

RESPONSES TO SURVEY OF MARKET PARTICIPANTS

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The **Survey of Market Participants** 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.

For most questions, median responses across participants, along with the 25th and 75th percentiles, are reported. For questions that ask respondents to give a probability distribution, the average response across participants for each potential outcome is reported.¹ Brief summaries of the comments received in free response form are also provided.

Responses were received from 29 market participants. Except where noted, all 29 participants responded to each question. In some cases, participants may not have provided complete responses (e.g. may not have provided forecasts extending to the same time horizon as requested in the survey). In these instances, the number of respondents who answered all parts of the question is indicated.

¹ Answers may not sum to 100 percent due to rounding.

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- 1a)** Provide below your expectations for **changes**, if any, to the language referencing each of the following topics in the September FOMC statement. **Please write N/A if you do not expect any changes.**

Current economic conditions:
(28 responses)

Several respondents indicated that they did not expect material changes to the Committee’s characterization of current economic conditions, while several others indicated that they expected the Committee to upgrade its characterization of the recovery in economic activity since the July FOMC meeting.

Economic outlook and communication on the expected path of the target federal funds rate:
(27 responses)

Some respondents indicated that they expected no material changes to both the economic outlook and communication on the expected path of the target federal funds rate. Several other respondents indicated that they expected changes in forward guidance for the federal funds rate and that they expected it to take the form of outcome-based forward guidance. Several respondents indicated that they expected the Committee to update language in the statement to reflect the Committee’s recent changes to its Statement on Longer-Run Goals and Monetary Policy Strategy.

Communication on tools other than the target federal funds rate:
(27 responses)

Many respondents indicated that they expected no material changes to this section of the statement. Several indicated that they expected the Committee to update language in the statement to reflect recent changes to its Statement on Longer-Run Goals and Monetary Policy Strategy. Several respondents indicated that they expected the Committee to characterize asset purchases as fostering accommodative financial conditions.

Other:
(16 responses)

Respondents did not provide significant commentary in this section.

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

For participants’ GDP growth projections, many respondents indicated that they expected the median projection for 2020 to increase relative to the previous SEP, and several indicated that they expected the median for 2021 to be little changed. With respect to participants’ unemployment rate projections, many respondents indicated that they expected the median projection for 2020 to decline relative to the previous SEP, and several indicated that they expected the medians for 2021 and 2022 to be

little changed. With respect to participants' inflation projections, several respondents indicated that they expected the median projection for 2020 to increase relative to the previous SEP, and several indicated that they expected the medians for 2021 and 2022 to increase. In addition, several respondents indicated that they expected no material changes to participants' median economic projections.

- 1c) What are your expectations for the most likely levels of the medians of FOMC participants' target federal funds rate projections in the SEP? Please provide your responses out to three decimal places.

	Year-End 2020	Year-End 2021	Year-End 2022	Year-End 2023	Longer Run
25th Pctl	0.13%	0.13%	0.13%	0.13%	2.25%
Median	0.13%	0.13%	0.13%	0.13%	2.50%
75th Pctl	0.13%	0.13%	0.13%	0.13%	2.50%

- 1d) Additionally, please describe your expectations for the distributions of FOMC participants' target rate projections.
(28 responses)

Some respondents indicated that they expected some level of dispersion in the distribution of participants' target rate projections for 2023, and several indicated that they expected the distribution to be narrow in 2022. Several respondents indicated that they expected the distributions for 2020 and 2021 to be little changed compared to the June projections. Several respondents indicated that they did not expect any material changes.

- 1e) What are your expectations for the Chair's press conference?
(28 responses)

Many respondents indicated that they expected the Chair to discuss the outcome of the Federal Reserve's monetary policy framework review, with several noting that they expected his remarks to be similar to those that he delivered at the Jackson Hole Symposium. Several respondents indicated that they expected the Chair to reiterate the importance of more fiscal support, and several indicated that they expected him to mention the economic impact of the COVID-19 pandemic. Several respondents indicated that they expected the Chair to note uncertainty around the economic outlook, and several indicated that they expected him to convey that interest rates would remain low for an extended period of time.

