Survey of Market Participants

Markets Group, Federal Reserve Bank of New York

December 2016

Policy Expectations Survey

Please respond by Monday, December 5 at 5:00 pm to the questions below. Your time and input are greatly appreciated.

This survey is formulated by the Trading the economy, monetary policy and financ FOMC members are not involved in the s	ial markets. The ques		•	•	•		•
Participant:							
1) a) Provide below your expectations for ch	anges, if any, to the	language referencin	g each of the followin	g topics in the Decem	nber FOMC statemer	nt.	
			·		Language Cha	nges Expected	
		Current ec	onomic conditions:				
Communication on the expected path	of policy rates and	forward guidance o	•				
Communication on the Committee's	policy of reinvesting	ng principal paymer	funds rate: nts on Treasury and agency securities:				
			Other:				
b) What are your expectations for the me	dians of FOMC partic	cipants' <u>economic pr</u>	ojections in the Sumn	nary of Economic Pro	jections (SEP)?		
c) What are your expectations for the me	dians of FOMC partic	cipants' <u>target federa</u>	I funds rate projection	ns in the SEP?			
Year-end 2016:	Year-end 2017:		Year-end 2018:		Year-end 2019:		
Longer Run:							
Please explain any assumptions underlyi	ng your expectations						
d) What are your expectations for the Cha	air's press conferenc	e?					
2) a) Dravida vaur aatimaata of the moot likeli	v outoomo (i o the m	anda) for the target f				n the FOMC meeting	re and at the and af
2) a) Provide your estimate of the most likely each quarter or half-year period below. For	-	· · · · · · · · · · · · · · · · · · ·			•	•	
	2016	January 31 -		2017			
Toward water / weight aimt of toward war was	December 13-14	February 1	March 14-15	May 2-3	June 13-14	July 25-26	September 19-20
Target rate / midpoint of target range:							
			Quarters			Half	Years
	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 H1	2019 H2
Target rate / midpoint of target range:							
b) In addition, provide your estimate of th	e longer-run target fe	ederal funds rate and	l your expectation for	the average federal f	unds rate over the n	ext 10 years.	
Longer run:		Ехр	ectation for average	e federal funds rate o	over next 10 years:		
c) Please indicate the percent chance* th	at you attach to the f	ollowing possible ou	tcomes for the Comm	nittee's next policy act	ion <u>between now an</u>	d the end of 2017.	
	Next Change is	Next Change is	No Change in				
	Increase in Target Rate or Range	Decrease in Target Rate or Range	Target Rate or Range Through the End of 2017				
	*Responses should a	add up to 100 percei	nt.				
d) Conditional on the Committee's next per that you attach to the following possible of Committee's next policy action between n	olicy action <u>between</u> outcomes for the timir	now and the end of 2 ng of such a change.	2017 being an <u>increas</u> Only fill out this cond		•	· · ·	•
Committee a Heat policy action between t		·	Increase Occurs				
	Increase Occurs at Dec. 2016 FOMC meeting	Increase Occurs at Jan. 2017 FOMC meeting	at Mar. 2017 FOMC meeting or later				

*Responses should add up to 100 percent.

e) Please indicate the percent chance* that you attach to the target federal funds rate or range falling in each of the following ranges at the end of 2017, conditional on the following possible scenarios for the direction and timing of the Committee's next policy action between now and the end of 2017. Only fill out the conditional probability distributions for which you assigned a non-zero probability to the conditioning event occurring. If you expect a target range, please use the midpoint of that range in providing your response.

