SURVEY OF PRIMARY DEALERS

OCTOBER 2019

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, October 21st at 2:00pm Eastern Time** to the questions below. Your time and input are greatly appreciated.

Type of Respondent:	**Primary Dealer**	Respondent Name:	

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

Current economic conditions:	
Economic outlook:	
Communication on the expected path of the target federal funds rate:	
Other:	

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

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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.

Rating:

Please explain:

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

	2019 FOMC meetings		2020 FOMC meetings				
	Oct 29-30	Dec 10-11	Jan 28-29	Mar 17-18	Apr 28-29	Jun 9-10	Jul 28-29
Target rate / midpoint of target range:							

	Quarters						Half-Years	
	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 H1	2022 H2
Target rate / midpoint of target range:								

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.

Longer run:

Expectation for average federal funds rate over next 10 years:

3c) Please indicate the percent chance* that you attach to the following possible outcomes for the Committee's next policy action between now and the end of 2020.

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 Through the End of 2020	Sum
			0.00%

**Responses should add up to 100 percent.*

3d) 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 October and December FOMC meetings. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	2.01 - 2.25%	2.26 - 2.50%	≥ 2.51%	Sum
Following the October FOMC meeting:									**0.00%**
Following the December FOMC meeting:									**0.00%**

Responses across each row should add up to 100 percent.

3e-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 2020, 2021 and 2022, conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2022. 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 - 4.00%	≥ 4.01%	Sum
Year-end 2020:									**0.00%**
Year-end 2021:									**0.00%**
Year-end 2022:									**0.00%**

Responses across each row should add up to 100 percent.

3e-ii) Please indicate the percent chance that you attach to moving to the ZLB at some point between now and the end of 2022.

Probability of moving to the ZLB at some point between now and the end of 2022: ______

3e-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 2020, 2021 and 2022, conditional on moving to the ZLB at some point between now and the end of 2022. 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 2022. 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%	Sum
Year-end 2020:									**0.00%**
Year-end 2021:									**0.00%**
Year-end 2022:									**0.00%**

Responses across each row should add up to 100 percent.

3e-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):

3f) For parts a-e, please explain the factors behind any change to your expectations, where applicable, since the last policy survey.

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4) Please indicate the percent chance* that you attach to the 10-year Treasury yield falling in each of the following ranges at the end of 2019 and 2020.

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	≥ 3.51%	Sum
Year-end 2019:								**0.00%**
Year-end 2020:								**0.00%**

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

5a) In its October 11 Statement Regarding Monetary Policy Implementation, the Committee indicated that "[i]n light of recent and expected increases in the Federal Reserve's non-reserve liabilities, the Federal Reserve will purchase Treasury bills at least into the second quarter of next year in order to maintain over time ample reserve balances at or above the level that prevailed in early September 2019. In addition, the Federal Reserve will conduct term and overnight repurchase agreement operations at least through January of next year to ensure that the supply of reserves remains ample even during periods of sharp increases in non-reserve liabilities, and to mitigate the risk of money market pressures that could adversely affect policy implementation."

In its October 11 Statement Regarding Treasury Bill Purchases and Repurchase Operations, the Federal Reserve Bank of New York indicated that "[i]n accordance with this directive, the Desk plans to purchase Treasury bills at an initial pace of approximately $60 billion per month, starting with the period from mid-October to mid-November. These reserve management purchases of Treasury bills will be in addition to the Desk's ongoing purchases of Treasury securities related to the reinvestment of principal payments from the Federal Reserve's holdings of agency debt and agency mortgage-backed securities." It also indicated that "[i]n addition, at least through January of next year, the Desk will conduct overnight and term repo operations to ensure that the supply of reserves remains ample and to mitigate the risk of money market pressures. Term repo operations will generally be conducted twice per week, initially in an offering amount of at least $35 billion per operation. Overnight repo operations will be conducted daily, initially in an offering amount of at least $75 billion per operation."

Please provide your expectation ($ billions) for the amount of reserve management purchases of Treasury bills as well as the maximum offered amounts for overnight and total term repurchase agreements (repo) during each of the following months.* If you expect any of these amounts to be zero in a given period, please enter 0.

($ billions)	November 2019	December 2019	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020
Reserve management purchases of Treasury bills:								
Maximum daily overnight repo offered:								
Maximum daily total term repo offered*:								

**For term repo, please provide your expectation for the maximum total offered amount at any point during the period. If you expect multiple operations with overlapping terms (excluding overnight repo), please sum across all operations to arrive at the total offered amount. For example, in September 2019, 14-day term repo operations settled on September 24, 26, and 27 with offered amounts of $30 billion, $60 billion, and $60 billion, respectively, yielding a maximum total offered amount of $150 billion for that month (as of September 27).*

5b) Please describe any assumptions that underlie your expectations in question 5a.

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6) Over the past week, the spread between the top of the target range for the federal funds rate and the interest on excess reserves (IOER) rate has been +20 basis points; the spread between the effective federal funds rate (EFFR) and IOER has averaged +4 basis points; the spread between the Overnight Bank Funding Rate (OBFR) and IOER has averaged +3 basis points; the spread between the Tri-Party General Collateral Rate (TGCR) and IOER has averaged +5 basis points; and the spread between the bottom of the target range for the federal funds rate and the overnight reverse repurchase (ON RRP) rate has been +5 basis points. Please provide your expectation for each of these rate spreads immediately following each of the FOMC meetings below, at year-end, and over the longer run**. **Please ensure your signs are correct.**

	Average over past week	**2019 FOMC meetings** Oct 29-30*	Dec 10-11	Dec. 31, 2019	Longer run**
Top of target range minus IOER (in bps):	**+20**				
EFFR minus IOER (in bps):	**+4**				
OBFR minus IOER (in bps):	**+3**				
TGCR minus IOER (in bps):	**+5**				
Bottom of target range minus ON RRP (in bps):	**+5**				

** Please provide your response as of Nov. 1, the first post-FOMC day that is not a period-end reporting date.*
*** "Longer run" as discussed in the January 2019 Statement Regarding Monetary Policy Implementation and Balance Sheet Normalization.*

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7) Please describe your modal expectation and the balance of risks around your modal expectation for international trade developments over the next 6 months. In addition, please explain the factors behind any change to your views since the last policy survey.

8a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from October 1, 2019 - September 30, 2024 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%	Sum
						0.00%

Point estimate for most likely outcome:

**Responses should add up to 100 percent.*

8b) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from October 1, 2024 - September 30, 2029 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%	Sum
						0.00%

Point estimate for most likely outcome:

**Responses should add up to 100 percent.*

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**?

**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?

2019 or earlier	2020	2021	2022	2023 or later	Sum
					0.00%

**Responses should add up to 100 percent.*

***NBER-defined recession*

9c) Please explain the factors behind any change to your expectations in parts a-b since the last policy survey.

10a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	Real GDP (Q4/Q4 Growth)	Core PCE Inflation (Q4/Q4)	Headline PCE Inflation (Q4/Q4)	Unemployment Rate (Q4 Average Level)
2019:				
2020:				
2021:				
2022:				
Longer run:				

10b) Please explain changes, if any, to your estimates in part a since the last policy survey.

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