RESPONSES TO SURVEY OF MARKET PARTICIPANTS

Markets Group, Federal Reserve Bank of New York

OCTOBER/NOVEMBER 2023

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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 27 market participants. Except where noted, all 27 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.

List of Market Participants:
https://www.newyorkfed.org/markets/survey_market_participants

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

Current economic conditions:

Some respondents indicated they expected little or no change. Several respondents indicated they expected or saw a possibility of an upgrade to statement language on the labor market. Several respondents indicated they expected or saw a possibility of an upgrade to the language on economic growth.

Economic outlook and communication on the expected path of the target federal funds rate:

Most respondents indicated they expected little or no change.

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

Most respondents indicated they expected little or no change.

Other:
(19 responses)

Respondents did not provide significant commentary in this section.

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

Some respondents indicated they expected the Chair to note some potential for or lean toward further tightening without pre-committing to a specific rate path. In this discussion, some respondents indicated they expected the Chair to note that further tightening will depend on incoming data or that further tightening may be needed to ensure that inflation returns to the 2 percent target. Several respondents indicated they expected the Chair to note the tightening in financial conditions or the increase in long-term market rates. Several respondents indicated they expected the Chair to discuss the balance of risks around rate policy or the economy. Several respondents indicated they expected a reference to proceeding carefully with respect to rate policy. Several respondents indicated they expected the Chair to reiterate the FOMC's commitment to returning inflation to target, and several respondents expected the Chair to cite progress on inflation. Several respondents indicated they expected the Chair's press conference remarks to be similar to his prior speech at the Economic Club of New York.

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.

	Number of Respondents
1 - Ineffective	**0**
2	**3**
3	**4**
4	**16**
5 - Effective	**4**
# of Respondents	**27**

Please explain.

Some respondents viewed components of Fed communications as being clear, consistent, or effective. In particular, some respondents referenced communications on the expected path of policy or the monetary policy reaction function. Several respondents noted effective communications about the tightening in financial conditions or the increase in long-end Treasury yields. Several respondents viewed components of Fed communications as being unclear or ineffective.

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

	Oct. 31- Nov. 1	Dec. 12-13	Jan. 30-31	Mar. 19-20	Apr. 30- May 1	Jun. 11-12	Jul. 30-31
25th Percentile	**5.38%**	**5.38%**	**5.38%**	**5.25%**	**5.00%**	**4.75%**	**4.38%**
Median	**5.38%**	**5.38%**	**5.38%**	**5.38%**	**5.38%**	**5.13%**	**4.88%**
75th Percentile	**5.38%**	**5.38%**	**5.38%**	**5.38%**	**5.38%**	**5.38%**	**5.13%**
# of Respondents	**27**	**27**	**27**	**27**	**27**	**27**	**27**

	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026	2027
25th Percentile	**4.00%**	**3.50%**	**3.13%**	**2.88%**	**2.75%**	**2.63%**	**2.38%**	**2.38%**
Median	**4.88%**	**4.13%**	**3.88%**	**3.38%**	**3.13%**	**3.13%**	**2.63%**	**2.88%**
75th Percentile	**4.88%**	**4.63%**	**4.25%**	**4.00%**	**3.75%**	**3.38%**	**3.13%**	**3.13%**
# of Respondents	**27**	**27**	**27**	**27**	**27**	**27**	**26**	**26**

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.

	10-yr Average FF Rate	Longer Run
25th Percentile	**2.80%**	**2.38%**
Median	**3.00%**	**2.60%**
75th Percentile	**3.40%**	**2.94%**
# of Respondents	**27**	**27**

3c) Please indicate the percent chance that you attach to the target federal funds rate or range falling in each of the following ranges immediately following the October/November FOMC meeting and at the end of 2023 and 2024. If you expect a target range, please use the midpoint of that range in providing your response.

