SURVEY OF PRIMARY DEALERS

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 members are not involved in the survey's design.

Please respond by **Monday, March 6 at 2:00 pm** to the questions below. Your time and input are greatly appreciated.

Dealer:

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

Current economic conditions:

Economic outlook:

Communication on the expected path of policy rates and forward guidance on the target federal funds rate:

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

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 medians of FOMC participants' target federal funds rate projections in the SEP?

Year-end 2017: Year-end 2018: Year-end 2019: Longer run:

Please explain any assumptions underlying your expectations.

1d) 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 quarter or half-year period 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						
	Mar 14-15	May 2-3	Jun 13-14	Jul 25-26	Sep 19-20	Oct 31 - Nov 1	Dec 12-13
Target rate / midpoint of target range:							

	Quarters						Half Years
	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 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 in 2017.

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 in 2017

**Responses should add up to 100 percent.*

2d) Conditional on the Committee's next policy action in 2017 being an <u>increase</u> 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 in 2017 being an increase.

Increase Occurs at March FOMC meeting	Increase Occurs at May FOMC meeting	Increase Occurs at June 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 <u>at the end of 2017,</u> conditional on the following possible scenarios for the direction and timing of the Committee's next policy action in 2017**.** 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.

	≤ 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%
Next change is an increase, occurs at May meeting or earlier:								
Next change is an increase, occurs at Jun. 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%	≥ 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 2018 and 2019, conditional on **not** moving to the zero lower bound (ZLB) at any point between now and the end of 2019. 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 2018:							
Year-end 2019:							

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

2f-ii) Please indicate the percent chance that you attach to moving to the ZLB at some point between now and the end of 2019.

Probability of moving to the ZLB at some point between now and the end of 2019:	

2f-iii) 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 and 2019, conditional on moving to the ZLB at some point between now and the end of 2019. 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 2019. 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 2018:								
Year-end 2019:								

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

2f-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):	

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

3) 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.*

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4) How would you assess your uncertainty regarding the outlook for each of the below? Please measure relative to your assessment at the time of the policy survey on October 24. Provide a rating between 1 and 5 (i.e. 1=much lower, 2=lower, 3=about the same, 4=higher, 5=much higher).

U.S. Economic Policies	U.S. Macroeconomic Fundamentals	U.S. Financial Asset Prices	Global Economic and Financial Market Developments

For each of the above, what factors do you view as most important in explaining the change, if any, in your assessment of uncertainty since the policy survey on October 24?

Additionally, do you view levels of uncertainty as reflected in financial asset prices as consistent with levels of *investor* uncertainty regarding the above factors? If not, please explain.

5a) In its Policy Normalization Principles and Plans, the Committee indicated that it "expects to cease or commence phasing out reinvestments" after liftoff. Please indicate the percent chance* that you attach to the Committee ceasing its reinvestments all at once, phasing out its reinvestments over time, or not changing its reinvestments.

	Reinvestments Ceased All at Once	Reinvestments Phased Out Over Time	No Change to Reinvestments
Treasuries:			
Agency debt and MBS:			

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

5b) In its most recent FOMC statement, the Committee indicated that it anticipates continuing its current reinvestment policy until normalization of the level of the federal funds rate is "well under way."

If you assigned a non-zero probability either to reinvestments being <u>ceased all at once</u> or to reinvestments being <u>phased out over time</u> in question 5a, please indicate the percent chance* that you attach to the following outcomes for the level of the target federal funds rate or range when the Committee first announces a change to its reinvestment policy. If you expect a target range, please use the midpoint of that range in providing your response.

≤ 0.75%	0.76 - 1.00%	1.01 - 1.25%	1.26 - 1.50%	1.51 - 1.75%	1.76 - 2.00%	≥ 2.01%

**Responses should add up to 100 percent.*

Bins were centered around median responses to question 6a from the January/February SPD and SMP.

Additionally, please provide your point estimate for the most likely outcome of the level of the target federal funds rate or range when the Committee first announces a change to its reinvestment policy. If you expect a target range, please use the midpoint of that range in providing your response.

Point estimate for most likely outcome:	

5c) If you assigned a non-zero probability either to reinvestments being <u>ceased all at once</u> or reinvestments being <u>phased out over time</u> in question 5a, please indicate the percent chance* that you attach to the following possible outcomes for the timing of when the Committee first announces a change to its reinvestment policy.

Mar 14-15 FOMC meeting	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	H2 2018	≥ 2019

**Responses should add up to 100 percent.*

5d) If you placed a non-zero probability on reinvestments being phased out over time, please indicate the most likely number of months over which you expect this to occur.

Treasuries:	
Agency debt and MBS:	

Please describe the specific strategy or strategies that you think would be most likely should the Committee phase reinvestments out over time.

5e-i) 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 2019, conditional on **not** moving to the ZLB at any point between now and the end of 2019. For reference, the level of the SOMA portfolio on February 22, 2017 was $4270 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.*

5e-ii) 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 2019, conditional on moving to the ZLB at any point between now and the end of 2019. 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 2019 in question 2. Levels referenced below are in $ billions.

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

**Responses should add up to 100 percent.*

5f) Please explain the factors behind any change to your views, where applicable, since the last policy survey.

6a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	GDP (Q4/Q4 Growth)	Core PCE Deflator (Q4/Q4 Growth)	Headline PCE Deflator (Q4/Q4 Growth)	Unemployment Rate (Q4 Average Level)
2017:				
2018:				
2019:				
Longer run:				

6b) Provide your estimate of the most likely outcome for the U.S. federal fiscal deficit (as a percent of GDP) for fiscal years 2017, 2018 and 2019.

	FY 2017	FY 2018	FY 2019
Current estimate for U.S. federal fiscal deficit:			

Please explain any changes to your estimates since the policy survey on January 23.

6c) Please indicate the overall effect of any changes to your estimates for the federal fiscal deficit since the policy survey on January 23 on your forecasts for GDP growth (Q4/Q4) in 2017, 2018 and 2019 and over the longer run, combining direct and indirect effects. Please provide your responses in percentage points.

	2017	2018	2019	Longer run
Impact on GDP growth forecasts from change in estimate of federal fiscal deficit:				

7a) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from March,1 2017 - February, 28 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 to100 percent.

7b) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from March, 1 2022 - February, 28 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 to100 percent.

8a) What percent chance do you attach to the U.S. economy **currently** being in a recession*?

Recession currently:

8b) What percent chance do you attach to the U.S. economy being in a recession* **in 6 months**?

Recession in 6 months:

8c) What percent chance do you attach to the global economy being in a recession** **in 6 months**?

Global recession in 6 months:

8d) Please explain the factors behind any change to your expectations in parts a-c since the last policy survey.

*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.

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