## Survey of Primary Dealers

Markets Group, Federal Reserve Bank of New York October 2014

Policy Expectations Survey

Please respond by Monday, October 20, at 5:00 pm 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:						1		
Monetary Policy Expe	ectations							•		
1) a) Provide below your e	expectations for changes,	, if any, to the language	referencing each of the fo	llowing topics in the Oc	ctober FOMC statement.	Limit your responses to	changes you consider n	nost likely.		
							Language Cha	anges Expected		_
	Communication on th	ne overall size nace a	Current econo nd composition of asse	mic conditions and th						
			policy rates and forward							
b) How do you expect !	the October FOMC staten	ment to influence market	perceptions of the stance	e of monetary policy, if		odative, 3 = neutral, 5 =	more accommodative)			1
Perceived stanc	ce of monetary policy:				Please Explain:					]
2) How would you grade t	the Federal Reserve Syste	em's communication wit	h the markets and with th	e public since the polic	y survey on September 8	3? Please provide a ratin	g between 1 and 5, with	1 indicating ineffective	ness and 5 indicating effe	ectiveness.
	Rating:				Please Explain:					]
3) What announced purch	hase pace, effective follow	wing the upcoming FOM	C meeting, do you believe	would result in roughly	y no change in the price	of the 10-year Treasury	note, assuming no other	r policy action?		
	Door	of numbers of all sudmin	a the uneemine FOMC	masting (\$ hillians).	Treasuries	Agency MBS				
4) a) Of the possible outo			ig the upcoming FOMC		al funde target rate or ra	nge. Also provide vour	setimate for the most lik	rely meeting for the first	increase	
4) a) Of the possible outo	≤2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	≥2016 Q3	iliciease.	
	* Percentages should as		2013 Q2	2010 Q3	2015 Q4	2010 Q1	2010 Q2	E2010 Q3	]	
	r creentages snould at		te for most likely <u>meetii</u>	ng for first increase in	target rate or range:		•			
b) Provide the percent	chance you attach to the		-		-	ing liftoff.	•			
-,			g to ZLB during the 2 ye			]				
Conditional on the targ	get not returning to the zer	ro lower bound, provide	the percent chance* you	attach to the net change	e in the target rate or rar	ge in each of the two yea	ars following liftoff.			
			0 - 50	51 - 100	101 - 150	151 - 200	>200			
	First y	year following liftoff:	basis points	basis points	basis points	basis points	basis points			
	Second y	year following liftoff:	* Percentages across ro	ws should add to 100 p	ercent.			1		
	ate of the most likely outco te, provide your response			te or range, as applical	ble, at the end of each p	eriod below. If you expec	t a range, please provid	e both the top and botto  Half Years	m of the range in the spi	ecitied fields b
Top of range:	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 H1	2016 H2	2017 H1	2017 H2	2018 H
Bottom of range:										
Target rate:										
d) In addition, provide	your estimate of the longer	er run target federal fund	ds rate and your expectati	on for the average fede	ral funds rate over the n	ext 10 years.			_	
		Longer run:			Expectation for av	erage federal funds rate	over next 10 years:		]	
	comes below, please indic nge in providing your respo		you attach to the target f	ederal funds rate or ran	ige falling in each of the	following ranges at the e	nd of 2014, 2015, 2016,	, and 2017. If you expec	t a target range for feder	al funds pleas
		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 2014: Year-end 2015:	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%	]	
		0.00% - 0.25% ≤0.50%	0.26 - 0.50%	1.01 - 1.50%	1.01 - 1.50%	1.51 - 2.00% 2.01 - 2.50%	2.01 - 2.50%	≥2.51% ≥3.01%	]	
	Year-end 2015:								]	
