

RESPONSES TO SURVEY OF MARKET PARTICIPANTS

Markets Group, Federal Reserve Bank of New York



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The **Survey of Market Participants** 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.

For most questions, median responses across participants, along with the 25th and 75th percentiles, are reported. For questions that ask respondents to give a probability distribution, the average response across participants for each potential outcome is reported.¹ Brief summaries of the comments received in free response form are also provided.

Responses were received from 27 market participants. Except where noted, all 27 participants responded to each question. In some cases, participants may not have provided complete responses (e.g. may not have provided forecasts extending to the same time horizon as requested in the survey). In these instances, the number of respondents who answered all parts of the question is indicated.

¹ Answers may not sum to 100 percent due to rounding.

List of Market Participants:

https://www.newyorkfed.org/markets/survey_market_participants

Table of Contents

-
- Q-1) FOMC Meeting Expectations
-
- Q-2) Target Federal Funds Rate/Range
-
- Q-3) Expectations for Balance Sheet Components
-
- Q-4) Treasury Rate Modal Expectations
-
- Q-5) Mortgage Rate Modal Expectations
-
- Q-6) U.S. Real GDP Growth Probability Distributions
-
- Q-7) Quarterly PCE Projections
-
- Q-8) Inflation Probability Distributions
-
- Q-9) U.S. and Global Recession Probabilities

- 1a)** Provide below your expectations for changes, if any, to the language referencing each of the following topics in the December FOMC statement. Please write N/A if you do not expect any changes.

Current economic conditions:

Some respondents indicated they expected little or no change. Some respondents indicated they expected a downgrade to the language on economic activity. Several respondents indicated they expected or saw a possibility of a reference to inflation moderating.

Economic outlook and communication on the expected path of the target federal funds rate:

Most respondents indicated they expected little or no change.

Communication on tools other than the target federal funds rate:

Most respondents indicated they expected little or no change.

Other:

(23 responses)

Respondents did not provide significant commentary in this section.

- 1b)** What are your expectations for the most likely levels of the medians of FOMC participants' target federal funds rate projections in the SEP? Please provide your responses out to three decimal places.

	Year-end 2023	Year-end 2024	Year-end 2025	Year-end 2026	Longer run
25th Percentile	5.38%	4.88%	3.63%	2.88%	2.50%
Median	5.38%	4.88%	3.88%	2.88%	2.50%
75th Percentile	5.38%	4.88%	3.88%	2.88%	2.50%
# of Respondents	27	27	27	27	27

- 1c)** What are your expectations for the Chair's press conference?

Some respondents indicated they expected the Chair to note that it is premature to talk about rate cuts. Some respondents indicated they expected the Chair to cite progress on inflation, and several respondents expected the Chair to reiterate that inflation remains elevated or that further evidence of a slowing in inflation is needed. Several respondents indicated they expected the Chair to note some potential for further tightening. Several respondents indicated they expected the Chair to reiterate that adjustments in the target range for the federal funds rate would remain dependent on incoming economic data and its implications for the economic outlook. Several respondents indicated they expected the Chair to note that the stance of monetary policy is currently restrictive. Several respondents indicated they expected the Chair to reiterate the FOMC's commitment to returning inflation to target.

2a) 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 years below. For the time periods at which you expect a target range, please indicate the midpoint of that range in providing your response.

	Dec. 12-13	Jan. 30-31	Mar. 19-20	Apr. 30- May 1	Jun. 11-12	Jul. 30-31	Sep. 17-18
25th Percentile	5.38%	5.38%	5.25%	4.88%	4.63%	4.38%	4.13%
Median	5.38%	5.38%	5.38%	5.38%	5.13%	4.88%	4.63%
75th Percentile	5.38%	5.38%	5.38%	5.38%	5.13%	5.13%	4.88%
# of Respondents	27	27	27	27	27	27	27

	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026	2027
25th Percentile	3.63%	3.13%	2.88%	2.75%	2.63%	2.38%	2.41%
Median	4.13%	3.88%	3.38%	3.13%	2.88%	2.63%	2.88%
75th Percentile	4.63%	4.25%	4.00%	3.75%	3.38%	3.13%	3.13%
# of Respondents	27	27	27	27	27	26	26

2b) In addition, 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.

	10-yr Average FF Rate	Longer Run
25th Percentile	2.73%	2.50%
Median	3.00%	2.63%
75th Percentile	3.33%	2.94%
# of Respondents	27	27

2c) 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 2023, immediately following the January FOMC meeting, and at the end of 2024. If you expect a target range, please use the midpoint of that range in providing your response.

