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 25 market participants. Except where noted, all 25 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.

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

Current economic conditions:

> **Many respondents indicated that they expected little or no change. Some respondents indicated they expected a change to language suggesting an improvement in labor market conditions, such as describing job gains as solid or removing language on the unemployment rate moving up. Several respondents saw a risk of such a change contingent upon the October Employment Situation report.**

Economic outlook and communication on the expected path of the target federal funds rate:
(24 responses)

> **Many respondents indicated they expected little or no change, outside of an update to reflect a further decrease in the target range by 25 basis points.**

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

> **Most respondents indicated they expected little or no change.**

Other:
(20 responses)

> **Respondents did not provide significant commentary in this section.**

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

> **Many respondents indicated they expected the Chair to note that any future adjustments in the target range for the federal funds rate would remain dependent on incoming economic data. Several respondents expected the Chair to reiterate that the Committee retains confidence that the economy is on a path to reaching its 2 percent inflation target. Several respondents indicated they expected the Chair to reiterate that risks to the dual mandate are roughly balanced. Several respondents indicated they expected the Chair to indicate that cuts to the federal funds rate are intended to reduce policy restraint.**

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	5
3	10
4	7
5 - Effective	2
# of Respondents	25

Please explain.
(22 responses)

With regard to communications viewed as being unclear or ineffective, several respondents referenced communications in advance of the 50-basis point cut at the September FOMC meeting. Several respondents referenced communications on the monetary policy reaction function. With regard to communications viewed as being clear or effective, several respondents referenced communications on adjustments to the federal funds rate remaining data dependent or more broadly on the outlook for the policy rate.

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 years below. For the time periods at which you expect a target range, please indicate the midpoint of that range in providing your response.

	Nov. 6-7	Dec. 17-18	Jan. 28-29	Mar. 18-19	May 6-7	Jun. 17-18	Jul. 29-30
25th Percentile	4.63%	4.38%	4.13%	4.13%	3.88%	3.63%	3.63%
Median	4.63%	4.38%	4.38%	4.13%	4.13%	3.88%	3.88%
75th Percentile	4.63%	4.38%	4.38%	4.13%	4.13%	3.88%	3.88%
# of Respondents	25	25	25	25	25	25	25

	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027	2028
25th Percentile	3.38%	3.13%	3.13%	2.88%	2.88%	2.88%	2.63%	2.63%
Median	3.63%	3.38%	3.13%	3.13%	3.13%	3.13%	2.94%	2.88%
75th Percentile	3.63%	3.38%	3.38%	3.38%	3.13%	3.13%	3.38%	3.19%
# of Respondents	25	25	25	25	25	25	24	24

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.

	10-yr Average FF Rate	Longer Run
25th Percentile	**3.00%**	**2.75%**
Median	**3.00%**	**2.88%**
75th Percentile	**3.25%**	**3.13%**
# of Respondents	**25**	**25**

3c) 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 November FOMC meeting and at the end of 2024 and 2025</u>. If you expect a target range, please use the midpoint of that range in providing your response.

Federal Funds Rate or Range after the November 2024 FOMC Meeting									
<= 3.50%	3.51 - 3.75%	3.76 - 4.00%	4.01 - 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	>= 5.51%
0%	**0%**	**0%**	**0%**	**5%**	**72%**	**22%**	**0%**	**0%**	**0%**

Average row above.

Federal Funds Rate or Range at the End of 2024									
<= 3.50%	3.51 - 3.75%	3.76 - 4.00%	4.01 - 4.25%	4.26 - 4.50%	4.51 - 4.75%	4.76 - 5.00%	5.01 - 5.25%	5.26 - 5.50%	>= 5.51%
0%	**0%**	**1%**	**6%**	**55%**	**29%**	**8%**	**0%**	**0%**	**0%**

Average row above.

Federal Funds Rate or Range at the End of 2025									
<= 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%
4%	**2%**	**5%**	**14%**	**27%**	**26%**	**13%**	**4%**	**2%**	**2%**

Average row above.

3d) Please indicate the percent chance that you attach to the <u>lowest</u> level of the target range for the federal funds rate before the target range is next <u>increased</u> falling in each of the following ranges.

<= 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 - 4.50%	>= 4.51%
5%	**2%**	**4%**	**7%**	**17%**	**23%**	**18%**	**13%**	**6%**	**3%**

Average row above.

3e) 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.

<= 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	3.01 - 3.50%	>= 3.51%
3%	**7%**	**20%**	**32%**	**26%**	**11%**

Average row above.