is an increase, occurs at Jan. 2017 FOMC meeting or earlier: ge is increase, occurs at Mar. 2017 FOMC		0.51 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%
—							
go io morcaso, occars at man zen rieme							+
meeting or later:							
	< 0.0%	0.00 - 0.25%	0.26 - 0.50%	0.51 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%
N1. 4.1		0.00 - 0.23 /0	0.20 - 0.30 /0	0.01 - 0.7 3 /0	3.70 - 1.00 / ₀	1.01 - 1.23/0	1.20 - 1.30 /0
Next change is a decrease:							
	*Responses acro	oss each row should	d add up to 100 pei	cent.			
f) i) Please indicate the percent chance*	that you attach to th	e target federal funds	s rate or range falling	in each of the followi	ing ranges at the end	of 2018 and 2019 c	onditional on not
moving to the zero lower bound (ZLB) at	•	•					orialional ori not
	44.000/		4.54 0.000/		0.54 0.000/	0.04 0.500/	>0 =40 /
	≤1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	≥3.51%
Year-end 2018:							
Year-end 2019:	,						
		 s each row should add	d un to 100 percent				
	responses across	s cacii iow siloaia aad	а ар то тоо регсети.				
") D							
ii) Please indicate the percent chance th	ат you attach to mov	ring to the ∠LB at som	ne point in 2016-2019				
	-	robability of mavina	ito the 71 P of come	noint in 2016 2010			
	P	robability of moving	j to the ZLD at SOME	ponit in 2016-2019:	•		
If you placed a non-zero probability on m	noving to the 71 R at	some noint in 2016-20	019 ahove inlease in	dicate vour estimate	for the most likely tim	ing of such an even	t
ii you piacea a non-2610 piobability on n	oving to the ZED at	20110 POINT III 2010-20	o to above, picase ili	aioaio youi esiimale	ioi tilo illost likely <u>till</u>	<u></u>	••
Mos	st likely timina of m	noving to the ZLB at	some point in 2016-	2019 (in half vears):	:		
14104		ut	pe 2010	(a y oai o).		I	
iii) Please indicate the percent chance* t	hat you attach to the	e target federal funds	rate or range falling in	n each of the followin	ng ranges at the end o	of 2018 and 2019. co	enditional on moving
to the ZLB at some point in 2016-2019.	Only fill out these cor	nditional probability di	istributions if you ass		<u> </u>		
you expect a target range, please use th	e midpoint of that ra	nge in providing your	response.				
	<0.00%	0.00 - 0.25%	0.26 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%
Year-end 2018:	(0.007)	1 0100 012070	0.20 0.007	1100/0	1101 110070		
i eai-eilu 2016:							
Year-end 2019:							
	11000011000 401000	s each row should add	a ap to 100 porcont.				
iv) What is your estimate of the target fe				bound (in norcent)	_		
Level Oi	the target rederal it	unds rate or range a	t the effective lower	bound (in percent).	•		
			ingo the last policy of	In (O)			
For parts alf please explain the factors l	vehind any change to	o vour expectations s					
For parts a-f, please explain the factors I	pehind any change to	o your expectations s	The the last policy st	irvey.			
For parts a-f, please explain the factors l	pehind any change t	o your expectations s	The the last policy st	л vey.			
For parts a-f, please explain the factors I	pehind any change t	o your expectations s	ince the last policy st	л vey.			
				•	on the level of the same	I fodoral funda (- ()	hot would be recitled.
3) Previous FOMC communication has indi	cated that the econo	omy's neutral real fede	eral funds rate, which	can be understood a			
	cated that the econo	omy's neutral real fedence ng near its potential, i	eral funds rate, which	can be understood a			
3) Previous FOMC communication has indicexpansionary nor contractionary if the ed	cated that the econo	omy's neutral real fedence ng near its potential, i	eral funds rate, which	can be understood a			
3) Previous FOMC communication has indicexpansionary nor contractionary if the ed	cated that the econo	omy's neutral real fedence ng near its potential, i	eral funds rate, which	can be understood a			level of the neutral
3) Previous FOMC communication has indicexpansionary nor contractionary if the ed	cated that the econo conomy were operations time periods below.	omy's neutral real fedence ng near its potential, i	eral funds rate, which	can be understood a	ease provide your est		
3) Previous FOMC communication has indicated expansionary nor contractionary if the expansionary funds rate and at each of the	cated that the econo conomy were operations time periods below.	omy's neutral real fedence ng near its potential, i	eral funds rate, which	can be understood a	ease provide your est		level of the neutral
3) Previous FOMC communication has indicated expansionary nor contractionary if the expansionary funds rate and at each of the expansional funds rate and at each of the expansionary funds rate and at each of the expansion funds rate	cated that the econo conomy were operations time periods below.	omy's neutral real fedence ng near its potential, i	eral funds rate, which	can be understood a	ease provide your est		level of the neutral
3) Previous FOMC communication has indicated expansionary nor contractionary if the expansionary funds rate and at each of the expansional funds rate and at each of the expansionary funds rate and at each of the expansion funds rate	cated that the econo conomy were operations time periods below.	omy's neutral real fedence ng near its potential, i	eral funds rate, which is currently low by his	can be understood a torical standards. Ple	ease provide your est Year-end 2018:	imate for the current	Year-end 2019:
3) Previous FOMC communication has indicated expansionary nor contractionary if the expansionary funds rate and at each of the second s	cated that the econo conomy were operations time periods below.	omy's neutral real fedence ng near its potential, i	eral funds rate, which is currently low by his	can be understood a torical standards. Ple	ease provide your est Year-end 2018:	imate for the current	Year-end 2019:
3) Previous FOMC communication has indicexpansionary nor contractionary if the expansionary nor contractionary is the expansionary nor contraction nor contractionary nor contraction nor con	cated that the econo conomy were operations time periods below.	omy's neutral real fedence ng near its potential, i	eral funds rate, which is currently low by his	can be understood a torical standards. Ple	ease provide your est Year-end 2018:	imate for the current	Year-end 2019:
3) Previous FOMC communication has indicexpansionary nor contractionary if the expansionary nor contractionary is the expansionary nor contraction nor contractionary nor contraction nor con	cated that the econo conomy were operations time periods below.	omy's neutral real fedence ng near its potential, i	eral funds rate, which is currently low by his	can be understood a torical standards. Ple	ease provide your est Year-end 2018:	imate for the current	Year-end 2019:
3) Previous FOMC communication has indicexpansionary nor contractionary if the expansionary nor contractionary is the expansionary nor contraction nor contractionary nor contraction nor con	cated that the econo conomy were operations time periods below.	omy's neutral real fedence ng near its potential, i	eral funds rate, which is currently low by his	can be understood a torical standards. Ple	ease provide your est Year-end 2018:	imate for the current	Year-end 2019:
3) Previous FOMC communication has indicexpansionary nor contractionary if the expensionary funds rate and at each of the real federal funds rate funds rate: If you expect the neutral real federal fundestimates since the last policy survey.	cated that the econoconomy were operations time periods below. Current level:	omy's neutral real fedengeng near its potential, i	eral funds rate, which is currently low by his Year-end 2017:	can be understood a torical standards. Ple	Year-end 2018: ctation. Additionally, p	imate for the current	Year-end 2019:
3) Previous FOMC communication has indicexpansionary nor contractionary if the expansionary nor contractionary is the expansionary nor contraction nor contractionary nor contraction nor con	cated that the econoconomy were operations time periods below. Current level:	omy's neutral real fedengeng near its potential, i	eral funds rate, which is currently low by his Year-end 2017:	can be understood a torical standards. Ple	Year-end 2018: ctation. Additionally, p	imate for the current	Year-end 2019:
3) Previous FOMC communication has indicexpansionary nor contractionary if the expensionary funds rate and at each of the real federal funds rate funds rate: If you expect the neutral real federal fundestimates since the last policy survey.	cated that the economy were operating time periods below. Current level: ds rate to change over the seconomy were operating to the seconomy were operatin	omy's neutral real fedengeng near its potential, in the control of	eral funds rate, which is currently low by his Year-end 2017: de the major factors under the falling in each of the	can be understood a torical standards. Ple	Year-end 2018: ctation. Additionally, p	lease explain any ch	Year-end 2019: nanges to your
3) Previous FOMC communication has indicexpansionary nor contractionary if the expensionary funds rate and at each of the real federal funds rate funds rate: If you expect the neutral real federal fundestimates since the last policy survey.	cated that the econoconomy were operations time periods below. Current level:	omy's neutral real fedengeng near its potential, i	eral funds rate, which is currently low by his Year-end 2017:	can be understood a torical standards. Ple	Year-end 2018: ctation. Additionally, p	imate for the current	Year-end 2019:
3) Previous FOMC communication has indicexpansionary nor contractionary if the expensionary funds rate and at each of the real federal funds rate funds rate: If you expect the neutral real federal fundestimates since the last policy survey.	cated that the economy were operating time periods below. Current level: ds rate to change over the seconomy were operating to the seconomy were operatin	omy's neutral real fedengeng near its potential, in the control of	eral funds rate, which is currently low by his Year-end 2017: de the major factors under the falling in each of the	can be understood a torical standards. Ple	Year-end 2018: ctation. Additionally, p	lease explain any ch	Year-end 2019: nanges to your
3) Previous FOMC communication has indicexpansionary nor contractionary if the expansionary funds rate and at each of the real federal funds rate and at each of the stimated level of neutral real federal funds rate. If you expect the neutral real federal fundestimates since the last policy survey. 4) Please indicate the percent chance* that Year-end 2016:	cated that the economy were operating time periods below. Current level: ds rate to change over the seconomy were operating to the seconomy were operatin	omy's neutral real fedengeng near its potential, in the control of	eral funds rate, which is currently low by his Year-end 2017: de the major factors under the falling in each of the	can be understood a torical standards. Ple	Year-end 2018: ctation. Additionally, p	lease explain any ch	Year-end 2019: nanges to your
