Survey of Primary Dealers
Markets Group, Federal Reserve Bank of New York
March 2015
### Monetary Policy Expectations

1) Provide below your expectations for changes, if any, to the language referencing each of the following topics in the March FOMC statement. Limit your response to changes you consider most likely.

**Current economic conditions and the economic outlook:**

- Communication on the Committee’s policy of reinvesting principal payments on Treasury and agency securities:
- Communication on the expected path of policy rates and forward guidance on the target federal funds rate:
- Other:

2) What are your expectations for the release of FOMC participants' economic projections in the advance materials of the Summary of Economic Projections (SEP)?

3) What are your expectations for the release of FOMC participants' year-end target federal funds rate projections in the advance materials of the Summary of Economic Projections (SEP)?

4) What are your expectations for the Chair's post-FOMC press conference?

5) How do you expect the March FOMC events to influence market perceptions of the stance of monetary policy, if at all? (1 = less accommodative, 3 = neutral, 5 = more accommodative)

6) Provide your estimate of the most likely outcome (i.e., the mode) for the target federal funds rate or range, as well as your expectations for the next 10 years. Conditional on the target not returning to the zero lower bound, provide the percent chance you attach to the net change in the target rate or range in each of the two years following liftoff.

**Perceived stance of monetary policy:**

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<td>Target rate:</td>
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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.

**Expectation for average federal/funds rate over next 10 years:**

<table>
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<tr>
<th>Year-end 2015</th>
<th>0.00 - 0.25%</th>
<th>0.26 - 0.50%</th>
<th>0.51 - 0.75%</th>
<th>0.76 - 1.00%</th>
<th>1.01 - 1.50%</th>
<th>1.51 - 2.00%</th>
<th>2.01 - 2.50%</th>
<th>≥2.51%</th>
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<tr>
<td>Year-end 2016</td>
<td>0.51 - 1.00%</td>
<td>1.01 - 1.50%</td>
<td>1.51 - 2.00%</td>
<td>2.01 - 2.50%</td>
<td>2.51 - 3.00%</td>
<td>3.01 - 3.50%</td>
<td>3.51 - 4.00%</td>
<td>≥4.51%</td>
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<td>Year-end 2017</td>
<td>2.01 - 2.50%</td>
<td>2.51 - 3.00%</td>
<td>3.01 - 3.50%</td>
<td>3.51 - 4.00%</td>
<td>4.01 - 4.50%</td>
<td>≥5.00%</td>
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If you changed your expectations for the most likely timing of liftoff and/or the most likely path of the target rate or range since the last time the questions were asked, explain the factors that motivated you to make the change(s):

**Change in 10-year Treasury yield:**

<table>
<thead>
<tr>
<th>Change in 10-year Treasury yield (bps):</th>
<th>0</th>
<th>20</th>
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Please explain which factor or factors motivated your decomposition.
4) a) Please describe any modifications to the "patient" language in the FOMC statement you expect prior to liftoff, including what modifications would be made and when it would be modified or removed.

Conditional on the Committee first modifying or removing the "patient" language, over the potential outcomes below please provide the percent chance* you attach to the Committee first increasing the federal funds rate or range, expressed in terms of the number of FOMC meetings relative to the meeting at which the Committee modifies or removes "patient." 

- Liftoff relative to modification or removal of "patient":
  - 0 meetings
  - 1 meeting
  - 2 meetings
  - 3 meetings
  - 4 meetings
  - > 4 meetings

*Percentages across row should add to 100 percent

b) Conditional on the "patient" language being modified or removed at the time(s) and in the way(s) you consider most likely, how do you expect this to impact financial conditions?

5) 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 or range.

   Unemployment rate:
   - < 3.5%
   - 3.5%-5.0%
   - 5.0%-6.0%
   - > 6.0%

*Percentages across row 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 or range.

   Inflation between 1 and 2 years ahead at liftoff:
   - > 2.75%
   - 2.25%-2.75%
   - 1.75%-2.25%
   - 1.25%-1.75%
   - < 1.25%
   - < 0%

*Percentages across row should add up to 100 percent

c) 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 or range. 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 145.4 million. For your calculations, please take into account the February data to be released on March 6.

   - Total U.S. employees on nonfarm payrolls (millions):
   - Core 12-month PCE inflation:
   - Headline 12-month PCE inflation:
   - Inflation between 1 and 2 years ahead (at liftoff):
   - Usage of O/N RRP (in billions):

Please note how you expect the Committee’s approach to policy normalization to evolve over time. Additionally, comment on any changes you expect over time in the relative levels of money market rates and the expected amount of O/N RRP usage.

6) a) Please provide your estimate of the most likely outcome for output, inflation, and unemployment.

   - GDP (Q/Q Growth):
   - Core PCE Deflator (Q/Q Growth):
   - Headline PCE Deflator (Q/Q Growth):
   - Unemployment Rate (Q/Q Average Level):

   - Longer run:

b) How would you characterize the overall balance of U.S. economic data over the intermeeting period? (5= significantly stronger than expected, 3= neutral/mixed, 1= significantly weaker than expected).

   Characterization of overall balance of economic data:

How do you think market participants’ outlook for the U.S. economy has changed over the intermeeting periods? Which factor or factors were most important in altering this outlook?

7) a) Please provide your estimate of the most likely outcome for output, inflation, and unemployment.

   - GDP (Q/Q Growth):
   - Core PCE Deflator (Q/Q Growth):
   - Headline PCE Deflator (Q/Q Growth):
   - Unemployment Rate (Q/Q Average Level):

   - Longer run:

b) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from March 1, 2015 - February 28, 2016. Please also provide your point estimate for the most likely outcome.

   - Inflation between 1 and 2 years ahead (at liftoff):
   - Inflation between 1 and 2 years ahead:

*Percentages across row should add up to 100 percent

b) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from March 1, 2020 - February 29, 2024. Please also provide your point estimate for the most likely outcome.

   - Inflation between 1 and 2 years ahead:

*Percentages across row should add up to 100 percent

c) By how much has your point estimate for the five-year annual average CPI inflation rate, five years forward, changed since July 2014, and which factors were most important in changing your expectations?

8) a) What percent chance do you attach to the U.S. economy currently being in a recession*?

   Recession currently:

b) What percent chance do you attach to the U.S.

   Recession in 6 months:

c) What percent chance do you attach to the U.S. economy being in a recession* sometime over the next 3 years?

   Recession over next 3 years:

*NBER-defined recession
Dropdown Selections

1) How do you expect the March 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 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:
- March 2015
- April 2015
- June 2015
- July 2015
- September 2015
- October 2015
- December 2015
- >=2016

6) 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:
- 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

7) How would you characterize the overall balance of U.S. economic data over the intermeeting period? (5 = significantly stronger than expected, 3 = neutral/mixed, 1 = significantly weaker than expected).

Characterization of overall balance of economic data:
1 -- Significantly weaker than expected
2
3 -- Neutral/mixed
4 -- Moderately stronger than expected
5 -- Significantly stronger than expected