Federal Funds Rate or Range after the October/November 2023 FOMC Meeting										
	<= 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	>= 6.26%
Average	**0%**	**0%**	**0%**	**0%**	**0%**	**92%**	**8%**	**0%**	**0%**	**0%**

Federal Funds Rate or Range at the End of 2023										
	<= 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	>= 6.26%
Average	**0%**	**0%**	**0%**	**0%**	**2%**	**66%**	**30%**	**1%**	**0%**	**0%**

Federal Funds Rate or Range at the End of 2024										
	<= 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	3.51 - 4.00%	4.01 - 4.50%	4.51 - 5.00%	5.01 - 5.50%	>= 5.51%
Average	**5%**	**3%**	**7%**	**8%**	**8%**	**12%**	**19%**	**21%**	**10%**	**6%**

3d) Please indicate the percent chance that you attach to the highest level of the target range for the federal funds rate before the target range is next decreased falling in each of the following ranges.

	<= 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	>= 6.26%
Average	**0%**	**0%**	**0%**	**0%**	**0%**	**59%**	**24%**	**10%**	**4%**	**3%**

4a) Please provide your modal expectation for the average level of specified assets over each of the periods below. Average level amounts referenced below are in $ billions.

Expectations for the Average Level of Treasury Holdings in the SOMA Portfolio ($ billions)						
	Oct. 2023	Nov. 2023	Dec. 2023	Jan. 2024	Feb. 2024	Mar. 2024
25th Percentile	4,913	4,853	4,793	4,733	4,673	4,613
Median	4,914	4,854	4,794	4,734	4,674	4,614
75th Percentile	4,914	4,854	4,794	4,734	4,674	4,614
# of Respondents	20	20	20	20	20	20

Expectations for the Average Level of MBS in the SOMA Portfolio ($ billions)						
	Oct. 2023	Nov. 2023	Dec. 2023	Jan. 2024	Feb. 2024	Mar. 2024
25th Percentile	2,463	2,445	2,421	2,400	2,380	2,359
Median	2,475	2,456	2,435	2,415	2,395	2,376
75th Percentile	2,477	2,457	2,438	2,418	2,398	2,380
# of Respondents	20	20	20	20	20	20

Expectations for the Average Level of Total Assets on the Federal Reserve Balance Sheet ($ billions)						
	Oct. 2023	Nov. 2023	Dec. 2023	Jan. 2024	Feb. 2024	Mar. 2024
25th Percentile	7,989	7,894	7,789	7,701	7,602	7,497
Median	8,017	7,919	7,829	7,734	7,639	7,549
75th Percentile	8,034	7,954	7,874	7,794	7,714	7,634
# of Respondents	18	18	18	18	18	18

Expectations for the Average Level of Treasury Holdings in the SOMA Portfolio ($ billions)				
	2024 Q2	2024 Q3	2024 Q4	2025 Q4
25th Percentile	4,434	4,254	4,089	3,894
Median	4,490	4,313	4,134	4,323
75th Percentile	4,584	4,554	4,554	4,614
# of Respondents	19	19	19	19

Expectations for the Average Level of MBS in the SOMA Portfolio ($ billions)				
	2024 Q2	2024 Q3	2024 Q4	2025 Q4
25th Percentile	2,313	2,262	2,205	2,006
Median	2,331	2,276	2,225	2,080
75th Percentile	2,346	2,294	2,278	2,240
# of Respondents	19	19	19	19

Expectations for the Average Level of Total Assets on the Federal Reserve Balance Sheet ($ billions)				
	2024 Q2	2024 Q3	2024 Q4	2025 Q4
25th Percentile	7,317	7,068	6,855	6,460
Median	7,343	7,139	6,984	6,861
75th Percentile	7,453	7,232	7,134	7,149
# of Respondents	18	18	18	18

4b) Please indicate the period in which you expect the SOMA portfolio will cease to decline as well as the size of the SOMA portfolio when it ceases to decline. Please also indicate the size of specified liabilities, reserves and take-up at the overnight reverse repurchase facility, when the SOMA portfolio ceases to decline.

