Survey of Primary Dealers
Markets Group, Federal Reserve Bank of New York
June, 2012
### Monetary Policy Expectations

1) Of the possible outcomes below, please indicate the percent chance* you attach to the indicated federal funds target range or target rate following each of the next 3 FOMC meetings:

<table>
<thead>
<tr>
<th>Level of Target Range or Rate</th>
<th>0.00% - 0.25%</th>
<th>0.25%</th>
<th>0.50%</th>
<th>0.75%</th>
<th>1.00%</th>
<th>1.25%</th>
<th>&gt;1.25%</th>
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</thead>
<tbody>
<tr>
<td>June 19-20</td>
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<td>July 31-August 1</td>
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<td>September 12-13</td>
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Percentages should add up to 100 percent.

2) a) Do you expect any changes in the FOMC statement and, if so, what changes?

b) Do you expect any revisions to FOMC participants’ projections provided in the advanced materials of the Summary of Economic Projections (SEP) and, if so, what changes?

3) Of the possible outcomes below, please indicate the percent chance* you attach to the timing of the first federal funds target rate increase:

**Timeline of First Increase:**

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<tbody>
<tr>
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</tbody>
</table>

Percentages should add up to 100 percent.

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 half-year period and over the longer run:

**Federal Funds Target Rate or Range:**

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</tbody>
</table>

5) Of the possible outcomes below, please indicate the percent chance* you attach to the federal funds target rate or range 1 year from now and at the end of 2014:

<table>
<thead>
<tr>
<th>June 2013</th>
<th>Year-end 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00% - 0.25%</td>
<td>0.26 - 0.50%</td>
</tr>
<tr>
<td>0.26 - 0.50%</td>
<td>0.51 - 1.00%</td>
</tr>
<tr>
<td>0.51 - 1.00%</td>
<td>1.01 - 1.50%</td>
</tr>
<tr>
<td>1.01 - 1.50%</td>
<td>1.51 - 2.00%</td>
</tr>
<tr>
<td>1.51 - 2.00%</td>
<td>2.01 - 2.5%</td>
</tr>
<tr>
<td>2.01 - 2.5%</td>
<td>≥ 2.51%</td>
</tr>
</tbody>
</table>

Percentages should add up to 100 percent.

6) How would you grade the Federal Reserve System’s communication with the markets and with the public since the last policy survey on 4/16/12? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

**Rank:**

Dropdown

**Please explain:**

7) FOMC communications have discussed several different ways monetary policy could be altered to provide either less or more accommodation.

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

**Policy Tool:**

- Raise interest on excess reserves
- Drain reserves through temporary tools
- Halt reinvestments
- Reduce size of SOMA portfolio through selling securities
- Reduce duration of portfolio
- Change the forward guidance in the FOMC statement on the path of the federal funds rate
- Provide additional guidance on the likely path for the size and composition of the balance sheet
- Reduce duration of portfolio*
- Change the forward guidance in the FOMC statement on the path of the federal funds rate
- Provide additional guidance on the likely path for the size and composition of the balance sheet

*b.i.e. a deliberate action to decrease the duration of the SOMA portfolio, independent of other policy changes.

**Probability at next FOMC meeting**

**Probability within 1 year**

**Probability within 2 years**

Please explain:

- Probability at next FOMC meeting
- Probability within 1 year
- Probability within 2 years

Please explain:

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.

**Policy Tool:**

- Lower interest on excess reserves
- Expand SOMA portfolio through securities purchases
- Increase duration of portfolio
- Change the forward guidance in the FOMC statement on the path of the federal funds rate
- Provide additional guidance on the likely path for the size and composition of the balance sheet
- Increase duration of portfolio*
- Change the forward guidance in the FOMC statement on the path of the federal funds rate
- Provide additional guidance on the likely path for the size and composition of the balance sheet

*b.i.e. a deliberate action to increase the duration of the SOMA portfolio beyond the currently announced maturity extension program, independent of other policy changes.

**Probability at next FOMC meeting**

**Probability within 1 year**

**Probability within 2 years**

Please explain:
c) Because respondents could see some of the choices from part b as overlapping, the answers to that part do not necessarily reveal the combined probability of various choices. We are interested in the probability you assign to any easing policy action that uses the SOMA portfolio – that is, those actions described in either row 2 or row 3 from part b above. Please indicate the probability these tools will be used at the next FOMC meeting and within the next 1 and 2 years.

<table>
<thead>
<tr>
<th>Ease with any method that utilizes the size or composition of the SOMA portfolio</th>
<th>Probability at next FOMC meeting</th>
<th>Probability within 1 year</th>
<th>Probability within 2 years</th>
<th>Please explain:</th>
</tr>
</thead>
</table>

8) Please provide your most likely expectation (i.e. the mode) for the amount of domestic securities held outright in the SOMA portfolio and for the expected level of reserves at year-end for each of the next five years.

