Policy Expectations Survey

Please respond by Monday, March 9, at 5:00 pm in 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.

Monetary Policy Expectations

1) Please provide your expectations for the following topics in the March FOMC statement. Limit your responses 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:

2) Of the possible outcomes below, please provide the percent chance* you attach to the following events.

   - First increase in the federal funds target rate or range:
   - Second increase in the federal funds target rate or range:
   - Date of the first increase in the federal funds target rate or range:
   - Date of the second increase in the federal funds target rate or range:
   - Probability of not returning to the zero lower bound during the 2 years following liftoff:

3) Please 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.

4) 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.

5) Please estimate the probability of not returning to the zero lower bound during the 2 years following liftoff.

6) 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 you answered the questions above, please explain the factors that motivated you to make the change(s).

7) Please provide any additional comments or elaborations on your responses to the survey questions.

*Percentages across row should add to 100 percent.
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.

<table>
<thead>
<tr>
<th>Unemployment rate:</th>
<th>&lt; 5.5%</th>
<th>5.5 - 5.9%</th>
<th>6.0 - 6.5%</th>
<th>&gt; 6.5%</th>
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<tr>
<td>Percentages across row should add up to 100 percent.</td>
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</table>

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.

<table>
<thead>
<tr>
<th>Inflation between 1 and 2 years ahead at liftoff:</th>
<th>&lt; 1.25%</th>
<th>1.25 - 1.74%</th>
<th>1.75 - 2.24%</th>
<th>2.25 - 2.74%</th>
<th>≥ 2.75%</th>
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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 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 140.8 million. For your calculations, please take into account the February data to be released on March 6.

- Unemployment rate:
- Labor force participation rate:
- 12-month change in average hourly earnings:
- Core 12-month PCE Inflation:
- Headline 12-month PCE Inflation:
- Inflation between 1 and 2 years ahead at liftoff:

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) Provide your estimate for 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.

- Treasuries:
- Agency debt and MBS:

Please explain your assumptions for the timing, size, and pace of redemptions and sales of securities, if applicable. Please also explain the factors behind any change in your expectations since the last time the question was asked.

7) a) For the outcome below, provide the percent chance* you attach to the annual average CPI inflation rate from March 1, 2015 - February 28, 2019. Please also provide your point estimate for the most likely outcome.

<table>
<thead>
<tr>
<th>Annual average CPI inflation rate</th>
<th>≤ 1.00%</th>
<th>1.01-1.50%</th>
<th>1.51-2.00%</th>
<th>2.01-2.50%</th>
<th>2.51-3.00%</th>
<th>≥ 3.01%</th>
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b) For the outcome 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.

<table>
<thead>
<tr>
<th>Annual average CPI inflation rate</th>
<th>≤ 1.00%</th>
<th>1.01-1.50%</th>
<th>1.51-2.00%</th>
<th>2.01-2.50%</th>
<th>2.51-3.00%</th>
<th>≥ 3.01%</th>
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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?

- Change in forecast (bps): 
- Most important factors: 
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