RESPONSES TO SURVEY OF MARKET PARTICIPANTS

Markets Group, Federal Reserve Bank of New York

JUNE 2022

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 28 market participants. Except where noted, all 28 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.

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[1] Answers may not sum to 100 percent due to rounding.

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

Current economic conditions:
(27 responses)

> **Some respondents indicated they expected little or no change. Some respondents expected a change to indicate that unemployment is no longer declining or has remained low. Several respondents indicated they expected a reference to the strong labor market or to job gains.**

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

> **Many respondents indicated they expected little or no change. Several respondents indicated they expected continued mention that ongoing increases in the target range will be appropriate.**

Communication on tools other than the target federal funds rate:
(27 responses)

> **Many respondents indicated they expected little or no change. Some respondents expected an indication that balance sheet reduction is proceeding in accordance with previously announced plans.**

Other:
(16 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' <u>target federal funds rate</u> projections in the SEP? Please provide your responses out to three decimal places.
(25 responses)

	Year-End 2022	Year-End 2023	Year-End 2024	Longer Run
25th Pctl	**2.50%**	**3.13%**	**2.88%**	**2.38%**
Median	**2.63%**	**3.13%**	**3.13%**	**2.38%**
75th Pctl	**2.88%**	**3.38%**	**3.25%**	**2.38%**

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

> **Many respondents indicated they expected the Chair to emphasize the FOMC's commitment to curbing inflation. Several respondents indicated they expected the Chair to reference elevated or persistent inflation, and several expected a reference to the tight labor market. Several respondents indicated they expected the Chair to suggest that the pace or extent of tightening is dependent on the path of inflation. Several respondents specified they expected the Chair to signal a 50-basis point rate increase at the July FOMC meeting. Several respondents indicated they expected the**

**Chair to reiterate a desire to move the policy rate "expeditiously" to neutral.
Several respondents expected some discussion of recession risks.**

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.

	Jun. 14-15	Jul. 26-27	Sep. 20-21	Nov. 1-2	Dec. 13-14	Jan. 31 - Feb. 1
25th Pctl	1.38%	1.88%	2.13%	2.38%	2.63%	2.63%
Median	1.38%	1.88%	2.13%	2.38%	2.63%	2.88%
75th Pctl	1.38%	1.88%	2.38%	2.38%	2.63%	2.88%
# of Responses	28	28	28	28	28	28

	2023 Q1	2023 Q2	2023 Q3	2023 Q4
25th Pctl	2.75%	2.88%	2.88%	2.88%
Median	3.00%	3.13%	3.13%	3.13%
75th Pctl	3.13%	3.38%	3.38%	3.38%
# of Responses	28	28	28	28

	2024 Q1	2024 Q2	2024 Q3	2024 Q4
25th Pctl	2.75%	2.63%	2.38%	2.25%
Median	3.13%	3.00%	2.75%	2.63%
75th Pctl	3.38%	3.38%	3.13%	3.13%
# of Responses	28	28	28	28

	2025	2026	2027	2028
25th Pctl	1.88%	1.88%	1.88%	1.88%
Median	2.38%	2.25%	2.38%	2.38%
75th Pctl	2.63%	2.63%	2.63%	2.38%
# of Responses	26	26	26	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.
(27 responses)

	Longer Run	10-yr Average FF Rate
25th Pctl	**2.00%**	**1.80%**
Median	**2.31%**	**2.13%**
75th Pctl	**2.50%**	**2.50%**

2c) Please indicate the percent chance that you attach to the target federal funds rate or range falling in each of the following ranges <u>immediately following the June and July FOMC meetings and at the end of 2022, 2023, and 2024</u>. 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 June 2022 FOMC Meeting									
≤ 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 - 2.50%	≥ 2.51%
Average **0%**	**0%**	**2%**	**10%**	**80%**	**7%**	**0%**	**0%**	**0%**	**0%**

Federal Funds Rate or Range after July 2022 FOMC Meeting									
≤ 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%**	**2%**	**5%**	**18%**	**63%**	**11%**	**1%**	**0%**	**0%**	**0%**

