Survey of Primary Dealers

Markets Group, Federal Reserve Bank of New York

September, 2011

Policy Expectations Survey

Please respond by **Monday, September 12th at 5:00 p.m.** to the questions below. Your time and input are greatly appreciated.

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 only involve topics that are widely discussed in the public domain and never presume any particular policy action. FOMC members are not involved in the survey's design. This survey should not be distributed, or its contents disclosed or discussed, beyond those directly involved in its completion.

Dealer:

Monetary Policy Expectations

1) Of the possible outcomes below, please indicate the percent chance* you attach to the indicated policy target range or target rate following each of the next 3 FOMC meetings:

	Level of Target Range or Rate						
	0.00% - 0.25%	**0.25%**	**0.50%**	**0.75%**	**1.00%**	**1.25%**	**>1.25%**
September 20-21:							
November 1-2:							
December 13:							

** Percentages should add up to **100 percent**.*

2) a) Do you expect any changes in the FOMC statement and if so, what changes?

3) Of the possible outcomes below, please indicate the percent chance* you attach to the timing of the first fed funds target rate increase:

Timing of First Increase :

2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	≥2014 Q1

** Percentages should add up to **100 percent**.*

Estimate for most likely quarter and year of first target rate increase: Dropdown

4) Provide your firm's estimate of the most likely outcome (i.e. the mode) for the fed funds target rate or range at the end of each quarter:

Fed Funds Target Rate or Range :

2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4
Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown

5) Of the possible outcomes below, please indicate the percent chance* you attach to the fed funds target rate or range 12 months from now:

	0.00% - 0.25%	0.26 - 0.50%	0.51 - 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.5%	≥2.51%
September 2012 :							

** Percentages should add up to **100 percent**.*

*** Distribution of probability buckets scaled to rates implied by September 2012 Eurodollar futures contracts.*

6) How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey on 8/1/11? Please provide a rating between 1 and 5, with 1 indicating **in**effectiveness and 5 indicating effectiveness.

Rank: Dropdown **Please explain:**

7) Recent FOMC communication has discussed several different ways monetary policy could be altered to provide either less or more accommodation.

a) For each listed policy tool, please indicate the probability the tool will be used to **signal future policy tightening or to tighten policy within the next 1 and 2 years.**

	Probability within 1 year	*Probability within 2 years*
Raise Interest on Excess Reserves		
Drain Reserves through Temporary Tools		
Halt Reinvestments		
Reduce Size of SOMA Portfolio through Selling Securities		
Reduce Duration of Portfolio*		
Change guidance on the period over which the target rate will remain in effect		

Please Explain:

*i.e. a deliberate action to decrease the duration of the SOMA portfolio, independent of other policy changes

b) For each listed policy tool, please indicate the probability the tool will be used to **signal future policy easing or to ease policy within the next 1 and 2 years.**

	Probability within 1 year	*Probability within 2 years*
Lower Interest on Excess Reserves		
Expand SOMA Portfolio through Security Purchases		
Increase Duration of Portfolio*		
Change guidance on the period over which the target rate will remain in effect		
Provide guidance on the period over which the SOMA portfolio will remain at the current level		

Please Explain:

*i.e. a deliberate action to increase the duration of the SOMA portfolio, independent of other policy changes

8) The August FOMC minutes discussed the range of policy tools available to the Committee should it decide that providing additional monetary accommodation was warranted. How do you think these tools might be structured, were they to be used?

a) If the FOMC were to change the forward guidance about the likely path of monetary policy, how would you expect this guidance to change?

Please explain :

b) If the Committee were to conduct additional SOMA-expanding asset purchases, what size would you expect a purchase program to be? Over what horizon would you expect the program to be completed? What range of maturities would you expect to be purchased?

	$ Billions		Months		Years
Expected Size of Program:		Expected Time Horizon:		Range of Maturities:	

Please explain :

c) If the committee were to increase the average maturity of the System's portfolio through selling securities with relatively short remaining maturities and purchasing securities with relatively long remaining maturities, what size would you expect this program to be? Over what horizon would you expect the program to be completed? What range of maturities would you expect to be purchased and sold?

	$ Billions		Months		*Purchases* Years	*Sales* Years
Expected Size of Program:		Expected Time Horizon:		Range of Maturities:		

Please explain :

d) If the FOMC were to lower the interest rate paid on excess reserves, what would you expect the new interest rate on excess reserves to be?

