SURVEY OF PRIMARY DEALERS

JANUARY 2021

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 **Tuesday, January 19th at 2:00pm Eastern Time** to the questions below. Your time and input are greatly appreciated.

Type of Respondent:	**Primary Dealer**	Respondent Name:	

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

Current economic conditions:	
Economic outlook and communication on the expected path of the target federal funds rate:	
Communication on tools other than the target federal funds rate:	
Other:	

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

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2) How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey? 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 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.

	2021 FOMC meetings						
	Jan 26-27	Mar 16-17	Apr 27-28	Jun 15-16	Jul 27-28	Sep 21-22	Nov 2-3
Target rate / midpoint of target range:							

	Quarters								
	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Target rate / midpoint of target range:									

If your responses above do not reflect an increase from the current target range at any point, please provide the earliest quarter in which your modal expectation for the level of the target range is higher than the current level.

Earliest quarter*:

**Dropdown selections: 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 or later.*

3b) Provide your estimate for the most likely value for the following indicators at the time of the next increase in the target range for the federal funds rate.

Unemployment rate (%):	
Labor force participation rate (%):	
Total change in the level of real GDP since 2019 Q4 (%):	
Headline 12-month PCE inflation (%):	

3c) 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:	

3d) 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 2021, 2022, and 2023. 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 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	≥ 2.01%	Sum
Year-end 2021:											**0.00%**
Year-end 2022:											**0.00%**
Year-end 2023:											**0.00%**

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

3e) 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):

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

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4) 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 2021 and 2022.

	< 0.00%	0.00 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	≥ 2.51%	Sum
Year-end 2021:								**0.00%**
Year-end 2022:								**0.00%**

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

5a) 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 and the total over each of the quarters below. If you expect any of these amounts to be zero in a given period, please enter 0.

Purchases net of reinvestments:	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021
U.S. Treasuries ($ billions):						
Agency MBS ($ billions):						
Agency CMBS ($ **millions**):						

Purchases net of reinvestments:	**Total over each quarter**									
	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
U.S. Treasuries ($ billions):										
Agency MBS ($ billions):										
Agency CMBS ($ **millions**):										

If your responses above do not reflect a period in which the combined pace of net purchases of Treasury securities and agency mortgage-backed securities (MBS) falls to zero, please provide the earliest quarter in which your modal expectation for the combined pace of net purchases of these securities falls to zero.

Earliest quarter in which pace falls to zero*:	

**Dropdown selections: 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 or later.*

If applicable, please describe your expectations for any changes to key elements of and/or the communications regarding asset purchases going forward.

5b) Please indicate the percent chance* that you attach to the following possible outcomes for total purchases, net of reinvestments, of U.S. Treasury securities and agency mortgage-backed securities (MBS) that the Desk will conduct from the beginning of 2021 until year-end 2023.

Net purchases of U.S. Treasury securities, 2021-2023 ($ billions)

Sum of modal estimates in part a, 2021-2023 ($ billions)**	≤ 500	501 - 1,000	1,001 - 1,500	1,501 - 2,000	2,001 - 2,500	2,501 - 3,000	3,001 - 3,500	≥ 3,501	Sum
									0.00%

Net purchases of agency MBS, 2021-2023 ($ billions)

Sum of modal estimates in part a, 2021-2023 ($ billions)**	≤ 250	251 - 500	501 - 750	751 - 1,000	1,001 - 1,250	1,251 - 1,500	1,501 - 1,750	≥ 1,751	Sum
									0.00%

**Responses should add up to 100 percent.*

***These cells auto-populate if the corresponding modal expectations from the beginning of 2021 until year-end 2023 in question 5a are provided.*

5c) The December FOMC statement noted that "the Federal Reserve will continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month until substantial further progress has been made toward the Committee's maximum employment and price stability goals."

Please provide your views on the most likely economic and financial conditions prevailing at the time that the Committee judges "substantial further progress" has been made toward its goals.

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6) Beyond your responses provided in the questions above, please describe your expectations for any additional actions or monetary policy measures, or modifications to those previously announced, by the Federal Reserve through year-end 2021.

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7) What percent chance do you attach to any additional U.S. federal fiscal policy measures being enacted over the next six months to support the economy?

Probability:

If you assigned a non-zero probability above, please provide your estimate of the most likely total amount of additional U.S. federal fiscal policy measures to be enacted over the next six months to support the economy, conditional on there being such additional measures.

Estimate (**$ billions**):

Please describe any assumptions underlying your estimates above.

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8) 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.**

	Average over past week	**2021 FOMC meetings**			
		Jan 26-27	Mar 16-17	Apr 27-28	Jun 15-16
Top of target range** minus IOER (in bps):	**+15**				
EFFR minus IOER (in bps):	**-1**				
SOFR minus IOER (in bps):	**0**				
Bottom of target range** minus ON RRP (in bps):	**0**				
3m U.S. Treasury bill yield minus 3m OIS (in bps):	**0**				

**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.*

9a) Please indicate your modal projections for U.S. real GDP growth for each of the following quarters (seasonally adjusted annual rate).

	Q1 2020 (saar)*	Q2 2020 (saar)*	Q3 2020 (saar)*	Q4 2020 (saar)
Modal projection for U.S. real GDP (percent):	**-5.0%**	**-31.4%**	**33.4%**	

**Third estimate released by the Bureau of Economic Analysis*

	Q1 2021 (saar)	Q2 2021 (saar)	Q3 2021 (saar)	Q4 2021 (saar)
Modal projection for U.S. real GDP (percent):				

9b) Please provide the percent chance* you attach to the following outcomes for U.S. real GDP growth in 2021 and 2022 (Q4/Q4).

	< 0%	0.00 - 2.00%	2.01 - 4.00%	4.01 - 6.00%	6.01 - 8.00%	≥ 8.01%	Sum
2021 U.S. real GDP (Q4/Q4):							**0.00%**

	< 0%	0.00 - 1.00%	1.01 - 2.00%	2.01 - 3.00%	3.01 - 4.00%	4.01 - 5.00%	≥ 5.01%	Sum
2022 U.S. real GDP (Q4/Q4):								**0.00%**

**Responses should add up to 100 percent.*

10a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from January 1, 2021 - December 31, 2025 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%	Sum		
						0.00%	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 January 1, 2026 - December 31, 2030 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%	Sum		
						0.00%	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*?	
the U.S. economy being in a recession* **in 6 months**?	
the global economy being in a recession** **in 6 months**?	

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.*

11b) Please explain the factors behind any change to your expectations in part a since the last policy survey.

12a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	Real GDP (Q4/Q4 Growth)	Core PCE Inflation (Q4/Q4)	Headline PCE Inflation (Q4/Q4)	Unemployment Rate (Q4 Average Level)
2021:				
2022:				
2023:				
Longer run:				

12b) Please explain changes, if any, to your estimates in part a since the last policy survey.

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