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 29 market participants. Except where noted, all 29 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 January FOMC statement. **Please write N/A if you do not expect any changes.**

Current economic conditions:

Several respondents indicated that they expected some reference to the Omicron variant. Several respondents indicated that they expected a reference to labor market strength.

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

Some respondents indicated that they expected some signal in the January statement of the potential for an increase in the target range for the federal funds rate at the March FOMC meeting. Several specified that they expected such a signal to include language referring to "an upcoming meeting" or "soon". More broadly, several respondents noted that they expected the statement would indicate that labor markets are close to maximum employment.

Communication on tools other than the target federal funds rate:

Some respondents indicated that they expected the statement to note that asset purchases would end in mid-March.

Other:
(21 responses)

Respondents did not provide significant commentary in this section.

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

Many respondents indicated that they expected the Chair to remark on the state of balance sheet discussions at the press conference. Several respondents indicated that they expected the Chair to signal in the press conference the possibility of an increase in the target range for the federal funds rate at the March FOMC meeting. Several respondents indicated that they expected the Chair to emphasize the Fed's commitment to its inflation mandate or to reference elevated inflation.

2) How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

	Number of Respondents
1 - Ineffective	1
2	0
3	7
4	15
5 - Effective	6
# of Responses	29

Please explain:

Most respondents noted that FOMC participants were in general clear or consistent in their communications on the policy outlook. Several respondents suggested that communications on the outlook for balance sheet policy were less clear. Several respondents characterized recent shifts in policy communications as abrupt.

3) 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.

	Jan. 25-26	Mar. 15-16	May 3-4	Jun. 14-15	Jul. 26-27	Sep. 20-21	Nov. 1-2	Dec. 13-14
25th Pctl	0.13%	0.38%	0.38%	0.63%	0.63%	0.88%	0.88%	0.88%
Median	0.13%	0.38%	0.38%	0.63%	0.63%	0.88%	0.88%	1.13%
75th Pctl	0.13%	0.38%	0.38%	0.63%	0.63%	0.88%	0.88%	1.13%
# of Responses	29	29	29	29	29	29	29	29

	2023 Q1	2023 Q2	2023 Q3	2023 Q4
25th Pctl	1.13%	1.38%	1.38%	1.63%
Median	1.38%	1.63%	1.88%	1.88%
75th Pctl	1.38%	1.63%	1.88%	2.13%
# of Responses	29	29	29	29

	2024 Q1	2024 Q2	2024 Q3	2024 Q4
25th Pctl	1.63%	1.88%	1.88%	1.88%
Median	2.13%	2.13%	2.38%	2.38%
75th Pctl	2.38%	2.63%	2.63%	2.63%
# of Responses	29	29	29	29

	2025	2026	2027	2028
25th Pctl	**1.88%**	**1.88%**	**1.88%**	**1.88%**
Median	**2.13%**	**2.13%**	**2.13%**	**2.13%**
75th Pctl	**2.63%**	**2.63%**	**2.63%**	**2.63%**
# of Responses	**29**	**29**	**29**	**29**

3b) 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.
(26 responses)

Most Likely Value of Economic Indicator at Time of First Increase in Target Range				
	Unemployment Rate	Labor Force Participation Rate	Total Change in the Level of Real GDP Since 2019 Q4	Headline 12-month PCE Inflation
25th Pctl	**3.7%**	**62.0%**	**3.5%**	**5.0%**
Median	**3.7%**	**62.0%**	**4.1%**	**5.3%**
75th Pctl	**3.8%**	**62.0%**	**6.0%**	**5.7%**

3c) 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	10-yr Average FF Rate
25th Pctl	**2.00%**	**1.50%**
Median	**2.00%**	**1.75%**
75th Pctl	**2.50%**	**2.00%**

3d) 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 2022, 2023, and 2024. If you expect a target range, please use the midpoint of that range in providing your response.
(28 responses)

Federal Funds Rate or Range at the End of 2022										
	< 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%
Average	**1%**	**5%**	**8%**	**14%**	**27%**	**26%**	**11%**	**5%**	**2%**	**2%**

Federal Funds Rate or Range at the End of 2023										
	< 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%
Average	**1%**	**3%**	**2%**	**4%**	**6%**	**9%**	**14%**	**19%**	**17%**	**25%**

