

RESPONSES TO SURVEY OF MARKET PARTICIPANTS

Markets Group, Federal Reserve Bank of New York



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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 27 market participants. Except where noted, all 27 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.

List of Market Participants:

https://www.newyorkfed.org/markets/survey_market_participants

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

Current economic conditions:

Most respondents indicated they expected little or no change.

Economic outlook and communication on the expected path of the target federal funds rate:

Most respondents indicated they expected little or no change.

Communication on tools other than the target federal funds rate:

Most respondents indicated they expected little or no change.

Other:

(20 responses)

Respondents did not provide significant commentary in this section.

1b) 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 2024	Year-end 2025	Year-end 2026	Longer Run
25th Percentile	4.63%	3.63%	2.88%	2.50%
Median	4.63%	3.63%	2.88%	2.50%
75th Percentile	4.75%	3.75%	2.88%	2.56%
# of Respondents	27	27	27	27

1c) What are your expectations for the Chair's press conference?
(26 responses)

Some respondents indicated they expected the Chair to reference the balance sheet or acknowledge discussions of balance sheet policy among the Committee. Some respondents indicated they expected the Chair to reiterate that adjustments in the target range for the federal funds rate would remain dependent on incoming economic data and its implications for the economic outlook and the balance of risks. Some respondents indicated they expected the Chair to express some potential for policy rate easing. Several respondents indicated they expected the Chair's press conference remarks to be similar to his recent testimony on the semiannual Monetary Policy Report. Several respondents indicated they expected the Chair to reiterate that more confidence or evidence that inflation is moving sustainably down toward 2 percent is needed. Several respondents indicated they expected the Chair to discuss a reduction in the pace of securities runoff.

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 years below. For the time periods at which you expect a target range, please indicate the midpoint of that range in providing your response.

	Mar. 19-20	Apr. 30-May 1	Jun. 11-12	Jul. 30-31	Sep. 17-18	Nov. 6-7
25th Percentile	5.38%	5.38%	5.13%	4.88%	4.63%	4.63%
Median	5.38%	5.38%	5.13%	5.13%	4.88%	4.88%
75th Percentile	5.38%	5.38%	5.13%	5.13%	4.88%	4.88%
# of Respondents	27	27	27	27	27	27

	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
25th Percentile	4.38%	3.88%	3.63%	3.13%	2.75%
Median	4.63%	4.13%	3.88%	3.38%	3.13%
75th Percentile	4.63%	4.38%	4.13%	3.88%	3.63%
# of Respondents	27	27	27	27	27

	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027	2028
25th Percentile	2.63%	2.63%	2.63%	2.63%	2.63%	2.50%
Median	3.13%	2.88%	2.88%	2.88%	2.88%	2.63%
75th Percentile	3.38%	3.25%	3.25%	3.13%	3.13%	3.13%
# of Respondents	27	27	27	27	25	25

2b) 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.

	10-yr Average FF Rate	Longer Run
25th Percentile	2.81%	2.50%
Median	3.00%	2.75%
75th Percentile	3.30%	3.03%
# of Respondents	27	27

2c) Please indicate the percent chance that you attach to the target federal funds rate or range falling in each of the following ranges immediately following the March and April/May FOMC meetings and at the end of 2024 and 2025. If you expect a target range, please use the midpoint of that range in providing your response. (26 responses)

Federal Funds Rate or Range after the March 2024 FOMC Meeting										
	<= 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	>= 6.26%
Average	0%	0%	0%	0%	5%	94%	1%	0%	0%	0%

Federal Funds Rate or Range after the April/May 2024 FOMC Meeting										
	<= 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	>= 6.26%
Average	0%	0%	0%	1%	24%	73%	2%	0%	0%	0%

Federal Funds Rate or Range at the End of 2024										
	<= 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	3.51 - 4.00%	4.01 - 4.50%	4.51 - 5.00%	5.01 - 5.50%	>= 5.51%
Average	3%	1%	1%	3%	6%	11%	28%	30%	16%	3%

Federal Funds Rate or Range at the End of 2025										
	<= 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	3.51 - 4.00%	4.01 - 4.50%	4.51 - 5.00%	5.01 - 5.50%	>= 5.51%
Average	9%	5%	10%	15%	20%	17%	16%	4%	2%	2%

2d) Please indicate the percent chance that you attach to the highest level of the target range for the federal funds rate before the target range is next decreased falling in each of the following ranges.

