Survey of Primary Dealers

Markets Group, Federal Reserve Bank of New York September 2015

Policy Expectations Survey
Please respond by Tuesday, September 8 at 12:00 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 policymakens' 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) a) Provide below your expectations for changes, if any, to the language referencing each of the following topics in the September FOMC statement. Limit your responses to changes you consider most likely.	
Language Changas Expected	
Current economic conditions and the economic outdook: Communication on the Committee's policy of relinvesting 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:	
b) The July FOMC meeting minutes indicated that FOMC participants unanimously supported a proposal for publishing median values of all variables included in the Summary of Economic Projections (SEP) starting at the time of the September FOMC meeting. What are your expectations for the medians groyections in the Summary of Economic Projections (SEP)?	of FOMC participants' economic
2015 2016 2017 2018 Longer Run	
Change in real GDP:	
Unemployment rate:	
PCE inflation:	
Core PCE Inflation:	
Please explain the most relevant factors underlying your expectations.	
c) What are your expectations for the medians of FOMC participants' year-end target federal funds rate projections in the Summary of Economic Projections (SEP)?	
	onger Run:
Please explain the most relevant factors underlying your expectations.	
d) What are your expectations for the Chair's post-FOMC press conference?	
what are your expectations for the Linair's post-Funk, press contenencer?	
e) How do you expect the September 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: Please Explain:	
2) a) Of the possible outcomes below, provide the percent chance" you attach to the liming 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.	
2015 FOMC Meetings 2016 FOMC Meetings September 16-17 October 27-28 December 15-16 January 26-27 March 15-16 April 26-27 June 14-15 ≥ July 26-27	
September 16-17 October 21-20 December 15-16 January 26-27 March 15-16 April 26-27 June 14-15 2 July 26-27 *Percentages across row should add to 100 percent.	
Estimate for most likely meeting for first increase in target rate or range:	
b) Provide the percent chance you attach to the target federal funds rate or range <u>not</u> returning to the zero lower bound during the 2 years following liftoff.	
Probability of not returning to ZLB during the 2 years following liftoff:	
Conditional on the target neg 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 lifter.	
0 - 50 51 - 100 101 - 150 151 - 200 > 200	
First year following liftoff: basis points basis points basis points basis points basis points	
Second year following lithor: *Percentages across rows should add to 100 percent. *Percentages across rows should add to 100 percent.	
c) Provide your estimate of the most likely outcome (i.e., the mode) for the target federal funds rate or range, as applicable, immediately following the FOMC meetings and at the end of each quarter or half-year period below. If you expect a range, please provide both the top and bottom of the range in the starget rate, provide your responses in the "Target rate" field only.	pecified fields below. If you expect a
2015 FOMC meetings 2016 FOMC Meetings	
September 16-17 October 27-28 December 15-16 January 26-27 March 15-16 April 26-27 June 14-15 Top of range:	
Bottom of range:	
Target rate: Ouarters Half Years	
Cularieris Train Fealis 2016 Q3 2016 Q4 2017 Q1 2017 Q2 2017 H2 2018 H1 2018 H2 Top of range:	
Top or range. Bottom of range.	
Target rate:	
d) In addition, provide your estimate of the longer-run target federal funds rate and your expectation for the everage federal funds rate over the next 10 years.	
Longer run: Expectation for average federal funds rate over next 10 years:	
e) Of the possible outcomes below, please indicate the percent chance' you attach to the target federal funds rate or range falling in each of the following ranges at the end of 2015, 2016, and 2017. If you expect a target range please use the midpoint of the range in providing your response.	
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 2015:	
Year-end 2016: 55.50% 0.51 - 1.00% 1.01 - 1.50% 1.51 - 2.00% 2.01 - 2.50% 2.51 - 3.00% 23.01%	
\$2.00% 2.01 - 2.50% 2.51 - 3.00% 3.01 - 3.50% 3.51 - 4.00% 4.01 - 4.50% ≥4.51% Year-end 2017:	
* Percentages across rows should add to 100 percent.	
If you changed your responses to parts a and/or c since the policy survey on July 20, please explain the factors that motivated you to make the change(s):	
	
