SURVEY OF PRIMARY DEALERS

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

Dealer:

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

Current economic conditions:	
Economic outlook:	
Communication on the expected path of the target fed funds rate:	
Communication on the Committee's policy of reinvesting principal payments on Treasury and agency securities:	
Other:	

1b) What are your expectations for the medians of FOMC participants' economic projections in the Summary of Economic Projections (SEP)?

1c) What are your expectations for the medians of FOMC participants' target federal funds rate projections in the SEP?

Year-end 2017:   Year-end 2018:   Year-end 2019:   Longer run:

Please comment on the balance of risks around your expectations, as well as any underlying assumptions.

1d) What are your expectations for the Chair's press conference?

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

	2017 FOMC meetings					2018 FOMC meetings	
	Jun 13-14	Jul 25-26	Sep 19-20	Oct 31 - Nov 1	Dec 12-13	Jan 30-31	Mar 20-21
Target rate / midpoint of target range:							

	Quarters						
	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4
Target rate / midpoint of target range:							

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.

Longer run:		Expectation for average federal funds rate over next 10 years:	

2c) Please indicate the percent chance* that you attach to the following possible outcomes for the Committee's next policy action in 2017.

Next Change is Increase in Target Rate or Range	Next Change is Decrease in Target Rate or Range	No Change in Target Rate or Range in 2017

**Responses should add up to 100 percent.*

2d) Conditional on the Committee's next policy action in 2017 being an <u>increase</u> in the target federal funds rate or range, please indicate the percent chance* that you attach to the following possible outcomes for the timing of such a change. Only fill out this conditional probability distribution if you assigned a non-zero probability to the Committee's next policy action in 2017 being an increase.

Increase Occurs at June FOMC meeting	Increase Occurs at July FOMC meeting	Increase Occurs at September FOMC meeting or later

**Responses should add up to 100 percent.*

2e) 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 2017,</u> conditional on the following possible scenarios for the direction and timing of the Committee's next policy action in 2017**.** 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.

	≤ 0.50%	0.51 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	≥ 2.01%
Next change is an increase, occurs at July meeting or earlier:								
Next change is an increase, occurs at Sep. meeting or later:								

	< 0.0%	0.00 - 0.25%	0.26 - 0.50%	0.51 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	≥ 1.51%
Next change is a decrease:								

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

2f-i) 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 2018 and 2019, conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2019. 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 2018:							
Year-end 2019:							

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

2f-ii) Please indicate the percent chance that you attach to moving to the ZLB at some point between now and the end of 2019.

Probability of moving to the ZLB at some point between now and the end of 2019:

2f-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 2018 and 2019, conditional on moving to the ZLB at some point between now and the end of 2019. 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 2019. 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 2018:								
Year-end 2019:								

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

2f-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):

2g) For parts a-f, please explain the factors behind any change to your expectations, where applicable, since the last policy survey.

3a) 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.

Quarters					Half Years				
2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 H2	2019 H1	2019 H2	Longer run:	

3b) 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.

Quarters					Half Years				
2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 H2	2019 H1	2019 H2	Longer run:	

4a) In its Policy Normalization Principles and Plans, the Committee indicated that it "expects to cease or commence phasing out reinvestments" after liftoff. Please indicate the percent chance* that you attach to the Committee ceasing its reinvestments all at once, phasing out its reinvestments over time, or not changing its reinvestments.

	Reinvestments Ceased All at Once	Reinvestments Phased Out Over Time**	No Change to Reinvestments
Treasuries:			
Agency debt and MBS:			

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

***Includes a phased-in cap approach as discussed in question 4e.*

4b) In recent FOMC statements, the Committee has indicated that it anticipates continuing its current reinvestment policy until normalization of the level of the federal funds rate is "well under way."

Conditional on reinvestments either being ceased all at once or phased out over time, please indicate the percent chance* that you attach to the following outcomes for the level of the target federal funds rate or range when the Committee first announces a change to its reinvestment policy. Only fill out this probability distribution if you assigned a non-zero probability to reinvestments either being ceased all at once or phased out over time in question 4a. If you expect a target range, please use the midpoint of that range in providing your response.

≤ 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	≥ 2.01%

**Responses should add up to 100 percent.*

Additionally, please provide your point estimate for the most likely outcome of the level of the target federal funds rate or range when the Committee first announces a change to its reinvestment policy. If you expect a target range, please use the midpoint of that range in providing your response.

Point estimate for most likely outcome:	

4c) The May FOMC minutes reported that "nearly all" FOMC participants indicated that "as long as the economy and path of the federal funds rate evolved as currently expected, it likely would be appropriate to begin reducing the Federal Reserve's securities holdings this year." Conditional on a change to reinvestments occurring, please indicate the percent chance* that you attach to the following possible outcomes for when the Committee first announces a change to its reinvestment policy. Only fill out this probability distribution if you assigned a non-zero probability to a change to reinvestments occurring in question 4a.

2017 FOMC Meetings					**Quarters/Half Years**		
Jun 13-14	Jul 25-26	Sep 19-20	Oct 31 - Nov 1	Dec 12-13	Q1 2018	Q2 2018	≥ H2 2018

**Responses should add up to 100 percent.*

4d) Please explain the factors behind any change to your views in parts a-c, where applicable, since the last policy survey.

4e) The May FOMC minutes indicated that "nearly all policymakers expressed a favorable view" of a reinvestment approach in which "the Committtee would announce a set of gradually increasing caps, or limits, on the dollar amounts of Treasury and agency securities that would be allowed to run off each month, and only the amounts of securities repayments that exceeded the caps would be reinvested each month." Additionally, the minutes suggested that under such a strategy, the caps would "initially be set at low levels and then be raised every three months, over a set period of time, to their fully phased-in levels."