	<= 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	5.51 - 5.75%	5.76 - 6.00%	6.01 - 6.25%	>= 6.26%
Average	0%	0%	0%	0%	0%	92%	4%	2%	1%	1%

3a) Please provide your modal expectation for the average level of specified assets over each of the periods below. Average level amounts referenced below are in \$ billions.

Expectations for the Average Level of Treasury Holdings in the SOMA Portfolio (\$ billions)				
	Mar. 2024	Apr. 2024	May 2024	Jun. 2024
25th Percentile	4,617	4,557	4,497	4,437
Median	4,617	4,557	4,497	4,450
75th Percentile	4,619	4,562	4,505	4,467
# of Respondents	19	21	21	21

Expectations for the Average Level of MBS in the SOMA Portfolio (\$ billions)				
	Mar. 2024	Apr. 2024	May 2024	Jun. 2024
25th Percentile	2,390	2,369	2,355	2,335
Median	2,395	2,375	2,358	2,340
75th Percentile	2,399	2,383	2,366	2,346
# of Respondents	20	20	21	21

Expectations for the Average Level of Total Assets on the Federal Reserve Balance Sheet (\$ billions)				
	Mar. 2024	Apr. 2024	May 2024	Jun. 2024
25th Percentile	7,548	7,465	7,370	7,294
Median	7,563	7,482	7,403	7,320
75th Percentile	7,577	7,497	7,417	7,340
# of Respondents	20	20	20	20

Expectations for the Average Level of Treasury Holdings in the SOMA Portfolio (\$ billions)							
	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q4
25th Percentile	4,347	4,257	4,225	4,257	4,257	4,257	4,272
Median	4,352	4,300	4,287	4,315	4,365	4,440	4,570
75th Percentile	4,400	4,347	4,362	4,422	4,452	4,511	4,750
# of Respondents	21	21	21	21	21	21	19

Expectations for the Average Level of MBS in the SOMA Portfolio (\$ billions)							
	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q4
25th Percentile	2,275	2,215	2,155	2,095	2,055	1,995	1,790
Median	2,300	2,250	2,200	2,150	2,091	2,037	1,905
75th Percentile	2,308	2,258	2,215	2,175	2,129	2,084	2,036
# of Respondents	21	21	21	21	21	21	19

Expectations for the Average Level of Total Assets on the Federal Reserve Balance Sheet (\$ billions)							
	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q4
25th Percentile	7,145	7,003	6,893	6,809	6,847	6,844	6,943
Median	7,187	7,044	7,000	6,992	6,992	6,991	7,060
75th Percentile	7,222	7,124	7,093	7,097	7,100	7,100	7,152
# of Respondents	20	20	20	20	20	20	18

3b) If you expect the decline in the SOMA portfolio to slow before it stops, as outlined in the May 2022 Plans for Reducing the Size of the Federal Reserve's Balance Sheet, please indicate the period in which you expect the decline to first slow. In addition, please indicate the period in which you expect the SOMA portfolio to cease to decline, and the size of the SOMA portfolio when it ceases to decline. Please also indicate the size of specified liabilities, reserves and take-up at the overnight reverse repurchase facility, when the SOMA portfolio ceases to decline.

