Survey of Market Participants
Markets Group, Federal Reserve Bank of New York
June 2014
Policy Expectations Survey

Please respond by Monday, June 5, 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. 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.

Monetary Policy Expectations

1) Taken together, how do you expect the June FOMC meeting to influence market perceptions of the stance of monetary policy? (If at all? (1 = less accommodative, 3 = neutral, 5 = more accommodative)

   Perceived stance of monetary policy: __________

2) What announced purchase pace, effective following the upcoming FOMC meeting, do you believe would result in roughly no change in the price of the 10-year Treasury note, assuming no other policy action?

   Treasurer Agency MBS

3) Of the possible outcomes below, provide the percent chance you attach to the timing of the first target federal funds rate increase. Also, provide your estimate for the most likely quarter and year of the first target rate increase.

   Percentage chart should add up to 100 percent.

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

4) Of the possible outcomes below, provide the percent chance you attach to the 10-year Treasury yield falling in the following ranges at the end of 2014 and 2015.

   Year-end 2014: __________
   Year-end 2015: __________

5) a) Provide your forecast for the most likely levels of the following indicators immediately following liftoff in the target federal funds rate.

   Long-run: Expectation for average federal funds rate over next 10 years:

   Unemployment rate: __________
   Inflation between 1 and 2 years ahead:

   a) Provide the percent chance you attach to the unemployment rate falling within the following ranges at the time of the first increase in the target federal funds rate.

   b) Provide the percent chance you attach to inflation between 1 and 2 years ahead falling within the following ranges at the time of the first increase in the target federal funds rate.

   d) Provide your estimate for the most likely value of the following indicators at the time of the first increase in the target federal funds rate. When specifying values below, where appropriate, provide your estimate consistent with the last published value prior to the announcement of liftoff. For reference, the level of total U.S. payrolls for April, seasonally adjusted, was 138.3 million. For your calculations, please take into account the May data to be released on June 6.

   Unemployment rate: __________
   Labor force participation rate: __________
   Total U.S. employees on non-farm payrolls (millions): __________
   12-month change in average hourly earnings: __________
   Headline 12-month PCE Inflation: __________
   Inflation between 1 and 2 years ahead: __________

6) a) Since December 31, 2013, the 5-year nominal Treasury yield 5 years forward has declined by nearly 90 basis points. Please rate the importance of the factors below in explaining these moves. (5 = very important, 1 = not important)

   Reduced uncertainty around global economic outlook
   Reduced uncertainty around global central bank reaction functions
   Low levels of realized volatility
   Investor reach-for-yield behavior
   Other

   b) Since September of 2013, implied volatility has declined across equity, foreign exchange, and long term interest rate markets, achieving or approaching historically low levels. Please rate the importance of the factors below in explaining these moves. (5 = very important, 1 = not important)

   Reduced uncertainty around global economic outlook
   Reduced uncertainty around global central bank reaction functions
   Low levels of realized volatility
   Investor reach-for-yield behavior
   Other

7) Other, please explain:

   __________
7) a) Provide your estimate for the most likely monthly pace of purchases that will be in effect after each of the below FOMC meetings.

<table>
<thead>
<tr>
<th>Month</th>
<th>Treasuries</th>
<th>Agency MBS</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 17-18:</td>
<td></td>
<td></td>
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<tr>
<td>July 29-30:</td>
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<td>September 16-17</td>
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<td>October 28-29:</td>
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<td>December 16-17:</td>
<td></td>
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<td>January 27-28:</td>
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<td>March 2015:</td>
<td></td>
<td></td>
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<tr>
<td>April 2015:</td>
<td></td>
<td></td>
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<tr>
<td>June 2015:</td>
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<td></td>
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</tbody>
</table>

b) Provide the percent chance you attach to a reduction in asset purchase pace being announced at the June FOMC meeting.

<table>
<thead>
<tr>
<th>Percent Chance of Reduction</th>
<th>June 17-18:</th>
</tr>
</thead>
</table>

a) Provide your expectation for the most likely change in the amount of domestic securities held in the SOMA portfolio during each of the periods below. In the case of purchases, include settled and unsettled amounts.

<table>
<thead>
<tr>
<th>Half Years</th>
<th>2014 H2</th>
<th>2015 H1</th>
<th>2015 H2</th>
<th>2016 H1</th>
<th>2016 H2</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected change in amount of U.S. Treasury securities in SOMA ($ billions):</td>
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<td></td>
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<td></td>
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<tr>
<td>Expected change in amount of agency debt and agency MBS in SOMA ($ billions):</td>
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</tbody>
</table>

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. 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.

<table>
<thead>
<tr>
<th>Quarter &amp; Year</th>
<th>2014 H2</th>
<th>2015 H1</th>
<th>2015 H2</th>
<th>2016 H1</th>
<th>2016 H2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of months relative to liftoff</td>
<td></td>
<td></td>
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</tbody>
</table>

b) Of the possible outcomes below, indicate the percent chance you attach to the SOMA portfolio level falling in each of the following ranges at year-end 2014 and year-end 2015. For your reference, the level of the SOMA portfolio including inflation accretion and settled and unsettled agency MBS according to the January 2, 2014 H.4.1 was $3,814 billion.

<table>
<thead>
<tr>
<th>Level of SOMA Portfolio ($ billions)</th>
<th>Year-end 2014:</th>
<th>Year-end 2015:</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;3500</td>
<td></td>
<td></td>
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<tr>
<td>3500-3750</td>
<td></td>
<td></td>
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<tr>
<td>3750-4000</td>
<td></td>
<td></td>
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<tr>
<td>4000-4250</td>
<td></td>
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<td>4250-4500</td>
<td></td>
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<tr>
<td>4500-4750</td>
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<tr>
<td>4750-5000</td>
<td></td>
<td></td>
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<tr>
<td>&gt;5000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage should add up to 100 percent</td>
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<td></td>
</tr>
</tbody>
</table>
1) Taken together, how do you expect the June FOMC events to influence market perceptions of the stance of monetary policy, if at all? (1 = less accommodative, 3 = neutral, 5 = more accommodative)

**Perceived stance of monetary policy:**

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

2) Of the possible outcomes below, provide the percent chance* you attach to the timing of the first target federal funds rate increase. Also, provide your estimate for the most likely quarter and year of the first target rate increase.

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

- 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

6) Since December 31, 2013, the 5-year nominal Treasury yield 5 years forward has declined by nearly 90 basis points. Please rate the importance of the factors below in explaining these moves. (5 = very important, 1 = not important)

**Factor**

- Rating: 5 -- Very Important
- 4
- 3
- 2
- 1 -- Not Important

7) 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. 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:**

- 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