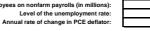
Survey of Primary Dealers

Markets Group, Federal Reserve Bank of New York April 2013

Policy Expectations Survey Please respond by Monday, April 22 at 5pm 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 involve only 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 Expectations 1) Do you expect any changes in the FOMC statement and, if so, what changes? 2) Of the possible outcomes below, p se indicate the percent chance* you attach to the timing of the first federal funds target rate incre Timing of First Increase: 2013 H1 2013 H2 2014 H1 2014 H2 2015 H1 2015 H2 2016 H1 2016 H2 2017 H1 ≥2017 H2 Estimate for most likely quarter and year of first target rate increases 3) a) 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: 2013 H1 2013 H2 2014 H1 2014 H2 2015 H1 2015 H2 2016 H1 2016 H2 2017 H1 2017 H2 ſ Longer run: b) Provide your firm's estimate of the most likely outcome (i.e., the mode) for the 10-year Treasury yield at the end of each half-year period 2013 H1 2013 H2 2014 H1 2014 H2 2015 H1 2015 H2 c) Provide your firm's estimate of the most likely outcome (i.e., the mode) for the 30-year fixed primary mortgage rate at the end of each half-year period. For reference, the current 30-year fixed primary rate according to the Freddie Mac survey is 3.41 percent. 2013 H1 2013 H2 2014 H1 2014 H2 2015 H1 2015 H2 4) Of the possible outcomes below, please indicate the percent chance* you attach to the federal funds target rate or range at the end of 2013, 2014, and 2015. 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% Year-end 2013: Year-end 2014: Year-end 2015: es should add up to 100 pe 5) How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey on 3/11/13? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectivenes Rating: Please Explain: dropdown In the March FOMC statement, the Committee announced it will continue purchasing additional agency mortgage-backed securities at a pace of \$40 billion per month and longer-term Treasury securities at a pace of \$45 billion per month, and also stated that it would take appropriate account of the likely efficacy and costs of such purchases as well as the extent of progress toward its economic objectives in determining the size, pace, and composition of its asset 6) In the March FOMC states purchases. a) Please provide your expectation for the monthly pace of purchases that will be in effect after each of the below FOMC me Monthly Pace of Longer-Term Security Purchases (\$ billions) Trea iries Agency MBS April/May 30-1: June 18-19: July 30-31: mber 17-18 Door April 29-30, 2014: b) Please indicate the quarter and year during which you expect asset purchases in Treasury and agency MBS securities to be completed. Expected End of Agency MBS Expected End of Treasury Purchases Purchas Quarter and Year Quarter and Year dropdown dropdown e explain, including your views on any difference in the end dates of Treasury and agency MBS purchases, if applicable c) Assuming that the economy progresses according to the scenario you judge most likely, and your expectations for the timing of the end of asset purchases in Part B are realized, please address the follo At that future point, what is your best estimate for the realized values of the following economic indicators? If you project Treasury and agency MBS purchases to end at different times, please provide estimates as of the later of the two dates. For reference, as of 3/31/13 the level of total U.S. employees on nonfarm payrolls, seasonally adjusted, was 135.2 million Total U.S. employees on nonfarm payrolls (in millions):



At that future point, what is your best estimate for your projection of the path for the following economic indicators (please ensure your signs are correct)? If Treasury and agency MBS purchases end at different times, please project n the late of the two

Average monthly change in non-farm payrolls over the following 12-month period: Percentage point change in the unemployment rate over the following 12-month period:

Annual rate of change in PCE deflator 1 year ahead:

Progress toward economi



7) a) In the prepared remarks of his March 20th post-FOMC press conference, Chairman Bernanke stated that with regard to the FOMC's asset purchase program, "The Committee could vary the pace of purchases as progress is made toward its economic objectives or if its assessment of the efficacy and costs of the program changes." (Siven the factors cited in the Chairman's prepared remarks, please rate them according to your view of their importance in influencing a change in the the pace of purchases prior to the conclusion of the program. If you expect nultiple changes in pace, please rate the importance of factors in reference to the first change only. If you do not expect a change in pace before the conclusion of the program, please choose "No Pace Change". (5 = very important, 1 = not important)

Factors Influencing Change in Pace of Securities Purchases:

_	Treasuries	Agency MBS			
ic objectives:	dropdown	dropdown			
Efficacy:	dropdown	dropdown			
Costs:	dropdown	dropdown			

b) Please comment further on the factor you thought was most important in influencing a change in the pace of Treasury and/or agency MBS securities purchases from Part A. In the event that you rated two or more choices equally for either Treasuries or agency MBS, please elaborate on what you view as the one most likely factor to influence a change in the pace of purchases for each security.