- 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 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.

	Sep. 15-16	Nov. 4-5	Dec. 15-16	Jan. 26-27	Mar. 16-17	Apr. 27-28	Jun. 15-16
25th Pctl	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Median	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
75th Pctl	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
# of Responses	29	29	29	29	29	29	29

	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 H1	2023 H2
25th Pctl	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
Median	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%
75th Pctl	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.13%	0.38%
# of Responses	29	29	29	29	29	29	29	29

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

Earliest half-year period*	
25th Pctl	H1 2024
Median	H2 2024
75th Pctl	H2 2025
# of Responses	21

* Dropdown selections: H1 2024, H2 2024, H1 2025, H2 2025, H1 2026, H2 2026, H1 2027 or later.

- 2b)** 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.
(24 responses)

Most Likely Value of Economic Indicator at Time of First Increase in Target Range				
	Unemployment rate (%)	Labor force participation rate (%)	Total change in the level of real GDP since 2019 Q4 (%)	Headline 12-month PCE inflation (%)
25th Pctl	3.5%	62.5%	5.0%	2.2%
Median	4.0%	63.0%	8.0%	2.3%
75th Pctl	4.5%	64.0%	10.0%	2.5%

- 2c)** 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	10-yr Average FF Rate
25th Pctl	1.50%	0.75%
Median	2.00%	1.00%
75th Pctl	2.38%	1.50%

2d) 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, 2022, and 2023. If you expect a target range, please use the midpoint of that range in providing your response.

Federal Funds Rate or Range at the End of 2020										
	< 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%
Average	2%	96%	1%	0%	0%	0%	0%	0%	0%	0%

Federal Funds Rate or Range at the End of 2021										
	< 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%
Average	4%	82%	8%	4%	1%	0%	0%	0%	0%	0%

Federal Funds Rate or Range at the End of 2022										
	< 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%
Average	5%	63%	17%	7%	4%	2%	1%	0%	0%	0%

Federal Funds Rate or Range at the End of 2023										
	< 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%
Average	6%	50%	19%	9%	7%	5%	2%	1%	1%	0%

2e) What is your estimate of the target federal funds rate or range at the effective lower bound?
(28 responses)

Level of Target Federal Funds Rate or Range at ELB	
25th Pctl	-0.50%
Median	0.00%
75th Pctl	0.13%

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

Many respondents indicated that changes to their policy expectations were influenced by the announcement of the outcome of the Federal Reserve’s monetary policy framework review. In addition, several respondents indicated that there were no material changes to their expectations.

3) If you expect a change to forward guidance for the federal funds rate in the FOMC statement at any point in the future, please provide your estimate for the most likely timing of the next change. If you do not expect a change at any point in the future, select N/A.

Most likely timing for change*	
25th Pctl	Sep 2020 FOMC
Median	Dec 2020 FOMC
75th Pctl	Jan 2022 FOMC or later

* Dropdown selections: Sep 2020 FOMC, Nov 2020 FOMC, Dec 2020 FOMC, Jan 2021 FOMC, Mar 2021 FOMC, Apr 2021 FOMC, Jun 2021 FOMC, Jul 2021 FOMC, Sep 2021 FOMC, Nov 2021 FOMC, Dec 2021 FOMC, Jan 2022 FOMC or later, N/A. The statistics do not include the selection of N/A.

If applicable, please describe your expectations for the most likely change to forward guidance for the federal funds rate at the time you indicated above.
(26 responses)

Some respondents indicated that they eventually expected changes to forward guidance for the federal funds rate and that they expected it to take the form of outcome-based forward guidance. More specifically, some respondents indicated that they expected such guidance to be tied to inflation, and several indicated that they expected it to be tied to both employment and inflation.

