SURVEY OF MARKET PARTICIPANTS

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 23rd at 5:00 pm** to the questions below. Your time and input are greatly appreciated.

Participant:

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

Current economic conditions:

Economic outlook:

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

Communication on the Committee's policy of reinvesting principal payments on Treasury and agency securities:

Other:

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2) How would you grade the Federal Reserve System's communication with the markets and with the public since the policy survey on September 11? 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.

	2017 FOMC meetings	2018 FOMC meetings					
	Oct 31 - Nov 1	Dec 12-13	Jan 30-31	Mar 20-21	May 1-2	Jun 12-13	Jul 31 - Aug 1
Target rate / midpoint of target range:							

	Quarters						Half Years	
	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 H1	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

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 Oct./Nov. FOMC meeting	Increase Occurs at December FOMC meeting	Increase Occurs in 2018

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 <u>at the end of 2018,</u> conditional on the following possible scenarios for the direction and timing of the Committee's next policy action <u>between now and the end of 2018</u>. 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 by the end of 2017:								
Next change is an increase, occurs in 2018:								

	< 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 <u>at the end of 2019 and 2020,</u> <u>conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2020</u>. 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 <u>now and the end of 2020</u>.

Probability of moving to the ZLB at some point between <u>now and the end of 2020</u>:

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 <u>at the end of 2019 and 2020</u>, <u>conditional on moving to the ZLB at some point between now and the end of 2020</u>. 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.

4) As of October 18th, 2017, the 2-year U.S. Dollar Overnight Indexed Swap (OIS) rate was about 1.60 percent. Please decompose this rate into market expectations for the geometric average of the effective federal funds rate over the next two years and the market-implied nominal term premium. Please ensure that your sum matches 1.60 percent. Please also ensure that your signs are correct.

Market Expectations for the Average Effective Federal Funds Rate (%)	Market-Implied Nominal Term Premium (%)	Your Sum	Level of 2-Year U.S. Dollar OIS Rate
		0.00%	**1.60%**

Please comment on your estimates.

5a) Previous FOMC communication has indicated that the economy's neutral real federal funds rate, which can be understood as the level of the real federal funds rate that would be neither expansionary nor contractionary if the economy were operating at or near its potential, is currently low by historical standards. Please provide your estimate for the level of the neutral real federal funds rate at each of the time periods below.

Current level: [ ]   Year-end 2018: [ ]   Year-end 2019: [ ]   Year-end 2020: [ ]

Please explain the factors behind any changes to your estimates since the policy survey on July 17.

[ ]

5b) Please indicate the percent chance* that you attach to the economy's neutral real federal funds rate falling in each of the following ranges at the end of 2018.

	≤ 0.00%	0.01 - 1.00%	1.01 - 2.00%	≥ 2.01%
Year-end 2018:				

Responses should add up to 100 percent. Bins were selected based on responses to question 4 from the July 2017 SPD and SMP.

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6) 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 2017 and 2018.

	≤ 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	3.51 - 4.00%	≥ 4.01%
Year-end 2017:							
Year-end 2018:							

Responses across each row should add up to 100 percent.

7a) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio <u>at the end of 2020</u>, <u>conditional on **not** moving to the ZLB at any point between now and the end of 2020</u>. For reference, the level of the SOMA portfolio on October 12th, 2017 was $4276 billion, including inflation compensation and settled and unsettled agency MBS, according to the most recent H.4.1 release. Levels referenced below are in $ billions.

≤ 3000	3001 - 3500	3501 - 4000	4001 - 4500	≥ 4501

Responses should add up to 100 percent.

7b) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio <u>at the end of 2020</u>, <u>conditional on moving to the ZLB at any point between now and the end of 2020</u>. Only fill out this conditional probability distribution if you assigned a non-zero probability to moving to the ZLB at some point between now and the end of 2020 in question 3. Levels referenced below are in $ billions.

≤ 4000	4001 - 4500	4501 - 5000	5001 - 5500	≥ 5501

Responses should add up to 100 percent.

8a) 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:			

8b) Please explain changes to your estimates in part a since the policy survey on September 11, where applicable.

9a) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from October 1, 2017 - September 30, 2022 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%

Point estimate for most likely outcome: [　　]

Responses should add up to 100 percent.

9b) For the outcomes below, provide the percent chance* you attach to the annual average <u>CPI inflation</u> rate from October 1, 2022 - September 30, 2027 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%

Point estimate for most likely outcome: [　　]

Responses should add up to 100 percent.

9c) For the outcomes below, provide the percent chance* you attach to the <u>PCE inflation</u> rate from October 1, 2019 - September 30, 2020 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%

Point estimate for most likely outcome: [　　]

Responses should add up to 100 percent.

Please comment on any changes to your PCE distribution since the policy survey on July 17.

Thank you for your time and input. Please send survey results to **ny.mktpolicysurvey@ny.frb.org**