If you believe efficacy of pur please include specific indicated				economic conditions w	ould warrant a change	e in the pace of Treasu	iry and/or agency MBS	securities purchases. To	o the extent po
]
If you believe costs of purch				conomic conditions wou	ld warrant a change ir	n the pace of Treasury	and/or agency MBS se	curities purchases. To t	ne extent possi
please include specific indicat	ors and levels that you	would consider importa	nt.						1
8) Please provide your expectati		e amount of domestic se		MA portfolio during eac	n of the periods below	. In the case of purcha		ttled and unsettled amou	ints.
	Quarters* 2013 Q3	2013 Q4	Half-Years 2014 H1	2014 H2	2015 H1	2015 H2	Full Years 2016 - Full Year	2017 - Full Year	2018 - Ful
Expected change in amount of U.S. Treasury securities in SOMA (\$ billions)									
Expected change in amount of agency debt									
and agency MBS securities in SOMA (\$ billions)									
Disses symbols and	*Note, expectations I	begin with Q3 2013, as	Q1 and Q2 are obtaine	ed from question 6.					
Please explain any assumptions underlying changes in the pace and/or composition of asset purchases:									
	r								
Please explain any assumptions underlying any declines in SOMA portfolio levels:									
 The March FOMC meeting m Please indicate the percent 					-	-		erve's balance sheet."	
a) riease indicate the percen	criance you assign to	outlight sales of agency	wbo securities norma	le SolviA portiolio, at al	in the context	of balance sheet norm	alization.		
b) If you see any possibility of	sales of agency MBS s	securities taking place in	the context of balance	sheet normalization, ple	ase provide your mos	st likely estimate of the	quarter and year during	which sales would beg	in.
b) If you see any possibility of	sales of agency MBS s	securities taking place in	the context of balance		ase provide your mos	st likely estimate of the	quarter and year during	which sales would beg	in.
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Dropdown Selections

2)	Estimate f	for most likely	quarter and	year of first target	rate increase:
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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
Q3 2017
Q4 2017
>= Q1 2018

Q2 2013

3) a) 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:

025%
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%
5.25%
5.50%
5.75%
6.00%
> 6.00%

5) How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey on 3/11/13? 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

Expected End of Treasury and Agency MBS Purchases:

Rating:

6) b) Please indicate the quarter and year during which you expect asset purchases in Treasury and agency MBS securities to be completed.

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
Q3 2017
Q4 2017
>= 012018

7) a) In the prepared remarks of his March 20th post-FOMC press conference, Chairman Bernanke stated that with regard to the FOMC's asset purchase program, "The Committee could vary the pace of purchases as progress is made toward its economic objectives or if its assessment of the efficacy and costs of the program. How the factors cited in the Chairman's prepared remarks, please rate them according to your view of their importance of a change in the pace of purchases prior to the conclusion of the program. You expect multiple changes are tat the importance of factors in reference to the first change only. If you do not expect a change in the conclusion of the program, please choose "No Pace Change". (5 = very important, 1 = not important)

Influencing Factors:	5 Very Important
	4
	3
	2
	1 Not Important
	No Pace Change

9) b) If you see any possibility of sales of agency MBS securities taking place in the context of balance sheet normalization, please provide your most likely estimate of the quarter and year during which sales would begin.

Expected First Sales:

 Q3
 2013

 Q4
 2013

 Q1
 2014

 Q3
 2014

 Q3
 2014

 Q3
 2014

 Q3
 2014

 Q3
 2014

 Q3
 2015

 Q3
 2015

 Q3
 2016

 Q3
 2017

 Q4
 2017

 Q2
 2018

 Q2
 2018

 Q3
 2018

 Q4
 2018

 Q2
 2018

 Q4
 2018

 Q4
 2018

11) 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?

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

14) The 10-year Treasury yield has declined by approximately 25 basis points since the release of the March FOMC statement. Please rate the importance of the factors below in explaining this decline. (5 = very important, 1 = not important)

Factor Importance:	5 Very Important
	4
	3
	2
	1 Not Important