3) Previous FOMC communication has indicexpansionary nor contractionary if the expansionary nor contractionary is the expansionary nor contractionary if the expansionary nor contractionary is the expansionary nor contractionary nor contractionary is the expansionary nor contractionary no	cated that the economy were operating time periods below. Current level: ds rate to change over the seconomy were operating the seconomy wer	omy's neutral real federing near its potential, it. Ter time, please provide the company of the	eral funds rate, which is currently low by his de the major factors unfalling in each of the falling in each of th	can be understood a torical standards. Ple	Year-end 2018: ctation. Additionally, p	lease explain any ch	Year-end 2019: nanges to your
3) Previous FOMC communication has indicexpansionary nor contractionary if the expansionary funds rate and at each of the real federal funds rate and at each of the stimated level of neutral real federal funds rate. If you expect the neutral real federal fundestimates since the last policy survey. 4) Please indicate the percent chance* that Year-end 2016:	cated that the economy were operating time periods below. Current level: ds rate to change over the seconomy were operating the seconomy wer	omy's neutral real fedengeng near its potential, in the control of	eral funds rate, which is currently low by his de the major factors unfalling in each of the falling in each of th	can be understood a torical standards. Ple	Year-end 2018: ctation. Additionally, p	lease explain any ch	Year-end 2019: nanges to your
3) Previous FOMC communication has indicexpansionary nor contractionary if the expansionary nor contractionary is contacted and contractionary nor cont	cated that the econoconomy were operations time periods below. Current level: ds rate to change over the seconomy were operations and the seconomy were operations. Current level: ds rate to change over the seconomy were operations.	omy's neutral real federing near its potential, it. The er time, please provide the seach row should additional additional and the seach row should additional addit	real funds rate, which is currently low by his year-end 2017: de the major factors used th	can be understood a torical standards. Ple	Year-end 2018: ctation. Additionally, p	lease explain any ch	Year-end 2019: nanges to your
3) Previous FOMC communication has indicexpansionary nor contractionary if the expansionary funds rate and at each of the real federal funds rate and at each of the stimated level of neutral real federal funds rate. If you expect the neutral real federal fundestimates since the last policy survey. 4) Please indicate the percent chance* that Year-end 2016:	cated that the econoconomy were operations time periods below. Current level: ds rate to change over the seconomy were operations and the seconomy were operations. Current level: ds rate to change over the seconomy were operations.	omy's neutral real federing near its potential, it. The er time, please provide the seach row should additional additional and the seach row should additional addit	real funds rate, which is currently low by his year-end 2017: de the major factors used th	can be understood a torical standards. Ple	Year-end 2018: ctation. Additionally, p	lease explain any ch	Year-end 2019: nanges to your
3) Previous FOMC communication has indicexpansionary nor contractionary if the expansionary nor contractionary is contacted and contractionary nor cont	cated that the econoconomy were operations time periods below. Current level: ds rate to change over the seconomy were operations and the seconomy were operations. Current level: ds rate to change over the seconomy were operations.	omy's neutral real federing near its potential, it. The er time, please provide the seach row should additional additional and the seach row should additional addit	real funds rate, which is currently low by his year-end 2017: de the major factors used th	can be understood a torical standards. Ple	Year-end 2018: ctation. Additionally, p	lease explain any ch	Year-end 2019: nanges to your
3) Previous FOMC communication has indicexpansionary nor contractionary if the expansionary nor contractionary is contacted and contractionary nor cont	cated that the econoconomy were operations time periods below. Current level: ds rate to change over the seconomy were operations and the seconomy were operations. Current level: ds rate to change over the seconomy were operations.	omy's neutral real federing near its potential, it. The er time, please provide the seach row should additional additional and the seach row should additional addit	real funds rate, which is currently low by his year-end 2017: de the major factors used th	can be understood a torical standards. Ple	Year-end 2018: ctation. Additionally, p	lease explain any ch	Year-end 2019: nanges to your
3) Previous FOMC communication has indicexpansionary nor contractionary if the expansionary nor contractionary is contacted and contractionary nor cont	cated that the econoconomy were operations time periods below. Current level: ds rate to change over the seconomy were operations and the seconomy were operations. Current level: ds rate to change over the seconomy were operations.	omy's neutral real federing near its potential, it. The er time, please provide the seach row should additional additional and the seach row should additional addit	real funds rate, which is currently low by his year-end 2017: de the major factors used th	can be understood a torical standards. Ple	Year-end 2018: ctation. Additionally, p	lease explain any ch	Year-end 2019:

5) a) The 10-year nominal Treasury yield increased 56 basis points from November 1 to November 30. Please decompose this change into the following components. Plant is a second of the following components.	Please ensure that your sum matches the
change in the 10-year Treasury yield. Please also ensure your signs are correct.	

Change in Market Change in Market		_	t-Implied Nominal nium (bps)			
Expectations for Average Real Policy Rate (bps)	Expectations for Average Inflation Rate (bps)	Change in Real Term Premium (bps)	Change in Inflation Risk Premium (bps)	Your Sum	Change in 10-Year Treasury Yield	
				0	56	

b) Please rate the importance of the following factors in explaining the change in the 10-year nominal Treasury yield over the intermeeting period (5=very important, 1=not important).

	Changes in outlook for U.S. economic growth	Changes in outlook for U.S. inflation	Changes in perception of long- run neutral fed funds rate	Changes in perception of FOMC's reaction function	Changes in uncertainty around the path of the nominal fed funds rate	Changes in expected supply of Treasuries held by the public	Changes in market sentiment/safe- haven flows	Other (please explain)	If "Other", please explain
N Diagon water the im		uina footovo volotina	to more that over a station	on for II C. and nomin		y the change in the 10) woor nominal Troop	oum wield even the	
	nportance of the follow (5=very important, 1:	J	to market expectation	is for 0.5. economic	policies in explaining	g the change in the TC	J-year nominai Treas	sury yield over the	
	Changes in outlook for federal government expenditures	Changes in outlook for tax policy	Changes in outlook for monetary policy	Changes in outlook for trade policy	Changes in outlook for financial regulatory policy	Changes in outlook for non-financial regulatory policy	Other (please explain)		If "Other", please explain

d) Do you view the drivers of the trade-weighted dollar and U.S. equity prices over the intermeeting period, as well as their importance, as the same as or different than indicated abo	ve?
If different, please explain.	