Federal Funds Rate or Range at the End of 2024										
	≤ 0.75%	0.76 - 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 - 2.75%	≥ 2.76%
Average	**7%**	**3%**	**5%**	**6%**	**8%**	**11%**	**17%**	**15%**	**13%**	**15%**

3e) What is your estimate of the target federal funds rate or range at the effective lower bound?
(27 responses)

	Level of Target Federal Funds Rate or Range at ELB
25th Pctl	**-0.50%**
Median	**0.00%**
75th Pctl	**0.13%**

3f) For parts a-e, please explain the factors behind any change to your expectations, where applicable, since the last policy survey.
(28 responses)

Most participants indicated that they moved their modal expectations for liftoff earlier compared with their prior survey response. Many respondents attributed these adjustments to communications from FOMC officials. Some respondents cited higher realized inflation, and some noted tighter or improved labor market conditions.

3g) Please indicate the percent chance that you attach to the first increase in the target federal funds rate or range occurring at each of the following FOMC meetings or periods.
(28 responses)

	Jan. 25-26	Mar. 15-16	May 3-4	Jun. 14-15	Jul. 26-27	Sep. 20-21	Nov. 1-2	Dec. 13-14	2023 or Later
Average	**3%**	**61%**	**16%**	**13%**	**3%**	**2%**	**1%**	**0%**	**1%**

3h) Please indicate the percent chance that you attach to the longer run target federal funds rate — the level the target federal funds rate would be expected to converge to under appropriate monetary policy and in the absence of further shocks to the economy — falling in each of the following ranges.
(28 responses)

	≤ 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	**7%**	**8%**	**15%**	**22%**	**22%**	**15%**	**8%**	**2%**	**1%**	**1%**

4a) Please provide your modal expectation for the net change in SOMA holdings of U.S. Treasury securities and agency mortgage-backed securities (MBS) for each monthly purchase period beginning mid-month listed below and the total net change over each of the quarters below.

If you expect SOMA holdings to increase on net in a given period, for example through net asset purchases, please enter a positive number. If you expect SOMA holdings to be unchanged on net in a given period, for example through reinvestments that result in no net change in holdings, please enter 0. If you expect SOMA holdings to decline on net in a given period, for example through maturities or paydowns that exceed any reinvestments or through sales, please enter a negative number.
(20 responses)

Net Change in U.S. Treasury Securities ($ billions)					
	Mid-Feb. 2022	Mid-Mar. 2022	Mid-Apr. 2022	Mid-May 2022	Mid-Jun. 2022
25th Pctl	**20**	**0**	**0**	**0**	**0**
Median	**20**	**0**	**0**	**0**	**0**
75th Pctl	**20**	**0**	**0**	**0**	**0**

Net Change in U.S. Treasury Securities ($ billions)						
	Mid-Jul. 2022 to End 2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
25th Pctl	**-80**	**-140**	**-160**	**-160**	**-160**	**-160**
Median	**-52**	**-120**	**-135**	**-140**	**-144**	**-144**
75th Pctl	**-25**	**-60**	**-90**	**-108**	**-120**	**-120**

Net Change in U.S. Treasury Securities ($ billions)								
	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
25th Pctl	**-160**	**-160**	**-160**	**-160**	**-144**	**-120**	**-120**	**-120**
Median	**-120**	**-120**	**-120**	**-118**	**-114**	**-100**	**-100**	**-80**
75th Pctl	**-75**	**-75**	**-75**	**-75**	**-75**	**-75**	**-75**	**-50**

Net Change in Agency MBS ($ billions)					
	Mid-Feb. 2022	Mid-Mar. 2022	Mid-Apr. 2022	Mid-May 2022	Mid-Jun. 2022
25th Pctl	**10**	**0**	**0**	**0**	**0**
Median	**10**	**0**	**0**	**0**	**0**
75th Pctl	**10**	**0**	**0**	**0**	**0**

Net Change in Agency MBS ($ billions)						
	Mid-Jul. 2022 to End 2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
25th Pctl	**-45**	**-90**	**-90**	**-90**	**-100**	**-120**
Median	**-30**	**-60**	**-80**	**-84**	**-84**	**-90**
75th Pctl	**-15**	**-30**	**-45**	**-60**	**-60**	**-45**

Net Change in Agency MBS ($ billions)								
	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
25th Pctl	**-90**	**-90**	**-90**	**-90**	**-84**	**-80**	**-80**	**-75**
Median	**-75**	**-78**	**-71**	**-69**	**-60**	**-57**	**-54**	**-50**
75th Pctl	**-30**	**-30**	**-37**	**-30**	**-30**	**-30**	**-30**	**-25**

If your responses above do not reflect a period in which SOMA holdings decline (e.g. Treasury and Agency MBS values in a given period sum to a negative number and are not blank), please provide your modal expectation for the earliest quarter in which SOMA holdings decline.

