SURVEY OF MARKET PARTICIPANTS

JULY 2021

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, July 19th at 2:00pm Eastern Time** to the questions below. Your time and input are greatly appreciated.

Type of Respondent:	**Market Participant**	Respondent Name:	

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:	
Economic outlook and communication on the expected path of the target federal funds rate:	
Communication on tools other than the target federal funds rate:	
Other:	

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

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

	2021 FOMC meetings				**2022 FOMC meetings**		
	Jul 27-28	Sep 21-22	Nov 2-3	Dec 14-15	Jan 25-26	Mar 15-16	May 3-4
Target rate / midpoint of target range:							

	Quarters						
	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Target rate / midpoint of target range:							

	Years			
	2024	2025	2026	2027
Target rate / midpoint of target range:				

If your responses **through year-end 2023** above do not reflect an increase from the current target range at any point, please provide the earliest quarter in which your modal expectation for the level of the target range is higher than the current level.

Earliest quarter*:

**Dropdown selections: Q1 2024, Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027 or later.*

3b) Provide your estimate for the most likely value for the following indicators at the time of the next increase in the target range for the federal funds rate.

Unemployment rate (%):	
Labor force participation rate (%):	
Total change in the level of real GDP since 2019 Q4 (%):	
Headline 12-month PCE inflation (%):	

3c) 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:

3d) 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 2021, 2022, and 2023. 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 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	≥ 2.01%	Sum
Year-end 2021:											**0.00%**
Year-end 2022:											**0.00%**
Year-end 2023:											**0.00%**

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

3e) 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.

4a) Please provide your modal expectation for the amount of purchases, net of reinvestments, of U.S. Treasury securities and agency mortgage-backed securities (MBS) the Desk will conduct for each month listed below and the total over each of the quarters below. If you expect any of these amounts to be zero in a given period, please enter 0.

Purchases net of reinvestments:	August 2021	September 2021	October 2021	November 2021	December 2021	January 2022	February 2022	March 2022
U.S. Treasuries ($ billions):								
Agency MBS ($ billions):								

Purchases net of reinvestments:	**Total over each quarter**						
	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
U.S. Treasuries ($ billions):							
Agency MBS ($ billions):							

If your responses above do not reflect a period in which the combined pace of net purchases of Treasury securities and agency mortgage-backed securities (MBS) falls to zero, please provide the earliest quarter in which your modal expectation for the combined pace of net purchases of these securities falls to zero.

In addition, please also provide your modal expectation for the earliest quarter in which the SOMA portfolio declines.

Earliest quarter in which pace falls to zero*:		Earliest quarter in which SOMA portfolio declines**:	

**Dropdown selections: Q1 2024, Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027 or later.*

***Dropdown selections: Q3 2021 , Q4 2021, Q1 2022, Q2 2022, Q3 2022, Q4 2022, Q1 2023, Q2 2023, Q3 2023, Q4 2023, Q1 2024, Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027 or later.*

4b) If applicable, please describe your expectations for communications regarding asset purchases going forward, including the timing and form of such communications (if any).

4c) Please indicate the percent chance* that you attach to the first reduction in the pace of asset purchases occurring in each of the following periods.

August 2021	September 2021	October 2021	November 2021	December 2021	January 2022	
February 2022	**March 2022**	**April 2022**	**May 2022**	**June 2022**	**July 2022 or later**	**Sum**
						0.00%

Responses should add up to 100 percent.

Please indicate the percent chance* that you attach to the length of time (in months) between the month with the first reduction in the pace of purchases and the earliest month in which the combined pace falls to zero.

	3 or fewer	4 to 6	7 to 9	10 to 12	13 to 15	16 to 18	19 or more	Sum
Number of months:								**0.00%**

Responses should add up to 100 percent.

Please describe any assumptions underlying your expectations, including regarding the composition of asset purchases.

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5) 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 2021 and 2022.

	< 0.00%	0.00 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%	Sum
Year-end 2021:									**0.00%**
Year-end 2022:									**0.00%**

Responses across each row should add up to 100 percent.

