SURVEY OF PRIMARY DEALERS
NOVEMBER 2022

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 24th 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 <u>changes</u>, if any, to the language referencing each of the following topics in the November FOMC statement. <u>Please write N/A if you do not expect any changes.</u>

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.

	2022 FOMC meetings		**2023 FOMC meetings**			
	Nov 1-2	Dec 13-14	Jan 31-Feb 1	Mar 21-22	May 2-3	Jun 13-14
Target rate / midpoint of target range:						

	Quarters					
	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Target rate / midpoint of target range:						

	Quarters			
	2025 Q1	2025 Q2	2025 Q3	2025 Q4
Target rate / midpoint of target range:				

	Years			
	2026	2027	2028	2029
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 target federal funds rate or range falling in each of the following ranges <u>immediately following the November FOMC meeting and at the end of 2022, 2023, 2024, and 2025</u>. If you expect a target range, please use the midpoint of that range in providing your response.

	≤ 2.50%	2.51 - 2.75%	2.76 - 3.00%	3.01 - 3.25%	3.26 - 3.50%	3.51 - 3.75%	3.76 - 4.00%	4.01 - 4.25%	4.26 - 4.50%	≥ 4.51%	
November 1-2:											0.00%

	≤ 3.25%	3.26 - 3.50%	3.51 - 3.75%	3.76 - 4.00%	4.01 - 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	≥ 5.26%	
Year-end 2022:											0.00%

	≤ 3.50%	3.51 - 3.75%	3.76 - 4.00%	4.01 - 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	≥ 5.51%	
Year-end 2023:											0.00%

	≤ 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 - 4.50%	4.51 - 5.00%	≥ 5.01%	
Year-end 2024**:											0.00%
Year-end 2025**:											0.00%

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

**Bins were chosen with consideration to updated responses to question 2c in the September SPD and SMP.

3d) Please indicate the percent chance* that you attach to the <u>highest level of the target range for the federal funds rate before the target range is next decreased</u> falling in each of the following ranges.

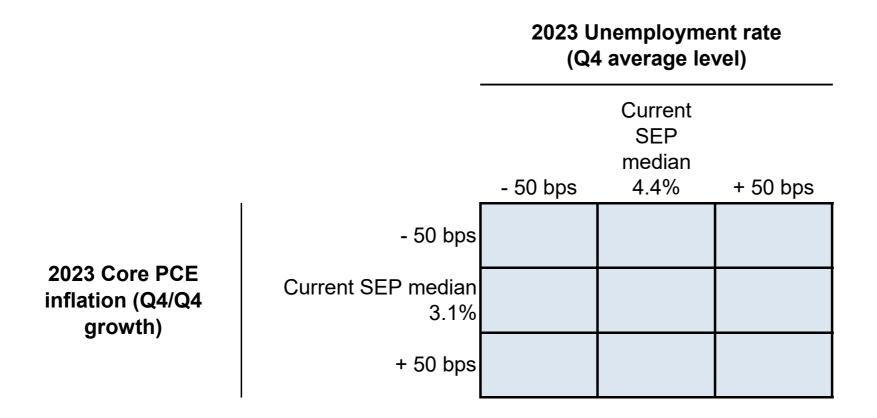| ≤ 3.75%	3.76 - 4.00%	4.01 - 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	≥ 5.76%	Sum
										0.00%

*Response s should add up to 1 00 p ercent. Bins were chosen with consideration to updated responses to question 2f in the September SPD and SMP.

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

4) The following matrix lays out hypothetical scenarios in which the realized levels of the 2023 unemployment rate (Q4 average level) and 2023 core PCE inflation (Q4/Q4 growth) are either 50 basis points above, below, or equal to the medians of FOMC participants' projections for these indicators in the current (September 2022) Summary of Economic Projections (SEP). For example, the upper left box represents a scenario in which the unemployment rate and core PCE inflation are both 50 basis points below the current SEP medians.

For each of the following scenarios, please indicate the level of the target federal funds rate or range that you expect would prevail <u>at the end of Q1 2024</u>. If you expect a target range, please indicate the midpoint of that range in providing your response.*

	2023 Unemployment rate (Q4 average level)		
	- 50 bps	Current SEP median 4.4%	+ 50 bps
2023 Core PCE inflation (Q4/Q4 growth) — 50 bps			
Current SEP median 3.1%			
+ 50 bps			

Please explain any assumptions underlying your responses.

For reference, a similar question was last asked in the July 2022 survey.

5a) Please provide your modal expectation for the <u>total net change in SOMA holdings</u> of U.S. Treasury securities and agency mortgage-backed securities (MBS) over each of the periods below.

If you expect SOMA holdings to increase on net in a given period, for example through net asset purchases, please enter a positive number. If you expect SOMA holdings to be unchanged on net in a given period, for example through reinvestments that result in no net change in holdings, please enter 0. If you expect SOMA holdings to decline on net in a given period, for example through maturities or paydowns that exceed any reinvestments or through sales, please enter a negative number.

Net change amounts referenced below are in $ billions.

Net change in SOMA holdings:

Total net change over each period

	November 2022	December 2022	January 2023	February 2023	March 2023	April 2023	May 2023	June 2023
U.S. Treasuries ($ billions):								
Agency MBS ($ billions):								

Net change in SOMA holdings:

Total net change over each quarter

	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
U.S. Treasuries ($ billions):						
Agency MBS ($ billions):						

Net change in SOMA holdings:

Total net change over each quarter

	2025 Q1	2025 Q2	2025 Q3	2025 Q4
U.S. Treasuries ($ billions):				
Agency MBS ($ billions):				

5b) Please indicate the period in which you expect the SOMA portfolio will cease to decline as well as the size of the SOMA portfolio when it ceases to decline. Please also indicate the size of specified liabilities, reserves and take-up at the overnight reverse repurchase facility, when the SOMA portfolio ceases to decline.

