

RESPONSES TO SURVEY OF PRIMARY DEALERS

Markets Group, Federal Reserve Bank of New York



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

Responses were received from 24 primary dealers. Except where noted, all 24 dealers responded to each question. In some cases, dealers 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.

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

Current economic conditions:

Many dealers indicated they expected an adjustment to language referring to modest further progress toward the Committee's 2 percent inflation objective. Several dealers indicated they expected a reference to the increase in the unemployment rate, and several indicated they expected a reference to slowing in the labor market. Several dealers indicated they expected a downgrade to language on the pace of economic activity.

Economic outlook and communication on the expected path of the target federal funds rate:
(23 responses)

Some dealers indicated they expected little or no change. Some dealers indicated they expected an adjustment to language indicating that the Committee did not expect it would be appropriate to reduce the target range until it has gained further confidence that inflation is moving toward 2 percent, such as suggesting that confidence has increased but more is needed. Several dealers indicated they expected a reference to potential policy easing, and several dealers expected a reference to inflation and employment risks being in better balance.

Communication on tools other than the target federal funds rate:
(22 responses)

Most dealers indicated they expected little or no change.

Other:
(20 responses)

Dealers did not provide significant commentary in this section.

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

Most dealers indicated they expected the Chair to indicate some potential for policy easing. In this context, several dealers expected the Chair to reference data dependence, several dealers expected the Chair to link the potential for policy easing with an improvement in inflation data, and several dealers expected the Chair would not specify the timing of the first rate cut. Many dealers indicated they expected the Chair to note progress on inflation or greater confidence that inflation is slowing. Some dealers indicated they expected the Chair to reference a slowing in the labor market or the labor market being in better balance.

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

Number of Respondents	
1 - Ineffective	0
2	2
3	2
4	16
5 - Effective	4
# of Respondents	24

Please explain.
(23 responses)

With regard to communications viewed as being clear or effective, several dealers referenced communications on the Committee’s views on the slowing in inflation or the labor market. Several dealers referenced communications on the monetary policy reaction function.

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

	Jul. 30-31	Sep. 17-18	Nov. 6-7	Dec. 17-18	Jan. 28-29
25th Percentile	5.38%	5.13%	5.13%	4.88%	4.81%
Median	5.38%	5.13%	5.13%	4.88%	4.88%
75th Percentile	5.38%	5.19%	5.13%	4.88%	4.88%
# of Respondents	24	24	24	24	24

	2025 Q1	2025 Q2	2025 Q3	2025 Q4
25th Percentile	4.63%	4.13%	3.81%	3.63%
Median	4.63%	4.38%	4.13%	3.88%
75th Percentile	4.63%	4.44%	4.38%	4.13%
# of Respondents	24	24	24	24

	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027	2028
25th Percentile	3.38%	3.13%	3.13%	3.13%	3.13%	3.13%
Median	3.63%	3.38%	3.38%	3.38%	3.13%	3.13%
75th Percentile	3.88%	3.63%	3.63%	3.38%	3.63%	3.63%
# of Respondents	21	21	21	21	21	21

3b) 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	3.12%	2.86%
Median	3.40%	3.13%
75th Percentile	3.64%	3.38%
# of Respondents	24	24

3c) Please indicate the percent chance that you attach to the target federal funds rate or range falling in each of the following ranges immediately following the July and September FOMC meetings and at the end of 2024 and 2025. If you expect a target range, please use the midpoint of that range in providing your response.

Federal Funds Rate or Range after the July 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%	0%	3%	97%	0%	0%	0%	0%

Federal Funds Rate or Range after the September 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%	5%	62%	33%	0%	0%	0%	0%

Federal Funds Rate or Range at the End of 2024										
	<= 3.50%	3.51 - 3.75%	3.76 - 4.00%	4.01 - 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	>= 5.51%
Average	1%	0%	1%	2%	5%	17%	37%	24%	12%	1%

Federal Funds Rate or Range at the End of 2025										
	<= 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	3%	2%	3%	8%	17%	23%	18%	17%	5%	4%

3d) 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%	94%	3%	2%	1%	0%

4a) 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 SOMAPortfolio (\$ billions)						
	Jul. 2024	Aug. 2024	Sep. 2024	Oct. 2024	Nov. 2024	Dec. 2024
25th Percentile	4,435	4,410	4,385	4,360	4,335	4,310
Median	4,435	4,410	4,385	4,360	4,335	4,310
75th Percentile	4,435	4,410	4,385	4,360	4,335	4,310
# of Respondents	24	24	24	24	24	24

Expectations for the Average Level of MBS in the SOMAPortfolio (\$ billions)						
	Jul. 2024	Aug. 2024	Sep. 2024	Oct. 2024	Nov. 2024	Dec. 2024
25th Percentile	2,330	2,312	2,293	2,273	2,256	2,237
Median	2,336	2,318	2,300	2,283	2,267	2,252
75th Percentile	2,338	2,322	2,306	2,291	2,276	2,261
# of Respondents	24	24	24	24	24	24