Federal Funds Rate or Range at the End of 2023										
	<= 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	>= 6.26%
Average	0%	0%	0%	0%	1%	95%	4%	0%	0%	0%

Federal Funds Rate or Range after the January 2024 FOMC Meeting										
	<= 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	>= 6.26%
Average	0%	0%	0%	1%	9%	80%	9%	0%	0%	0%

Federal Funds Rate or Range at the End of 2024										
	<= 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	3.51 - 4.00%	4.01 - 4.50%	4.51 - 5.00%	5.01 - 5.50%	>= 5.51%
Average	5%	3%	6%	6%	8%	14%	19%	23%	10%	5%

2d) Please indicate the percent chance that you attach to the highest level of the target range for the federal funds rate before the target range is next decreased falling in each of the following ranges.

	<= 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	>= 6.26%
Average	0%	0%	0%	0%	0%	82%	10%	5%	1%	1%

3a) Please provide your modal expectation for the average level of specified assets over each of the periods below. Average level amounts referenced below are in \$ billions.

Expectations for the Average Level of Treasury Holdings in the SOMA Portfolio (\$ billions)					
	Nov. 2023	Dec. 2023	Jan. 2024	Feb. 2024	Mar. 2024
25th Percentile	4,865	4,805	4,745	4,685	4,625
Median	4,866	4,806	4,746	4,686	4,626
75th Percentile	4,866	4,806	4,746	4,686	4,626
# of Respondents	20	20	20	20	20

Expectations for the Average Level of MBS in the SOMA Portfolio (\$ billions)					
	Nov. 2023	Dec. 2023	Jan. 2024	Feb. 2024	Mar. 2024
25th Percentile	2,447	2,425	2,401	2,379	2,361
Median	2,458	2,438	2,418	2,398	2,378
75th Percentile	2,460	2,442	2,424	2,405	2,388
# of Respondents	20	20	20	20	20

Expectations for the Average Level of Total Assets on the Federal Reserve Balance Sheet (\$ billions)					
	Nov. 2023	Dec. 2023	Jan. 2024	Feb. 2024	Mar. 2024
25th Percentile	7,892	7,794	7,689	7,590	7,493
Median	7,904	7,814	7,725	7,632	7,537
75th Percentile	7,919	7,839	7,759	7,679	7,603
# of Respondents	18	18	18	18	18

Expectations for the Average Level of Treasury Holdings in the SOMA Portfolio (\$ billions)				
	2024 Q2	2024 Q3	2024 Q4	2025 Q4
25th Percentile	4,446	4,266	4,101	3,905
Median	4,446	4,325	4,200	4,315
75th Percentile	4,520	4,517	4,517	4,544
# of Respondents	19	19	19	19

Expectations for the Average Level of MBS in the SOMA Portfolio (\$ billions)				
	2024 Q2	2024 Q3	2024 Q4	2025 Q4
25th Percentile	2,313	2,258	2,204	2,027
Median	2,334	2,280	2,220	2,100
75th Percentile	2,348	2,302	2,269	2,178
# of Respondents	19	19	19	19

Expectations for the Average Level of Total Assets on the Federal Reserve Balance Sheet (\$ billions)				
	2024 Q2	2024 Q3	2024 Q4	2025 Q4
25th Percentile	7,304	7,054	6,836	6,526
Median	7,363	7,129	6,932	6,746
75th Percentile	7,387	7,318	7,258	7,166
# of Respondents	18	18	18	18

3b) Please indicate the period in which you expect the SOMA portfolio will cease to decline as well as the size of the SOMA portfolio when it ceases to decline. Please also indicate the size of specified liabilities, reserves and take-up at the overnight reverse repurchase facility, when the SOMA portfolio ceases to decline.

	Period in which SOMA portfolio ceases to decline*	Size of SOMA portfolio when it ceases to decline**	Size of reserves***	Take-up at the overnight reverse repurchase facility****
25th Percentile	2024 Q4	5,750	2,375	125
Median	2025 Q2	6,250	2,500	125
75th Percentile	2025 Q4	6,750	3,063	625
# of Respondents	21	20	18	19

*Dropdown selections: Q4 2023, Q1 2024, Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027, Q2 2027, Q3 2027, Q4 2027, Q1 2028, Q2 2028, Q3 2028, Q4 2028, Q1 2029 or later.