	Period in which SOMA portfolio ceases to decline*	Size of SOMA portfolio when it ceases to decline**	Size of reserves***	Take-up at the overnight reverse repurchase facility****
25th Percentile	**2024 Q4**	**5,750**	**2,375**	**125**
Median	**2025 Q2**	**6,250**	**2,375**	**625**
75th Percentile	**2025 Q4**	**6,750**	**2,813**	**875**
# of Respondents	**21**	**20**	**18**	**18**

**Dropdown selections: Q4 2023, 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, Q2 2027, Q3 2027, Q4 2027, Q1 2028, Q2 2028, Q3 2028, Q4 2028, Q1 2029 or later.*
***Dropdown selections: $0-500bn, $501-1000bn, $1001-1500bn, $1501-2000bn, $2001-2500bn, $2501-3000bn, $3001-3500bn, $3501-4000bn, $4001-4500bn, $4501-5000bn, $5001-5500bn, $5501-6000bn, $6001-6500bn, $6501-7000bn, $7001-7500bn*
****Dropdown selections: $1000bn or smaller, $1001-1250bn, $1251-1500bn, $1501-1750bn, $1751-2000bn, $2001-2250bn, $2251-2500bn, $2501-2750bn, $2751-3000bn, $3001-3250bn, $3251-3500bn, $3501-3750bn, $3751-4000bn, $4001bn or larger.*
*****Dropdown selections: $0-250bn, $251-500bn, $501-750bn, $751-1000bn, $1001-1250bn, $1251-1500bn, $1501-1750bn, $1751-2000bn, $2001-2250bn, $2251-2500bn, $2501bn or larger.*

4c) Please indicate the percent chance that you attach to the size of the SOMA portfolio falling in each of the following ranges when it ceases to decline. For reference, Securities Held Outright in the SOMA portfolio on October 11, 2023 was $7,411 billion according to the most recent H.4.1 release.
(20 responses)

	$4000bn or smaller	$4001-4500bn	$4501-5000bn	$5001-5500bn	$5501-6000bn	$6001-6500bn	$6501-7000bn	$7001-7500bn	$7501bn or larger
Average	**6%**	**2%**	**3%**	**9%**	**18%**	**25%**	**24%**	**12%**	**0%**

4d) Please provide any additional information or factors behind your baseline expectations for assets on the Federal Reserve balance sheet and when the decline in the balance sheet will be slowed and then stopped.
(17 responses)

Some respondents indicated they expected the end of balance sheet reduction to be determined by reserve scarcity, assessments of reserves as a percentage of nominal GDP, or upward pressures on money market rates relative to administered rates. Several respondents indicated they expected balance sheet reduction to end at the time of a recession or when the Fed starts reducing the level of the target range for the federal funds rate.

Please provide any additional information or factors behind the distribution of outcomes around your baseline for assets on the Federal Reserve balance sheet and when the decline in the balance sheet will be slowed and then stopped.
(17 responses)

Several respondents viewed the distribution of outcomes as skewed toward a later end to runoff and a smaller SOMA portfolio versus their baseline expectations. That said, several respondents viewed the distribution of outcomes as skewed toward an earlier end of runoff and a larger SOMA portfolio versus their baseline expectations. Among respondents who expected the end of balance sheet reduction to be determined by reserve scarcity, assessments of reserves as a percentage of nominal GDP, or upward pressures on money market rates relative to administered rates, several cited the possibility that the end of balance sheet reduction could be determined by market functioning issues, the time of a recession, or when the Fed starts reducing the level of the target range for the federal funds rate.

5) 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 and please do not include decimal places.