4a) Please provide your modal expectation for the average level of specified assets over each of the periods below. Average level amounts referenced below are in $ billions.

Expectations for the Average Level of Treasury Holdings in the SOMA Portfolio ($ billions)					
	Oct. 2024	Nov. 2024	Dec. 2024	Jan. 2025	Feb. 2025	Mar. 2025
25th Percentile	4,361	4,336	4,311	4,286	4,261	4,236
Median	4,361	4,336	4,311	4,300	4,289	4,289
75th Percentile	4,361	4,336	4,311	4,326	4,326	4,333
# of Respondents	19	19	19	19	19	19

Expectations for the Average Level of MBS in the SOMA Portfolio ($ billions)					
	Oct. 2024	Nov. 2024	Dec. 2024	Jan. 2025	Feb. 2025	Mar. 2025
25th Percentile	2,270	2,251	2,232	2,213	2,194	2,175
Median	2,275	2,255	2,235	2,215	2,195	2,181
75th Percentile	2,278	2,262	2,245	2,230	2,216	2,199
# of Respondents	19	19	19	19	19	19

Expectations for the Average Level of Total Assets on the Federal Reserve Balance Sheet ($ billions)					
	Oct. 2024	Nov. 2024	Dec. 2024	Jan. 2025	Feb. 2025	Mar. 2025
25th Percentile	7,093	7,033	6,973	6,924	6,883	6,855
Median	7,103	7,056	7,008	6,973	6,931	6,897
75th Percentile	7,110	7,068	7,025	7,006	6,968	6,961
# of Respondents	18	18	18	18	18	18

Expectations for the Average Level of Treasury Holdings in the SOMA Portfolio ($ billions)			
	2025 Q2	2025 Q3	2025 Q4	2026 Q4
25th Percentile	4,211	4,241	4,268	4,252
Median	4,299	4,311	4,365	4,515
75th Percentile	4,362	4,447	4,515	4,790
# of Respondents	19	19	19	18

Expectations for the Average Level of MBS in the SOMA Portfolio ($ billions)			
	2025 Q2	2025 Q3	2025 Q4	2026 Q4
25th Percentile	2,116	2,065	2,015	1,765
Median	2,140	2,087	2,034	1,843
75th Percentile	2,160	2,111	2,073	2,068
# of Respondents	19	19	19	18

Expectations for the Average Level of Total Assets on the Federal Reserve Balance Sheet ($ billions)				
	2025 Q2	2025 Q3	2025 Q4	2026 Q4
25th Percentile	6,793	6,790	6,793	6,793
Median	6,861	6,883	6,868	6,893
75th Percentile	6,933	6,923	6,958	7,018
# of Respondents	18	18	18	17

4b) Please indicate the period in which you expect the SOMA portfolio to <u>cease to decline</u>, and the size of the SOMA portfolio when it ceases to decline. Please also indicate the size of specified liabilities, reserves and take-up at the overnight reverse repurchase agreement facility, when the SOMA portfolio <u>ceases to decline</u>.

	Period in which SOMA portfolio ceases to decline*	Size of SOMA portfolio when it ceases to decline ($ billions)**	Size of reserves ($ billions)***	Take-up at the overnight reverse repurchase agreement facility ($ billions)****
25th Percentile	Jan. '25	6,375	2,875	125
Median	Mar. '25	6,375	3,000	125
75th Percentile	Jun. '25	6,625	3,125	125
# of Respondents	18	18	18	18

*Dropdown selections: October 2024, November 2024, December 2024, January 2025, February 2025, March 2025, April 2025, May 2025, June 2025, July 2025, August 2025, September 2025, October 2025, November 2025, December 2025, Q1 2026, Q2 2026, Q3 2026, Q4 2026, Q1 2027, Q2 2027, Q3 2027, Q4 2027, Q1 2028, Q2 2028, Q3 2028, Q4 2028, Q1 2029 or later.
**Dropdown selections: $0-250bn, $251-500bn, $501-750bn, $751-1000bn, $1001-1250bn, $1251-1500bn, $1501-1750bn, $1751-2000bn, $2001-2250bn, $2251-2500bn, $2501-2750bn, $2751-3000bn, $3001-3250bn, $3251-3500bn, $3501-3750bn, $3751-4000bn, $4001-4250bn, $4251-4500bn, $4501-4750bn, $4751-5000bn, $5001-5250bn, $5251-5500bn, $5501-5750bn, $5751-6000bn, $6001-6250bn, $6251-6500bn, $6501-6750bn.
***Dropdown selections: $1000bn or smaller, $1001-1250bn, $1251-1500bn, $1501-1750bn, $1751-2000bn, $2001-2250bn, $2251-2500bn, $2501-2750bn, $2751-3000bn, $3001-3250bn, $3251-3500bn, $3501-3750bn, $3751-4000bn, $4001bn or larger.
****Dropdown selections: $0-250bn, $251-500bn, $501-750bn, $751-1000bn, $1001-1250bn, $1251-1500bn, $1501-1750bn, $1751-2000bn, $2001-2250bn, $2251-2500bn, $2501bn or larger.