- 4) The 5-year Treasury Inflation-Protected Securities (TIPS)-implied breakeven inflation rate declined sharply from mid-February to mid-March before rebounding in the months since. Please decompose changes in the 5-year breakeven inflation rate over each of the following periods into the following components. Please ensure that your sums match the approximate observed change over each time period. **Please ensure that your signs are correct.**
(20 responses)

Average Decomposition of the 5-Year TIPS-Implied Breakeven Rate Decline over February 18 to March 18			
	Change in market expectations for average CPI inflation (bps)	Change in inflation risk premium (bps)	Change in liquidity/other risk premia (bps)
Average (bps)	-67	-21	-62

Average Decomposition of the 5-Year TIPS-Implied Breakeven Rate Decline over March 18 to September 1			
	Change in market expectations for average CPI inflation (bps)	Change in inflation risk premium (bps)	Change in liquidity/other risk premia (bps)
Average (bps)	58	26	66

Please provide your views on the drivers of changes in the 5-year breakeven inflation rate over each period.

Feb. 18 to Mar. 18:
(22 responses)

Some respondents cited a deterioration in market liquidity as a driver of the decline in breakeven inflation over this period, and some cited a decline in inflation expectations as a driver. In addition, several respondents cited expectations for or perceived risks of disinflation, and several cited the impact of the COVID-19 pandemic.

Mar. 18 to Sep. 1:
(22 responses)

Some respondents cited improved market liquidity as a driver of the rebound in breakeven inflation over this period. Some respondents cited the impact of monetary policy, including several who cited the Federal Reserve's asset purchases. In addition, several respondents cited a recovery in realized economic data or the economic outlook, several cited a recovery in inflation expectations, and several cited a recovery in the inflation risk premium. Finally, several respondents cited changes in the Federal Reserve's monetary policy framework.

5a) Please provide your modal expectation for the amount of purchases, net of reinvestments, of U.S. Treasury securities, agency mortgage-backed securities (MBS), and agency commercial mortgage-backed securities (CMBS) the Desk will conduct for each month listed below through the end of the year and the total over each of the half-years below. If you expect any of these amounts to be zero in a given period, please enter 0.

(21 responses)

Net purchases of U.S. Treasury securities (\$ billions)										
	Sep. 2020	Oct. 2020	Nov. 2020	Dec. 2020	2021 H1	2021 H2	2022 H1	2022 H2	2023 H1	2023 H2
25th Pctl	80	80	80	80	480	350	175	100	0	0
Median	80	80	80	80	480	480	360	300	160	120
75th Pctl	80	80	80	80	500	480	480	480	480	400

Net purchases of agency MBS (\$ billions)										
	Sep. 2020	Oct. 2020	Nov. 2020	Dec. 2020	2021 H1	2021 H2	2022 H1	2022 H2	2023 H1	2023 H2
25th Pctl	40	40	40	40	175	120	60	50	0	0
Median	40	40	40	40	240	240	180	120	60	60
75th Pctl	40	55	55	55	270	300	240	240	220	120

Net purchases of agency CMBS (\$ millions)										
	Sep. 2020	Oct. 2020	Nov. 2020	Dec. 2020	2021 H1	2021 H2	2022 H1	2022 H2	2023 H1	2023 H2
25th Pctl	80	25	5	5	0	0	0	0	0	0
Median	200	100	100	100	250	150	0	0	0	0
75th Pctl	600	600	600	500	2400	2400	2400	1600	300	0

If applicable, please describe your expectations for any changes to the communications regarding and/or key elements of asset purchases going forward.

(21 responses)

Going forward, several respondents indicated that they expected asset purchases to be characterized as fostering accommodative financial conditions, while several indicated that they expected the Committee to extend the average maturity of Treasury purchases.

- 5b)** If you have formed expectations for the most likely level (\$ billions) of Federal Reserve assets associated with any of the following, please provide your expectations for their levels on December 30, 2020 below. If you expect any of these amounts to be zero on this date, please enter 0.