Conditional on the Committee adopting such a strategy, please indicate the most likely levels ($ billions) of the caps initially and at their fully phased-in levels.

	Initial levels ($ billions):	Fully phased-in levels ($ billions):
Treasuries:		
Agency debt and MBS:		

Conditional on the Committee adopting such a strategy, please also indicate the most likely number of months from when caps are initially implemented until they are fully phased in.

Treasuries:	
Agency debt and MBS:	

5a) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio at the end of 2019, conditional on **not** moving to the ZLB at any point between now and the end of 2019. For reference, the level of the SOMA portfolio on May, 24 2017 was $ 4274 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.

≤ 3000	3001 - 3500	3501 - 4000	4001 - 4500	≥ 4501

Responses should add up to 100 percent.

5b) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio at the end of 2019, conditional on moving to the ZLB at any point between now and the end of 2019. 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 2019 in question 2. Levels referenced below are in $ billions.

≤ 4000	4001 - 4500	4501 - 5000	5001 - 5500	≥ 5501

Responses should add up to 100 percent.

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6) What has been the impact to date of Fed communication regarding potential changes to reinvestment policy on the 10-year Treasury yield and 30-year MBS option-adjusted spread, if any? Please provide your responses in basis points.

Impact on 10-year Treasury Yield (bps):	
Impact on 30-year production coupon agency MBS option-adjusted spread (bps):	

Please also comment on the expected future market impact of the strategy you outlined in question 4e, if any.

7) On average during 2016, the size of the Federal Reserve System's balance sheet was $4472 billion, and was composed roughly as follows:

Assets

	Level of Assets ($ billions)	Share of Total Assets (%)
US Treasuries:	**2462**	**55%**
Agency MBS:	**1749**	**39%**
All Other Assets*:	**261**	**6%**
Total Assets:	**4472**	**100%**

Liabilities and Capital

	Level of Liabilities ($ billions)	Share of Total Liabilities and Capital (%)
Federal Reserve Notes:	**1413**	**32%**
Reserves:	**2306**	**52%**
Deposits in Treasury General Account (TGA):	**308**	**7%**
Reverse repos with private counterparties:	**107**	**2%**
Reverse repos with foreign official accounts:	**242**	**5%**
Other deposits**:	**39**	**1%**
All Other Liabilities and Capital:	**57**	**1%**
Total Liabilities and Capital:	**4472**	**100%**

*Includes net unamortized premiums and discounts on securities held outright, repos, and other assets.

**Includes balances held by designated financial market utilities (DFMUs), government sponsored entities (GSEs) and international and multilateral organizations.

The figures above refer to averages of Wednesday levels from 2016 H.4.1 releases. For further details, see also the "Report on Domestic Open Market Operations during 2016" prepared by the Markets Group of the Federal Reserve Bank of New York.

Please indicate your expectations for the composition of the Federal Reserve System's balance sheet, on average, in 2025, <u>conditional on **not** moving to the ZLB at any point between now and the end of 2025</u>. Please provide your responses in levels ($ billions), the total levels and shares will automatically populate so as to aid responding. Please ensure total assets are equal to total liabilities plus capital.

Assets

	Level of Assets ($ billions)	Share of Total Assets (%)
US Treasuries:		
Agency MBS:		
All Other Assets*:		
Total Assets:		

Liabilities and Capital

	Level of Liabilities ($ billions)	Share of Total Liabilities and Capital (%)
Federal Reserve Notes:		
Reserves:		
Deposits in Treasury General Account (TGA):		
Reverse repos with private counterparties:		
Reverse repos with foreign official accounts:		
Other deposits**:		
All Other Liabilities and Capital:		
Total Liabilities and Capital:		

*Includes net unamortized premiums and discounts on securities held outright, repos, and other assets.

**Includes balances held by designated financial market utilities (DFMUs), government sponsored entities (GSEs) and international and multilateral organizations.

8a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	GDP (Q4/Q4 Growth)	Core PCE Deflator (Q4/Q4 Growth)	Headline PCE Deflator (Q4/Q4 Growth)	Unemployment Rate (Q4 Average Level)
2017:				
2018:				
2019:				
Longer run:				

8b) Provide your estimate of the most likely outcome for the U.S. federal fiscal deficit (as a percent of GDP) for fiscal years 2017, 2018 and 2019.

	FY 2017	FY 2018	FY 2019
Current estimate for U.S. federal fiscal deficit:			

Please explain any changes to your estimates since the policy survey on April 24.

8c) Please indicate the overall effect of any changes to your estimates for the federal fiscal deficit since the last policy survey on your forecasts for GDP growth (Q4/Q4) in 2017, 2018 and 2019 and over the longer run, combining direct and indirect effects. Please provide your responses in percentage points.

	2017	2018	2019	Longer run
Impact on GDP growth forecasts from change in estimate of federal fiscal deficit:				

9a) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from June 1, 2017 - May 31, 2022 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%

Point estimate for most likely outcome:

**Responses should add up to 100 percent.*

9b) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from June 1, 2022 - May 31, 2027 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%

Point estimate for most likely outcome:

**Responses should add up to 100 percent.*

10a) What percent chance do you attach to the U.S. economy **currently** being in a recession*?

Recession currently:

10b) What percent chance do you attach to the U.S. economy being in a recession* **in 6 months**?

Recession in 6 months:

10c) What percent chance do you attach to the global economy being in a recession** **in 6 months**?

Global recession in 6 months:

10d) Please explain the factors behind any change to your expectations in parts a-c since the last policy survey.

**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.*

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