Expectations for the Average Level of Total Assets on the Federal Reserve Balance Sheet (\$ billions)						
	Jul. 2024	Aug. 2024	Sep. 2024	Oct. 2024	Nov. 2024	Dec. 2024
25th Percentile	7,230	7,181	7,128	7,072	7,029	6,956
Median	7,254	7,205	7,152	7,100	7,046	6,991
75th Percentile	7,264	7,222	7,178	7,131	7,081	7,039
# of Respondents	24	24	24	24	24	24

Expectations for the Average Level of Treasury Holdings in the SOMAPortfolio (\$ billions)					
	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q4
25th Percentile	4,260	4,203	4,211	4,245	4,488
Median	4,268	4,291	4,330	4,403	4,585
75th Percentile	4,321	4,356	4,404	4,471	4,763
# of Respondents	24	24	24	24	23

Expectations for the Average Level of MBS in the SOMAPortfolio (\$ billions)					
	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q4
25th Percentile	2,197	2,137	2,074	2,019	1,802
Median	2,214	2,165	2,115	2,065	1,880
75th Percentile	2,226	2,181	2,130	2,084	1,930
# of Respondents	24	24	24	24	23

Expectations for the Average Level of Total Assets on the Federal Reserve Balance Sheet (\$ billions)					
	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q4
25th Percentile	6,863	6,773	6,729	6,702	6,714
Median	6,932	6,846	6,789	6,796	6,911
75th Percentile	6,990	6,930	6,926	6,926	7,012
# of Respondents	24	24	24	24	23

4b) Please provide your modal expectation for the average level of specified liabilities over each of the periods below. Average level amounts referenced below are in \$ billions.

Expectations for the Average Level of Reserves (\$ billions)							
	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q4
25th Percentile	3,250	3,185	3,100	3,039	2,999	2,994	2,968
Median	3,266	3,250	3,196	3,139	3,106	3,064	3,020
75th Percentile	3,319	3,287	3,252	3,232	3,201	3,119	3,143
# of Respondents	24	24	24	24	24	24	23

Expectations for the Average Level of Currency in Circulation (\$ billions)							
	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q4
25th Percentile	2,358	2,370	2,392	2,410	2,429	2,449	2,526
Median	2,363	2,386	2,406	2,430	2,454	2,478	2,600
75th Percentile	2,375	2,401	2,436	2,462	2,495	2,533	2,683
# of Respondents	24	24	24	24	24	24	23

Expectations for the Average Level of Overnight Reverse Repo Take-up (\$ billions)							
	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q4
25th Percentile	296	150	50	38	0	0	8
Median	355	218	208	171	150	140	124
75th Percentile	390	334	288	301	241	196	181
# of Respondents	24	24	24	24	24	24	23

Expectations for the Average Level of the Treasury General Account Balance (\$ billions)							
	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q4
25th Percentile	750	750	726	738	700	748	750
Median	775	752	755	758	750	758	775
75th Percentile	800	779	775	776	778	790	819
# of Respondents	24	24	24	24	24	24	23

4c) Please indicate the period in which you expect the SOMA portfolio to cease to decline, and 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 agreement 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 (\$ billions)**	Size of reserves (\$ billions)***	Take-up at the overnight reverse repurchase agreement facility (\$ billions)****
25th Percentile	Jan. '25	6,375	3,125	125
Median	Apr. '25	6,375	3,125	125
75th Percentile	Sep. '25	6,625	3,125	125
# of Respondents	24	24	24	24

*Dropdown selections: July 2024, August 2024, September 2024, October 2024, November 2024, December 2024, January 2025, February 2025, March 2025, April 2025, May 2025, June 2025, July 2025, August 2025, September 2025, October 2025, November 2025, December 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: \$0-250bn, \$251-500bn, \$501-750bn, \$751-1000bn, \$1001-1250bn, \$1251-1500bn, \$1501-1750bn, \$1751-2000bn, \$2001-2250bn, \$2251-2500bn, \$2501-2750bn, \$2751-3000bn, \$3001-3250bn, \$3251-3500bn, \$3501-3750bn, \$3751-4000bn, \$4001-4250bn, \$4251-4500bn, \$4501-4750bn, \$4751-5000bn, \$5001-5250bn, \$5251-5500bn, \$5501-5750bn, \$5751-6000bn, \$6001-6250bn, \$6251-6500bn, \$6501-6750bn, \$6751-7000bn.

***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.

4d) 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 July 10, 2024 was \$6,776 billion according to the most recent H.4.1 release.

