Survey of Primary Dealers Markets Group, Federal Reserve Bank of New York

January, 2011

Policy Expectations Survey

Please respond by Tuesday, January 18th at 12:00 p.m. to the questions below. Your time and input are greatly appreciated.

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 only involve topics that are widely discussed in the public domain and never presume any particular policy action. FOMC members are not involved in the survey's design. This survey should not be distributed beyond those directly involved in its completion.

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Economic Indicator Forecasts

Please explain :

10 a) Provide your firm's estimate of the most likely outcome (i.e. the mode) for output and inflation:

,			GD! (q.o.:		Core I (y.o.			
		2010 Q4 : 2011 Q1 : 2011 Q2 : 2011 Q3 :						
	s estimate of the most le relative to your foreca			inflation, and unem		isks to output, inflati Unemployi		nent skewed to the downside, balanced, o
		(Q4/Q4 G Estimate		(Q4/Q4 (Estimate		(Q4 Avera Estimate		
	2011 :		Dropdown		Dropdown		Dropdown	
	2012 : 2013 :		Dropdown Dropdown		Dropdown Dropdown		Dropdown Dropdown	}
Please comment on any risks you see to your forecast :								
c) Do you feel more	less or equally uncerta	ain regarding your ed	conomic forecasts si	ince the last survey	on 12/6/10?			
c, Do you reel more,	icas or equally uncerta	GDP	Dropdown	nice the last survey	Core PCE	Dropdown		
		Uncertainty:	Diopaowii		Uncertainty:	Diopaowii		
11) What percent chance	e do you attach to the 4	l-quarter change in t	the core PCE deflato	or falling below zero	by the end of Q1 20	12?]
12) For the outcomes be (i.e. the mode).	elow, please indicate the	e percent chance* y	ou attach for the anr	nual average CPI in	lation rate from 2016	6 - 2021. Please als	so indicate your po	int estimate for the most likely outcome
	≤1.0%	1.01-1.5%	1.51-2.0%	2.01-2.5%	2.51-3.0%	≥3.01%		Point estimate for
	*Percentages should	add up to 100 perc	ent.				m	nost likely outcome:
13) a) What percent cha		e US economy curr	rently being in a REG	CESSION*?		Reces	sion currently:	
b) What percent cha * NBER-defined re	nce would you attach to ecession.	o the US economy b	peing in a RECESSIO	ON* in 6 months?		Recessio	n in 6 months:	
14) Please comment on	any changes to your m	acroeconomic asse	ssments since the la	ast FOMC meeting.				
15) The 10-year Treasur increase.	y yield has increased b	y approximately 75 l	basis points since the	e release of the Nov	vember FOMC stater	ment. Please rate ti	he importance of the	ne factors below in explaining this

Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	
Shift in short rate expectations amid prospects for stronger growth	Increase in long- run inflation expectations	Increase in expected Treasury supply due to federal tax compromise	Reduced expectations for cumulative size of Fed Treasury purchases	Temporary technical factors including liquidity	Other	(if "Other," please state above)
	•	•	•			

Dropdown Selections

3) Provide your firm's estimate of the most likely outcome (i.e. the mode) for the fed funds target rate or range at the end of each quarter:

Fed Funds Target Rate or Range : 0 - .25% 0.25% 0.50%

0.50% 0.75% 1.00% 1.25% 1.50%

1.50% 1.75% 2.00% 2.25% 2.50% 2.75% 3.00% 3.25% 3.50% 3.75% 4.00% 4.25%

4.50% 4.75% 5.00% > 5.00%

6) How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey on 12/6/10? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

Rank: 5 -- Very effective

3 2

1 -- Very ineffective

10) b) Provide your firm's estimate of the most likely outcome (i.e. the mode) for output, inflation, and unemployment. Are the risks to output, inflation and unemployment skewed to the downside, balanced, or skewed to the upside relative to your forecast?

Balance of Risk: Downside

Balanced Upside

c) Do you feel more, less or equally uncertain regarding your economic forecasts since the last survey on 12/6/10?

Uncertainty: More Uncertain

Equally Uncertain Less Uncertain

15) The 10-year Treasury yield has increased by approximately 75 basis points since the release of the November FOMC statement. Please rate the importance of the factors below in explaining this increase.

For Each Factor: Very Important

Important Somewhat Important Not Important