	Period in which SOMA portfolio decline first slows*:	Period in which SOMA portfolio ceases to decline**:	Size of SOMA portfolio when it ceases to decline (\$ billions)***:	Size of reserves (\$ billions)****:	Take-up at the overnight reverse repurchase facility (\$ billions)*****:
25th Percentile	Jun. '24	Dec. '24	6,250	2,688	125
Median	Jun. '24	Feb. '25	6,250	3,000	125
75th Percentile	Jul. '24	Apr. '25	6,750	3,125	313
# of Respondents	22	21	22	22	22

*Dropdown selections: Stops without slowing first, March 2024, April 2024, May 2024, June 2024, July 2024, August 2024, September 2024, October 2024, November 2024, December 2024, January 2025, February 2025, March 2025, April 2025, May 2025, June 2025, July 2025, August 2025, September 2025, October 2025,

November 2025, December 2025, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027, Q2 2027, Q3 2027, Q4 2027, Q1 2028, Q2 2028, Q3 2028, Q4 2028, Q1 2029 or later.

**Dropdown selections: March 2024, April 2024, May 2024, June 2024, July 2024, August 2024, September 2024, October 2024, November 2024, December 2024, January 2025, February 2025, March 2025, April 2025, May 2025, June 2025, July 2025, August 2025, September 2025, October 2025, November 2025, December 2025, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027, Q2 2027, Q3 2027, Q4 2027, Q1 2028, Q2 2028, Q3 2028, Q4 2028, Q1 2029 or later.

***Dropdown selections: \$0-500bn, \$501-1000bn, \$1001-1500bn, \$1501-2000bn, \$2001-2500bn, \$2501-3000bn, \$3001-3500bn, \$3501-4000bn, \$4001-4500bn, \$4501-5000bn, \$5001-5500bn, \$5501-6000bn, \$6001-6500bn, \$6501-7000bn, \$7001-7500bn.

****Dropdown selections: \$1000bn or smaller, \$1001-1250bn, \$1251-1500bn, \$1501-1750bn, \$1751-2000bn, \$2001-2250bn, \$2251-2500bn, \$2501-2750bn, \$2751-3000bn, \$3001-3250bn, \$3251-3500bn, \$3501-3750bn, \$3751-4000bn, \$4001bn or larger.

*****Dropdown selections: \$0-250bn, \$251-500bn, \$501-750bn, \$751-1000bn, \$1001-1250bn, \$1251-1500bn, \$1501-1750bn, \$1751-2000bn, \$2001-2250bn, \$2251-2500bn, \$2501bn or larger.

- 3c)** Please indicate the percent chance that you attach to the size of the SOMA portfolio falling in each of the following ranges when it ceases to decline. For reference, Securities Held Outright in the SOMA portfolio on February 28, 2024 was \$7,067 billion according to the most recent H.4.1 release.
(21 responses)

	\$4000bn or smaller	\$4001-4500bn	\$4501-5000bn	\$5001-5500bn	\$5501-6000bn	\$6001-6500bn	\$6501-7000bn	\$7001-7500bn	\$7501bn or larger
Average	0%	5%	3%	6%	17%	31%	29%	8%	0%

- 3d)** Please provide any additional information or factors behind your baseline expectations for assets on the Federal Reserve balance sheet and when the decline in the balance sheet will be slowed and then stopped.
(16 responses)

Some respondents indicated they expected a slowing in the pace of balance sheet reduction, and several respondents specifically indicated an expected change in caps on U.S. Treasury runoff from \$60 billion per month to \$30 billion per month. Some respondents indicated they expected the end of balance sheet reduction to be determined by assessments of reserve levels, ON RRP take-up, or upward pressure on money market rates relative to administered rates. Several respondents indicated they expected that maturing MBS would be reinvested in Treasury securities once the reduction in the size of the balance sheet had been completed.

Please provide any additional information or factors behind the distribution of outcomes around your baseline for assets on the Federal Reserve balance sheet and when the decline in the balance sheet will be slowed and then stopped.

(14 responses)

Several respondents viewed the distribution of outcomes as skewed toward an earlier end to runoff and a larger SOMA portfolio versus their baseline expectations. Several respondents viewed the distribution of outcomes as skewed toward a later end of runoff and a smaller SOMA portfolio versus their baseline expectations.