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<tbody>
<tr>
<td>1,657</td>
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<tr>
<td>945</td>
<td></td>
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<tr>
<td>2,602</td>
<td></td>
<td></td>
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<tr>
<td>1,524</td>
<td></td>
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</tbody>
</table>

* Taken from the 5/31/2012 Federal Reserve H.4.1.

9) According to the April FOMC meeting minutes, "It was noted that the forward guidance is conditional on economic developments and that the date given in the statement would be subject to revision should there be a significant change in the economic outlook." We are interested in your view on the minimum increment of time by which the guidance could be changed, if the Committee were to alter it. Please enter below what language you believe could be used to shorten or lengthen the forward guidance by this minimum time increment.

Shorten Forward Guidance

Lengthen Forward Guidance

b) If your wording in part a) was qualitative, please convert your minimum time increment into number of months.

Economic Indicator Forecasts

10) a) Provide your firm’s estimate of the most likely outcome (i.e. the mode) for output and inflation:

<table>
<thead>
<tr>
<th>GDP (q-o-q)</th>
<th>Core PCE Deflator (y-o-y)</th>
<th>Headline PCE Deflator (y-o-y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 Q2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012 Q3</td>
<td></td>
<td></td>
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<tr>
<td>2012 Q4</td>
<td></td>
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<tr>
<td>2013 Q1</td>
<td></td>
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</tr>
</tbody>
</table>

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?

<table>
<thead>
<tr>
<th>GDP (Q4/Q4 Growth)</th>
<th>Core PCE Deflator (Q4/Q4 Growth)</th>
<th>Headline PCE Deflator (Q4/Q4 Growth)</th>
<th>Unemployment Rate (Q4 Average Level)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 Estimate</td>
<td>Balance of Risk</td>
<td>Balance of Risk</td>
<td>Balance of Risk</td>
</tr>
<tr>
<td>2013 Estimate</td>
<td>Balance of Risk</td>
<td>Balance of Risk</td>
<td>Balance of Risk</td>
</tr>
<tr>
<td>2014 Estimate</td>
<td>Balance of Risk</td>
<td>Balance of Risk</td>
<td>Balance of Risk</td>
</tr>
</tbody>
</table>

Please comment on any risks you see to your forecast:

Please comment on any changes to your macroeconomic assessments since the last FOMC meeting.

11) What percent chance do you attach to the 4-quarter change in the core PCE deflator falling below zero by the end of Q2 2013?

12) For the outcomes below, please indicate the percent chance* you attach to the annual average CPI inflation rate from 2017 - 2022. Please also indicate your point estimate for the most likely outcome (i.e. the mode).

<table>
<thead>
<tr>
<th>Unemployment Rate</th>
<th>Point estimate for most likely outcome:</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤0.1%</td>
<td>1.01-1.5%</td>
</tr>
<tr>
<td>1.51-2.0%</td>
<td>2.01-2.5%</td>
</tr>
<tr>
<td>2.51-3.0%</td>
<td>≥3.01%</td>
</tr>
</tbody>
</table>

*Percentages should add up to 100 percent.

13) a) What percent chance do you attach to the US economy currently being in a recession? * NBER-defined recession.

Recession currently:

b) What percent chance would you attach to the US economy being in a recession in 6 months? * NBER-defined recession.

Recession in 6 months:

14) The 10-year Treasury yield has decreased by approximately 30 basis points since the release of the April FOMC statement. Please rate the importance of the factors below in explaining this decrease.

<table>
<thead>
<tr>
<th>Weaker growth prospects</th>
<th>Lower inflation outlook</th>
<th>Safe haven investor flows</th>
<th>Expectations for additional Fed balance sheet easing</th>
<th>Other</th>
</tr>
</thead>
</table>

(If "Other," please state above)

Please explain:

15) Please comment on any changes to your macroeconomic assessments since the last FOMC meeting.
3) Estimate for most likely quarter and year of first target rate increase:

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

Q2 2012
Q3 2012
Q4 2012
Q1 2013
Q2 2013
Q3 2013
Q4 2013
Q1 2014
Q2 2014
Q3 2014
Q4 2014
Q1 2015
Q2 2015
Q3 2015
Q4 2015
Q1 2016
Q2 2016
Q3 2016
Q4 2016
Q1 2017
Q2 2017

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:

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 4/16/12? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

6) How would you grade the Federal Reserve System’s communication with the markets and with the public since the last policy survey on 4/16/12? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

Rank:

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

10) 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?

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Balance of Risk: Lower GDP
- Balanced
- Higher GDP
Balance of Risk: Lower Inflation
- Balanced
- Higher Inflation
Balance of Risk: Lower UR
- Balanced
- Higher UR
Balance of Risk: Higher GDP
- Balanced
- Higher Inflation
Balance of Risk: Higher UR
- Balanced
- Higher Inflation

10) c) Do you feel more, less or equally uncertain regarding your economic forecasts since the last survey on 4/16/12?

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Uncertainty:

- More Uncertain
- Equally Uncertain
- Less Uncertain