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

March, 2011

| Polic | v Exi | pectation | is Survey |
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| | Please respo | nd by Mondav. | March 7th at 5:00 | 0 p.m. to the que | tions Surve | ur time and input | are greatly appr | eciated. | |
|--|---|---|---|---|---|--|--|--|--|
| This survey is formulated | by the trading desk a | t the Federal Reser | rve Bank of New York | to enhance policym | akers' understandin | g of market expecta | tions on a variety of | topics related to the | |
| nonetary policy and finan he survey's design. This | icial markets. The qu | estions only involve | topics that are widely | discussed in the pu | | | | | |
| | | bottod boyond | | completion. | | | | | |
| | Dealer: | | | | | | | | |
| Monetary Policy I 1) Of the possible outco | | ndicate the percent | chance* you attach * | o the indicated policy | (target range or ter | net rate following con | ch of the post 3 EON | IC meetings: | |
| ., or the possible duto | | inclose and percent | shanoo you allachti | | of Target Range o | | | moounya. | |
| | 1 | 0.00% - 0.25% | 0.25% | 0.50% | 0.75% | 1.00% | 1.25% | >1.25% | - |
| | March 15: April 26-27: | | | | | | | | - |
| | June 21-22: | | | | | | | | 1 |
| | | * Percentages sho | uld add up to 100 pe | ercent. | | | | | |
| 2) a) Do you expect any | y changes in the FON | IC statement and if | so, what changes? | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| b) Of the possible or | | | | | | | | | |
| Timing of First Increase : | 2011 Q1 | 2011 Q2 | 2011 Q3 | 2011 Q4 | 2012 Q1 | 2012 Q2 | 2012 Q3 | 2012 Q4 | ≥2013 Q1 |
| | * Percentages shou | uld add up to 100 p | ercent. | | | | | | <u> </u> |
| Estimate for most l | ikely quarter and ye | ar of first target ra | ate increase: | | | | | | |
| 3) Provide your firm's e | stimate of the most li | kely outcome (i.e. th | he mode) for the fed t | funds target rate or r | ange at the end of e | ach quarter: | | | |
| , , ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, | | 2011 Q1 | 2011 Q2 | 2011 Q3 | 2011 Q4 | 2012 Q1 | 2012 Q2 | 2012 Q3 | 2012 Q4 |
| Fed Funds Tar | get Rate or Range : | Dropdown | Dropdown | Dropdown | Dropdown | Dropdown | Dropdown | Dropdown | Dropdown |
| 4) Of the possible outco | omes below please i | ndicate the percent | chance* you attach t | o the fed funds targe | t rate or range 12 m | onths from now | | | _ |
| ., | 0.00% - 0.25% | 0.26 - 0.50% | 0.51 - 1.00% | 1.01 - 1.50% | 1.51 - 2.00% | 2.01 - 2.5% | ≥2.51% | | |
| March 2012 | | | | | | | |] | |
| | - | uld add up to 100 p | ercent. aled to rates implied | hy March 2012 E | dollar futuraa aart- | | | | |
| | Distribution of pro | DDability Duckets Sc | aled to rates implied | by March 2012 Euro | uollar lutures contra | <i>cis.</i> | | | |
| 5) If you have changed | | asts from the prior s | survey, what were the | main drivers of that | change? Please no | te in particular how t | hese changes relat | e to your economic | forecasts, FOMC |
| communications, or | other factors. | | | | | | | | |
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| | a the Endered Reserv | e Sustem's commu | mination with the most | kata and with the put | lie since the last no | | 12 Diagon provide | a rating batwass 1 | and E with 1 |
| How would you grad indicating ineffective | | | inication with the mar | kets and with the put | blic since the last po | licy survey on 1/18/1 | 1? Please provide | a rating between 1 | and 5, with 1 |
| indicating ineffective | ness and 5 indicating | effectiveness. | nication with the mar | Please | olic since the last po | licy survey on 1/18/1 | 1? Please provide | a rating between 1 | and 5, with 1 |
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| Rank | ness and 5 indicating | down |] | Please explain: | | | | | |
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Economic Indicator Forecasts 10 a) Provide your firm's estimate of the most likely outcome (i.e. the mode) for output and inflation:

| | | | GC (q.o | | | PCE p.y.) | _ | |
|--|--|--|----------------------------------|------------------------|-----------------------------------|-------------------------|--|--|
| | | 2011 Q1 : 2011 Q2 : 2011 Q3 : 2011 Q4 : | | | | | | |
| | 's estimate of the mos le relative to your fore | | . the mode) for outpu | t, inflation, and uner | nployment. Are the | risks to output, inflat | tion and unemploym | ent skewed to the downside, balanced, or |
| | | | DP Growth) Balance of Risk | | PCE Growth) Balance of Risk | | ment Rate age Level) Balance of Risk | |
| | 2011 : | | Dropdown | | Dropdown | | Dropdown | |
| | 2012 : | | Dropdown | | Dropdown | | Dropdown | |
| | 2013 : | | Dropdown | | Dropdown | | Dropdown | |
| Please comment on any risks you see to your forecast : | | | | | | | | |
| c) Do you feel more | e, less or equally unce | ertain regarding your | economic forecasts s | since the last survey | on 1/18/11? Core PCE | | 1 | |
| | | Uncertainty: | Dropdown | | Uncertainty: | Dropdown | | |
| 11) What percent chan | ce do you attach to the | e 4-quarter change i | n the core PCE deflat | tor falling below zero | o by the end of Q1 2 | 012? | | l |
| 12) For the outcomes b (i.e. the mode). | elow, please indicate | the percent chance* | you attach for the an | inual average CPI in | flation rate from 20 | 16 - 2021. Please al | lso indicate your poi | nt 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 |
| | | | | | | | mo | ost likely outcome: |
| | *Percentages shou | ild add up to 100 pe | rcent. | | | | | |
| 13) a) What percent chance do you attach to the US economy currently being in a RECESSION*? Recession currently: * NBER-defined recession. | | | | | | | | |
| | b) What percent chance would you attach to the US economy being in a RECESSION* in 6 months? *NBER-defined recession. | | | | | Recessio | on in 6 months: | |
| 14) Please comment or | n any changes to your | macroeconomic as | sessments since the I | last FOMC meeting. | | | | |
| | | | | | | | | |

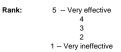
Dropdown Selections

Fed Funds Target Rate or Range :

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:

| 025% |
|---------|
| 0.25% |
| 0.50% |
| 0.75% |
| 1.00% |
| 1.25% |
| 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 1/18/11? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.



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?

Downside Balanced Upside

Balance of Risk:

c) Do you feel more, less or equally uncertain regarding your economic forecasts since the last survey on 1/18/11?

Uncertainty: More Uncertain Equally Uncertain Less Uncertain