**Dropdown selections: \$0-500bn, \$501-1000bn, \$1001-1500bn, \$1501-2000bn, \$2001-2500bn, \$2501-3000bn, \$3001-3500bn, \$3501-4000bn, \$4001-4500bn, \$4501-5000bn, \$5001-5500bn, \$5501-6000bn, \$6001-6500bn, \$6501-7000bn, \$7001-7500bn

***Dropdown selections: \$1000bn or smaller, \$1001-1250bn, \$1251-1500bn, \$1501-1750bn, \$1751-2000bn, \$2001-2250bn, \$2251-2500bn, \$2501-2750bn, \$2751-3000bn, \$3001-3250bn, \$3251-3500bn, \$3501-3750bn, \$3751-4000bn, \$4001bn or larger.

****Dropdown selections: \$0-250bn, \$251-500bn, \$501-750bn, \$751-1000bn, \$1001-1250bn, \$1251-1500bn, \$1501-1750bn, \$1751-2000bn, \$2001-2250bn, \$2251-2500bn, \$2501bn or larger.

3c) Please indicate the percent chance that you attach to the size of the SOMA portfolio falling in each of the following ranges when it ceases to decline. For reference, Securities Held Outright in the SOMA portfolio on November 22, 2023 was \$7,305 billion according to the most recent H.4.1 release.

(20 responses)

	\$4000bn or smaller	\$4001-4500bn	\$4501-5000bn	\$5001-5500bn	\$5501-6000bn	\$6001-6500bn	\$6501-7000bn	\$7001-7500bn	\$7501bn or larger
Average	6%	2%	3%	9%	19%	29%	23%	9%	0%

3d) Please provide any additional information or factors behind your baseline expectations for assets on the Federal Reserve balance sheet and when the decline in the balance sheet will be slowed and then stopped.

(19 responses)

Some respondents did not provide significant commentary in this section. Some respondents indicated they expected the end of balance sheet reduction to be determined by reserve scarcity, assessments of reserves as a percentage of nominal GDP, or upward pressures on money market rates relative to administered rates. Several respondents indicated they expected balance sheet reduction to end at the time of a recession or when the Federal Reserve starts reducing the level of the target range for the federal funds rate. Several respondents indicated they expected that maturing MBS would be reinvested in Treasury securities once the reduction in the size of the balance sheet had been completed or for MBS runoff to continue longer than the runoff of Treasury securities.

Please provide any additional information or factors behind the distribution of outcomes around your baseline for assets on the Federal Reserve balance sheet and when the decline in the balance sheet will be slowed and then stopped.

(17 responses)

Some respondents viewed the distribution of outcomes as skewed toward an earlier end of runoff and a larger SOMA portfolio versus their baseline expectations. Several respondents viewed the distribution of outcomes as skewed toward a later end to runoff and a smaller SOMA portfolio versus their baseline expectations.

4) Provide your estimate of the most likely outcome for the 10-year Treasury yield at the end of each period below. In addition, provide your estimate of the longer-run level of the 10-year Treasury yield. For reference, as of November 28 the yield was roughly 4.30 percent.

	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	H1 2025	H2 2025	H1 2026	H2 2026	Longer Run
25th Percentile	4.25%	4.05%	3.95%	3.50%	3.50%	3.25%	3.10%	3.23%	3.28%	3.10%
Median	4.30%	4.25%	4.10%	4.00%	3.80%	3.75%	3.75%	3.78%	3.75%	3.75%
75th Percentile	4.36%	4.35%	4.30%	4.20%	4.15%	4.04%	4.08%	4.07%	4.00%	4.35%
# of Respondents	24	23	23	23	25	23	23	22	22	23

- 5) Provide your estimate of the most likely outcome for the 30-year fixed primary mortgage rate at the end of each period below. In addition, provide your estimate of the longer-run level of the 30-year fixed primary mortgage rate. For reference, as of November 28 the rate was roughly 7.30 percent.

	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	H1 2025	H2 2025	H1 2026	H2 2026	Longer Run
25th Percentile	7.05%	6.83%	6.55%	6.05%	5.88%	5.63%	5.50%	5.43%	5.31%	5.00%
Median	7.25%	7.10%	6.85%	6.50%	6.25%	6.00%	5.75%	5.68%	5.75%	5.60%
75th Percentile	7.33%	7.25%	7.00%	6.78%	6.56%	6.50%	6.20%	6.23%	6.24%	6.08%
# of Respondents	19	19	19	19	20	19	19	18	18	19

- 6) Please provide the percent chance you attach to the following outcomes for U.S. real GDP growth in 2023 and 2024 (Q4/Q4).
(24 responses)

Probability Distribution of U.S. Real GDP Growth in 2023 (Q4/Q4)										
	<= -1.01%	-1.00 - -0.51%	-0.50 - 0.00%	0.01 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	>= 3.01%
Average	0%	0%	0%	1%	1%	4%	10%	37%	41%	6%

Probability Distribution of U.S. Real GDP Growth in 2024 (Q4/Q4)										
	<= -1.01%	-1.00 - -0.51%	-0.50 - 0.00%	0.01 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	>= 3.01%
Average	5%	5%	11%	18%	20%	17%	12%	6%	3%	2%

Please also provide your point estimate for the most likely outcome.