- 4) In the January 2022 Principles for Reducing the Size of the Federal Reserve's Balance Sheet and other communications, the Committee provided information on its planned approach for significantly reducing the size of the Federal Reserve's balance sheet. Please provide your estimates of the cumulative effect (in basis points) of balance sheet reduction on the 10-year Treasury yield and 30-year production coupon MBS option-adjusted spread through the time when you currently expect the SOMA portfolio will cease to decline. Please include in your estimates any anticipation, announcement, and flow effects.

	10-Year Treasury Yield	30-Year Production Coupon MBS Option-Adjusted Spread
25th Percentile	15.0	10.0
Median	20.0	20.0
75th Percentile	30.0	30.0
# of Respondents	19	16

Please provide any additional information on factors behind your baseline estimates of the cumulative effect on the 10-year Treasury yield and 30-year production coupon MBS option-adjusted spread and your views regarding the distribution around your estimates.

(17 responses)

Regarding the cumulative effect of balance sheet reduction on the 10-year Treasury yield and 30-year production coupon MBS option-adjusted spread, some respondents indicated uncertainty around their estimates, difficulty estimating an effect, or difficulty isolating the effect of balance sheet policy from other factors. In explaining their estimates, several respondents cited estimates from existing academic research. Several respondents cited changes in Treasury issuance as an important factor in their estimates.

- 5) Please provide your expectation for each of the selected money market rate spreads* for the day after each of the FOMC meetings.

Top of target range** minus IORB (in bps)				
	Mar. 19-20	Apr. 30- May 1	Jun. 11-12	Jul. 30-31
25th Percentile	10.0	10.0	10.0	10.0
Median	10.0	10.0	10.0	10.0
75th Percentile	10.0	10.0	10.0	10.0
# of Respondents	17	17	17	17

EFFR minus IORB (in bps)				
	Mar. 19-20	Apr. 30- May 1	Jun. 11-12	Jul. 30-31
25th Percentile	-7.0	-7.0	-7.0	-7.0
Median	-7.0	-7.0	-7.0	-7.0
75th Percentile	-7.0	-7.0	-7.0	-7.0
# of Respondents	17	17	17	17

SOFR minus IORB (in bps)				
	Mar. 19-20	Apr. 30- May 1	Jun. 11-12	Jul. 30-31
25th Percentile	-9.0	-9.0	-9.0	-9.0
Median	-9.0	-9.0	-9.0	-9.0
75th Percentile	-9.0	-8.0	-7.0	-7.0
# of Respondents	17	17	17	17

Bottom of target range** minus ON RRP rate (in bps)				
	Mar. 19-20	Apr. 30- May 1	Jun. 11-12	Jul. 30-31
25th Percentile	-5.0	-5.0	-5.0	-5.0
Median	-5.0	-5.0	-5.0	-5.0
75th Percentile	-5.0	-5.0	-5.0	-5.0
# of Respondents	17	17	17	17

3m U.S. Treasury bill yield minus 3m OIS (in bps):				
	Mar. 19-20	Apr. 30- May 1	Jun. 11-12	Jul. 30-31
25th Percentile	4.0	3.8	4.0	4.0
Median	4.5	4.0	4.5	5.0
75th Percentile	5.3	5.3	5.3	6.0
# of Respondents	16	16	16	16

*Listed rates include the interest on reserve balances (IORB) rate, effective federal funds rate (EFFR), Secured Overnight Financing Rate (SOFR), overnight reverse repurchase agreement (ON RRP) rate, and 3-month fed funds overnight index swap rate (3m OIS).

**Target range for the federal funds rate.

- 6) Please provide the percent chance you attach to the following outcomes for U.S. real GDP growth in 2024 and 2025 (Q4/Q4).
(24 responses)

Probability Distribution of U.S. Real GDP Growth in 2024 (Q4/Q4)										
	<= -1.01%	-1.00 - -0.51%	-0.50 - 0.00%	0.01 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	>= 3.01%
Average	1%	3%	5%	7%	14%	25%	22%	13%	6%	2%

Probability Distribution of U.S. Real GDP Growth in 2025 (Q4/Q4)										
	<= 0.00%	0.01 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	3.51 - 4.00%	>= 4.01%
Average	7%	9%	12%	21%	21%	15%	9%	4%	2%	2%

Please also provide your point estimate for the most likely outcome.

