Survey of Primary Dealers
Markets Group, Federal Reserve Bank of New York
December, 2011

Policy Expectations Survey

Please respond by **Monday, December 5 at 5:00 p.m.** to the questions below. Your time and input are greatly appreciated.

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 only involve topics that are widely discussed in the public domain and never presume any particular policy action. FOMC members are not involved in the survey's design.

Dealer:

Monetary Policy Expectations

1) Of the possible outcomes below, please indicate the percent chance* you attach to the indicated policy target range or target rate following each of the next 3 FOMC meetings:

Level of Target Range or Rate

	0.00% - 0.25%	0.25%	0.50%	0.75%	1.00%	1.25%	>1.25%
December 13:							
January 24-25:							
March 13:							

** Percentages should add up to **100 percent**.*

2) Do you expect any changes in the FOMC statement and if so, what changes?

3) Of the possible outcomes below, please indicate the percent chance* you attach to the timing of the first fed funds target rate increase:

Timing of First Increase :

2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	≥2014 Q2

** Percentages should add up to **100 percent**.*

Estimate for most likely quarter and year of first target rate increase: Dropdown

4) Provide your firm's estimate of the most likely outcome (i.e. the mode) for the fed funds target rate or range at the end of each quarter:

Fed Funds Target Rate or Range :

2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1
Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown

5) Of the possible outcomes below, please indicate the percent chance* you attach to the fed funds target rate or range 12 months from now:

	0.00% - 0.25%	0.26 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.5%	≥2.51%
December 2012 :							

** Percentages should add up to **100 percent**.*
** Distribution of probability buckets scaled to rates implied by December 2012 Eurodollar futures contracts.

6) How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey on 10/24/11? Please provide a rating between 1 and 5, with 1 indicating **in**effectiveness and 5 indicating effectiveness.

Rank: Dropdown   **Please explain:**

7) Recent FOMC communication has discussed several different ways monetary policy could be altered to provide either less or more accommodation.

a) For each listed policy tool, please indicate the probability the tool will be used to **signal future policy tightening or to tighten policy at the next FOMC meeting and within the next 1 and 2 years.**

	Probability at next FOMC meeting	Probability within 1 year	Probability within 2 years	Please Explain:
Raise Interest on Excess Reserves				
Drain Reserves through Temporary Tools				
Halt Reinvestments				
Reduce Size of SOMA Portfolio through Selling Securities				
Reduce Duration of Portfolio*				
Change guidance on the period over which the target rate will remain in effect				

*i.e. a deliberate action to decrease the duration of the SOMA portfolio, independent of other policy changes

b) For each listed policy tool, please indicate the probability the tool will be used to **signal future policy easing or to ease policy at the next FOMC meeting and within the next 1 and 2 years.**

	Probability at next FOMC meeting	Probability within 1 year	Probability within 2 years	Please Explain:
Lower Interest on Excess Reserves				
Expand SOMA Portfolio through Security Purchases				
Increase Duration of Portfolio*				
Change the forward guidance on the path of the federal funds rate				
Provide guidance on the period over which the SOMA portfolio will remain at the current level				

*i.e. a deliberate action to increase the duration of the SOMA portfolio beyond the currently announced maturity extension program, independent of other policy changes

8) The November FOMC minutes stated that meeting participants discussed potential approaches for enhancing the clarity of their public communications. Please indicate the probability you attach to each of the below changes in public communications occurring within the next 1 year. Additionally, if the Committee were to make the below change, please describe what changes would be made.

	Probability within 1 year	Describe Changes Expected to be Made	Please Explain:
Provide more information on policy objectives (such as a longer-run inflation goal)			
Provide information about participants' assessment of appropriate monetary policy in the Summary of Economic Projections			

Economic Indicator Forecasts

9) a) Provide your firm's estimate of the most likely outcome (i.e. the mode) for output and inflation:

	GDP (q.o.q.)	Core PCE (y.o.y.)	Headline PCE (y.o.y.)
2011 Q4 :			
2012 Q1 :			
2012 Q2 :			
2012 Q3 :			

b) Provide your firm's estimate of the most likely outcome (i.e. the mode) for output, inflation, and unemployment. Are the risks to output, inflation and unemployment skewed to the downside, balanced, or skewed to the upside relative to your forecast?