4c) 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 October 16, 2024 was $6,642 billion according to the most recent H.4.1 release.
(18 responses)

	$5000bn or smaller	$5001-5250bn	$5251-5500bn	$5501-5750bn	$5751-6000bn	$6001-6250bn	$6251-6500bn	$6501-6750bn	$6751bn or larger
Average	1%	1%	2%	4%	9%	21%	38%	25%	0%

4d) Please discuss factors behind your <u>baseline expectation</u> for when the SOMA portfolio will cease to decline. Please also discuss the <u>distribution of outcomes</u> around your baseline.
(15 responses)

Some respondents indicated they expected the end of balance sheet reduction to be determined by assessments of reserve levels, ON RRP take-up, or upward pressure on money market rates relative to administered rates. Several respondents indicated they expected that MBS runoff would continue

longer than the runoff of Treasury securities or that maturing MBS would be reinvested in Treasury securities once the reduction in the size of the balance sheet had been completed.

5)   Please provide your expectation for each of the selected money market rate spreads* for the day after each of the FOMC meetings.

Top of target range** minus IORB (in bps)				
	Nov. 6-7	Dec. 17-18	Jan. 28-29	Mar. 18-19
25th Percentile	10.0	10.0	10.0	10.0
Median	10.0	10.0	10.0	10.0
75th Percentile	10.0	10.0	10.0	10.0
# of Respondents	15	15	15	15

EFFR minus IORB (in bps)				
	Nov. 6-7	Dec. 17-18	Jan. 28-29	Mar. 18-19
25th Percentile	-7.0	-7.0	-7.0	-7.0
Median	-7.0	-7.0	-7.0	-7.0
75th Percentile	-7.0	-6.0	-5.5	-4.5
# of Respondents	15	15	15	15

SOFR minus IORB (in bps)				
	Nov. 6-7	Dec. 17-18	Jan. 28-29	Mar. 18-19
25th Percentile	-5.0	-5.0	-5.0	-5.0
Median	-5.0	-5.0	-5.0	-5.0
75th Percentile	-5.0	-4.0	-3.0	-3.0
# of Respondents	15	15	15	15

Bottom of target range** minus ON RRP rate (in bps)				
	Nov. 6-7	Dec. 17-18	Jan. 28-29	Mar. 18-19
25th Percentile	-5.0	-5.0	-5.0	-5.0
Median	-5.0	-5.0	-5.0	-5.0
75th Percentile	-5.0	-5.0	-5.0	-3.8
# of Respondents	16	16	16	16

3m U.S. Treasury bill yield minus 3m OIS (in bps)				
	Nov. 6-7	Dec. 17-18	Jan. 28-29	Mar. 18-19
25th Percentile	3.0	3.0	3.0	2.5
Median	4.0	4.0	3.0	3.0
75th Percentile	4.0	5.0	5.5	6.0
# of Respondents	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 fed funds overnight index swap rate (3m OIS).
**Target range for the federal funds rate.

6)   Please provide your estimate of the most likely level of the spread between the level of the effective federal funds rate (EFFR) and interest on reserve balances (IORB) conditional on each of the following hypothetical levels of combined reserve balances and take-up at the overnight reverse repurchase agreement facility.

Estimates of the EFFR-IORB Spread Conditional on Different Reserve Plus ON RRP Levels*									
	4000	3750	3250	3000	2750	2500	2250	2000	1750
25th Percentile	-7.0	-7.0	-7.0	-6.3	-6.0	-3.5	-1.8	-0.8	1.5
Median	-7.0	-7.0	-7.0	-5.0	-3.5	-1.0	0.0	3.0	6.5
75th Percentile	-7.0	-7.0	-4.8	-3.0	0.8	4.8	8.5	16.3	25.0
# of Respondents	12	12	12	12	12	12	12	12	12

Respondents were not asked to provide estimates for the EFFR-IORB spread when Reserves plus ON RRP levels total $3500 billion. The question noted that the EFFR-IORB spread was -7 basis points when Reserves plus ON RRP levels were $3501 billion based on the H.4.1 as of October 16, 2024.

