

Survey of Market Participants

Markets Group, Federal Reserve Bank of New York
March 2014

Policy Expectations Survey

Please respond by **Monday, March 10, 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.

Respondent:

Monetary Policy Expectations

1) a) Taken together, how do you expect the events on March 19 (release of FOMC statement, release of the advanced materials of the SEP, and Chair's press conference) 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:

b) 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?

Pace of purchases following the upcoming FOMC meeting (\$ billions):

	<i>Treasuries</i>	<i>Agency MBS</i>
	<input style="width: 80px;" type="text"/>	<input style="width: 80px;" type="text"/>

2) a) Of the possible outcomes below, provide the percent chance* you attach to the timing of the first target federal funds rate increase.

2014 H1	2014 H2	2015 H1	2015 H2	2016 H1	2016 H2	2017 H1	2017 H2	≥2018 H1
<input style="width: 90%; height: 15px;" type="text"/>								

* Percentages should add up to 100 percent.

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

b) Provide your estimate of the most likely outcome (i.e., the mode) for the target federal funds rate or range at the end of each half-year period. In addition, provide your estimate of the longer run target federal funds rate and your expectation for the average federal funds rate over the next 10 years.

2014 H1	2014 H2	2015 H1	2015 H2	2016 H1	2016 H2	2017 H1	2017 H2	2018 H1
<input style="width: 90%; height: 15px;" type="text"/>								

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

3) 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.

Unemployment rate:

<small>< 6.0%</small>	<small>6.0 - 6.5%</small>	<small>> 6.5%</small>
<input style="width: 90%; height: 15px;" type="text"/>	<input style="width: 90%; height: 15px;" type="text"/>	<input style="width: 90%; height: 15px;" type="text"/>

*Percentages across rows should add up to 100 percent.

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.

Inflation between 1 and 2 years ahead at liftoff:

<small>< 1.25%</small>	<small>1.25 - 1.74%</small>	<small>1.75 - 2.24%</small>	<small>2.25 - 2.74%</small>	<small>≥ 2.75%</small>
<input style="width: 90%; height: 15px;" type="text"/>				

*Percentages across rows should add up to 100 percent.

c) Provide your estimate for the most likely value for 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. employees on nonfarm payrolls for January, seasonally adjusted, was 137.5 million. For your calculation of total payrolls, please take into account the February level to be released on March 7th.

Unemployment rate:	<input style="width: 80px;" type="text"/>
Total U.S. employees on non-farm payrolls (millions):	<input style="width: 80px;" type="text"/>
Headline 12-month PCE Inflation:	<input style="width: 80px;" type="text"/>
Inflation between 1 and 2 years ahead (at liftoff):	<input style="width: 80px;" type="text"/>

4) a) The January 2014 FOMC meeting minutes stated that, "Participants agreed that, with the unemployment rate approaching 6½ percent, it would soon be appropriate for the Committee to change its forward guidance in order to provide information about its decisions regarding the federal funds rate after that threshold was crossed," and summarized a range of views around the form that such forward guidance might take. Provide the percent chance you attach to the Committee changing its current forward guidance for the federal funds rate in any of the following ways, and the meeting at which you expect the most likely change to occur. Percentages do not have to add up to 100 percent.

Provide quantitative guidance on appropriate timing of the first rate hike that modifies or replaces current threshold-based guidance:	<small>Probability</small>		Most likely meeting:	<input style="width: 80px;" type="text"/>
Provide qualitative guidance relevant to determining the appropriate timing of the first rate hike:	<input style="width: 80px;" type="text"/>	<input style="width: 80px;" type="text"/>		
Provide additional information on the path of the target rate after the first increase:	<input style="width: 80px;" type="text"/>	<input style="width: 80px;" type="text"/>		
Other changes:	<input style="width: 80px;" type="text"/>	<input style="width: 80px;" type="text"/>	If "Other", note option:	<input style="width: 80px;" type="text"/>

b) How do you anticipate the change(s) you expect to the forward rate guidance to influence market expectations of the expected path of the target rate, if at all, relative to current expectations.

