

# SURVEY OF PRIMARY DEALERS

## APRIL/MAY 2019



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 22nd at 2:00 pm Eastern Time** to the questions below. Your time and input are greatly appreciated.

Type of Respondent:

**Primary Dealer**

Respondent Name:

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

Current economic conditions:

Economic outlook:

Communication on the expected path of the target federal funds rate:

Other:

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

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.

Rating:

Please explain:

3a) 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.

	2019 FOMC meetings						2020 FOMC meetings
	Apr 30 - May 1	Jun 18-19	Jul 30-31	Sep 17-18	Oct 29-30	Dec 10-11	Jan 28-29
Target rate / midpoint of target range:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

  

	Quarters					Half Years	
	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 H2
Target rate / midpoint of target range:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

3b) 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:

3c) 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 2019.

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 2019
<input type="text"/>	<input type="text"/>	<input type="text"/>

\*Responses should add up to 100 percent.

**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 2019, conditional on the following possible scenarios for the direction of the Committee's next policy action between now and the end of 2019. 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.

	≤ 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%
Next change is an increase:								
	≤ 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 a decrease:								

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

**3e-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 2020 and 2021, conditional on **not moving to the zero lower bound (ZLB) at any point between now and the end of 2021**. 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 - 4.00%	≥ 4.01%
Year-end 2020:								
Year-end 2021:								

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

**3e-ii)** Please indicate the percent chance that you attach to moving to the ZLB at some point between now and the end of 2021.

Probability of moving to the ZLB at some point between now and the end of 2021:

**3e-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 2020 and 2021, conditional on moving to the ZLB at some point between now and the end of 2021. 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 2021. 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 2020:								
Year-end 2021:								

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

**3e-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):

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

**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 2019 and 2020.

	≤ 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 2019:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Year-end 2020:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

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

**5a)** Over the past week, the spread between the top of the target range for the federal funds rate and the interest on excess reserves (IOER) rate has been +10 basis points; the spread between IOER and the effective federal funds rate (EFFR) has averaged -1 basis points; the spread between IOER and the Overnight Bank Funding Rate (OBFR) has averaged 0 basis points; and the spread between the Tri-Party General Collateral Rate (TGCR) and the overnight reverse repurchase (ON RRP) rate has averaged +16 basis points. Please provide your expectation for each of these rate spreads immediately following each of the FOMC meetings below and over the longer run\*. **Please ensure your signs are correct.**

	Average over past week	2019 FOMC meetings				Longer run*
		Apr 30 - May 1	Jun 18-19	Jul 30-31	Sep 17-18	
Top of target range minus IOER (in bps):	+10	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
IOER minus EFFR (in bps):	-1	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
IOER minus OBFR (in bps):	0	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
TGCR minus ON RRP rate (in bps):	+16	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

\* "Longer run" as discussed in the [January 2019 Statement Regarding Monetary Policy Implementation and Balance Sheet Normalization](#).

5b) Please describe any assumptions that underlie your expectations in part a.

6a) Please indicate the lowest average weekly level (\$ billions) you expect reserve balances to reach between now and the end of 2025, conditional on not moving to the ZLB at any point between now and the end of 2025, as reported in the weekly H.4.1 release. For reference, the average level of reserve balances for the week ended April 10, 2019 was \$1635 billion according to the most recent H.4.1 release.

Lowest average weekly level of reserve balances (\$ billions):

6b) Please indicate the percent chance\* that you attach to the following possible outcomes for the par value of the domestic SOMA portfolio at the end of 2021, conditional on not moving to the ZLB at any point between now and the end of 2021. For reference, the level of the domestic SOMA portfolio on April 10, 2019 was \$3749 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.*

6c) Please indicate the percent chance\* that you attach to the following possible outcomes for the par value of the domestic SOMA portfolio at the end of 2021, conditional on moving to the ZLB at any point between now and the end of 2021. 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 2021 in question 3. Levels referenced below are in \$ billions.

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

*\*Responses should add up to 100 percent.*

6d) Please describe any assumptions that underlie your expectations in parts a-c.

**7a)** For the outcomes below, provide the percent chance\* you attach to the annual average CPI inflation rate from April 1, 2019 - March 31, 2024 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:

*\*Responses should add up to 100 percent.*

**7b)** For the outcomes below, provide the percent chance\* you attach to the annual average CPI inflation rate from April 1, 2024 - March 31, 2029 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:

*\*Responses should add up to 100 percent.*

**7c)** For the outcomes below, provide the percent chance\* you attach to the PCE inflation rate from April 1, 2021 - March 31, 2022 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

$\leq 0.75\%$	0.76 - 1.25%	1.26 - 1.75%	1.76 - 2.25%	2.26 - 2.75%	2.76 - 3.25%	$\geq 3.26\%$

Point estimate for most likely outcome:

*\*Responses should add up to 100 percent.*

Please explain the factors behind any change to your expectations for the 1-year-forward PCE inflation rate 2 years ahead since the June 2018 policy survey when this question was last asked.

**8a)** 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.*

**8b)** What percent chance\* do you attach to the U.S. economy first entering a recession\*\* in each of the following periods?

2019 or earlier	2020	2021	2022	2023 or later

\*Responses should add up to 100 percent.

\*\*NBER-defined recession

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

**9a)** Provide your estimate of the most likely outcome for output, inflation, and unemployment.

	Real GDP (Q4/Q4 Growth)	Core PCE Inflation (Q4/Q4)	Headline PCE Inflation (Q4/Q4)	Unemployment Rate (Q4 Average Level)
2019:				
2020:				
2021:				
Longer run:				

**9b)** Please explain changes, if any, to your estimates in part a since the last policy survey.