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 28 market participants. Except where noted, all 28 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.

[1] Answers may not sum to 100 percent due to rounding.

List of Market Participants:
https://www.newyorkfed.org/markets/survey_market_participants

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

Current economic conditions:

In response to this question, some respondents indicated they expected a reference to geopolitical events or uncertainty, and several expected a reference to the associated impact on energy or commodity prices. Several respondents indicated they expected a reference to the strong labor market. Several respondents indicated they expected an adjustment to language around COVID-19, such as removing language around rising cases or sectors affected by the rise in cases.

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

Many respondents indicated they expected an increase in the target range for the federal funds rate. Some respondents indicated they expected some signal of further increases in the target range. In response to this question, several respondents indicated they expected a reference to geopolitical events or uncertainty.

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

Some respondents indicated they expected a reference to the end of net asset purchases, and several expected a reference to continued reinvestments.

Other:
(16 responses)

Most respondents did not provide significant commentary in this section. In response to this question, several respondents indicated they expected a reference to geopolitical events or uncertainty.

1b) What are your expectations for the most likely levels of the medians of FOMC participants' target federal funds rate projections in the SEP? Please provide your responses out to three decimal places.
(27 responses)

	Year-End 2022	Year-End 2023	Year-End 2024	Longer Run
25th Pctl	**1.38%**	**2.13%**	**2.38%**	**2.50%**
Median	**1.38%**	**2.13%**	**2.50%**	**2.50%**
75th Pctl	**1.63%**	**2.38%**	**2.63%**	**2.50%**

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

In response to this question, many respondents indicated they expected a reference to geopolitical events or uncertainty at the press conference.

Some respondents indicated they expected some discussion of balance sheet reduction at the press conference. Several respondents indicated they expected the Chair to signal a series of further increases in the target range for the federal funds rate.

Several respondents expected reference to elevated or broad inflationary pressures. Several respondents indicated they expected the Chair to mention tight labor markets.

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.
(27 responses)

	Mar. 15-16	May 3-4	Jun. 14-15	Jul. 26-27	Sep. 20-21	Nov. 1-2	Dec. 13-14	Jan. 31 - Feb. 1
25th Pctl	**0.38%**	**0.63%**	**0.88%**	**0.88%**	**1.13%**	**1.13%**	**1.38%**	**1.38%**
Median	**0.38%**	**0.63%**	**0.88%**	**1.13%**	**1.25%**	**1.38%**	**1.63%**	**1.63%**
75th Pctl	**0.38%**	**0.63%**	**0.88%**	**1.13%**	**1.38%**	**1.63%**	**1.88%**	**1.88%**
# of Responses	**28**	**28**	**28**	**28**	**28**	**28**	**28**	**28**

	2023 Q1	2023 Q2	2023 Q3	2023 Q4
25th Pctl	**1.63%**	**1.88%**	**2.00%**	**2.00%**
Median	**1.88%**	**2.13%**	**2.13%**	**2.38%**
75th Pctl	**2.13%**	**2.38%**	**2.63%**	**2.63%**
# of Responses	**28**	**28**	**28**	**28**

	2024 Q1	2024 Q2	2024 Q3	2024 Q4
25th Pctl	**2.13%**	**2.13%**	**2.13%**	**2.13%**
Median	**2.38%**	**2.50%**	**2.50%**	**2.50%**
75th Pctl	**2.88%**	**2.88%**	**2.88%**	**2.88%**
# of Responses	**28**	**28**	**28**	**28**

	2025	2026	2027	2028
25th Pctl	**1.88%**	**2.00%**	**1.88%**	**1.88%**
Median	**2.38%**	**2.38%**	**2.38%**	**2.38%**
75th Pctl	**2.88%**	**2.63%**	**2.63%**	**2.63%**
# of Responses	**27**	**27**	**27**	**27**

2b) Provide your estimate for the most likely value for the following indicators at the time of the next increase in the target range for the federal funds rate.
(25 responses)

Most Likely Value of Economic Indicator at Time of Next Increase in Target Range				
	Unemployment Rate	Labor Force Participation Rate	Total Change in the Level of Real GDP Since 2019 Q4	Headline 12-month PCE Inflation
25th Pctl	**3.8%**	**62.3%**	**3.2%**	**5.4%**
Median	**3.8%**	**62.3%**	**3.7%**	**6.1%**
75th Pctl	**3.8%**	**62.3%**	**4.9%**	**6.1%**

2c) 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.
(27 responses)

	Longer Run	10-yr Average FF Rate
25th Pctl	**2.00%**	**1.50%**
Median	**2.19%**	**1.88%**
75th Pctl	**2.50%**	**2.38%**

2d) 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 March and May 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.