	Year-end 2015:	≤0.50% ≤2.00%	0.51 - 1.00%	1.01 - 1.50% 2.51 - 3.00%	1.51 - 2.00% 3.01 - 3.50%	2.01 - 2.50%	2.51 - 3.00% 4.01 - 4.50%	≥3.01% ≥4.51%	]	
	Year-end 2015: Year-end 2016: Year-end 2017:	≤0.50%  ≤2.00%  * Percentages across reming of liftoff and/or the estions were asked, expensions were asked.	0.51 - 1.00%  2.01 - 2.50%  ows should add to 100 pene most likely path of plain the factors that	1.01 - 1.50% 2.51 - 3.00%	1.51 - 2.00% 3.01 - 3.50%	2.01 - 2.50%	2.51 - 3.00% 4.01 - 4.50%	≥3.01% ≥4.51%	]	]
u changed your expectation the target rate or range sing.  5) The minutes of the Sep	Year-end 2015: Year-end 2016: Year-end 2017: Year-end 2017: ons for the most likely tince the last time the que	≤0.50%  ≤2.00%  * Percentages across reming of liftoff and/or the estions were asked, exemptivated you to	0.51 - 1.00%  2.01 - 2.50%  ows should add to 100 pc  ne most likely path of cplain the factors that make the change(s):	1.01 - 1.50% 2.51 - 3.00% vrcent. Bins for year-end	1.51 - 2.00% 3.01 - 3.50% d 2017 centered around	2.01 - 2.50% 3.51 - 4.00% median response to que-	2.51 - 3.00% 4.01 - 4.50% stion 3c from Septembe	≥3.01% ≥4.51% r SPD.	ately conveys its intention	ns about the f
5) The minutes of the Sep stance of policy."	Year-end 2015: Year-end 2016: Year-end 2017:  year-end 2017: year-end 2017: year-end 2017: year-end 2017: year-end 2017: year-end 2016: year-end 2017: year-	≤0.50%  ≤2.00%  * Percentages across naming of liftoff and/or the settions were saked, when the settions were saked, and the settions were saked that, "Participal and cated that," Participal and the settions were saked.	0.51 - 1.00%  2.01 - 2.50%  ows should add to 100 pe ne most likely path of plain the factors that make the change(s):  ints also discussed how the	1.01 - 1.50%  2.51 - 3.00%  recent. Bins for year-end e forward-guidance lan	1.51 - 2.00% 3.01 - 3.50% d 2017 centered around	2.01 - 2.50%  3.51 - 4.00%  median response to que.	2.51 - 3.00%  4.01 - 4.50%  stion 3c from Septembe	23.01% 24.51%  r SPD.  ation no longer appropri		
5) The minutes of the Sep stance of policy."	Year-end 2015: Year-end 2016: Year-end 2017: Year-end 2017: ons for the most likely tince the last time the que	≤0.50%  ≤2.00%  * Percentages across naming of liftoff and/or the settions were saked, when the settions were saked, and the settions were saked that, "Participal and cated that," Participal and the settions were saked.	0.51 - 1.00%  2.01 - 2.50%  ows should add to 100 pe ne most likely path of plain the factors that make the change(s):  ints also discussed how the	1.01 - 1.50%  2.51 - 3.00%  recent. Bins for year-end e forward-guidance lan	1.51 - 2.00% 3.01 - 3.50% d 2017 centered around	2.01 - 2.50%  3.51 - 4.00%  median response to que.	2.51 - 3.00%  4.01 - 4.50%  stion 3c from Septembe	23.01% 24.51%  r SPD.  ation no longer appropri		
<ul><li>the target rate or range sin</li><li>5) The minutes of the Sep stance of policy."</li><li>a) Provide the percent</li></ul>	Year-end 2015: Year-end 2016: Year-end 2017:  year-end 2017: year-end 2017: year-end 2017: year-end 2017: year-end 2017: year-end 2016: year-end 2017: year-	≤0.50%  ≤2.00%  * Percentages across naming of liftoff and/or the settions were saked, when the settions were saked, and the settions were saked that, "Participal and cated that," Participal and the settions were saked.	0.51 - 1.00%  2.01 - 2.50%  ows should add to 100 pe ne most likely path of tplain the factors that make the change(s): nts also discussed how the he forward-guidance lang  No Change Prior to	1.01 - 1.50%  2.51 - 3.00%  recent. Bins for year-end e forward-guidance lan uage prior to liftoff, ove	1.51 - 2.00%  3.01 - 3.50%  d 2017 centered around  guage might evolve once re the time periods below  December 2014	2.01 - 2.50%  3.51 - 4.00%  median response to question to a question to que	2.51 - 3.00%  4.01 - 4.50%  stion 3c from Septembe  that the current formula hanges to the forward-g	23.01% 24.51%  r SPD.  ation no longer appropri		
