

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, April 23rd at 2:00 pm** to the questions below. Your time and input are greatly appreciated.

Type of Respondent:

Primary Dealer

Respondent Name:

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

Current economic conditions:

Economic outlook:

Communication on the expected path of the target federal funds rate:

Other:

- 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.

	2018 FOMC meetings						2019
	May 1-2	Jun 12-13	Jul 31 - Aug 1	Sep 25-26	Nov 7-8	Dec 18-19	meetings Jan 29-30
Target rate / midpoint of target range:							

	Quarters						Half Years
	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 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 2018.

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 2018
<input type="text"/>	<input type="text"/>	<input type="text"/>

**Responses should add up to 100 percent.*

3d) Conditional on the Committee's next policy action between now and the end of 2018 being an increase 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 between now and the end of 2018 being an increase.

Increase Occurs at May FOMC meeting	Increase Occurs at June FOMC meeting	Increase Occurs at July/August FOMC meeting or later
<input type="text"/>	<input type="text"/>	<input type="text"/>

**Responses should add up to 100 percent.*

3e) 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, conditional on the following possible scenarios for the direction and timing of the Committee's next policy action between now and the end of 2018. 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.

	≤ 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%
Next change is an increase, occurs at Jun. FOMC meeting or earlier:								
Next change is an increase, occurs at Jul./Aug. FOMC 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.

3f-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 2019 and 2020, conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2020. 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 2019:							
Year-end 2020:							

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

3f-ii) Please indicate the percent chance that you attach to moving to the ZLB at some point between now and the end of 2020.

Probability of moving to the ZLB at some point between now and the end of 2020:

3f-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 2019 and 2020, conditional on moving to the ZLB at some point between now and the end of 2020. 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 2020. 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 2019:								
Year-end 2020:								

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

3f-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):

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

6) Since the September 2017 FOMC meeting, 2-year and 10-year U.S. Treasury yields have increased about 100 and 65 basis points, respectively. Please provide your estimate of how much of the change in yields over this time period, if any, is attributable to changes in expectations for net Treasury issuance to the private sector (excluding impacts from changes in the Federal Reserve's balance sheet).

In addition, please provide your estimate of the amount of future changes in 2-year and 10-year Treasury yields by year-end 2018 and over calendar year 2019, if any, that are attributable to expected Treasury issuance.

	2-year	10-year
Change in yields since September 2017 FOMC meeting attributable to changes in issuance expectations (in bps):		
Expected change in yields <u>by year-end 2018</u> attributable to expected Treasury issuance (in bps):		
Expected change in yields <u>over calendar year 2019</u> attributable to expected Treasury issuance (in bps):		

7a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	Real GDP (Q4/Q4 Growth)	Core PCE Inflation (Q4/Q4 Growth)	Headline PCE Inflation (Q4/Q4 Growth)	Unemployment Rate (Q4 Average Level)
2018:				
2019:				
2020:				
Longer run:				

7b) Provide your estimate of the most likely outcome for the U.S. federal fiscal deficit (as a percent of GDP) for fiscal years 2018, 2019 and 2020.

	FY 2018	FY 2019	FY 2020
Estimate for U.S. federal fiscal deficit:			

7c) Please explain changes to your estimates in parts a and b since the last policy survey, where applicable.

8a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from April 1, 2018 - March 31, 2023 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

$\leq 1.00\%$	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	$\geq 3.01\%$
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

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 April 1, 2023 - March 31, 2028 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

$\leq 1.00\%$	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	$\geq 3.01\%$
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

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*?

Recession currently:

9b) What percent chance do you attach to the U.S. economy being in a recession* **in 6 months**?

Recession in 6 months:

9c) What percent chance do you attach to the global economy being in a recession** **in 6 months**?

Global recession in 6 months:

9d) 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