	GDP (Q4/Q4 Growth)		Core PCE (Q4/Q4 Growth)		Headline PCE (Q4/Q4 Growth)		Unemployment Rate (Q4 Average Level)	
	Estimate	Balance of Risk	Estimate	Balance of Risk	Estimate	Balance of Risk	Estimate	Balance of Risk
2011 :		Dropdown	Fill from 9a	Dropdown	Fill from 9a	Dropdown		Dropdown
2012 :		Dropdown		Dropdown		Dropdown		Dropdown
2013 :		Dropdown		Dropdown		Dropdown		Dropdown

Please comment on any risks you see to your forecast :

c) Do you feel more, less or equally uncertain regarding your economic forecasts since the last survey on 10/24/11?

GDP Uncertainty:	Dropdown	Core PCE Uncertainty:	Dropdown

10) What percent chance do you attach to the 4-quarter change in the core PCE deflator falling below zero by the end of Q4 2012?

11) For the outcomes below, please indicate the percent chance* you attach for the annual average CPI inflation rate from 2016 - 2021. Please also indicate your point estimate for the most likely outcome (i.e. the mode).

≤1.0%	1.01-1.5%	1.51-2.0%	2.01-2.5%	2.51-3.0%	≥3.01%	Point estimate for most likely outcome:

Percentages should add up to **100 percent .*

12) a) What percent chance do you attach to the US economy **currently** being in a **RECESSION***?

   * NBER-defined recession.

Recession currently:

b) What percent chance would you attach to the US economy being in a **RECESSION* in 6 months**?

   * NBER-defined recession.

Recession in 6 months:

13) We are interested in understanding the degree to which the European fiscal and banking situation has weighed on your U.S. GDP forecast. If a fully convincing resolution to the European situation was announced in a timely manner, what would be the change to your 2012 U.S. GDP forecast? ***Please ensure that your sign is correct.***

Change to 2012 U.S. GDP Forecast

Percentage points

Please explain, including what would be the key elements of a fully convincing resolution:

14) Please comment on any changes to your macroeconomic assessments since the last FOMC meeting.

3) Estimate for most likely quarter and year of first target rate increase:

Q4 2011
Q1 2012
Q2 2012
Q3 2012
Q4 2012
Q1 2013
Q2 2013
Q3 2013
Q4 2013
Q1 2014
Q2 2014
Q3 2014
Q4 2014
Q1 2015
Q2 2015
Q3 2015
Q4 2015
Q1 2016
Q2 2016
Q3 2016
>=Q4 2016

4) Provide your firm's estimate of the most likely outcome (i.e. the mode) for the fed funds target rate or range at the end of each quarter:
Fed Funds Target Rate or Range :

0 - .25%
0.25%
0.50%
0.75%
1.00%
1.25%
1.50%
1.75%
2.00%
2.25%
2.50%
2.75%
3.00%
3.25%
3.50%
3.75%
4.00%
4.25%
4.50%
4.75%
5.00%
> 5.00%

6) How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey on 10/24/11? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

Rank: 5 -- Very effective
4
3
2
1 -- Very ineffective

9) b) Provide your firm's estimate of the most likely outcome (i.e. the mode) for output, inflation, and unemployment. Are the risks to output, inflation and unemployment skewed to the downside, balanced, or skewed to the upside relative to your forecast?

Balance of Risk: Downside
Balanced
Upside

c) Do you feel more, less or equally uncertain regarding your economic forecasts since the last survey on 10/24/11?

Uncertainty: More Uncertain
Equally Uncertain
Less Uncertain