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5) The minutes of the Sep stance of policy."  a) Provide the percent	Year-end 2015: Year-end 2016: Year-end 2017:  year-end 2017: year-end 2017: year-end 2017: year-end 2017: year-end 2017: year-end 2016: year-end 2017: year-	≤0.50%  ≤2.00%  * Percentages across naming of liftoff and/or the settions were saked, when the settions were saked, and the settions were saked that, "Participal and cated that," Participal and the settions were saked.	0.51 - 1.00%  2.01 - 2.50%  ows should add to 100 pe ne most likely path of tplain the factors that make the change(s): nts also discussed how the he forward-guidance lang  No Change Prior to	1.01 - 1.50%  2.51 - 3.00%  recent. Bins for year-ene e forward-guidance lan uage prior to liftoff, ove  October 2014 FOMC	1.51 - 2.00%  3.01 - 3.50%  d 2017 centered around  guage might evolve once er the time periods below  December 2014  FOMC	2.01 - 2.50%  3.51 - 4.00%  median response to question to a question to que	2.51 - 3.00%  4.01 - 4.50%  stion 3c from Septembe  that the current formula hanges to the forward-g	23.01% 24.51%  r SPD.  ation no longer appropri		
5) The minutes of the Sepstance of policy."  a) Provide the percent of first change only.	Year-end 2015: Year-end 2016: Year-end 2017:  year-end 2017: year-end 2017: year-end 2017: year-end 2017: year-end 2017: year-end 2016: year-end 2017: year-	\$2.00%  \$2.00%  * Percentages across reming of liftoff and/or the settions were asked, when the settions were asked, and indicated that, "Participal accommittee modifying the committee modifying the setting that the setting the setting that the	0.51 - 1.00%  2.01 - 2.50%  ows should add to 100 pe ne most likely path of plain the factors that make the change(s):  ints also discussed how th he forward-guidance lang  No Change Prior to Liltoff  *Percentages across row	1.01 - 1.50%  2.51 - 3.00%  recent. Bins for year-end e forward-guidance lan uage prior to liftoff, ove  October 2014 FOMC	1.51 - 2.00%  3.01 - 3.50%  d 2017 centered around  guage might evolve once er the time periods below  December 2014  FOMC	2.01 - 2.50%  3.51 - 4.00%  median response to question to a question to que	2.51 - 3.00%  4.01 - 4.50%  stion 3c from Septembe  that the current formula hanges to the forward-g	23.01% 24.51%  r SPD.  ation no longer appropri		
5) The minutes of the Sepstance of policy."  a) Provide the percent of first change only.	Year-end 2015: Year-end 2017: Year-end 2017: Year-end 2017:  ons for the most likely tin nce the last time the que ptember FOMC meeting in chance* you attach to the	\$2.00%  \$2.00%  * Percentages across reming of liftoff and/or the settions were asked, when the settions were asked, and indicated that, "Participal accommittee modifying the committee modifying the setting that the setting the setting that the	0.51 - 1.00%  2.01 - 2.50%  ows should add to 100 pe ne most likely path of plain the factors that make the change(s):  ints also discussed how th he forward-guidance lang  No Change Prior to Liltoff  *Percentages across row	1.01 - 1.50%  2.51 - 3.00%  recent. Bins for year-end e forward-guidance lan uage prior to liftoff, ove  October 2014 FOMC	1.51 - 2.00%  3.01 - 3.50%  d 2017 centered around  guage might evolve once er the time periods below  December 2014  FOMC	2.01 - 2.50%  3.51 - 4.00%  median response to question to a question to que	2.51 - 3.00%  4.01 - 4.50%  stion 3c from Septembe  that the current formula hanges to the forward-g	23.01% 24.51%  r SPD.  ation no longer appropri		

