SURVEY OF MARKET PARTICIPANTS

MAY 2022

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, April 25th at 2:00pm Eastern Time** to the questions below. Your time and input are greatly appreciated.

Type of Respondent:	**Market Participant**	Respondent Name:	

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

Current economic conditions:	
Economic outlook and communication on the expected path of the target federal funds rate:	
Communication on tools other than the target federal funds rate:	
Other:	

1b) 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 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.

	2022 FOMC meetings						2023 FOMC meeting
	May 3-4	Jun 14-15	Jul 26-27	Sep 20-21	Nov 1-2	Dec 13-14	Jan 31-Feb 1
Target rate / midpoint of target range:							

	Quarters			
	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Target rate / midpoint of target range:				

	Quarters			
	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Target rate / midpoint of target range:				

	Years			
	2025	2026	2027	2028
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 target federal funds rate or range falling in each of the following ranges immediately following the May and June FOMC meetings and 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.

	< 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%	Sum
May 3-4:											**0.00%**
June 14-15:											**0.00%**

	≤ 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%	
Year-end 2022**:											**0.00%**

	≤ 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%	
Year-end 2023**:											**0.00%**
Year-end 2024**:											**0.00%**

**Responses across each row should add up to 100 percent.*
***Bins were chosen with consideration to the March Summary of Economic Projections.*

2d) 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):	

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

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3) The following matrix lays out hypothetical scenarios in which the realized levels of the 2023 unemployment rate (Q4 average level) and 2023 core PCE inflation (Q4/Q4 growth) are either 50 basis points above, below, or equal to the medians of FOMC participants' projections for these indicators in the current (March 2022) Summary of Economic Projections (SEP). For example, the upper left box represents a scenario in which the unemployment rate and core PCE inflation are both 50 basis points below the current SEP medians.

For each of the following scenarios, please indicate the level of the target federal funds rate or range that you expect would prevail <u>at the end of Q1 2024</u>. If you expect a target range, please indicate the midpoint of that range in providing your response.*

		2023 Unemployment rate (Q4 average level)		
		- 50 bps	Current SEP median 3.5%	+ 50 bps
2023 Core PCE inflation (Q4/Q4 growth)	- 50 bps			
	Current SEP median 2.6%			
	+ 50 bps			

Please explain any assumptions underlying your responses.

**For reference, a similar question was last asked in the November 2021 survey.*

4a) 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.

Net change amounts referenced below are in $ billions.

<u>Total net change</u> over each period

Net change in SOMA holdings:	April 2022	May 2022	June 2022	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022
U.S. Treasuries ($ billions):									
Agency MBS ($ billions):									

<u>Total net change</u> over each quarter

Net change in SOMA holdings:	2023 Q1	2023 Q2	2023 Q3	2023 Q4
U.S. Treasuries ($ billions):				
Agency MBS ($ billions):				

<u>Total net change</u> over each quarter

Net change in SOMA holdings:	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
U.S. Treasuries ($ billions):								
Agency MBS ($ billions):								

4b) 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 April 13, 2022 was $8,505 billion according to the most recent H.4.1 release.

Period in which SOMA portfolio ceases to decline*:

**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.*

Size of SOMA portfolio when it ceases to decline**:

***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*

4c) Please provide any additional information on your expectations for balance sheet reduction that is not captured above.

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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.

	≤ 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%	Sum
Year-end 2022:									**0.00%**
Year-end 2023:									**0.00%**

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

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6) As of April 19, the 5-year, 5-year forward nominal Treasury yield increased by approximately 80 basis points since the March FOMC meeting. Please rate the importance of the following factors in explaining the change in the 5-year, 5-year forward nominal Treasury yield since the March FOMC meeting. **(5=very important, 1=not important).**

Changes in the outlook for the longer run real federal funds rate:	
Changes in the outlook for U.S. inflation:	
Changes in expectations for Fed balance sheet policy:	
Changes in expectations for foreign monetary policy:	
Changes in geopolitical factors:	
Changes in positioning or other technical factors:	
Other:	

If "Other", please explain:

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7) Please provide the percent chance* you attach to the following outcomes for U.S. real GDP growth in 2022, 2023, and 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%	Sum
2022 (Q4/Q4):											**0.00%**
2023 (Q4/Q4):											**0.00%**
2024 (Q4/Q4):											**0.00%**

**Responses across each row should add up to 100 percent. Bins were chosen with consideration to responses to question 9a in the March SPD.*

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

2022 (Q4/Q4):	
2023 (Q4/Q4):	
2024 (Q4/Q4):	

8a) Please provide the percent chance* you attach to the following outcomes for headline PCE inflation in 2022, 2023, and 2024 (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%	Sum
2022 (Q4/Q4):											**0.00%**

	≤ 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%	Sum
2023 (Q4/Q4):											**0.00%**
2024 (Q4/Q4):											**0.00%**

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

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

2022 (Q4/Q4):	
2023 (Q4/Q4):	
2024 (Q4/Q4):	

8b) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from May 1, 2022 - April 30, 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%	Sum
						0.00%

Point estimate for most likely outcome:

Responses should add up to 100 percent.

8c) For the outcomes below, provide the percent chance* you attach to the annual average CPI inflation rate from May 1, 2027 - April 30, 2032 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%	Sum
						0.00%

Point estimate for most likely outcome:

Responses should add up to 100 percent.

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**?	

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.

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