occurs at July FOMC meeting	Increase Occurs at September FOMC meeting	Increase Occurs at Oct. 31 - Nov. 1 FOMC meeting or later

Responses should add up to 100 percent.

3e) 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 2017, conditional on the following possible scenarios for the direction and timing of the Committee's next policy action in 2017**.** Only fill out the conditional probability distributions for which you assigned a non-zero probability to the conditioning event occurring. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 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%
Next change is an increase, occurs at September meeting or earlier:								
Next change is an increase, occurs at Oct. 31 - Nov. 1 meeting or later:								

	< 0.0%	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%
Next change is a decrease:								

Responses across each row should add up to 100 percent.

3f-i) 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 2018 and 2019, conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2019. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	≥ 3.51%
Year-end 2018:							
Year-end 2019:							

**Responses across each row should add up to 100 percent.*

3f-ii) Please indicate the percent chance that you attach to moving to the ZLB at some point between now and the end of 2019.

Probability of moving to the ZLB at some point between now and the end of 2019:	

3f-iii) 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 2018 and 2019, conditional on moving to the ZLB at some point between now and the end of 2019. Only fill out these conditional probability distributions if you assigned a non-zero probability to moving to the ZLB at some point between now and the end of 2019. If you expect a target range, please use the midpoint of that range in providing your response.

	< 0.00%	0.00 - 0.25%	0.26 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	≥ 2.51%
Year-end 2018:								
Year-end 2019:								

**Responses across each row should add up to 100 percent.*

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

Level of the target federal funds rate or range at the effective lower bound (in percent):	

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

4) Previous FOMC communication has indicated that the economy's neutral real federal funds rate, which can be understood as the level of the real federal funds rate that would be neither expansionary nor contractionary if the economy were operating at or near its potential, is currently low by historical standards. Please provide your estimate for the current level of the neutral real federal funds rate and at each of the time periods below.

Current level:		Year-end 2017:		Year-end 2018:		Year-end 2019:	

Please explain the factors behind any changes to your estimates since the policy survey on April 24.

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5) The following matrix lays out hypothetical scenarios in which the realized levels of the 2018 unemployment rate (Q4 average level) and 2018 core PCE inflation (Q4/Q4 growth) are either 50 basis points above, below, or equal to the medians of FOMC participants' projections for these indicators in the June Summary of Economic Projections (SEP). For example, the upper left box represents a scenario in which the unemployment rate and core PCE inflation are both 50 basis points below the current SEP medians. The upper right box represents a scenario in which the unemployment rate is 50 basis points above the current SEP median, while core PCE inflation is 50 basis points below the current median.

For each of the following scenarios, please indicate the level of the target federal funds rate or range that you expect would prevail at the end of Q1 2019. If you expect a target range, please indicate the midpoint of that range in providing your response.

		2018 Unemployment rate (Q4 average level)		
		- 50 bps	Current median 4.2%	+ 50 bps
2018 Core PCE inflation (Q4/Q4 growth)	- 50 bps			
	Current median 2.0%			
	+ 50 bps			

Please explain any assumptions underlying your responses.

6a) 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 2017 and 2018.

	≤ 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	3.51 - 4.00%	≥ 4.01%
Year-end 2017:							
Year-end 2018:							

**Responses across each row should add up to 100 percent.*

6b) Please rate the importance of the following factors in explaining changes to your forecasts for the 10-year Treasury yield at the end of 2017 and 2018 since the policy survey on December 5 (5=very important, 1=not important). Please provide responses only if you changed your forecasts.

	2017	2018
Changes in outlook for U.S. economic growth:		
Changes in outlook for U.S. inflation:		
Changes in outlook for U.S. fiscal policy:		
Changes in outlook for Federal Reserve's balance sheet:		
Changes in perception of the neutral nominal fed funds rate:		
Changes in perception of the FOMC's reaction function:		
Changes in outlook for foreign growth/inflation:		
Changes in outlook for foreign monetary policy:		
Other:		

If other, please explain.		

6c) As of July 12th, 2017, the current level of the 10-year U.S. Treasury yield was 2.32 percent. Please decompose this level into the following components. Please ensure that your sum matches 2.32 percent. Please also ensure that your signs are correct.

