

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, December 4th at 5:00 pm** to the questions below. Your time and input are greatly appreciated.

Participant:

- 1a)** Provide below your expectations for changes, if any, to the language referencing each of the following topics in the December FOMC statement.

Current economic conditions:	<input type="text"/>
Economic outlook:	<input type="text"/>
Communication on the expected path of the target fed funds rate:	<input type="text"/>
Communication on the Committee's policy of reinvesting principal payments on Treasury and agency securities:	<input type="text"/>
Other:	<input type="text"/>

- 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?

Year-end 2017:	<input type="text"/>	Year-end 2018:	<input type="text"/>	Year-end 2019:	<input type="text"/>	Year-end 2020:	<input type="text"/>	Longer run:	<input type="text"/>
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Please comment on the balance of risks around your expectations.

1d) Additionally, please describe any expected changes to the distributions of FOMC participants' target rate projections, if applicable.

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

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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.

	2017		2018				
	Dec 12-13	Jan 30-31	Mar 20-21	May 1-2	Jun 12-13	Jul 31 - Aug 1	Sep 25-26
Target rate / midpoint of target range:							

	Quarters				Half Years		
	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 H1	2020 H2
Target rate / midpoint of target range:							

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.

Longer run:

Expectation for average federal funds rate over next 10 years:

2c) 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.*

2d) 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 December 2017 FOMC meeting	Increase Occurs at January 2018 FOMC meeting	Increase Occurs at March 2018 FOMC meeting or later

**Responses should add up to 100 percent.*

2e) 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 2018, conditional on the following possible scenarios for the direction and timing of the Committee's next policy action between now and the end of 2018. 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.

	$\leq 1.00\%$	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	2.01 - 2.25%	2.26 - 2.50%	$\geq 2.51\%$
Next change is an increase, occurs at Jan. 2018 FOMC meeting or earlier:								
Next change is an increase, occurs at Mar. 2018 FOMC meeting or later:								
	$< 0.0\%$	0.00 - 0.25%	0.26 - 0.50%	0.51 - 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	$\geq 1.51\%$
Next change is a decrease:								

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

2f-i) 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 2019 and 2020, conditional on not moving to the zero lower bound (ZLB) at any 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.

	$\leq 1.00\%$	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	$\geq 3.51\%$
Year-end 2019:							
Year-end 2020:							

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

4a) The spread between 2-year and 30-year U.S. Treasury yields has narrowed around 100 bps since December 2015. Please decompose this change into the following components. Please ensure that your sum matches -100 bps. **Please also ensure that your signs are correct.**

Change in market expectations for the average effective federal funds rate over the following 2 years (bps):	
Change in market-implied 2-year nominal term premium (bps):	
Change in market expectations for the average effective federal funds rate over the following 30 years (bps):	
Change in market-implied 30-year nominal term premium (bps):	
Other (please explain) (bps):	
Your sum:	0
Change in spread between 2-Year and 30-Year U.S. Treasury yields:	-100

If "Other", please explain:

4b) Please rate the importance of the following factors in explaining the change in the spread between 2-year and 30-year Treasury yields over this period (**5=very important, 1=not important**).

Change in expected U.S. economic growth:	
Change in expected U.S. inflation:	
Change in estimates of the longer-run neutral real federal funds rate:	
Change in expected net supply of Treasuries held by the public:	
Change in expectations for maturity distribution of Treasury issuance:	
Spillovers from foreign monetary policy:	
Change in demand for longer-dated Treasuries from liability-driven investors:	
Other (please explain):	

If "Other", please explain:

4c-i) Please comment on what signals regarding the U.S. economic outlook, if any, you draw from the level of and/or flattening in the yield curve.

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4c-ii) Please comment on what impact, if any, the flattening of the yield curve may have on U.S. economic outcomes.

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5a) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio at the end of 2020, conditional on **not** moving to the ZLB at any point between now and the end of 2020. For reference, the level of the SOMA portfolio on November 22nd, 2017 was \$4257 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.*

5b) Please indicate the percent chance* that you attach to the following possible outcomes for the par value of the SOMA portfolio at the end of 2020, conditional on moving to the ZLB at any point between now and the end of 2020. 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 2. Levels referenced below are in \$ billions.

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

**Responses should add up to 100 percent.*

- 6) During 2017 to date, the average size of the Federal Reserve System's balance sheet was \$4464 billion, and was composed roughly as follows:

	Assets*			Liabilities and Capital*	
	Level of Assets (\$ billions)	Share of Total Assets (%)		Level of Liabilities and Capital (\$ billions)	Share of Total Liabilities and Capital (%)
US Treasuries:	2464	55%	Federal Reserve Notes:	1505	34%
Agency MBS:	1769	40%	Reserves:	2252	50%
All Other Assets**:	231	5%	Deposits in Treasury General Account (TGA):	178	4%
Total Assets:	4464	100%	Reverse repos with private counterparties:	156	3%
			Reverse repos with foreign official accounts:	243	5%
			Other deposits***:	74	2%
			All Other Liabilities and Capital:	55	1%
			Total Liabilities and Capital:	4464	100%

*Individual categories rounded to the nearest \$ billion.

**Includes net unamortized premiums and discounts on securities held outright, repos, and other assets.

***Includes balances held by designated financial market utilities (DFMUs), government sponsored entities (GSEs) and international and multilateral organizations.

The figures above refer to averages of Wednesday levels from 2017 H.4.1 releases through 11/24.

Please indicate your expectations for the composition of the Federal Reserve System's balance sheet, on average, in 2025, conditional on not moving to the ZLB at any point between now and the end of 2025. Please provide your responses in levels (\$ billions), the total levels and shares will automatically populate so as to aid responding. Please ensure total assets are equal to total liabilities plus capital.

Assets		Liabilities and Capital			
	Level of Assets (\$ billions)	Share of Total Assets (%)		Level of Liabilities and Capital (\$ billions)	Share of Total Liabilities and Capital (%)
US Treasuries:		0.00%	Federal Reserve Notes:		0.00%
Agency MBS:		0.00%	Reserves:		0.00%
All Other Assets*:		0.00%	Deposits in Treasury General Account (TGA):		0.00%
Total Assets:	0	0.00%	Reverse repos with private counterparties:		0.00%
			Reverse repos with foreign official accounts:		0.00%
			Other deposits**:		0.00%
			All Other Liabilities and Capital:		0.00%
			Total Liabilities and Capital:	0	0.00%

*Includes net unamortized premiums and discounts on securities held outright, repos, and other assets.

**Includes balances held by designated financial market utilities (DFMUs), government sponsored entities (GSEs) and international and multilateral organizations.

7a) 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:	<input type="text"/>	<input type="text"/>	<input type="text"/>

7b) Please explain changes to your estimates in part a since the last policy survey, where applicable.

8a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from December 1, 2017 - November 30, 2022 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

$\leq 1.00\%$	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	$\geq 3.01\%$	Point estimate for most likely outcome:
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**Responses should add up to 100 percent.*

8b) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from December 1, 2022 - November 30, 2027 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

$\leq 1.00\%$	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	$\geq 3.01\%$	Point estimate for most likely outcome:
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

**Responses should add up to 100 percent.*

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