Federal Funds Rate or Range at the End of 2022									
≤ 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%**	**6%**	**9%**	**19%**	**29%**	**19%**	**10%**

Federal Funds Rate or Range at the End of 2023									
≤ 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 - 3.75%	≥ 3.76%
Average **8%**	**4%**	**4%**	**10%**	**7%**	**12%**	**16%**	**18%**	**9%**	**12%**

Federal Funds Rate or Range at the End of 2024									
≤ 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 - 3.75%	≥ 3.76%
Average **16%**	**9%**	**6%**	**15%**	**11%**	**11%**	**11%**	**9%**	**5%**	**7%**

2d) What is your estimate of the target federal funds rate or range at the effective lower bound?

(26 responses)

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

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

> **Some respondents indicated they changed their modal expectations for the target range for the federal funds rate compared with their prior survey response due to communications from FOMC officials.**

3a) Please provide your modal expectation for the <u>total net change in SOMA holdings</u> of U.S. Treasury securities and agency mortgage-backed securities (MBS) over each of the periods 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.
(22 responses)

Net Change in U.S. Treasury Securities ($ billions)						
	Jul. 2022	Aug. 2022	Sep. 2022	Oct. 2022	Nov. 2022	Dec. 2022
25th Pctl	**-30**	**-30**	**-60**	**-60**	**-60**	**-60**
Median	**-30**	**-30**	**-60**	**-60**	**-60**	**-60**
75th Pctl	**-30**	**-30**	**-60**	**-60**	**-60**	**-60**

Net Change in U.S. Treasury Securities ($ billions)							
	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
25th Pctl	**-180**	**-180**	**-180**	**-180**	**-180**	**-180**	**-180**	**-180**
Median	**-180**	**-180**	**-180**	**-180**	**-180**	**-180**	**-180**	**-120**
75th Pctl	**-180**	**-180**	**-180**	**-180**	**-180**	**-180**	**-90**	**0**

Net Change in U.S. Treasury Securities ($ billions)			
	2025 Q1	2025 Q2	2025 Q3	2025 Q4
25th Pctl	**-180**	**-180**	**-120**	**-120**
Median	**-105**	**-68**	**0**	**0**
75th Pctl	**0**	**40**	**40**	**40**

Net Change in Agency MBS ($ billions)						
	Jul. 2022	Aug. 2022	Sep. 2022	Oct. 2022	Nov. 2022	Dec. 2022
25th Pctl	-18	-18	-35	-35	-35	-35
Median	-18	-18	-27	-27	-26	-26
75th Pctl	-18	-18	-20	-21	-20	-20

Net Change in Agency MBS ($ billions)								
	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
25th Pctl	-105	-105	-105	-105	-105	-105	-105	-105
Median	-90	-93	-105	-105	-105	-105	-105	-73
75th Pctl	-60	-68	-66	-60	-63	-60	-60	-30

Net Change in Agency MBS ($ billions)				
	2025 Q1	2025 Q2	2025 Q3	2025 Q4
25th Pctl	-105	-105	-105	-105
Median	-60	-58	-40	-33
75th Pctl	0	0	0	0

3b) 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 May 25, 2022 was $8,479 billion according to the most recent H.4.1 release.
(23 responses)

	Period in which SOMA Portfolio Ceases to Decline*:	Size of SOMA Portfolio when it Ceases to Decline**:
25th Pctl	Q4 2024	5250
Median	Q2 2025	5750
75th Pctl	Q1 2026	6250

*Dropdown selections: 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

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 May 25, 2022 was $8,479 billion according to the most recent H.4.1 release.
(23 responses)

	$4000bn or smaller	$4001-4500bn	$4501-5000bn	$5001-5500bn	$5501-6000bn	$6001-6500bn	$6501-7000bn	$7001-7500bn	$7501bn or larger
Average	6%	8%	11%	15%	17%	21%	13%	6%	3%

4) 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)

Year-end 2022								
	≤ 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	1%	2%	6%	14%	31%	31%	11%	3%

Year-end 2023								
	≤ 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	3%	5%	8%	14%	26%	22%	14%	8%

5) Please provide the percent chance you attach to the following outcomes for U.S. real GDP growth in 2022, 2023, and 2024 (Q4/Q4).