	Basis points
Expected Interest on Excess Reserves:	

Please explain :

Economic Indicator Forecasts

9) **a)** Provide your firm's estimate of the most likely outcome (i.e. the mode) for output and inflation:

	GDP (q.o.q.)	Core PCE (y.o.y.)	Headline PCE (y.o.y.)
2011 Q3 :			
2011 Q4 :			
2012 Q1 :			
2012 Q2 :			

b) Provide your firm's estimate of the most likely outcome (i.e. the mode) for output, inflation, and unemployment. Are the risks to output, inflation and unemployment skewed to the downside, balanced, or skewed to the upside relative to your forecast?

	GDP (Q4/Q4 Growth)		Core PCE (Q4/Q4 Growth)		Headline PCE (Q4/Q4 Growth)		Unemployment Rate (Q4 Average Level)	
	Estimate	*Balance of Risk*	*Estimate*	*Balance of Risk*	*Estimate*	*Balance of Risk*	*Estimate*	*Balance of Risk*
2011 :		Dropdown	Fill from 9a	Dropdown	Fill from 9a	Dropdown		Dropdown
2012 :		Dropdown		Dropdown		Dropdown		Dropdown
2013 :		Dropdown		Dropdown		Dropdown		Dropdown

Please comment on any risks you see to your forecast :

c) Do you feel more, less or equally uncertain regarding your economic forecasts since the last survey on 8/1/11?

GDP Uncertainty:	Dropdown	**Core PCE Uncertainty:**	Dropdown

10) What percent chance do you attach to the 4-quarter change in the core PCE deflator falling below zero by the end of Q3 2012?

11) For the outcomes below, please indicate the percent chance* you attach for the annual average CPI inflation rate from 2016 - 2021. Please also indicate your point estimate for the most likely outcome (i.e. the mode).

≤1.0%	1.01-1.5%	1.51-2.0%	2.01-2.5%	2.51-3.0%	≥3.01%		**Point estimate for most likely outcome:**	

Percentages should add up to **100 percent.*

12) **a)** What percent chance do you attach to the US economy **currently** being in a **RECESSION***? — **Recession currently:**
** NBER-defined recession.*

b) What percent chance would you attach to the US economy being in a **RECESSION* in 6 months**? — **Recession in 6 months:**
** NBER-defined recession.*

13) **a)** Please provide your firm's estimate of the most likely outcome (i.e., the mode) for the unemployment rate and headline 12-month PCE inflation at the time of your estimate for the first target rate increase.

Estimate for most likely quarter and year of first target rate increase:	Fill from 3
Unemployment Rate:	
Headline 12-month PCE Inflation:	

b)Given the levels of headline 12-month PCE inflation listed below, at what level of the unemployment rate would you expect the Committee to increase its target for the federal funds rate?

Headline 12-month PCE Inflation	*Unemployment Rate*
1.00%	
2.00%	
3.00%	

Please explain :

14) Please comment on any changes to your macroeconomic assessments since the last FOMC meeting.

Dropdown Selections

3) Estimate for most likely quarter and year of first target rate increase:

Q4 2011
Q1 2012
Q2 2012
Q3 2012
Q4 2012
Q1 2013
Q2 2013
Q3 2013
Q4 2013
Q1 2014
Q2 2014
Q3 2014
Q4 2014
Q1 2015
Q2 2015
Q3 2015
Q4 2015
Q1 2016
Q2 2016
Q3 2016
>=Q4 2016

4) Provide your firm's estimate of the most likely outcome (i.e. the mode) for the fed funds target rate or range at the end of each quarter:
Fed Funds Target Rate or Range :

0 - .25%
0.25%
0.50%
0.75%
1.00%
1.25%
1.50%
1.75%
2.00%
2.25%
2.50%
2.75%
3.00%
3.25%
3.50%
3.75%
4.00%
4.25%
4.50%
4.75%
5.00%
> 5.00%

6) How would you grade the Federal Reserve System's communication with the markets and with the public since the last policy survey on 8/1/11? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

Rank:
5 -- Very effective
4
3
2
1 -- Very ineffective

9) b) Provide your firm's estimate of the most likely outcome (i.e. the mode) for output, inflation, and unemployment. Are the risks to output, inflation and unemployment skewed to the downside, balanced, or skewed to the upside relative to your forecast?

Balance of Risk:
Downside
Balanced
Upside

c) Do you feel more, less or equally uncertain regarding your economic forecasts since the last survey on 8/1/11?

Uncertainty:
More Uncertain
Equally Uncertain
Less Uncertain