Top of target range** minus IORB (in bps)				
	Oct. 31- Nov. 1	Dec. 12-13	Jan. 30-31	Mar. 19-20
25th Percentile	**10.0**	**10.0**	**10.0**	**10.0**
Median	**10.0**	**10.0**	**10.0**	**10.0**
75th Percentile	**10.0**	**10.0**	**10.0**	**10.0**
# of Respondents	**15**	**15**	**15**	**15**

EFFR minus IORB (in bps)				
	Oct. 31- Nov. 1	Dec. 12-13	Jan. 30-31	Mar. 19-20
25th Percentile	**-7.0**	**-7.0**	**-7.0**	**-7.0**
Median	**-7.0**	**-7.0**	**-7.0**	**-7.0**
75th Percentile	**-7.0**	**-7.0**	**-7.0**	**-6.5**
# of Respondents	**15**	**15**	**15**	**15**

SOFR minus IORB (in bps)				
	Oct. 31- Nov. 1	Dec. 12-13	Jan. 30-31	Mar. 19-20
25th Percentile	**-9.0**	**-9.0**	**-9.0**	**-9.0**
Median	**-9.0**	**-9.0**	**-9.0**	**-8.0**
75th Percentile	**-8.5**	**-8.0**	**-7.5**	**-7.5**
# of Respondents	**15**	**15**	**15**	**15**

Bottom of target range** minus ON RRP rate (in bps)				
	Oct. 31-Nov. 1	Dec. 12-13	Jan. 30-31	Mar. 19-20
25th Percentile	-5.0	-5.0	-5.0	-5.0
Median	-5.0	-5.0	-5.0	-5.0
75th Percentile	-5.0	-5.0	-5.0	-5.0
# of Respondents	15	15	15	15

3m U.S. Treasury bill yield minus 3m fed funds OIS (in bps):				
	Oct. 31-Nov. 1	Dec. 12-13	Jan. 30-31	Mar. 19-20
25th Percentile	7.5	7.5	7.0	6.5
Median	8.0	8.0	8.0	8.0
75th Percentile	8.5	8.5	8.5	9.0
# of Respondents	15	15	15	15

**Listed rates include the interest on reserve balances (IORB) rate, effective federal funds rate (EFFR), Secured Overnight Financing Rate (SOFR), overnight reverse repurchase agreement (ON RRP) rate, and 3-month fed funds overnight index swap rate (3m OIS).*
***Target range for the federal funds rate*

6a) As of October 17, the 5-year, 5-year forward nominal Treasury yield increased by approximately 140 basis points since the start of July. Please weight the relative contributions of the following factors in terms of their importance in explaining the increase in the 5-year, 5-year forward nominal Treasury yield since the start of July. Responses should add up to 100 percent.

	Change in perceptions of U.S. potential growth:	Change in U.S. inflation expectation..	Change in U.S. interest rate risk and uncertainty:	Change in Federal Reserve balance sheet policy outlook:	Change in U.S. fiscal outlook:	Change in foreign factors such as potential growth, inflation, balance sheet policy, or fiscal outlook:	Positioning or other technical factors:	Other:
Average	21%	8%	21%	6%	23%	7%	12%	3%
# of Respondents	26	26	26	26	26	26	26	26

If "Other", please explain:
(4 responses)

Respondents did not provide significant commentary in this section.

6b) Please provide any additional information on your top two or three weighted factors above.
(23 responses)

Some respondents viewed fiscal factors as important, referencing high deficits or supply versus demand dynamics for U.S. Treasury securities. Some respondents mentioned stronger economic growth. Several respondents mentioned higher or higher-for-longer

monetary policy rates as an important factor. Several respondents cited an increase in term premiums, in the context of various factors.

7) Please provide the percent chance you attach to the following outcomes for U.S. real GDP growth in 2023 and 2024 (Q4/Q4).
(25 responses)

Probability Distribution of U.S. Real GDP Growth in 2023 (Q4/Q4)										
	<= -1.01%	-1.00 - -0.51%	-0.50 - 0.00%	0.01 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	>= 3.01%
Average	**0%**	**0%**	**1%**	**3%**	**7%**	**15%**	**19%**	**34%**	**19%**	**3%**

Probability Distribution of U.S. Real GDP Growth in 2024 (Q4/Q4)										
	<= -1.01%	-1.00 - -0.51%	-0.50 - 0.00%	0.01 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	>= 3.01%
Average	**5%**	**6%**	**11%**	**16%**	**20%**	**17%**	**12%**	**7%**	**3%**	**2%**

Please also provide your point estimate for the most likely outcome.