(26 responses)

Probability Distribution of U.S. Real GDP Growth in 2022 (Q4/Q4)									
	< 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 - 3.50%	3.51 - 4.00%	≥ 4.01%
Average	4%	7%	6%	12%	18%	21%	18%	9%	4%	2%

Probability Distribution of U.S. Real GDP Growth in 2023 (Q4/Q4)									
	< 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 - 3.50%	3.51 - 4.00%	≥ 4.01%
Average	9%	6%	13%	17%	23%	18%	8%	3%	1%	1%

Probability Distribution of U.S. Real GDP Growth in 2024 (Q4/Q4)									
	< 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 - 3.50%	3.51 - 4.00%	≥ 4.01%
Average	10%	6%	10%	19%	27%	15%	8%	4%	1%	1%

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

(26 responses)

U.S. Real GDP Modal Point Estimates (Q4/Q4)			
	2022	2023	2024
25th Pctl	1.60%	1.30%	1.50%
Median	2.30%	1.90%	1.80%
75th Pctl	2.70%	2.10%	2.00%

6a) Please provide the percent chance you attach to the following outcomes for <u>headline PCE inflation</u> in 2022, 2023, and 2024 (Q4/Q4).
(25 responses)

Headline PCE Inflation 2022 (Q4/Q4)									
≤ 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%
1%	**1%**	**1%**	**2%**	**7%**	**14%**	**24%**	**19%**	**15%**	**16%**

Average

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%
3%	**2%**	**3%**	**4%**	**8%**	**13%**	**21%**	**15%**	**14%**	**18%**

Average

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%
4%	**3%**	**5%**	**7%**	**19%**	**21%**	**16%**	**10%**	**6%**	**9%**

Average

Please also provide your point estimate for the most likely outcome.
(24 responses)

Headline PCE Inflation Modal Point Estimates (Q4/Q4)			
	2022	2023	2024
25th Pctl	**4.30%**	**2.30%**	**2.00%**
Median	**4.78%**	**2.50%**	**2.20%**
75th Pctl	**5.00%**	**2.70%**	**2.30%**

6b) For the outcomes below, provide the percent chance you attach to the annual average <u>CPI inflation</u> rate from June 1, 2022 - May 31, 2027 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(25 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	**0%**	**1%**	**6%**	**21%**	**29%**	**23%**	**14%**	**7%**

	Most Likely Outcome
25th Pctl	**2.40%**
Median	**2.50%**
75th Pctl	**2.75%**

6c) For the outcomes below, provide the percent chance you attach to the annual average <u>CPI inflation</u> rate from June 1, 2027 - May 31, 2032 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(25 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	2%	4%	11%	28%	31%	15%	6%	4%

	Most Likely Outcome
25th Pctl	2.00%
Median	2.25%
75th Pctl	2.30%

7a) 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?
(27 responses)

	Currently in U.S. Recession		U.S. Recession in 6 Months		Global Recession in 6 Months
25th Pctl	0%	25th Pctl	10%	25th Pctl	15%
Median	2%	Median	20%	Median	28%
75th Pctl	10%	75th Pctl	33%	75th Pctl	30%

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.

7b) Please explain the factors behind any change to your expectations in part a since the last policy survey.
(22 responses)

In explaining increases to their estimates of recession, some respondents cited the tightening of monetary policy or financial conditions, and some respondents mentioned the softening or deceleration of recent economic activity.

7c) What percent chance do you attach to the U.S. economy next entering a recession* in each of the following periods?
(26 responses)

	2022	H1 2023	H2 2023	H1 2024	H2 2024	No recession by end 2024
Average	19%	19%	19%	13%	8%	23%

NBER-defined recession