Period in which SOMA portfolio ceases to decline*:

*Dropdown selections: 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, Q2 2027, Q3 2027, Q4 2027, Q1 2028, Q2 2028, Q3 2028, Q4 2028, Q1 2029 or later.

	Most recent H.4.1 value* ($ billions)	Expected size when SOMA ceases to decline
Size of SOMA portfolio when it ceases to decline**:	8,330	
Size of reserves***:	3,090	
Take-up at the overnight reverse repurchase facility****:	2,247	

**Dropdown selections: $0-500bn, $501-1000bn, $1001-1500bn, $1501-2000bn, $2001-2500bn, $2501-3000bn, $3001-3500bn, $3501-4000bn, $4001-4500bn, $4501-5000bn, $5001-5500bn, $5501-6000bn, $6001-6500bn, $6501-7000bn, $7001-7500bn, $7501-8000bn, $8001bn or larger.

***Dropdown selections: $1000bn or smaller, $1001-1250bn, $1251-1500bn, $1501-1750bn, $1751-2000bn, $2001-2250bn, $2251-2500bn, $2501-2750bn, $2751-3000bn, $3001-3250bn, $3251-3500bn, $3501-3750bn, $3751-4000bn, $4001bn or larger.

****Dropdown selections: $0-250bn, $251-500bn, $501-750bn, $751-1000bn, $1001-1250bn, $1251-1500bn, $1501-1750bn, $1751-2000bn, $2001-2250bn, $2251-2500bn, $2501bn or larger.

Most recent H.4.1, as of October 12, 2022.

5c) Please indicate the percent chance* that you attach to the size of the SOMA portfolio falling in each of the following ranges when it ceases to decline. For reference, Securities Held Outright in the SOMA portfolio on October 12, 2022 was $8,330 billion according to the most recent H.4.1 release.

$4000bn or smaller	$4001-4500bn	$4501-5000bn	$5001-5500bn	$5501-6000bn	$6001-6500bn	$6501-7000bn	$7001-7500bn	$7501bn or larger	Sum
									0.00%

Responses should add up to 100 percent.

5d) Please provide any additional information on your expectations for balance sheet reduction, including the period in which you expect the SOMA portfolio will cease to decline and the factors behind your expectations. Please include any factors that influenced the probability that you assigned to the distribution of outcomes in part c above.

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. <u>Please ensure your signs are correct.</u>

	Average over past week	FOMC meetings			
		Nov 1-2	Dec 13-14	Jan 31-Feb 1	Mar 21-22
Top of target range** minus IORB (in bps):	10				
EFFR minus IORB (in bps):	-7				
SOFR minus IORB (in bps):	-11				
Bottom of target range** minus ON RRP (in bps):	-5				

*Listed rates include the interest on reserve balances (IORB) rate, effective federal funds rate (EFFR), Secured Overnight Financing Rate (SOFR), and overnight reverse repurchase agreement (ON RRP) rate.
**Target range for the federal funds rate.

7) Please provide the percent chance* you attach to the following outcomes for U.S. real GDP growth in 2022, 2023, 2024, and 2025 (Q4/Q4).

	≤ -1.01%	-1.00 - -0.51%	-0.50 - 0.00%	0.01 - 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
2022 (Q4/Q4):											0.00%
2023 (Q4/Q4):											0.00%
2024 (Q4/Q4):											0.00%
2025 (Q4/Q4):											0.00%

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

Please also provide your point estimate for the most likely outcome.

2022 (Q4/Q4):	
2023 (Q4/Q4):	
2024 (Q4/Q4):	
2025 (Q4/Q4):	

8a) Please provide the percent chance* you attach to the following outcomes for <u>headline PCE inflation</u> in 2022, 2023, 2024, and 2025 (Q4/Q4).

	≤ 3.00%	3.01 - 3.50%	3.51 - 4.00%	4.01 - 4.50%	4.51 - 5.00%	5.01 - 5.50%	5.51 - 6.00%	6.01 - 6.50%	6.51 - 7.00%	≥ 7.01%	Sum
2022 (Q4/Q4):											**0.00%**

	≤ 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 - 3.25%	3.26 - 3.50%	≥ 3.51%	Sum
2023 (Q4/Q4):											**0.00%**
2024 (Q4/Q4):											**0.00%**
2025 (Q4/Q4):											**0.00%**

Responses across each row should add up to 100 percent.

Please also provide your point estimate for the most likely outcome.

2022 (Q4/Q4):	
2023 (Q4/Q4):	
2024 (Q4/Q4):	
2025 (Q4/Q4):	

8b) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from November 1, 2022 - October 31, 2027 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

≤ 0.50%	0.51 - 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	Point estimate:
								0.00%	

Responses should add up to 100 percent.

8c) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from November 1, 2027 - October 31, 2032 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

≤ 0.50%	0.51 - 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	Point estimate:
								0.00%	

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* <u>in 6 months</u>?	
the global economy being in a recession** <u>in 6 months</u>?	

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?

2022***	H1 2023	H2 2023	H1 2024	H2 2024	No recession by end 2024	Sum
						0.00%

*Responses should add up to 100 percent.

**NBER-defined recession.

***Includes the possibility that the economy may currently be in an NBER-defined recession.

9c) Please explain the factors behind any change to your expectations in parts a and 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)
2022:				
2023:				
2024:				
2025:				
Longer run:				

Responses for real GDP growth in 2022, 2023, 2024, and 2025 are pulled directly from point estimate values provided in question 7.

**Responses for headline PCE inflation in 2022, 2023, 2024, and 2025 are pulled directly from point estimate values provided in question 8a.*

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