6)	How do you expect the relative levels of money market rates to evolve over the next intermeeting period? Additionally, please indicate your expectations for year-end dynamics in money markets.

- 7) In its most recent FOMC statement, the Committee indicated that it anticipates continuing its existing policy of reinvesting principal payments from its holdings of agency debt and agency MBS, and of rolling over maturing Treasury securities at auction, until normalization of the level of the federal funds rate is "well under way."
- a) What is your estimate for the most likely level of the target federal funds rate or range if and when the Committee first changes its reinvestment policy?

Level of target federal funds rate or range (in percent):

b) What is your estimate for the most likely timing (in months forward) of a change to the Committee's policy of reinvesting payments of principal on Treasuries and/or agency debt and MBS? If you do not expect the FOMC to change its policy on reinvestments for either or both asset classes during the process of policy normalization, please enter "N/A."

	Months forward:
Treasuries:	
Agency debt and MBS:	

c) i) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio at the end of 2019, conditional on **not** moving to the ZLB at any point in 2016-2019. For reference, the current level of the SOMA portfolio, including inflation compensation and settled and unsettled agency MBS, according to the November 25, 2016 H.4.1, was \$4270 billion. Levels referenced below are also in \$ billions.

≤ 3000	3001 - 3500	3501 - 4000	4001 - 4500	≥ 4501

^{*}Responses should add up to 100 percent.

ii) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio at the end of 2019, conditional on moving to the ZLB at any point in 2016-2019. Levels referenced below are in \$ billions. Only fill out this probability distribution if you assigned a non-zero probability to moving to the ZLB at some point in 2016-2019.

≤ 4000	4001 - 4500	4501 - 5000	5001 - 5500	≥ 5501			
*Responses should add up to 100 percent.							

Please explain the factors behind any change to your expectations, where applicable, since the last policy survey.

8) a) For the outcomes below, provide the percent chance* yo	u attach to the annual average CPI inflation rate from December	1, 2016 - November 30, 2021 falling in each of the following
ranges. Please also provide your point estimate for the mo	st likely outcome.	

≤1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥3.01%			
						Point estimate for most likely outcome:		
*Responses should	d add up to 100 perce	ent.		•				
.	es below, provide the post of provide your point e			average <u>CPI inflation</u>	rate from Decembe	r 1, 2021 - November 30, 2026 falling in each of the following		
≤1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥3.01%			
						Point estimate for most likely outcome:		
* Responses shou	ld add up to 100 perc	ent.						
c) For the outcomes below, provide the percent chance* you attach to the PCE inflation rate from December 1, 2018 - November 30, 2019 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.								
≤1.50%	1.51 - 1.75%	1.76 - 2.00%	2.01 - 2.25%	2.26 - 2.50%	≥2.51%			
						Point estimate for most likely		

outcome:

^{*}Responses should add up to 100 percent.

2)	Dropdown Selections f) ii) If you placed a non-zero probability on moving to the ZLB at some point in 2016-2019 above, please indicate your estimate for the most likely timing of such an event.	
	Most likely timing of moving to the ZLB at some point in 2016-2019 (in half years):	H2 2016 H1 2017 H2 2017 H1 2018 H2 2018 H1 2019
5)	b) Please rate the importance of the following factors in explaining the change in the 10-year nominal Treasury yield over the intermeeting period (5=very important, 1=not important).	
	Rating:	5 4 3 2 1
	Please rate the importance of the following factors relating to market expectations for U.S. economic policies in explaining the change in the 10-year nominal Treasury yield over the intermeeting perio every important, 1=not important).	
	Rating:	5 4 3 2 1