Since the beginning of	i September, the biodinibe	-							
			Expected Average CPI	Inflation Risk Premium	Other Risk Premia	Your Sum*	5y/5y Forward		
		September 2, 2014:	Inflation	I I I I I I I I I I I I I I I I I I I	Outer rusk r remia	0.00%	2.53%		
		October 15, 2014:	*Please ensure the sum	of your individual comm	onents is equal to the lev	0.00%	2.37%		
				Tor your individual comp	onents is equal to the let	ver or trie sysy forward o	on trie date specified		
Please explain the f	factors contributing to a		mate of the expected average inflation rate:						
Please explain the	factors contributing to	any change in your est	timate of the inflation risk premium:						
Please explain ti	the factors contributing t	to any change in your	•						
			premia:						
a) Provide the percent	t chance* you attach to the	e unemployment rate fall	ling within the following	ranges at the time of the	first increase in the targ	et federal funds rate or	range.		
			< 5.5 %	5.5 - 5.9%	6.0 - 6.5%	> 6.5%			
	1	Unemployment rate:	*Porcontagos parass ro	ws should add up to 10	0 porcont		1		
b) Provide the percent	t chance* you attach to infl	lation between 1 and 2 y	ears ahead falling within	n the following ranges a	t the time of the first incre	ease in the target federa	il funds rate or range.		
Infl	flation between 1 and 2 y	ware aboad at liftoff:	< 1.25%	1.25 - 1.74%	1.75 - 2.24%	2.25 - 2.74%	≥ 2.75%		
••••	nation between 1 and 2 y	cars anead at inton.	*Percentages across ro	ws should add up to 10	0 percent.		<u>.</u>		
	ate for the most likely value						ues below, where appropr	iate, provide your estin	nate consistent with the last publi
					Unemployment rate:		Т		
				Labor fo	rce participation rate:		†		
				employees on nonfar			]		
			12	2-month change in ave Headline 12	rage hourly earnings: -month PCE Inflation:	<u> </u>	†		
			Inflat	tion between 1 and 2 y	ears ahead (at liftoff):		]		
d) Provide your foreca	ast for the expected levels	of the following indicato	rs at the time periods pro	ovided below. If you exp	pect a target range, pleas	se enter the range. If you	u do not believe a particula	ar tool will be used duri	ing one or more of the time perior
				1 Quarter Prior to	Immediately Following		, 3 Years Following		
				Liftoff	Liftoff	1 Year Following Liftof	f Liftoff		
		of interest on excess							
		Federal funds effec	tive rate (in percent):						
			RRP rate (in percent): h LIBOR (in percent):						
	Ove	ernight Treasury GCF r							
Please comment on yo	our reaction to the release	-	O/N RRP (\$ billions): lormalization Principles	and Plans.	-				
		of the FOMC's Policy N	Iormalization Principles		comment on any change	s you expect over time i	in the relative levels of mo	ney market rates and t	he expected amount of O/N RRP
		of the FOMC's Policy N	Iormalization Principles		comment on any change	s you expect over time i	in the relative levels of mo	ney market rates and t	he expected amount of O/N RRP
Please note how you e		of the FOMC's Policy N	lormalization Principles :	ne. Additionally, please		s you expect over time i	in the relative levels of mo	ney market rates and t	he expected amount of O/N RRP
Please note how you e	expect the Committee's ap	of the FOMC's Policy N	lormalization Principles :	ne. Additionally, please		s you expect over time i	in the relative levels of mo	ney market rates and t	he expected amount of O/N RRF
Please note how you e	expect the Committee's ap	of the FOMC's Policy N  pproach to policy normal  withly pace of purchases:  Monthly Pace of L  Purchases	lormalization Principles : iization to evolve over tin that will be in effect after onger-Term Security (\$ billions)	ne. Additionally, please		s you expect over time i	in the relative levels of mo	ney market rates and t	he expected amount of O/N RRF
Please note how you e	expect the Committee's ap	of the FOMC's Policy N  proach to policy normal  withly pace of purchases:  Monthly Pace of Lc	lormalization Principles : iization to evolve over tin that will be in effect after	ne. Additionally, please	IC meetings.		in the relative levels of mo		
Please note how you e	expect the Committee's ap ate for the most likely mon October 28-29: December 16-17:	of the FOMC's Policy N  pproach to policy normal  withly pace of purchases:  Monthly Pace of L  Purchases	lormalization Principles : iization to evolve over tin that will be in effect after onger-Term Security (\$ billions)	ne. Additionally, please	IC meetings. Please explain any cha	inges to your expectatio		ace reduction and/or ar	ny changes in the
