SURVEY OF PRIMARY DEALERS
MARCH 2019

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, March 11th at 2:00 pm 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 March FOMC statement.

Current economic conditions:

Economic outlook:

Communication on the expected path of the target federal funds rate:

Other:

1b) What are your expectations for the medians of FOMC participants' <u>economic</u> projections in the Summary of Economic Projections (SEP)?

1c) What are your expectations for the most likely levels of the medians of FOMC participants' <u>target federal funds rate</u> projections in the SEP? Please provide your responses out to three decimal places.

	Year-end 2019	Year-end 2020	Year-end 2021	Longer run
December SEP median:	2.875%	3.125%	3.125%	2.750%
March SEP median:				

Please comment on the balance of risks around your own expectations for the median projections.

1d) Additionally, please describe any expected changes to the distributions of FOMC participants' target rate projections, if applicable.

1e) What are your expectations for the Chairman'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 and half years below. For the time periods at which you expect a target range, please indicate the midpoint of that range in providing your response.

	2019 FOMC meetings						
	Mar 19-20	Apr 30 - May 1	Jun 18-19	Jul 30-31	Sep 17-18	Oct 29-30	Dec 10-11
Target rate / midpoint of target range:							

	Quarters						**Half Years**
	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 H2
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 between now and the end of 2019.

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 Through the End of 2019

Responses should add up to 100 percent.

3d) Conditional on the Committee's next policy action between now and the end of 2019 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 between now and the end of 2019 being an increase.

Increase Occurs at March 2019 FOMC meeting	Increase Occurs at April/May 2019 FOMC meeting	Increase Occurs at June 2019 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 <u>at the end of 2019,</u> conditional on the following possible scenarios for the direction and timing of the Committee's next policy action <u>between now and the end of 2019</u>. 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.

	≤ 2.00%	2.01 - 2.25%	2.26 - 2.50%	2.51 - 2.75%	2.76 - 3.00%	3.01 - 3.25%	3.26 - 3.50%	≥ 3.51%
Next change is an increase, occurs at Apr./May 2019 FOMC meeting or earlier:								
Next change is an increase, occurs at Jun. 2019 FOMC meeting or later:								

	≤ 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 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 <u>at the end of 2020 and 2021</u>, conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2021. 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 - 4.00%	≥ 4.01%
Year-end 2020:								
Year-end 2021:								

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 <u>now and the end of 2021</u>.

Probability of moving to the ZLB at some point between <u>now and the end of 2021</u>:

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 <u>at the end of 2020 and 2021</u>, <u>conditional on moving to the ZLB at some point between now and the end of 2021</u>. 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 2021. 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 2020:								
Year-end 2021:								

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) The following matrix lays out hypothetical scenarios in which the realized levels of the 2019 unemployment rate (Q4 average level) and 2019 core PCE inflation (Q4/Q4) are either 50 basis points above, below, or equal to the medians of FOMC participants' projections for these indicators in the December 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 <u>at the end of Q1 2020</u>. If you expect a target range, please indicate the midpoint of that range in providing your response.

<div align="center">

**2019 Unemployment rate
(Q4 average level)**

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		- 50 bps	Current median 3.5%	+ 50 bps
2019 Core PCE inflation (Q4/Q4)	- 50 bps			
	Current median 2.0%			
	+ 50 bps			

Please explain any assumptions underlying your responses.

5a) The minutes of the January 2019 FOMC meeting noted that "[a]lmost all participants thought that it would be desirable to announce before too long a plan to stop reducing the Federal Reserve's asset holdings later this year."

Please provide your estimate for the most likely timing of each of the following events, <u>conditional on **not** moving to the ZLB at any point between now and the end of 2025</u>.

<u>Announcement</u> of a plan to stop reducing the Federal Reserve's asset holdings*:

<u>Initial implementation</u> of a plan to stop reducing the Federal Reserve's asset holdings**:

Quarter in which the par value of the domestic SOMA portfolio <u>first</u> reaches its lowest level between now and the end of 2025***:

Quarter in which the par value of the domestic SOMA portfolio <u>first</u> exhibits material quarter-over-quarter growth***:

Dropdown selections:

*March 2019 FOMC, April/May 2019 FOMC, June 2019 FOMC, July 2019 FOMC, September 2019 FOMC, October 2019 FOMC, December 2019 FOMC, January 2020 FOMC or later

**March 2019, April 2019, May 2019, June 2019, July 2019, August 2019, September 2019, October 2019, November 2019, December 2019, January 2020 or later

***Q1 2019, Q2 2019, Q3 2019, Q4 2019, Q1 2020, Q2 2020, Q3 2020, Q4 2020, Q1 2021, Q2 2021, Q3 2021, Q4 2021, Q1 2022, Q2 2022, Q3 2022, Q4 2022, Q1 2023, Q2 2023, Q3 2023, Q4 2023, Q1 2024, Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025 or later

5b) Please indicate the lowest average weekly level ($ billions) you expect reserve balances to reach between now and the end of 2025, underline conditional on **not** moving to the ZLB at any point between now and the end of 2025, as reported in the weekly H.4.1 release. For reference, the average level of reserve balances for the week ended February 27, 2019 was $1641 billion according to the most recent H.4.1 release.

Lowest average weekly level of reserve balances ($ billions): [ ]

5c) Please provide your estimate for the level of the par value of the SOMA portfolio at the end of 2019, conditional on the target federal funds rate or range at the end of 2019 falling in each of the ranges below. If you expect a range for the federal funds target, please use the midpoint of that range in providing your response. For reference, the level of the SOMA portfolio on February 27, 2019 was $3792 billion, including inflation compensation and settled and unsettled agency MBS, according to the most recent H.4.1 release.

	Federal funds target rate or range at year-end 2019				
	≤ 1.75%	1.76 - 2.25%	2.26 - 2.75%	2.76 - 3.25%	≥3.26%
Par value of SOMA portfolio ($ billions):					

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6) The previous policy survey asked respondents to rate the importance of different factors in driving the increase in various measures of interest rate and equity market volatility in the fourth quarter of 2018, as well as in late December in particular.

Please rate the importance of the following factors in driving risk asset prices since the beginning of 2019. **(5=very important, 1=not important)**

Changes in outlook for U.S. economy:	
Changes in uncertainty around outlook for U.S. economy:	
Changes in outlook for foreign economies:	
Changes in uncertainty around outlook for foreign economies:	
Changes in perception of the FOMC's reaction function for interest rate policy:	
Changes in perception of the FOMC's reaction function for balance sheet policy:	
Realized change in aggregate size of global central banks' balance sheets:	
Changes in global political uncertainty:	
Automated/quantitative trading strategies:	
Changes in seasonal factors:	
Other (please explain):	

If "Other", please explain: [ ]

7a) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from March 1, 2019 - February 29, 2024 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.

7b) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from March 1, 2024 - February 28, 2029 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.

8a) 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.

8b) What percent chance* do you attach to the U.S. economy first entering a recession** in each of the following periods?

2019 or earlier	2020	2021	2022	2023 or later

Responses should add up to 100 percent.
**NBER-defined recession

8c) Please explain the factors behind any change to your expectations in parts a and b since the last policy survey.

[ ]

9a) 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)
2019:				
2020:				
2021:				
Longer run:				

9b) Please explain changes, if any, to your estimate in part a since the last policy survey.

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