SURVEY OF PRIMARY DEALERS

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 participants are not involved in the survey's design.

Please respond by **Monday, October 23rd at 5:00 pm** to the questions below. Your time and input are greatly appreciated.

Dealer:

1) Provide below your expectations for changes, if any, to the language referencing each of the following topics in the October/November FOMC statement.

Current economic conditions:	
Economic outlook:	
Communication on the expected path of the target fed funds rate:	
Communication on the Committee's policy of reinvesting principal payments on Treasury and agency securities:	
Other:	

2) How would you grade the Federal Reserve System's communication with the markets and with the public since the policy survey on September 11? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

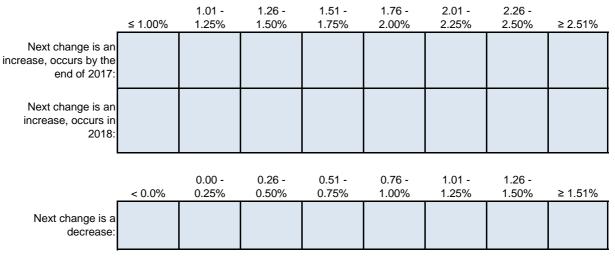
Rating:

Please Explain:

3a) 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 of the following quarters and half years below. For the time periods at which you expect a target range, please indicate the midpoint of that range in providing your response.

	l	2017 FOMC meetings			2018 FOMC meetings				
		Oct 31 - Nov 1	Dec 12-13	Jan 30-31	Mar 20-21	May 1-2	Jun 12-13	Jul 31 - Aug 1	
Target rate / n tar	nidpoint of get range:								
	-								-
	-	2018 Q3	2018 Q4	Qua 2019 Q1	2019 Q2	2019 Q3	2019 Q4	Half 2020 H1	Years 2020 H2
Target rate / n tar	nidpoint of get range:	2010 03	2010 Q4	2013 Q1	2013 Q2	2013 03	2013 Q4	2020111	
3b) In addition, pro federal funds r	ovide your e rate over the onger run:	estimate of t e next 10 ye	he longer run ars.	n target feder	Expec	tation for ave	ectation for t erage federal ext 10 years:]
3c) Please indicate policy action b	Next Chancrease in T	<u>w and the er</u> ange is Target Rate	Next Ch Decrease	nange is e in Target	No Chang Rate or Rar	e in Target ige Through	or the Comm	ittee's next	
3c) Please indicate policy action b	Next Ch	<u>w and the er</u> ange is Target Rate	Next Ch Decrease	nange is	No Change	e in Target ige Through	or the Comm	ittee's next	
3c) Please indicate policy action b	Next Chancrease in T	w and the er lange is Target Rate ange	Next Cr Decrease Rate or	nange is e in Target r Range	No Chang Rate or Rar	e in Target ige Through	or the Comm	ittee's next	
3c) Please indicate policy action b	Next Chancrease in T	w and the er lange is Target Rate ange	Next Ch Decrease	nange is e in Target r Range	No Chang Rate or Rar	e in Target ige Through	or the Comm	ittee's next	
3c) Please indicate policy action b	Next Chancrease in T or Ra Responses si n the Comm funds rate of the timing o	w and the er ange is Target Rate ange hould add up hould add up ittee's next p or range, ple of such a cha	Next Cf Decrease Rate or to 100 percent coolicy action ase indicate ange. Only fill	hange is a in Target r Range t. between now the percent of out this cond	No Chang Rate or Rar the End	e in Target of 2018	ng an <u>increas</u> the following tion if you as	<u>e</u> in the possible signed a	
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 3c) Please indicate policy action be policy action be reader to the policy action be	Next Ch ncrease in T or Ra Responses si n the Comm funds rate of the timing of ability to the Increase C Oct./Nov	w and the er ange is Target Rate ange hould add up hould add up bor range, ple of such a cha e Committee Doccurs at r. FOMC	Next Ch Decrease Rate or to 100 percent to 100 percent coolicy action I ase indicate ange. Only fill s's next policy Increase December	hange is a in Target r Range t. between now the percent of out this cond out this cond out cond out this cond out this cond out cond out this co	No Chang Rate or Rar the End wand the end chance* that ditional proba een now and	e in Target ige Through of 2018 of 2018 billity distribut the end of 2 Occurs in	ng an <u>increas</u> the following tion if you as	<u>e</u> in the possible signed a	

3e) Please indicate the percent chance* that you attach to the target federal funds rate or range falling in each of the following ranges <u>at the end of 2018</u>, conditional on the following possible scenarios for the direction and timing of the Committee's next policy action <u>between now and the end of 2018</u>. 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.



*Responses across each row should add up to 100 percent.

3f-i) Please indicate the percent chance* that you attach to the target federal funds rate or range falling in each of the following ranges <u>at the end of 2019 and 2020</u>, <u>conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2020</u>. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 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 2019:							
Year-end 2020:							

*Responses across each row should add up to 100 percent.

3f-ii) Please indicate the percent chance that you attach to moving to the ZLB at some point between <u>now and the end</u> <u>of 2020</u>.