	\$5000bn or smaller	\$5001-5250bn	\$5251-5500bn	\$5501-5750bn	\$5751-6000bn	\$6001-6250bn	\$6251-6500bn	\$6501-6750bn	\$6751bn or larger
Average	1%	1%	1%	4%	10%	22%	33%	25%	2%

4e) Please discuss factors behind your baseline expectation for when the SOMA portfolio will cease to decline. Please also discuss the distribution of outcomes around your baseline.
(23 responses)

Most dealers indicated they expected the end of balance sheet reduction to be determined by assessments of reserve levels, ON RRP take-up, or upward pressure on money market rates relative to administered rates. Some dealers viewed the distribution of outcomes as skewed toward a later end of runoff or a smaller SOMA portfolio versus their baseline expectations. Several dealers viewed the distribution of outcomes as skewed toward an earlier end to runoff or a larger SOMA portfolio versus their baseline expectations. Several dealers 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. Several dealers cited uncertainty around reserve demand.

5) Please provide the percent chance you attach to the following outcomes for U.S. real GDP growth in 2024 and 2025 (Q4/Q4).
(23 responses)

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	1%	1%	2%	5%	8%	18%	33%	23%	7%	2%

Probability Distribution of U.S. Real GDP Growth in 2025 (Q4/Q4)										
	<= 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 - 3.50%	3.51 - 4.00%	>= 4.01%
Average	4%	4%	6%	14%	25%	24%	15%	5%	2%	2%

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

U.S. Real GDP Modal Point Estimates (Q4/Q4)		
	2024	2025
25th Percentile	1.58%	1.70%
Median	1.80%	1.95%
75th Percentile	1.93%	2.20%
# of Respondents	24	24

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

Headline PCE Inflation Quarterly Modal Point Estimates					
	Q2 2024 (saar)	Q3 2024 (saar)	Q4 2024 (saar)	Q1 2025 (saar)	Q2 2025 (saar)
25th Percentile	2.5%	1.6%	2.1%	2.1%	1.9%
Median	2.5%	1.8%	2.2%	2.3%	2.1%
75th Percentile	2.5%	2.1%	2.3%	2.4%	2.1%
# of Respondents	24	24	24	24	24

Core PCE Inflation Quarterly Modal Point Estimates					
	Q2 2024 (saar)	Q3 2024 (saar)	Q4 2024 (saar)	Q1 2025 (saar)	Q2 2025 (saar)
25th Percentile	2.7%	1.9%	2.1%	2.1%	2.1%
Median	2.7%	2.0%	2.2%	2.3%	2.2%
75th Percentile	2.8%	2.1%	2.3%	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.

- 7a) Please provide the percent chance you attach to the following outcomes for headline PCE inflation in 2024 and 2025 (Q4/Q4).
(23 responses)

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	1%	1%	4%	15%	30%	27%	13%	5%	2%	1%

Probability Distribution of Headline PCE Inflation in 2025 (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	5%	6%	17%	27%	21%	12%	6%	3%	2%	3%

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

Headline PCE Inflation Modal Point Estimates (Q4/Q4)		
	2024	2025
25th Percentile	2.40%	2.00%
Median	2.50%	2.10%
75th Percentile	2.60%	2.11%
# of Respondents	24	24

- 7b) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from July 1, 2024 – June 30, 2029 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(22 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%	1%	4%	15%	34%	29%	11%	5%

	Most Likely Outcome
25th Percentile	2.40%
Median	2.50%
75th Percentile	2.51%
# of Respondents	22

- 7c) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from July 1, 2029 – June 30, 2034 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(22 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%	2%	7%	18%	39%	24%	7%	3%

	Most Likely Outcome
25th Percentile	2.30%
Median	2.40%
75th Percentile	2.40%
# of Respondents	22

- 8a) 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	0%	12%	15%
Median	4%	15%	25%
75th Percentile	5%	20%	30%
# of Respondents	24	24	23

*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.

- 8b) What percent chance do you attach to the U.S. economy first entering a recession* in each of the following periods?

	H1 2024**	H2 2024	H1 2025	H2 2025	H1 2026	No recession by end H1 2026
Average	3%	15%	11%	11%	8%	52%

*NBER-defined recession

**Percent chance that the economy first entered an NBER-defined recession in H1 2024.

- 9) Provide your estimate of the most likely outcome for output, inflation, and unemployment.
(19 responses)

		2024	2025	2026	Longer Run
Real GDP (Q4/Q4 Growth)	25th Percentile	1.58%	1.70%	1.80%	1.80%
	Median	1.80%	1.95%	1.90%	1.90%
	75th Percentile	1.93%	2.20%	2.00%	2.00%
Core PCE Inflation (Q4/Q4)	25th Percentile	2.60%	2.10%	2.00%	-
	Median	2.70%	2.20%	2.10%	-
	75th Percentile	2.70%	2.30%	2.15%	-
Headline PCE Inflation (Q4/Q4)	25th Percentile	2.40%	2.00%	2.00%	2.00%
	Median	2.50%	2.10%	2.00%	2.00%
	75th Percentile	2.60%	2.11%	2.10%	2.00%
Unemployment Rate (Q4 Average Level)	25th Percentile	4.07%	4.00%	4.00%	4.00%
	Median	4.10%	4.15%	4.00%	4.00%
	75th Percentile	4.20%	4.35%	4.23%	4.20%