U.S. Real GDP Modal Point Estimates (Q4/Q4)		
	2024	2025
25th Percentile	1.20%	1.47%
Median	1.50%	1.73%
75th Percentile	1.70%	1.90%
# of Respondents	25	24

7) Please indicate your modal projections for headline and core PCE inflation for each of the following quarters.*

Headline PCE Inflation Quarterly Modal Point Estimates					
	Q1 2024 (saar)	Q2 2024 (saar)	Q3 2024 (saar)	Q4 2024 (saar)	Q1 2025 (saar)
25th Percentile	2.5%	2.2%	2.0%	1.9%	2.0%
Median	2.8%	2.4%	2.2%	2.2%	2.2%
75th Percentile	3.0%	2.5%	2.5%	2.3%	2.4%
# of Respondents	22	22	22	22	22

Core PCE Inflation Quarterly Modal Point Estimates					
	Q1 2024 (saar)	Q2 2024 (saar)	Q3 2024 (saar)	Q4 2024 (saar)	Q1 2025 (saar)
25th Percentile	2.6%	2.3%	2.0%	2.0%	2.2%
Median	2.9%	2.5%	2.3%	2.2%	2.2%
75th Percentile	3.3%	2.7%	2.4%	2.3%	2.5%
# of Respondents	24	24	24	24	24

*Percent change from the previous quarter at an annualized rate, based on the average of monthly levels (seasonally adjusted) in each quarter.

8a) Please provide the percent chance you attach to the following outcomes for headline PCE inflation in 2024 and 2025 (Q4/Q4).
(24 responses)

Probability Distribution of Headline PCE Inflation in 2024 (Q4/Q4)										
	<= 1.50%	1.51 - 1.75%	1.76 - 2.00%	2.01 - 2.25%	2.26 - 2.50%	2.51 - 2.75%	2.76 - 3.00%	3.01 - 3.25%	3.26 - 3.50%	>= 3.51%
Average	2%	3%	11%	20%	26%	18%	10%	6%	2%	2%

Probability Distribution of Headline PCE Inflation in 2025 (Q4/Q4)										
	<= 1.50%	1.51 - 1.75%	1.76 - 2.00%	2.01 - 2.25%	2.26 - 2.50%	2.51 - 2.75%	2.76 - 3.00%	3.01 - 3.25%	3.26 - 3.50%	>= 3.51%
Average	4%	7%	17%	27%	25%	9%	4%	3%	2%	2%

Please also provide your point estimate for the most likely outcome.

Headline PCE Inflation Modal Point Estimates (Q4/Q4)		
	2024	2025
25th Percentile	2.25%	2.04%
Median	2.38%	2.10%
75th Percentile	2.50%	2.20%
# of Respondents	24	24

8b) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from March 1, 2024 – February 28, 2029 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(24 responses)

	<= 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	>= 3.51%
Average	1%	1%	4%	17%	37%	24%	11%	5%

	Most Likely Outcome
25th Percentile	2.39%
Median	2.50%
75th Percentile	2.50%
# of Respondents	24

8c) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from March 1, 2029 – February 28, 2034 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(24 responses)

	<= 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	>= 3.51%
Average	1%	2%	7%	24%	33%	21%	8%	4%

	Most Likely Outcome
25th Percentile	2.24%
Median	2.30%
75th Percentile	2.50%
# of Respondents	24

- 9a)** 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 Percentile	2%	17%	21%
Median	5%	25%	28%
75th Percentile	9%	30%	40%
# of Respondents	26	26	26

**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.*

- 9b)** What percent chance do you attach to the U.S. economy first entering a recession* in each of the following periods?
(26 responses)

	H2 2023**	H1 2024	H2 2024	H1 2025	H2 2025	No recession by end H2 2025
Average	1%	13%	23%	20%	15%	28%

**NBER-defined recession*

***Percent chance that the economy first entered an NBER-defined recession in H2 2023.*