There were three responses.*

**Dropdown selections: Q1 2022, Q2 2022, Q3 2022, Q4 2022, Q1 2023, Q2 2023, Q3 2023, Q4 2023, Q1 2024, Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027, Q2 2027, Q3 2027, Q4 2027, Q1 2028 or later.*

4b) If you expect the SOMA portfolio to decline, please indicate the percent chance that you attach to the level of the target federal funds rate or range falling in the following ranges when the SOMA portfolio first declines. If you expect a target range, please use the midpoint of that range in providing your response.
(25 responses)

	≤ 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 - 2.25%	≥ 2.26%
Average	**0%**	**14%**	**37%**	**25%**	**12%**	**5%**	**3%**	**2%**	**2%**	**1%**

4c) If you expect the SOMA portfolio to decline, please indicate the period in which you expect the SOMA portfolio will cease to decline as well as the size of the SOMA portfolio when it ceases to decline. For reference, Securities Held Outright in the SOMA portfolio on January 5, 2022 was $8,279 billion according to the most recent H.4.1 release.
(22 responses)

	Period in which SOMA Portfolio Ceases to Decline*:	Size of SOMA Portfolio when it Ceases to Decline**:
25th Pctl	**Q4 2025**	**4750**
Median	**Q1 2026/Q2 2026*** **	**5250**
75th Pctl	**Q4 2027**	**5750**

**Dropdown selections: Q1 2022, Q2 2022, Q3 2022, Q4 2022, Q1 2023, Q2 2023, Q3 2023, Q4 2023, Q1 2024, Q2 2024, Q3 2024, Q4 2024, Q1 2025, Q2 2025, Q3 2025, Q4 2025, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027, Q2 2027, Q3 2027, Q4 2027, Q1 2028 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, $7501-8000bn, $8001bn or larger*
****Statistic falls between two selections.*

5) 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 2022 and 2023.
(26 responses)

Ten-year Treasury Yield at Year-end 2022								
	< 0.00%	0.00 - 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	**0%**	**1%**	**3%**	**10%**	**29%**	**32%**	**18%**	**6%**

Ten-year Treasury Yield at Year-end 2023								
	< 0.00%	0.00 - 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%**	**2%**	**4%**	**8%**	**18%**	**25%**	**28%**	**15%**

6) The table below lists the average spreads of selected money market rates* over the past week. Please provide your expectation for each of these rate spreads for the day after each of the FOMC meetings. **Please ensure your signs are correct.**

	Top of target range** minus IORB (in bps)			
	Jan. 25-26	Mar. 15-16	May 3-4	Jun. 14-15
25th Pctl	**10.0**	**10.0**	**10.0**	**10.0**
Median	**10.0**	**10.0**	**10.0**	**10.0**
75th Pctl	**10.0**	**10.0**	**10.0**	**10.0**
# of Responses	**15**	**15**	**15**	**15**

	EFFR minus IORB (in bps)			
	Jan. 25-26	Mar. 15-16	May 3-4	Jun. 14-15
25th Pctl	**-7.0**	**-7.0**	**-7.0**	**-7.0**
Median	**-7.0**	**-7.0**	**-7.0**	**-7.0**
75th Pctl	**-7.0**	**-7.0**	**-7.0**	**-7.0**
# of Responses	**15**	**15**	**15**	**15**

	SOFR minus IORB (in bps)			
	Jan. 25-26	Mar. 15-16	May 3-4	Jun. 14-15
25th Pctl	**-10.0**	**-10.0**	**-10.0**	**-10.0**
Median	**-10.0**	**-10.0**	**-10.0**	**-10.0**
75th Pctl	**-10.0**	**-10.0**	**-10.0**	**-9.0**
# of Responses	**15**	**15**	**15**	**15**

