## SURVEY OF MARKET PARTICIPANTS

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, January 22nd at 5:00 pm** to the questions below. Your time and input are greatly appreciated.

Participant:

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

Current economic conditions:	
Economic outlook:	
Communication on the expected path of the target fed funds rate:	
Other:	

2) How would you grade the Federal Reserve System's communication with the markets and with the public since the policy survey on December 4? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

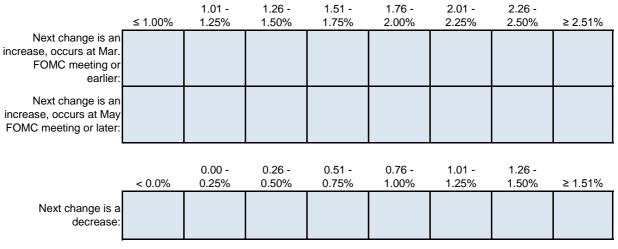
Rating:	Pl	ease Explain:	
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**3a)** Provide your estimate of the most likely outcome (i.e., the mode) for the target federal funds rate or range, as applicable, immediately following the FOMC meetings and at the end of each of the following quarters 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.

Target rate / midpoint of target range:       Quarters       Half Years         2018 Q4       2019 Q1       2019 Q2       2019 Q3       2019 Q4       2020 H1       202         Target rate / midpoint of target range:       2018 Q4       2019 Q1       2019 Q2       2019 Q3       2019 Q4       2020 H1       202         3(b)       In addition, provide your estimate of the longer run target federal funds rate and your expectation for the aver federal funds rate over the next 10 years.       Expectation for average federal funds rate over next 10 years:         3(c)       Please indicate the percent chance* that you attach to the following possible outcomes for the Committee's policy action between now and the end of 2018.       No Change in Target Rate Decrease in Target Rate or Range Through the End of 2018         3(c)       Please indicate the percent chance* that you attach to the following possible outcomes for the Committee's policy action between now and the end of 2018.       No Change in Target Rate or Range Rate or Range Through the End of 2018         3(d)       Conditional on the Committee's next policy action between now and the end of 2018 being an increase outcomes for the ting of such a change. Only flour this conditional probability distribution if you assigned non-zero probability to the Committee's next policy action between now and the end of 2018 being an increase outcomes for the ting of such a change. Only fill out this conditional probability distribution if you assigned non-zero probability to the Committee's next policy action between now and the end of 2018 being an increase outcomes for the ting of such a chang					2018	B FOMC meet	ings		
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target range:       Quarters       Half Years         2018 Q4       2019 Q1       2019 Q2       2019 Q3       2019 Q4       2020 H1       202         Target rate / midpoint of target range:       Quarters       Half Years       2019 Q2       2019 Q3       2019 Q4       2020 H1       202         (arget range:       Quarters       Quarters       Construction       Construction       2020 H1       202         (b)       In addition, provide your estimate of the longer run target federal funds rate and your expectation for the aver federal funds rate over the next 10 years.       Expectation for average federal funds rate over next 10 years:         (c)       Please indicate the percent chance* that you attach to the following possible outcomes for the Committee's policy action between now and the end of 2018.       No Change in Target Rate       No Change in Target Rate or Range       Target and of 2018         (c)       Please indicate the percent chance that you attach to the following possible outcomes for the Committee's policy action between now and the end of 2018.       No Change in Target Rate       No Change in Target Rate or Range       The End of 2018         (c)       Conditional on the Committee's next policy action between now and the end of 2018 being an increase in the target federal funds rate or range, please indicate the percent chance* that you attach to the following possioucomes for the timing of such a change. Only fill out this conditional probability distribution if you assigned noutcomes for the ti		r	Jan 30-31	Mar 20-21	May 1-2	Jun 12-13	Aug 1	Sep 25-26	Nov 7-8
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\*Responses should add up to 100 percent.

**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 now and the end of 2020:

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 at the end of 2019 and 2020, conditional on moving to the ZLB at some point between now and
	the end of 2020. 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	uр	to	100	percent.
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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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rcent):	

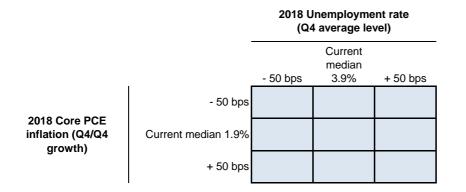
**3g)** For parts a-f, please explain the factors behind any change to your expectations, where applicable, since the last policy survey.

4) 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.