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6) The table below lists the average spreads of selected money market rates* over the past week. Please provide your expectation for each of these rate spreads for the day after each of the FOMC meetings. **Please ensure your signs are correct.**

	Average over past week	**2021 FOMC meetings** Jul 27-28	Sep 21-22	Nov 2-3
Top of target range** minus IOER (in bps):	**+10**			
EFFR minus IOER (in bps):	**-5**			
SOFR minus IOER (in bps):	**-10**			
Bottom of target range** minus ON RRP (in bps):	**-5**			
3m U.S. Treasury bill yield minus 3m OIS (in bps):	**-5**			

**Listed rates include the interest on excess reserves (IOER) rate, effective federal funds rate (EFFR), Secured Overnight Financing Rate (SOFR), overnight reverse repurchase agreement (ON RRP) rate, and 3-month overnight index swap rate (3m OIS).*
***Target range for the federal funds rate.*

7a) As of July 13, the 5-year, 5-year forward nominal Treasury yield decreased by approximately 30 basis points on net since the June FOMC meeting. Please decompose this change into the following components. Please ensure that your sum matches the approximate observed change over the time period. **Please ensure that your signs are correct.**

		Since June FOMC
Change in market's expected average real policy rate (bps):		
Change in market's expected average inflation rate (bps):		
Change in market-implied nominal term premium (bps):	Change in real term premium (bps):	
	Change in inflation risk premium (bps):	
	Your sum (bps):	**0**
	Total change (bps):	**-30**

7b) Please rate the importance of the following factors in explaining the change in the 5-year, 5-year forward nominal Treasury yield since the June FOMC meeting. **(5=very important, 1=not important)**

Changes in expectations for fiscal policy:	
Changes in expectations for the course of the pandemic:	
Changes in perceptions of the FOMC's framework or reaction function:	
Changes in estimates of the long-run neutral rate:	
Changes in uncertainty around interest rates:	
Changes in positioning:	
New investment by domestic or foreign accounts:	
Changes in the outlook and uncertainty around the outlook for foreign economic growth:	
Other (please explain):	

If "Other", please explain:

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8) What percent chance do you attach to any additional U.S. federal fiscal policy measures being signed into law over the remainder of 2021?

Probability:

If you assigned a non-zero probability above, please provide your estimate of the most likely total amount of additional U.S. federal fiscal policy spending and revenue measures to be signed into law over the remainder of 2021, conditional on there being such additional measures.

Additional spending estimate (**$ billions**):

Additional revenue estimate (**$ billions**):

Please describe any assumptions underlying your estimates above, including regarding the profile over time of expenditures and/or revenues arising from any enacted legislation.

9a) Please indicate your modal projections for U.S. real GDP growth for each of the following quarters (seasonally adjusted annual rate).

	Q1 2021 (saar)*	Q2 2021 (saar)	Q3 2021 (saar)	Q4 2021 (saar)
Modal projection for U.S. real GDP (percent):	**6.4%**			

*Third estimate released by the Bureau of Economic Analysis.

9b) Please provide the percent chance* you attach to the following outcomes for U.S. real GDP growth in 2021 and 2022 (Q4/Q4).

	< 0%	0.00 - 2.00%	2.01 - 4.00%	4.01 - 6.00%	6.01 - 8.00%	8.01 - 10.00%	≥ 10.01%	Sum
2021 U.S. real GDP (Q4/Q4):								**0.00%**

	< 0%	0.00 - 1.00%	1.01 - 2.00%	2.01 - 3.00%	3.01 - 4.00%	4.01 - 5.00%	≥ 5.01%	Sum
2022 U.S. real GDP (Q4/Q4):								**0.00%**

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

10a) Please provide the percent chance* you attach to the following outcomes for headline PCE inflation in 2022 and 2023 (Q4/Q4).

	≤ 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 - 2.75%	2.76 - 3.00%	≥ 3.01%	Sum
2022 (Q4/Q4):											**0.00%**
2023 (Q4/Q4):											**0.00%**

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

10b) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from July 1, 2021 - June 30, 2026 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	Point estimate for most likely outcome:
						0.00%	

*Responses should add up to 100 percent.

10c) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from July 1, 2026 - June 30, 2031 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.

11a) 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.*

11b) Please explain the factors behind any change to your expectations 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**