Impact on expected timing of liftoff: Impact on expected path of target rate post-liftoff:

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

		<small>Monthly Pace of Longer-Term Security Purchases (\$ billions)</small>	
		<small>Treasuries</small>	<small>Agency MBS</small>
2014	March 18-19:	<input style="width: 80px;" type="text"/>	<input style="width: 80px;" type="text"/>
	April 29-30:	<input style="width: 80px;" type="text"/>	<input style="width: 80px;" type="text"/>
	June 17-18:	<input style="width: 80px;" type="text"/>	<input style="width: 80px;" type="text"/>
	July 29-30:	<input style="width: 80px;" type="text"/>	<input style="width: 80px;" type="text"/>
	September 16-17:	<input style="width: 80px;" type="text"/>	<input style="width: 80px;" type="text"/>
	October 28-29:	<input style="width: 80px;" type="text"/>	<input style="width: 80px;" type="text"/>
2015	December 16-17:	<input style="width: 80px;" type="text"/>	<input style="width: 80px;" type="text"/>
	January 27-28:	<input style="width: 80px;" type="text"/>	<input style="width: 80px;" type="text"/>
	March 2015:	<input style="width: 80px;" type="text"/>	<input style="width: 80px;" type="text"/>

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

Percent Chance of Reduction

March 18-19:

c) 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.

	<small>Half Years</small>				<small>Full Years</small>
	2015 H1	2015 H2	2016 H1	2016 H2	2017
Expected change in amount of U.S. Treasury securities in SOMA (\$ billions):	<input style="width: 90%; height: 15px;" type="text"/>				
Expected change in amount of agency debt and agency MBS in SOMA (\$ billions):	<input style="width: 90%; height: 15px;" type="text"/>				

*Note, expectations begin with H1 2015 as prior periods are obtained from part a).

d) Provide your expectation for the most likely level of reserves and currency in circulation at end 2014 as well as your forecast for the average growth rate of currency in circulation after 2014. Please also provide your estimate of the most likely change in reserves during each of the periods below. When estimating the level and change in reserves, please adjust for seasonal fluctuations. For your reference, the level of reserves according to the January 2, 2014 H.4.1 was \$2,249 billion and the level of currency in circulation was \$1,241 billion.

Expected level of reserves at end 2014 (\$ billions):	<input type="text"/>	Expected level of currency in circulation at end 2014 (\$ billions):	<input type="text"/>	Expected average annual growth rate of currency in circulation after 2014:	<input type="text"/>
		<i>Half Years</i>		<i>Full Years</i>	
		2015 H1	2015 H2	2016 H1	2016 H2
		2017			
Expected change in level of reserves (\$ billions):	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

6) 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.

		Level of SOMA Portfolio (\$ billions)							
		<3500	3500-3750	3750-4000	4000-4250	4250-4500	4500-4750	4750-5000	>5000
Year-end 2014:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Year-end 2015:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

* Percentages should add up to 100 percent.

Dropdown Selections

1) a) Taken together, how do you expect the events on March 19 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) a) Of the possible outcomes below, provide the percent chance* you attach to the timing of the first target federal funds rate increase.

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

- 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

4) a) The January 2014 FOMC meeting minutes stated that, "Participants agreed that, with the unemployment rate approaching 6½ percent, it would soon be appropriate for the Committee to change its forward guidance in order to provide information about its decisions regarding the federal funds rate after that threshold was crossed," and summarized a range of views around the form that such forward guidance might take. Provide the percent chance you attach to the Committee changing its current forward guidance for the federal funds rate in any of the following ways, and the meeting at which you expect the most likely change to occur. Percentages do not have to add up to 100 percent.

Most likely meeting:

- March '14
- April '14
- June '14
- July '14
- September '14
- October '14
- December '14
- Later than 2014

b) How do you anticipate the change(s) you expect to the forward rate guidance to influence market expectations of the expected path of the target rate, if at all, relative to current expectations.

Impact on expected timing of liftoff:

- Earlier
- No Change
- Later

Impact on expected path of target rate post-liftoff:

- Steeper
- No Change
- Flatter