Current	Year-end	Year-end	Year-end	
level:	2018:	2019:	2020:	
Please explain the fa	ctors behind any changes	to your estimates sino	e the policy survey on October 23.	

5) The following matrix lays out hypothetical scenarios in which the realized levels of the 2018 unemployment rate (Q4 average level) and 2018 core PCE inflation (Q4/Q4 growth) are either 50 basis points above, below, or equal to the medians of FOMC participants' projections for these indicators in the December Summary of Economic Projections (SEP). For example, the upper left box represents a scenario in which the unemployment rate and core PCE inflation are both 50 basis points below the current SEP medians. The upper right box represents a scenario in which the unemployment rate is 50 basis points above the current SEP median, while core PCE inflation is 50 basis points below the current median.

For each of the following scenarios, please indicate the level of the target federal funds rate or range that you expect would prevail <u>at the end of Q1 2019</u>. If you expect a target range, please indicate the midpoint of that range in providing your response.



Please explain any assumptions underlying your responses.

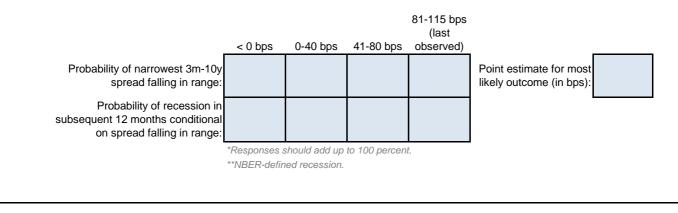
6) Please indicate the percent chance\* that you attach to the 10-year Treasury yield falling in each of the following ranges at the end of 2018 and 2019.

	≤ 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 2018:							
Year-end 2019:							

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

7a) The minutes of the December 2017 FOMC meeting noted that participants "discussed the recent narrowing of the gap between the yields on long- and short-maturity nominal Treasury securities." Please indicate the percent chance\* that you attach to the spread between 3-month and 10-year U.S. Treasury yields falling in each of the following ranges <u>at its narrowest point between now and the end of 2018</u>. For reference, the current spread between 3-month and 10-year U.S. Treasury yields is around 115 bps.

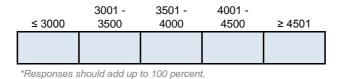
Additionally, conditional on the narrowest spread falling in each range, please indicate the probability that you attach to the U.S. economy being in a recession\*\* at any point in the 12 months subsequent to when the spread first reaches this level.



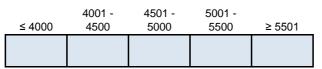
**7b)** If you expect the spread between 3-month and 10-year U.S. Treasury yields to narrow further at some point between now and the end of 2018, please discuss what factors you expect to drive this narrowing.

7c) Please comment on your assumptions in arriving at the recession probabilities you provided in question 7a.

**8a)** 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 January 10th, 2018 was \$4246 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.



**8b)** 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.

**9a)** 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.

	FY 2018	FY 2019	FY 2020
Estimate for U.S. federal fiscal deficit:			

9b) Please explain changes to your estimates in part a since the policy survey on December 4, where applicable.

		percent of Gl t, <u>compared</u>	DP) for fiscal	years 2018,	2019, and 2	2020 resulting	stimates of the U.S. from the passage of	the Tax Cuts
			Estimate fo	or change in	U.S. federal	l fiscal deficit:	FY 2018 FY 20	9 FY 2020
9c-ii)		he Tax Cuts a en now and t			vide your ex	pectations for	further changes to U	S. federal fiscal
ivaj	January 1, 2	018 - Decem the most like 1.01 -	ber 31, 2022 ly outcome. 1.51 -				al average <u>CPI inflat</u> Please also provide	
		1 50%	2 00%	2 50%	3.00%	> 3 01%		
	- 1.0070	1.50%	2.00%	2.50%	3.00%	≥ 3.01%	Point e	stimate for most likely outcome:
		1.50%			3.00%	≥ 3.01%	Point e	stimate for most likely outcome:
100)	*Responses s For the outco January 1, 2	hould add up t	to 100 percent provide the p ber 31, 2027	Dercent chan	nce* you atta	ach to the ann	Point e al average <u>CPI inflat</u> Please also provide	likely outcome:
100)	*Responses s For the outco January 1, 2	hould add up t omes below, 023 - Decem	to 100 percent provide the p ber 31, 2027	Dercent chan	nce* you atta	ach to the ann	al average <u>CPI inflat</u> Please also provide	likely outcome:

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