3) a) Of the possible outcomes below, provide the percent chance' you attach to the 10-year Treasury yield falling in each of the following ranges at the end of 2015 and 2016.	
≤1.50% 1.51 - 2.00% 2.01 - 2.50% 2.51 - 3.00% 3.01 - 3.50% 3.51 - 4.00% > 4.00% Year-end 2015:	
≤2.50% 2.51 - 3.00% 3.01 - 3.50% 3.51 - 4.00% 4.01 - 4.50% 4.51 - 5.00% > 5.00% Year-end 2016:	
* Percentages across rows should add to 100 percent.	
If you changed your expectations since the last policy survey on July 20, please explain the factors that motivated you to make the change(s).	
b) The 10-year Treasury yield occressed 12" basis points between July 28 and September 4. Please decompose this change into changes in the market's expected average real policy rate, expected average inflation rate, and the market-implied nominal term premium. Please ensure that your sum matches	a the change.
"Value updated as of 12 pm on September 4th. Change in Marker's Change in Marker's Change in Marker- Change in Marker- Change in Marker-	
Expected Average Real Expected Average Inflation Rate (bps) Policy Rate (bps) Inflation Rate (bps) Primium (bps) Inflation Rate (bps) Primium (bps) Inflation Rate (bps)	
0 12"	
What factors or factors were most material in driving your estimate of the intermeeting change in each of the subcomponents listed above?	
c) From July 28 to September 4, various measures of the 5-year/5 year forward breakeven rate of inflation declined by roughly 24° basis points. Provide your estimate of the decomposition of this decline. Please ensure your signs are correct. "Value updated as of 12 mm on September 4th.	
Change in Expected for Change in Inflation Change in Other Risk our of Change in 5 yisy	
(bps) Risk Premium (bps) Premia (bps) Sum of Cristiges (ups) Breakevens (bps) 0 24*	
1 1 0 24	
Please explain the factors contributing to any change in your estimate of the	\neg
expected average CPI Inflation rate:	=
Please explain the factors contributing to any change in your estimate of the Inflation risk premium:	
Please explain the factors contributing to any change in your estimate of the	
other risk premia:	