U.S. Real GDP Modal Point Estimates (Q4/Q4)		
	2023	2024
25th Percentile	**1.80%**	**0.45%**
Median	**2.20%**	**0.80%**
75th Percentile	**2.48%**	**1.30%**
# of Respondents	**25**	**25**

8) Please indicate your modal projections for headline and core PCE inflation for each of the following quarters.*

Headline PCE Inflation Quarterly Modal Point Estimates					
	Q3 2023 (saar)	Q4 2023 (saar)	Q1 2024 (saar)	Q2 2024 (saar)	Q3 2024 (saar)
25th Percentile	**2.8%**	**2.6%**	**2.4%**	**2.0%**	**2.1%**
Median	**2.9%**	**3.0%**	**2.6%**	**2.3%**	**2.3%**
75th Percentile	**3.0%**	**3.2%**	**2.7%**	**2.5%**	**2.4%**
# of Respondents	**23**	**23**	**23**	**23**	**23**

Core PCE Inflation Quarterly Modal Point Estimates					
	Q3 2023 (saar)	Q4 2023 (saar)	Q1 2024 (saar)	Q2 2024 (saar)	Q3 2024 (saar)
25th Percentile	**2.5%**	**2.7%**	**2.5%**	**2.3%**	**2.1%**
Median	**2.5%**	**2.8%**	**2.7%**	**2.4%**	**2.3%**
75th Percentile	**2.9%**	**3.3%**	**3.0%**	**2.7%**	**2.5%**
# of Respondents	**24**	**24**	**24**	**24**	**24**

**Percent change from the previous quarter at an annualized rate, based on the average of monthly levels (seasonally adjusted) in each quarter.*

9a) Please provide the percent chance you attach to the following outcomes for headline PCE inflation in 2023 and 2024 (Q4/Q4).
(24 responses)

Probability Distribution of Headline PCE Inflation in 2023 (Q4/Q4)										
	<= 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 - 3.75%	3.76 - 4.00%	>= 4.01%
Average	**0%**	**0%**	**2%**	**8%**	**20%**	**32%**	**21%**	**9%**	**5%**	**3%**

Probability Distribution of Headline PCE Inflation in 2024 (Q4/Q4)										
	<= 1.50%	1.51 - 1.75%	1.76 - 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%
Average	**3%**	**6%**	**11%**	**20%**	**23%**	**13%**	**9%**	**8%**	**5%**	**4%**

Please also provide your point estimate for the most likely outcome.

Headline PCE Inflation Modal Point Estimates (Q4/Q4)		
	2023	2024
25th Percentile	**3.05%**	**2.20%**
Median	**3.20%**	**2.30%**
75th Percentile	**3.30%**	**2.40%**
# of Respondents	**24**	**24**

9b) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from October 1, 2023 – September 30, 2028 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(24 responses)

	<= 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	>= 3.51%
Average	**1%**	**2%**	**6%**	**19%**	**32%**	**22%**	**12%**	**7%**

	Most Likely Outcome
25th Percentile	**2.38%**
Median	**2.50%**
75th Percentile	**2.60%**
# of Respondents	**24**

9c) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from October 1, 2028 – September 30, 2033 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(24 responses)

	<= 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	>= 3.51%
Average	**1%**	**3%**	**8%**	**25%**	**32%**	**20%**	**7%**	**4%**

	Most Likely Outcome
25th Percentile	**2.18%**
Median	**2.30%**
75th Percentile	**2.45%**
# of Respondents	**24**

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 Percentile	**1%**	**30%**	**29%**
Median	**5%**	**40%**	**40%**
75th Percentile	**10%**	**54%**	**50%**
# of Respondents	**26**	**26**	**26**

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

	H1 2023**	H2 2023	H1 2024	H2 2024	H1 2025	No recession by end H1 2025
Average	**1%**	**14%**	**33%**	**23%**	**11%**	**18%**

**NBER-defined recession*
***Percent chance that the economy first entered an NBER-defined recession in H1 2023.*