Market Expectations for Average Real Policy Rate (%)	Market Expectations for Average Inflation Rate (%)	Market-Implied Nominal Term Premium (%)	Your Sum	Level of 10-Year U.S. Treasury Yield
			0.00%	**2.32%**

7a) The June FOMC minutes reported that FOMC participants "noted that...it would likely become appropriate later this year for the Committee to announce and implement a specific timetable for its program of reducing reinvestment of the Federal Reserve's securities holdings." Please indicate the percent chance that you attach to the following possible outcomes for when the Committee first announces a change to its reinvestment policy. Additionally, please indicate the probability that you assign to "no change" to reinvestments occuring.*

2017 FOMC Meetings				**Quarters/Half Years**			
Jul 25-26	Sep 19-20	Oct 31 - Nov 1	Dec 12-13	Q1 2018	Q2 2018	≥ H2 2018	No Change

**Responses should add up to 100 percent.*

7b) Please explain the factors behind any change to your views in part a since the last policy survey.

7c) In the addendum to the Policy Normalization Principles and Plans, the Committee outlined its approach for reducing the Federal Reserve's holdings of Treasury and agency securities. What are your estimates for the cumulative effects (in basis points) on the 10-year Treasury yield and 30-year production coupon MBS-option adjusted spread over the two year period following the implementation of this approach?

Cumulative estimated effect on 10-year Treasury yield (bps):	
Cumulative estimated effect on 30-year production coupon MBS option-adjusted spread (bps):	

8a) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio at the end of 2019, conditional on **not** moving to the ZLB at any point between now and the end of 2019. For reference, the level of the SOMA portfolio on July, 5th 2017 was $4270 billion, including inflation compensation and settled and unsettled agency MBS, according to the most recent H.4.1 release. Levels referenced below are in $ billions.

≤ 3000	3001 - 3500	3501 - 4000	4001 - 4500	≥ 4501

**Responses should add up to 100 percent.*

8b) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio at the end of 2019, conditional on moving to the ZLB at any point between now and the end of 2019. Only fill out this conditional probability distribution if you assigned a non-zero probability to moving to the ZLB at some point between now and the end of 2019 in question 3. Levels referenced below are in $ billions.

≤ 4000	4001 - 4500	4501 - 5000	5001 - 5500	≥ 5501

**Responses should add up to 100 percent.*

9a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	GDP (Q4/Q4 Growth)	Core PCE Deflator (Q4/Q4 Growth)	Headline PCE Deflator (Q4/Q4 Growth)	Unemployment Rate (Q4 Average Level)
2017:				
2018:				
2019:				
Longer run:				

9b) Provide your estimate of the most likely outcome for the U.S. federal fiscal deficit (as a percent of GDP) for fiscal years 2017, 2018 and 2019.

	FY 2017	FY 2018	FY 2019
Current estimate for U.S. federal fiscal deficit:			

Please explain any changes to your estimates since the policy survey on June 5.

9c) Please indicate the overall effect of any changes to your estimates for the federal fiscal deficit since the last policy survey on your forecasts for GDP growth (Q4/Q4) in 2017, 2018 and 2019 and over the longer run, combining direct and indirect effects. Please provide your responses in percentage points.

	2017	2018	2019	Longer run
Impact on GDP growth forecasts from change in estimate of federal fiscal deficit:				

10a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from July 1, 2017 - June 30, 2022 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%

Point estimate for most likely outcome:

Responses should add up to 100 percent.

10b) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from July 1, 2022 - June 30, 2027 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%

Point estimate for most likely outcome:

Responses should add up to 100 percent.

10c) For the outcomes below, provide the percent chance* you attach to the PCE inflation rate from July 1, 2019 - June 30, 2020 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%

Point estimate for most likely outcome:

Responses should add up to 100 percent.

11a) What percent chance do you attach to the U.S. economy **currently** being in a recession*?

Recession currently:

11b) What percent chance do you attach to the U.S. economy being in a recession* **in 6 months**?

Recession in 6 months:

11c) What percent chance do you attach to the global economy being in a recession** **in 6 months**?

Global recession in 6 months:

11d) Please explain the factors behind any change to your expectations in parts a-c since the last policy survey.

**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.*

Thank you for your time and input. Please send survey results to **ny.mktpolicysurvey@ny.frb.org**