U.S. Real GDP Modal Point Estimates (Q4/Q4)		
	2023	2024
25th Percentile	2.40%	0.30%
Median	2.60%	0.70%
75th Percentile	2.70%	1.20%
# of Respondents	25	25

- 7) Please indicate your modal projections for headline and core PCE inflation for each of the following quarters.*

Headline PCE Inflation Quarterly Modal Point Estimates					
	Q4 2023 (saar)	Q1 2024 (saar)	Q2 2024 (saar)	Q3 2024 (saar)	Q4 2024 (saar)
25th Percentile	2.4%	2.5%	2.2%	2.0%	2.0%
Median	2.8%	2.6%	2.3%	2.3%	2.2%
75th Percentile	2.9%	2.7%	2.5%	2.4%	2.3%
# of Respondents	23	23	23	23	23

Core PCE Inflation Quarterly Modal Point Estimates					
	Q4 2023 (saar)	Q1 2024 (saar)	Q2 2024 (saar)	Q3 2024 (saar)	Q4 2024 (saar)
25th Percentile	2.4%	2.4%	2.4%	2.1%	2.0%
Median	2.7%	2.7%	2.5%	2.3%	2.2%
75th Percentile	2.9%	2.9%	2.5%	2.5%	2.3%
# of Respondents	24	24	24	24	24

**Percent change from the previous quarter at an annualized rate, based on the average of monthly levels (seasonally adjusted) in each quarter.*

8a) Please provide the percent chance you attach to the following outcomes for headline PCE inflation in 2023 and 2024 (Q4/Q4).
(24 responses)

Probability Distribution of Headline PCE Inflation in 2023 (Q4/Q4)										
	<= 2.00%	2.01 - 2.25%	2.26 - 2.50%	2.51 - 2.75%	2.76 - 3.00%	3.01 - 3.25%	3.26 - 3.50%	3.51 - 3.75%	3.76 - 4.00%	>= 4.01%
Average	0%	0%	1%	8%	31%	30%	18%	7%	3%	1%

Probability Distribution of Headline PCE Inflation in 2024 (Q4/Q4)										
	<= 1.50%	1.51 - 1.75%	1.76 - 2.00%	2.01 - 2.25%	2.26 - 2.50%	2.51 - 2.75%	2.76 - 3.00%	3.01 - 3.25%	3.26 - 3.50%	>= 3.51%
Average	2%	5%	11%	20%	25%	16%	8%	6%	3%	2%

Please also provide your point estimate for the most likely outcome.

Headline PCE Inflation Modal Point Estimates (Q4/Q4)		
	2023	2024
25th Percentile	2.90%	2.20%
Median	3.00%	2.30%
75th Percentile	3.10%	2.40%
# of Respondents	24	24

8b) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from December 1, 2023 – November 30, 2028 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(24 responses)

	<= 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	>= 3.51%
Average	0%	1%	6%	20%	35%	22%	11%	5%

	Most Likely Outcome
25th Percentile	2.30%
Median	2.50%
75th Percentile	2.50%
# of Respondents	24

8c) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from December 1, 2028 – November 30, 2033 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(25 responses)

	<= 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	>= 3.51%
Average	1%	3%	7%	25%	31%	22%	8%	4%

	Most Likely Outcome
25th Percentile	2.20%
Median	2.30%
75th Percentile	2.50%
# of Respondents	25

9a) What percent chance do you attach to:
the U.S. economy currently being in a recession*?
the U.S. economy being in a recession* in 6 months?
the global economy being in a recession** in 6 months?

	Currently in U.S. Recession	U.S. Recession in 6 Months	Global Recession in 6 Months
25th Percentile	2%	30%	30%
Median	5%	40%	40%
75th Percentile	10%	50%	50%
# of Respondents	27	27	27

**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.*

9b) What percent chance do you attach to the U.S. economy first entering a recession* in each of the following periods?

	H1 2023**	H2 2023	H1 2024	H2 2024	H1 2025	No recession by end H1 2025
Average	3%	9%	32%	25%	12%	19%

**NBER-defined recession*

***Percent chance that the economy first entered an NBER-defined recession in H1 2023.*