Please discuss factors behind your expectations.
(14 responses)

Several respondents noted uncertainty in their estimates.

7)   Please provide the percent chance you attach to the following outcomes for U.S. real GDP growth in 2024 and 2025 (Q4/Q4).
(23 responses)

Probability Distribution of U.S. Real GDP Growth in 2024 (Q4/Q4)									
	<= -1.01%	-1.00 - -0.51%	-0.50 - 0.00%	0.01 - 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%	0%	0%	1%	2%	9%	17%	45%	21%	4%

Probability Distribution of U.S. Real GDP Growth in 2025 (Q4/Q4)									
	<= 0.00%	0.01 - 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	5%	5%	9%	17%	28%	18%	9%	3%	2%	2%

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

U.S. Real GDP Modal Point Estimates (Q4/Q4)		
	2024	2025
25th Percentile	2.10%	1.50%
Median	2.30%	1.70%
75th Percentile	2.44%	1.93%
# of Respondents	23	23

8) Please indicate your modal projections for headline and core PCE inflation for each of the following quarters.*

Headline PCE Inflation Quarterly Modal Point Estimates					
	Q3 2024 (saar)	Q4 2024 (saar)	Q1 2025 (saar)	Q2 2025 (saar)	Q3 2025 (saar)
25th Percentile	1.4%	2.1%	2.3%	2.0%	1.9%
Median	1.5%	2.4%	2.5%	2.1%	2.0%
75th Percentile	2.4%	2.4%	2.6%	2.3%	2.3%
# of Respondents	20	20	20	20	20

Core PCE Inflation Quarterly Modal Point Estimates					
	Q3 2024 (saar)	Q4 2024 (saar)	Q1 2025 (saar)	Q2 2025 (saar)	Q3 2025 (saar)
25th Percentile	2.0%	2.2%	2.2%	2.0%	2.0%
Median	2.1%	2.4%	2.5%	2.2%	2.1%
75th Percentile	2.5%	2.6%	2.6%	2.5%	2.4%
# of Respondents	21	21	21	21	21

*Percent change from the previous quarter at an annualized rate, based on the average of monthly levels (seasonally adjusted) in each quarter.

9a) Please provide the percent chance you attach to the following outcomes for headline PCE inflation in 2024 and 2025 (Q4/Q4).
(22 responses)

Probability Distribution of Headline PCE Inflation in 2024 (Q4/Q4)									
	<= 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	1%	1%	3%	16%	41%	24%	9%	4%	1%	0%

Probability Distribution of Headline PCE Inflation in 2025 (Q4/Q4)									
	<= 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	2%	5%	14%	31%	21%	11%	7%	5%	3%	2%

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

Headline PCE Inflation Modal Point Estimates (Q4/Q4)		
	2024	2025
25th Percentile	2.33%	2.10%
Median	2.41%	2.16%
75th Percentile	2.50%	2.28%
# of Respondents	22	22

9b) For the outcomes below, provide the percent chance you attach to the annual average <u>CPI inflation</u> rate from October 1, 2024 - September 30, 2029 falling in each of the following ranges.
(23 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	1%	1%	4%	17%	38%	25%	9%	5%

	Most Likely Outcome
25th Percentile	2.35%
Median	2.50%
75th Percentile	2.50%
# of Respondents	23

9c) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from October 1, 2029 - September 30, 2034 falling in each of the following ranges.
(23 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	1%	2%	7%	23%	36%	20%	7%	4%

	Most Likely Outcome
25th Percentile	**2.20%**
Median	**2.30%**
75th Percentile	**2.45%**
# of Respondents	**23**

10a) What percent chance do you attach to:

the U.S. economy currently being in a recession*?
the U.S. economy being in a recession* <u>in 6 months</u>?
the global economy being in a recession** <u>in 6 months</u>?

	Currently in U.S. Recession	U.S. Recession in 6 Months	Global Recession in 6 Months
25th Percentile	**0%**	**15%**	**17%**
Median	**5%**	**20%**	**25%**
75th Percentile	**7%**	**25%**	**30%**
# of Respondents	**24**	**24**	**24**

*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.*

10b) What percent chance do you attach to the U.S. economy first entering a recession* in each of the following periods?
(24 responses)

	H1 2024**	H2 2024	H1 2025	H2 2025	H1 2026	No recession by end H1 2026
Average	**0%**	**9%**	**22%**	**21%**	**17%**	**32%**

*NBER-defined recession
**Percent chance that the economy first entered an NBER-defined recession in H1 2024.*