Level on December 30, 2020 (\$ billions)								
	Discount Window	PDCF	MMLF	CPFF	MSNLF	MSELF	MSPLF	MLF
25th Pctl	0	0	0	0	25	5	10	10
Median	0	0	5	3	37	28	30	25
75th Pctl	5	1	10	10	60	100	150	50
# of Responses	14	13	14	14	14	14	13	16

	TALF	PMCCF	SMCCF	PPPLF	Central bank liquidity swaps	FIMA repo	Repo agreements with primary dealers	Any additional programs
25th Pctl	3	0	20	50	36	0	0	0
Median	15	8	50	75	75	0	0	0
75th Pctl	50	20	60	100	125	0	0	0
# of Responses	14	14	14	15	14	14	14	9

- 6)** Beyond your responses provided in the questions above, please describe your expectations for any additional actions or monetary policy measures, or modifications to those previously announced, by the Federal Reserve through year-end 2020.

(24 responses)

Several respondents indicated that they did not expect substantial further actions or measures to be implemented this year, while several others indicated that they expected forward guidance for the federal funds rate to be revised by the end of the year.

- 7)** Please describe your expectations for any additional U.S. federal fiscal policy measures through year-end 2020 to support the economy, if applicable.

(28 responses)

Many respondents indicated that they expected at least some additional U.S. federal fiscal policy measures through year-end to support the economy; however, several indicated increasing uncertainty or low conviction around their modal forecast. Several respondents indicated estimates for the size of additional fiscal policy measures that fell between \$1 trillion and \$2 trillion. Several respondents indicated that they expected a new spending package

to include an extension of unemployment benefits, and several indicated an expectation for additional support for small businesses and/or state and local governments. Finally, several respondents indicated a modal expectation for no additional fiscal stimulus package.

- 8a)** Please indicate your modal projections for U.S. real GDP growth for each quarter (seasonally adjusted annual rate).
(27 responses)

Modal Projection for U.S. Real GDP Growth (percent)		
	Q3 2020 (saar)	Q4 2020 (saar)
25th Pctl	20.0%	5.0%
Median	24.0%	5.0%
75th Pctl	28.0%	6.5%

- 8b)** Please provide the percent chance you attach to the following outcomes for U.S. real GDP growth in 2020 and 2021 (Q4/Q4).
(27 responses)

Probability Distribution of U.S. Real GDP Growth in 2020 (Q4/Q4)						
	≤ -8.01%	-8.00 - -6.01%	-6.00 - -4.01%	-4.00 - -2.01%	-2.00 - -0.01%	≥ 0 %
Average	8%	23%	36%	24%	8%	1%

Probability Distribution of U.S. Real GDP Growth in 2021 (Q4/Q4)						
	< 0%	0.00 - 2.00%	2.01 - 4.00%	4.01 - 6.00%	6.01 - 8.00%	≥ 8.01%
Average	7%	17%	38%	29%	7%	2%

- 9a)** For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from September 1, 2020 - August 31, 2025 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(28 responses)

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%
Average	8%	19%	33%	23%	12%	5%

	Most Likely Outcome
25th Pctl	1.73%
Median	1.85%
75th Pctl	2.10%

9b) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from September 1, 2025 – August 31, 2030 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(28 responses)

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%
Average	5%	13%	29%	31%	14%	8%

	Most Likely Outcome
25th Pctl	2.00%
Median	2.10%
75th Pctl	2.25%

10a) 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**?

	Currently in U.S. Recession	U.S. Recession in 6 Months	Global Recession in 6 Months
25th Pctl	5%	25th Pctl 16%	25th Pctl 15%
Median	15%	Median 20%	Median 25%
75th Pctl	80%	75th Pctl 35%	75th Pctl 40%

*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.

10b) Please explain the factors behind any change to your expectations in part a since the last policy survey.
(28 responses)

Some respondents highlighted the ongoing economic recovery, and several cited their expectations for fiscal policy. Several respondents pointed to an improvement in economic data, while several others indicated that there were no significant changes to their recession probabilities.