Survey of Primary Dealers
Markets Group, Federal Reserve Bank of New York
March, 2012

Policy Expectations Survey

Please respond by **Monday, March 5 at 5 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 involve only 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.

Dealer:

Monetary Policy Expectations

1) Of the possible outcomes below, please indicate the percent chance* you attach to the indicated federal funds 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%
March 13:							
April 24-25:							
June 19-20:							

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

2) 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 federal funds target rate increase.

Timing of First Increase :

2012 H1	2012 H2	2013 H1	2013 H2	2014 H1	2014 H2	2015 H1	2015 H2	2016 H1	≥2016 H2

** 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 federal funds target rate or range at the end of each half-year period:*

Federal Funds Target Rate or Range :

2012 H1	2012 H2	2013 H1	2013 H2	2014 H1	2014 H2	2015 H1	2015 H2	2016 H1	2016 H2
Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown	Dropdown

* Distribution of buckets scaled to Question 3.

5) Of the possible outcomes below, please indicate the percent chance* you attach to the federal 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%
March 2013** :							

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

** Distribution of probability buckets scaled to rates implied by March 2013 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 1/17/12? Please provide a rating between 1 and 5, with 1 indicating ineffectiveness and 5 indicating effectiveness.

Rank: Dropdown   **Please explain:**

7) FOMC communications have 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 at the next FOMC meeting and within the next 1 and 2 years.**

	Probability at next FOMC meeting	Probability within 1 year	Probability within 2 years	
Raise interest on excess reserves				**Please explain:**
Drain reserves through temporary tools				
Halt reinvestments				
Reduce size of SOMA portfolio through selling securities				
Reduce duration of portfolio*				
Change the forward guidance in the FOMC statement on the path of the federal funds rate				
Provide additional guidance on the likely path for the size and composition of the balance sheet				

*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 at the next FOMC meeting and within the next 1 and 2 years.**

	Probability at next FOMC meeting	Probability within 1 year	Probability within 2 years	
Lower interest on excess reserves				**Please explain:**
Expand SOMA portfolio through security purchases				
Increase duration of portfolio*				
Change the forward guidance in the FOMC statement on the path of the federal funds rate				
Provide additional guidance on the likely path for the size and composition of the balance sheet				

*i.e. a deliberate action to increase the duration of the SOMA portfolio beyond the currently announced maturity extension program, independent of other policy changes.

Economic Indicator Forecasts

8) 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 Deflator (y.o.y.)	Headline PCE Deflator (y.o.y.)
2012 Q1 :			
2012 Q2 :			
2012 Q3 :			
2012 Q4 :			

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 Deflator (Q4/Q4 Growth)		Headline PCE Deflator (Q4/Q4 Growth)		Unemployment Rate (Q4 Average Level)	
	Estimate	Balance of Risk	Estimate	Balance of Risk	Estimate	Balance of Risk	Estimate	Balance of Risk
2012 :		Dropdown	Fill from 8a	Dropdown	Fill from 8a	Dropdown		Dropdown
2013 :		Dropdown		Dropdown		Dropdown		Dropdown
2014 :		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 1/17/12?

GDP Uncertainty: Dropdown

Core PCE Deflator Uncertainty: Dropdown

9) What percent chance do you attach to the 4-quarter change in the core PCE deflator falling below zero by the end of Q1 2013?

10) For the outcomes below, please indicate the percent chance* you attach to the annual average CPI inflation rate from 2017 - 2022. 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** .*

11) a) What percent chance do you attach to the US economy **currently** being in a recession*?
* NBER-defined recession.

Recession currently:

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

Recession in 6 months:

12) 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 federal funds 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, listing any other factors you deem important in determining the timing of the first increase to the target federal funds rate :

13) Please indicate your view of the level of the unemployment rate that would currently be consistent with full (i.e. maximum non-inflationary) employment.

Unemployment Rate:

Please explain:

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

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

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
>=Q1 2017

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

Federal 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 1/17/12? 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

8) 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 1/17/12?

Uncertainty: More Uncertain
Equally Uncertain
Less Uncertain