	Bottom of target range** minus ON RRP rate (in bps)			
	Jan. 25-26	Mar. 15-16	May 3-4	Jun. 14-15
25th Pctl	**-5.0**	**-5.0**	**-5.0**	**-5.0**
Median	**-5.0**	**-5.0**	**-5.0**	**-5.0**
75th Pctl	**-5.0**	**-5.0**	**-5.0**	**-5.0**
# of Responses	**15**	**15**	**15**	**15**

	3-Month U.S. Treasury bill yield minus 3-Month OIS (in bps)			
	Jan. 25-26	Mar. 15-16	May 3-4	Jun. 14-15
25th Pctl	**-5.0**	**-6.0**	**-5.0**	**-5.0**
Median	**-5.0**	**-5.0**	**-5.0**	**-4.0**
75th Pctl	**-5.0**	**-4.0**	**-4.0**	**-3.0**
# of Responses	**15**	**15**	**15**	**15**

**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 overnight index swap rate (3m OIS)*

***Target range for the federal funds rate*

7) What percent chance do you attach to any additional U.S. federal fiscal policy measures being signed into law over the next 12 months (January 1, 2022 through December 31, 2022)?

(27 responses)

Probability of Additional U.S. Federal Fiscal Policy Measures	
	Next 12 Months
25th Pctl	**25%**
Median	**50%**
75th Pctl	**60%**

If you assigned a non-zero probability above, please provide your estimate of the most likely total amount of additional U.S. federal fiscal policy spending and revenue measures to be signed into law over the next 12 months (January 1, 2022 through December 31, 2022), conditional on there being such additional measures.

(25 responses)

Additional U.S. Federal Fiscal Policy Measures Estimates		
	Estimate of Most Likely Total Amount of Additional U.S. Federal Fiscal Policy Spending Measures ($ billions) Over Next 12 Months	Estimate of Most Likely Total Amount of Additional U.S. Federal Fiscal Policy Revenue Measures ($ billions) Over Next 12 Months
25th Pctl	**1000**	**500**
Median	**1300**	**1000**
75th Pctl	**1500**	**1200**

8a) Please provide the percent chance you attach to the following outcomes for headline PCE inflation in 2022, 2023, and 2024 (Q4/Q4).
(27 responses)

Headline PCE Inflation 2022 (Q4/Q4)										
	≤ 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%	2.51-2.75%	2.76-3.00%	≥ 3.01%
Average	**1%**	**1%**	**2%**	**4%**	**7%**	**17%**	**19%**	**18%**	**17%**	**15%**

Headline PCE Inflation 2023 (Q4/Q4)										
	≤ 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%	2.51-2.75%	2.76-3.00%	≥ 3.01%
Average	**2%**	**2%**	**5%**	**7%**	**16%**	**24%**	**20%**	**10%**	**6%**	**7%**

Headline PCE Inflation 2024 (Q4/Q4)										
	≤ 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%	2.51-2.75%	2.76-3.00%	≥ 3.01%
Average	**2%**	**3%**	**4%**	**8%**	**21%**	**26%**	**15%**	**9%**	**5%**	**6%**

8b) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from January 1, 2022 - December 31, 2026 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(28 responses)

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%
Average	**2%**	**8%**	**26%**	**35%**	**20%**	**9%**

	Most Likely Outcome
25th Pctl	**2.20%**
Median	**2.30%**
75th Pctl	**2.50%**

8c) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from January 1, 2027 - December 31, 2031 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(28 responses)

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%
Average	**4%**	**11%**	**27%**	**34%**	**16%**	**9%**

	Most Likely Outcome
25th Pctl	**2.05%**
Median	**2.25%**
75th Pctl	**2.33%**

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**?
(28 responses)

	Currently in U.S. Recession		U.S. Recession in 6 Months		Global Recession in 6 Months
25th Pctl	**0%**	25th Pctl	**4%**	25th Pctl	**5%**
Median	**1%**	Median	**9%**	Median	**10%**
75th Pctl	**4%**	75th Pctl	**16%**	75th Pctl	**17%**

**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) Please explain the factors behind any change to your expectations in part a since the last policy survey.
(24 responses)

Some respondents indicated that there were no significant changes to their recession probabilities. In describing the factors behind any changes to their responses, some respondents cited the prospect of tightening monetary policy, and several respondents indicated that they expected persistent elevated inflation or continued upside inflation risks to result in tighter monetary policy.