SURVEY OF PRIMARY DEALERS

SEPTEMBER 2020

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 **Tuesday, September 8th 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 **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:	
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 medians of FOMC participants' economic projections in the Summary of Economic Projections (SEP)?

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
June SEP median:	**0.125%**	**0.125%**	**0.125%**		**2.500%**
September SEP median:					

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

1e) What are your expectations for the Chair's press conference?

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.

	2020 FOMC meetings			2021 FOMC meetings			
	Sep 15-16	Nov 4-5	Dec 15-16	Jan 26-27	Mar 16-17	Apr 27-28	Jun 15-16
Target rate / midpoint of target range:							

	Quarters						Half-Years	
	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 H1	2023 H2
Target rate / midpoint of target range:								

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*:	

**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.

Unemployment rate (%):	
Labor force participation rate (%):	
Total change in the level of real GDP since 2019 Q4 (%):	
Headline 12-month PCE inflation (%):	

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:		Expectation for average federal funds rate over next 10 years:	

2d) 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 2020, 2021, 2022, and 2023</u>. 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 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	≥ 2.01%	Sum
Year-end 2020:											**0.00%**
Year-end 2021:											**0.00%**
Year-end 2022:											**0.00%**
Year-end 2023:											**0.00%**

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

2e) 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):	

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

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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*:	

**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.*

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.

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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.**

	Feb. 18 to Mar. 18	Mar. 18 to Sep. 1
Change in market expectations for average CPI inflation (bps):		
Change in inflation risk premium (bps):		
Change in liquidity/other risk premia (bps):		
Your sum (bps):	**0**	**0**
Total change (bps):	**-150**	**+150**

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

Feb. 18 to Mar. 18:	
Mar. 18 to Sep. 1:	

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.

Purchases net of reinvestments:	September 2020	October 2020	November 2020	December 2020
U.S. Treasuries ($ billions):				
Agency MBS ($ billions):				
Agency CMBS ($ **millions**):				

	Total in each half-year					
	2021 H1	2021 H2	2022 H1	2022 H2	2023 H1	2023 H2
U.S. Treasuries ($ billions):						
Agency MBS ($ billions):						
Agency CMBS ($ **millions**):						

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

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.

($ billions)	Dec. 30, 2020
Discount Window:	
Primary Dealer Credit Facility (PDCF):	
Money Market Mutual Fund Liquidity Facility (MMLF):	
Commercial Paper Funding Facility (CPFF):	
Main Street New Loan Facility (MSNLF):	
Main Street Expanded Loan Facility (MSELF):	
Main Street Priority Loan Facility (MSPLF):	
Municipal Liquidity Facility (MLF):	

($ billions)	Dec. 30, 2020
Term Asset-Backed Securities Loan Facility (TALF):	
Primary Market Corporate Credit Facility (PMCCF):	
Secondary Market Corporate Credit Facility (SMCCF):	
Paycheck Protection Program Liquidity Facility (PPPLF):	
Central bank liquidity swaps:	
Temporary repo facility for foreign and international monetary authorities (FIMA repo):	
Repurchase agreements with primary dealers:	
Any additional programs:	

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.

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

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

	Q1 2020 (saar)*	Q2 2020 (saar)**	Q3 2020 (saar)	Q4 2020 (saar)
Modal projection for U.S. real GDP (percent):	**-5.0%**	**-31.7%**		

**Third estimate released by the Bureau of Economic Analysis*
***Second estimate released by the Bureau of Economic Analysis*

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

	≤ -8.01%	-8.00 - -6.01%	-6.00 - -4.01%	-4.00 - -2.01%	-2.00 - -0.01%	≥ 0%	Sum
2020 U.S. real GDP (Q4/Q4):							**0.00%**

**Responses should add up to 100 percent.*

	< 0%	0.00 - 2.00%	2.01 - 4.00%	4.01 - 6.00%	6.01 - 8.00%	≥ 8.01%	Sum
2021 U.S. real GDP (Q4/Q4):							**0.00%**

**Responses should add up to 100 percent.*

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.

≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%	Sum	Point estimate for most likely outcome:
						0.00%	

Responses should add up to 100 percent.

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.

≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%	Sum	Point estimate for most likely outcome:
						0.00%	

Responses should add up to 100 percent.

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**?	

**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.

11a) 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)
2020:				
2021:				
2022:				
2023:				
Longer run:				

11b) Please explain changes, if any, to your estimates in part a since the last policy survey.

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