Survey of Primary Dealers Markets Group, Federal Reserve Bank of New York January, 2012

Policy Expectations Survey

Please respond by Tuesday, January 17 at 12 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.

	Dealer:								
Monetary Policy E									
 Of the possible outco 	mes below, please in	ndicate the percent	chance* you attach		-		llowing each of the r	next 3 FOMC meeting	gs:
		0.00% - 0.25%	0.25%	Level 0.50%	of Target Range or 0.75%	r Rate 1.00%	1.25%	>1.25%	
	January 24-25:	0.00 /8 - 0.20 /8	0.20 %	0.00 %	0.10%	1.00%	1.20 /0	- 1.20 /0	
	March 13: April 24-25:								
	April 24-25:	* Percentages shou	Ild add up to 100 pe	ercent.]	
		-							
 a) Do you expect any 	changes in the FON	AC statement and,	if so, what changes'	2					
b) What additional inf	ormation do you exp	ect Chairman Bern	anke to provide in h	is post-FOMC meet	ting press conferenc	e on January 25th?			
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Of the possible outco increments, as much	of the distribution of	aggregate dealer r	esponses to the Dec	cember survey fell in	n Q2 2014 or later.	rget rate increase.	Note. The probabilit	/ buckets were incre	ased to na
Timing of First Incre	ease :								
2012 H1	2012 H2	2013 H1	2013 H2	2014 H1	2014 H2	2015 H1	2015 H2	2016 H1	≥2016
* Percentages should	add up to 100 per	cent						<u> </u>	
Estimate for most li	kely quarter and ye	ar of first target ra	ate increase:		Dropdown				
4) Provide your firm's es		kely outcome (i.e. t	he mode) for the fed	leral funds target ra	te or range at the en	d of each half-year	period:*		
Federal Funds Targ	et Rate or Range :								
2012 H1	2012 H2	2013 H1 Dropdown	2013 H2	2014 H1	2014 H2	2015 H1	2015 H2	2016 H1	2016
* Distribution of buck	Dropdown ets scaled to Questic		Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropo
	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%		
January 2013** :	* Percentages shou	ld add up to 100 p	ercent					1	
				by December 2012	Eurodollar futures	contracts.			
6) How would you grade	the Federal Reserv	e System's commu	nication with the ma	rkets and with the r	whic since the last	nolicy survey on 12	5/112 Please provid	de a rating between	land 5 w
indicating ineffectiver				inters and with the p	dublic since the last	Solicy Survey on 12	o/TTET lease provid	te a rading between	r and 5, w
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*i.e. a deliberate action to decrease the duration of the SOMA portfolio, independent of other policy changes.

b) For each listed policy tool, please indicate the probability the tool will be used to signal future policy easing or to ease policy at the next FOMC meeting and within the next 1 and 2 years.

			Probability at next FOMC meeting	Probability within 1 year	Probability within 2 years				
	Lower interest on e	excess reserves				Please explain:			
	Expand SOMA por security purchases								
	Increase duration of	of portfolio*							
	Change the forward path of the federal								
	Provide guidance of which the SOMA po at the current level								
		tion to increase the	e duration of the SON	IA portfolio beyond	the currently annou	nced maturity exten	sion program, indep	pendent of other poli	cy changes.
8) What are your expect	ctations for the amou	Int of domestic secu	urities held outright ir	the SOMA portfolio	o and for the expected	ed level of reserves	at year-end for eac	h of the next five ye	ars?
		Current Level*	Year End 2012	Year End 2013	Year End 2014	Year End 2015	Year End 2016	٦	
	unt of U.S. Treasury in SOMA (\$ Billions)	1,663							
	t of agency debt and ecurities in SOMA (\$	942							
Expected amount o	Billions) of domestic assets in SOMA (\$ Billions)	2,605							
Expected level of	reserves (\$ Billions)	1,579							
* Taken from the 1/5	/2012 Federal Rese	rve H.4.1.	11	L			I	J	
Please explain:									
Economic Indicat 9) a) Provide your firm's		st likely outcome (i.	e. the mode) for outp	out and inflation:					
	GI (q.c		Core PCE	E Deflator	Headline Pe (y.c				
2011 Q4 :	:	<i>.</i> .q. <i>)</i>	(9.0	y.)	(9.0	·· y ·)]		
2012 Q1 : 2012 Q2 :									
2012 Q3 : b) Provide your firm	s estimate of the mo	st likelv outcome (i.	e, the mode) for out	put, inflation, and ur	employment. Are th	e risks to output in	flation and unemplo	wment skewed to the	e downside, balance
or skewed to the ups			Coro BCE						
or skewed to the ups	GI (Q4/Q4	DP Growth)	(Q4/Q4	E Deflator Growth)	Headline P (Q4/Q4)	CE Deflator Growth)	Unemploy (Q4 Aver	/ment Rate age Level)	
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Dropdown Selections

3) Estimate for most likely quarter and year of first target rate increase:

 $\begin{array}{c} Q1\ 2012\\ Q2\ 2012\\ Q3\ 2012\\ Q4\ 2012\\ Q1\ 2013\\ Q2\ 2013\\ Q2\ 2013\\ Q4\ 2013\\ Q4\ 2013\\ Q1\ 2014\\ Q2\ 2014\\ Q3\ 2014\\ Q4\ 2014\\ Q1\ 2015\\ Q4\ 2015\\ Q4\ 2015\\ Q1\ 2015\\ Q4\ 2016\\ Q3\ 2016\\ Q4\ 2016\\$

4) Provide your firm's estimate of the most likely outcome (i.e. the mode) for the federal funds target rate or range at the end of each quarter: Federal 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 12/5/11? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

5 -- Very effective 4 3 2 1 -- Very ineffective

Rank:

Balance of Risk:

9) 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?

Downside Balanced Upside

c) Do you feel more, less or equally uncertain regarding your economic forecasts since the last survey on 12/5/11?

Uncertainty: More Uncertain Equally Uncertain Less Uncertain