Please note how you e	expect the Committee's ap ate for the most likely mon October 28-29: December 16-17: January 27-28:	of the FOMC's Policy N  pproach to policy normal  withly pace of purchases:  Monthly Pace of L  Purchases	lormalization Principles : iization to evolve over tin that will be in effect after onger-Term Security (\$ billions)	ne. Additionally, please	IC meetings. Please explain any cha	inges to your expectatio	ns for the increments of p	ace reduction and/or ar	ny changes in the
Please note how you e  a) Provide your estima	expect the Committee's ap ate for the most likely mon October 28-29: December 16-17:	of the FOMC's Policy N  pproach to policy normal  withly pace of purchases:  Monthly Pace of L  Purchases	lormalization Principles : iization to evolve over tin that will be in effect after onger-Term Security (\$ billions)	ne. Additionally, please	IC meetings. Please explain any cha	inges to your expectatio	ns for the increments of p	ace reduction and/or ar	ny changes in the
Please note how you e	expect the Committee's ap ate for the most likely mon October 28-29: December 16-17: January 27-28: March 17-18: April 28-29: June 16-17:	of the FOMC's Policy N  pproach to policy normal  withly pace of purchases:  Monthly Pace of L  Purchases	lormalization Principles : iization to evolve over tin that will be in effect after onger-Term Security (\$ billions)	ne. Additionally, please	IC meetings. Please explain any cha	inges to your expectatio	ns for the increments of p	ace reduction and/or ar	ny changes in the
Please note how you e  a) Provide your estima	expect the Committee's ap ate for the most likely mon October 28-29: December 16-17: January 27-28: March 17-18: April 28-29:	of the FOMC's Policy N  pproach to policy normal  withly pace of purchases:  Monthly Pace of L  Purchases	lormalization Principles : iization to evolve over tin that will be in effect after onger-Term Security (\$ billions)	ne. Additionally, please	IC meetings. Please explain any cha	inges to your expectatio	ns for the increments of p	ace reduction and/or ar	ny changes in the
Please note how you e  a) Provide your estima	expect the Committee's ap ate for the most likely mon October 28-29: December 16-17: January 27-28: March 17-18: April 28-29: June 16-17: July 28-29:	of the FOMC's Policy N  pproach to policy normal  withly pace of purchases:  Monthly Pace of L  Purchases	lormalization Principles : iization to evolve over tin that will be in effect after onger-Term Security (\$ billions)	ne. Additionally, please	IC meetings. Please explain any cha	inges to your expectatio	ns for the increments of p	ace reduction and/or ar	ny changes in the
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a) Provide your estima 2014	expect the Committee's ap ate for the most likely mon October 28-29: December 16-17: January 27-28: March 17-18: April 28-29: June 16-17: July 28-29: September 16-17:	of the FOMC's Policy N  proach to policy normal  withly pace of purchases:  Monthly Pace of L  Purchases  Treasuries	ization to evolve over tin that will be in effect after proger-Term Security (5 billions) Agency MBS	ne. Additionally, please	IC meetings.  Please explain any cha expected composition of the expected composition	inges to your expectatio	ns for the increments of p	ace reduction and/or ar	ny changes in the
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a) Provide your estima  2014  2015  b) Provide the percent	expect the Committee's ap ate for the most likely mon October 28-29: December 16-17: January 27-28: March 17-18: April 28-29: June 16-17: July 28-29: September 16-17: October 27-28:	proach to policy normal strip proach to policy normal strip pace of purchases:  Monthly Pace of LC Purchases  Treasuries	ization to evolve over tin that will be in effect after nger-Term Security (\$ billions) Agency MBS	ne. Additionally, please each of the below FON  d at the October FOMC  October 28-29: in the SOMA portfolio c	Please explain any chaexpected composition of the periods are required.	inges to your expectation of Treasury and agency	ns for the increments of p MBS purchases since the	ace reduction and/or ar last survey on Septem	ny changes in the ber 8:
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## Economic Indicator Forecasts

9) Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	GDP (Q4/Q4 Growth)	Core PCE Deflator (Q4/Q4 Growth)	Headline PCE Deflator (Q4/Q4 Growth)	Unemployment Rate (Q4 Average Level)
2014:				
2015:				
2016:				
2017:				
Longer run:				
	•		•	

10	For the outcomes below, p	provide the	percent chance*	you attach to the annual	I average CPI inflation	n rate from 2019 - 202	24. Please also p	rovide vou	r point estimate for the	most likely outcome.

10) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from 2019 - 2024. 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:	
	* Percentages should a	dd up to 100 percent.						
11) a) What percent chance do you attach to the U.S. economy currently being in a recession?								
b) What percent chance *NBER-defined recess	ce do you attach to the U. ion	S. economy being in a r	ecession* in 6 months?				Recession in 6 months:	

## Dropdown Selections

1) b) How do you expect the October	r FOMC statement to influence market percentic	one of the etance of monetary policy if at all? (	I = less accommodative, 3 = neutral, 5 = more accommodative)

Perceived stance of monetary policy:

1 -- Less Accommodative
2
3 -- Neutral
4
5 -- More Accommodative

2) How would you grade the Federal Reserve System's communication with the markets and with the public since the policy survey on September 8? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

Rating: 5 -- Very Effective 4 3 3 2 1 -- Very Ineffective 1 1 -- Very Ineffective

4) a) Of the possible outcomes below, provide the percent chance\* you attach to the timing of the first increase in the federal funds target rate or range. Also, provide your estimate for the most likely meeting for the first increase.

Estimate for most likely meeting for first increase in target rate or range:

October 2014
December 2014
January 2015
March 2015
April 2015
July 2015
September 2015
October 2015
December 2015
>= 2016

8) d) Provide your estimate of the most likely quarter and year during which the FOMC will first cease reinvesting some or all payments of principal on Treasuries and/or agency debt and MBS. In addition, please provide your expectation for the timing, in months, relative to the first increase in the target rate or range. If you do not expect the FOMC to cease reinvestments for either or both asset classes during the process of policy normalization, please leave the fields blank. Please ensure your signs are correct.

Quarter & Year:

Q4 2014
C1 2015
C2 2015
C3 2015
C4 2016
C1 2016
C2 2016
C2 2016
C3 2016
C4 2016
C3 2016
C4 2017
C4 2017
C5 2017
C6 2017
C7 2018
C7 2017
C7 2018
C7 20