Probability of moving to the ZLB at some point between <u>now and the end of 2020</u>:



3f-iii) Please indicate the percent chance* that you attach to the target federal funds rate or range falling in each of the following ranges <u>at the end of 2019 and 2020</u>, <u>conditional on moving to the ZLB at some point between now and the end of 2020</u>. Only fill out these conditional probability distributions if you assigned a non-zero probability to moving to the ZLB at some point between now and the end of 2020. If you expect a target range, please use the midpoint of that range 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%	≥ 2.51%
Year-end 2019:								
Year-end 2020:								

*Responses across each row should add up to 100 percent.

3f-iv) What is your estimate of the target federal funds rate or range at the effective lower bound?

Level of the target federal funds rate or range at the effective lower bound (in percent):

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ent):	

3g) For parts a-f, please explain the factors behind any change to your expectations, where applicable, since the last policy survey.

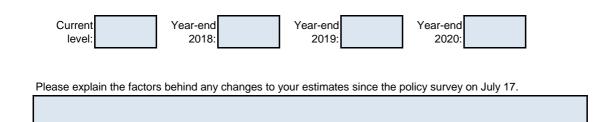
4) As of October 18th, 2017, the 2-year U.S. Dollar Overnight Indexed Swap (OIS) rate was about 1.60 percent. Please decompose this rate into market expectations for the geometric average of the effective federal funds rate over the next two years and the market-implied nominal term premium. Please ensure that your sum matches 1.60 percent. Please also ensure that your signs are correct.

 Market Expectations for
the Average Effective
Federal Funds Rate (%)
 Market-Implied Nominal
Term Premium (%)
 Level of 2-Year U.S.
Dollar OIS Rate

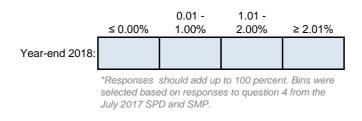
 0.00%
 1.60%

Please comment on your estimates.

5a) Previous FOMC communication has indicated that the economy's neutral real federal funds rate, which can be understood as the level of the real federal funds rate that would be neither expansionary nor contractionary if the economy were operating at or near its potential, is currently low by historical standards. Please provide your estimate for the level of the neutral real federal funds rate at each of the time periods below.



5b) Please indicate the percent chance* that you attach to the economy's neutral real federal funds rate falling in each of the following ranges at the end of 2018.

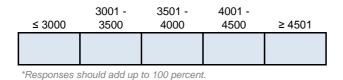


6) Please indicate the percent chance* that you attach to the 10-year Treasury yield falling in each of the following ranges at the end of 2017 and 2018.

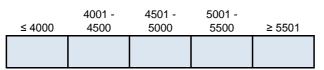
	≤ 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	3.51 - 4.00%	≥ 4.01%
Year-end 2017:							
Year-end 2018:							
-	*0	,		1 100			

*Responses across each row should add up to 100 percent.

7a) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio <u>at the end of 2020</u>, <u>conditional on **not** moving to the ZLB at any point between now and the end of 2020</u>. For reference, the level of the SOMA portfolio on October 12th, 2017 was \$4276 billion, including inflation compensation and settled and unsettled agency MBS, according to the most recent H.4.1 release. Levels referenced below are in \$ billions.



7b) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio <u>at the end of 2020</u>, <u>conditional on moving to the ZLB at any point between now and the end of 2020</u>. Only fill out this conditional probability distribution if you assigned a non-zero probability to moving to the ZLB at some point between now and the end of 2020 in question 3. Levels referenced below are in \$ billions.

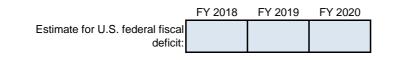


*Responses should add up to 100 percent.

8a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	GDP (Q4/Q4 Growth)	Core PCE Deflator (Q4/Q4 Growth)	Headline PCE Deflator (Q4/Q4 Growth)	Unemployment Rate (Q4 Average Level)
2017:				
2018:				
2019:				
2020:				
Longer run:				

8b) Provide your estimate of the most likely outcome for the U.S. federal fiscal deficit (as a percent of GDP) for fiscal years 2018, 2019 and 2020.



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	For the outco October 1, 20 estimate for t	017 - Septen	nber 30, 2022	percent chan 2 falling in ea	nce* you atta ach of the fo	ch to the annu llowing ranges	al average <u>CPI inflation</u> rate from Please also provide your point
	≤ 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 s	hould add up i	to 100 percent				
,,,	October 1, 20 estimate for t	022 - Septen the most like 1.01 -	nber 30, 202 ly outcome. 1.51 -	7 falling in ea 2.01 -	ach of the fo 2.51 -	llowing ranges	al average <u>CPI inflation</u> rate from Please also provide your point
,,,,	October 1, 2	022 - Septen the most like	nber 30, 202 ly outcome.	7 falling in ea	ach of the fo		Please also provide your point Point estimate for most
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10a) What percent chance do you attach to the U.S. economy currently being in a recession*?	
Recession currently:	
10b) What percent chance do you attach to the U.S. economy being in a recession* in 6 months?	
Recession in 6 months:	
10c) What percent chance do you attach to the global economy being in a recession** in 6 months?	
Global recession in 6 months:	
10d) Please explain the factors behind any change to your expectations in parts a-c since the last policy survey.	

*NBER-defined recession

**Previous 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, oil consumption and unemployment.

Thank you for your time and input. Please send survey results to ny.mktpolicysurvey@ny.frb.org