Provide the percent chance* you attach to inflation be	< 5.0 % Unemployment rate: *Percentages across in	5.0 - 5.4%						
	Unemployment rate: *Percentages across n	5.0 - 5.4%	5.5 - 5.9%	6.0 - 6.5%	> 6.5%			
	i ciccinageo deloss il	w should add up to 100	percent.					
	between 1 and 2 years ahead falling within the follo	wing ranges at the time of	of the first increase in the	target federal funds rate	or range.			
	< 1.25%	1.25 - 1.74%	1.75 - 2.24%	2.25 - 2.74%	≥ 2.75%			
Inflation between 1 and 2		w should add up to 100	percent.	1				
Provide your estimate for the most likely value of the				necifying values helow w	there appropriate provide	your estimate consistent with the last nublished value	prior to the appouncement	of liftoff. For reference +h
nonfarm payrolls for August, seasonally adjusted, w	ronowing indicators at the time of the first increase vas 142.3 million.*	iii iiie target tederai fund	us rate or range. When s	pecifying values below, v	niere appropriate, provide	your estimate consistent with the last published value	prior to trie announcement o	a mon. For reference, th
evel updated on September 4th.				Unomployer 4 4				
			Labor for	Unemployment rate: ce participation rate:				
			. employees on nonfarr	m payrolls (millions):				
		12	2-month change in aver	age hourly earnings: month PCE Inflation:				
			Headline 12-	month PCE Inflation:				
		Inflat	tion between 1 and 2 ye	ears ahead (at liftoff):				
Provide your forecast for the expected levels of the f	following indicators at the time periods provided be	ow. If you expect a target	t range, please enter the	range. If you do not belie	we a particular tool will be	used during one or more of the time periods below, ple	ease enter "N/A". If you do r	not believe a cap on the
sarticular time period, please write "No cap".								
		1 Quarter Prior to Liftoff	f Immediately Following Liftoff	1 Year Following Liftoff	3 Years Following Liftoff			
	te of interest on excess reserves (in percent):							
т	arget federal funds rate or range (in percent): Effective federal funds rate (in percent):	 	 	 				
	O/N RRP rate (in percent):							
0	wernight Treasury GCF repo rate (in percent):							
	3-month LIBOR (in percent): Expected demand for O/N RRP (\$ billions):	 	 	 				
	Expected cap on O/N RRP (\$ billions):							
se note how you expect the Committee's enground	h to policy normalization to evolve over time. Additi	nally, comment on any o	changes you expect over	time in the relative levels	of money market rates or	d the expected amount of O/N RRP usage		
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lease provide the percent chance* you attach to th	ne average effective federal funde rate, evolution m	onth- or quarter-end data	as falling within the follow	ing subsets relative to the	e 25 hasis point taract ro	ne in the first month immediately following lifts#		
p. soud and personn criatice you audit to the	go oncomo rocadi futius fate, excluding fit				outs point target fa	ge mos mostal minociality following mittil.		
mented level of average off-other fodes to	sente relative to 25 hasi- Relew the renes	Bottom 8 basis points of range	Middle 9 basis points of range	f Top 8 basis points of range	Above the range			
xpected level of average effective federal funds	point target range:	_		range	Above tile range			
		w should add up to 100	percent.					
se explain which factor or factors were most releva	ant in formulating your expectations and any assure	ptions made.						
	,							
Provide your estimate of the most likely quarter and DMC to cease reinvestments for either or both asset of	year during which the FOMC will first cease reinve	sting some or all paymen	nts of principal on Treasur	ries and/or agency debt a	and MBS. In addition, plea	se provide your expectation for the timing, in months,	relative to the first increase in	n the target rate or rang
Wie to cease remivestments for editier or both asset of	classes during the process of policy normalization,	prease select N/A . Fre		e correct.				
		Quarter & Year	Number of months relative to liftoff					
	Treasuries:		TOTALIVE TO INTOIL	1				
	Agency debt and MBS:							
In its Policy Normalization Principles and Plans, the	Committee indicated that it "expects to cease or o	ommence phasing out re	einvestments" after liftoff.	For Treasuries and agen	cy debt and MBS, please	indicate the percent chance* you attach to the Commit	tee during the process of po	olicy normalization ceasi
nce, phasing out its reinvestments over time, or not cl	changing its reinvestments.							
		No Change to	Reinvestments Ceased	Reinvestments Phased				
		Reinvestments	All at Once	Out Over Time	1			
	Treasuries Agency debt and MBS	-	 	-				
		* Percentages across re	rows should add to 100 p	percent.	•			
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you placed a non-zero probability on reinvestment	ts being phased out over time, please indicate the	umber of months over w	_	ocui.				
you placed a non-zero probability on reinvestment	Treasuries	umber of months over w	1	ccui.				
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If you placed a non-zero probability on reinvestments asse explain the factors behind any change in your e	Treasuries Agency debt and MBS]	ccui.				
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ase explain the factors behind any change in your e	Treasuries Agency debt and MBS expectations in either parts a, b and/or c since the output, inflation, and unemployment. GDP (OUQUAG Growth)		Core PCE Deflator (Q4/Q4 Growth)	ocui.		Headline PCE Deflator (QA'QA Growth)	Unemploy (Q4 Avera	ment Rate ge Level)
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*NBER-defined recession

"Theretions IMF staff work has suggested that a "global recession" can be characterized as a period during which there is a decline in annual per-capita real global GDP, backed up by a decline or worsening in one or more of the following global macroeconomic indicators: industrial production, trade, capital flows, old consumption and unemployment.

Dropdown Selections

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

1 -- Less Accommodative 2 3 -- Neutral 4 Perceived stance of monetary policy:

2) 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.

5 -- More Accommodative

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

September 2015
December 2015
December 2015
January 2016
March 2016
April 2016
June 2016
July 2016
September 2016
November 2016
December 2016

5) a) 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 liming, in months, relative to the first increase in the target rate or range. If you do not expect the FOMC to cease reinvestiments for either or both asset classes during the process of policy normalization, please select "NAY". Please ensure your signs are correct.

Quarter & Year:

Q3 2015
Q4 2015
Q1 2016
Q2 2016
Q3 2016
Q4 2016
Q1 2017
Q2 2017
Q3 2017
Q4 2017
>= Q1 2018
N/A

6) c) How would you characterize the overall balance of U.S. economic data over the intermeeting period? (S= significantly stronger than expected, 1= significantly weaker than expected). Please explain which data were most relevant in formulating your characterization.

Characterization of overall balance of economic data:

Significantly weaker than expected
 Moderately weaker than expected
 Neutral/mixed
 Moderately stronger than expected
 Significantly stronger than expected