Federal Funds Rate or Range after March 2022 FOMC Meeting										
	< 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%
Average	**0%**	**6%**	**85%**	**8%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**

Federal Funds Rate or Range after May 2022 FOMC Meeting										
	< 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%
Average	**1%**	**3%**	**17%**	**62%**	**16%**	**1%**	**0%**	**0%**	**0%**	**0%**

Federal Funds Rate or Range at the End of 2022										
	< 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%
Average	**1%**	**2%**	**2%**	**4%**	**7%**	**17%**	**21%**	**16%**	**18%**	**12%**

Federal Funds Rate or Range at the End of 2023										
	≤ 0.75%	0.76 - 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%
Average	**6%**	**3%**	**3%**	**5%**	**7%**	**17%**	**12%**	**13%**	**14%**	**20%**

Federal Funds Rate or Range at the End of 2024										
	≤ 0.75%	0.76 - 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%
Average	**8%**	**3%**	**3%**	**3%**	**5%**	**10%**	**11%**	**19%**	**15%**	**22%**

2e) What is your estimate of the target federal funds rate or range at the effective lower bound?
(26 responses)

	Level of Target Federal Funds Rate or Range at ELB
25th Pctl	**-0.50%**
Median	**0.00%**
75th Pctl	**0.13%**

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

Many respondents indicated they raised or brought forward their modal expectations for increases in the target range for the federal funds rate compared with their prior survey response due to higher realized inflation. Some respondents attributed their expectations for earlier or more policy rate increases to tighter labor markets. Several respondents cited communications from FOMC officials, several cited higher inflation expectations or forecasts, and several specified higher energy or commodity inflation.

3a) 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.
(22 responses)

Net Change in U.S. Treasury Securities ($ billions)							
	Mid-Mar. to end-Mar. 2022	Apr. 2022	May 2022	Jun. 2022	Jul. 2022	Aug. 2022	Sep. 2022
25th Pctl	**0**	**0**	**0**	**-30**	**-50**	**-60**	**-60**
Median	**0**	**0**	**0**	**0**	**-20**	**-40**	**-44**
75th Pctl	**0**	**0**	**0**	**0**	**-10**	**-20**	**-24**

Net Change in U.S. Treasury Securities ($ billions)					
	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
25th Pctl	**-180**	**-180**	**-180**	**-180**	**-180**
Median	**-144**	**-150**	**-150**	**-150**	**-150**
75th Pctl	**-120**	**-135**	**-135**	**-135**	**-135**

Net Change in U.S. Treasury Securities ($ billions)								
	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
25th Pctl	**-180**	**-180**	**-180**	**-150**	**-150**	**-129**	**-120**	**-120**
Median	**-135**	**-150**	**-140**	**-115**	**-100**	**-90**	**-80**	**-75**
75th Pctl	**-100**	**-100**	**-100**	**-100**	**-50**	**0**	**0**	**0**

Net Change in Agency MBS ($ billions)							
	Mid-Mar. to end-Mar. 2022	Apr. 2022	May 2022	Jun. 2022	Jul. 2022	Aug. 2022	Sep. 2022
25th Pctl	**0**	**0**	**0**	**-15**	**-25**	**-30**	**-30**
Median	**0**	**0**	**0**	**0**	**-15**	**-20**	**-20**
75th Pctl	**0**	**0**	**0**	**0**	**-5**	**-10**	**-15**

Net Change in Agency MBS ($ billions)					
	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
25th Pctl	**-90**	**-90**	**-100**	**-100**	**-90**
Median	**-72**	**-84**	**-84**	**-90**	**-90**
75th Pctl	**-60**	**-60**	**-60**	**-60**	**-60**

Net Change in Agency MBS ($ billions)								
	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
25th Pctl	**-90**	**-90**	**-90**	**-90**	**-80**	**-75**	**-75**	**-75**
Median	**-75**	**-75**	**-75**	**-60**	**-60**	**-57**	**-54**	**-30**
75th Pctl	**-60**	**-60**	**-60**	**-30**	**-10**	**0**	**0**	**0**

If your responses above do not reflect a period in which SOMA holdings decline (e.g. Treasury and Agency MBS values in a given period sum to a negative number and are not blank), please provide your modal expectation for the earliest quarter in which SOMA holdings decline.

There were only two responses.*

**Dropdown selections: Q1 2022, 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.*

3b) Please describe your expectations regarding the Committee's approach to balance sheet reduction, including any expectations around U.S. Treasury coupons and bills, agency mortgage-backed securities (MBS), reinvestments, and asset sales.
(25 responses)

Some respondents indicated they expected caps on securities reductions, and several respondents specified a phase-in of caps over time.

Several respondents indicated they viewed sales of agency mortgage-backed securities as possible.

Several respondents indicated they expected Treasury bills to roll off the balance sheet.

3c) If you expect the SOMA portfolio to decline, please indicate the percent chance that you attach to the level of the target federal funds rate or range falling in the following ranges when the SOMA portfolio first declines. If you expect a target range, please use the midpoint of that range in providing your response.
(25 responses)

	≤ 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 - 2.25%	≥ 2.26%
Average	**0%**	**5%**	**25%**	**38%**	**21%**	**7%**	**2%**	**1%**	**1%**	**0%**

3d) 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 February 23, 2022 was $8,462 billion according to the most recent H.4.1 release.
(23 responses)

	Period in which SOMA Portfolio Ceases to Decline*:	Size of SOMA Portfolio when it Ceases to Decline**:
25th Pctl	**Q2 2025**	**5000**
Median	**Q1 2026**	**5250**
75th Pctl	**Q2 2026**	**5750**

**Dropdown selections: Q1 2022, 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.*
***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*

3e) 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 February 23, 2022 was $8,462 billion according to the most recent H.4.1 release.

(24 responses)

	$4000bn or smaller	$4001-4500bn	$4501-5000bn	$5001-5500bn	$5501-6000bn	$6001-6500bn	$6501-7000bn	$7001-7500bn	$7501bn or larger
Average	**6%**	**10%**	**19%**	**21%**	**17%**	**11%**	**8%**	**5%**	**3%**

4) Provide your estimate of the most likely outcome for the 10-year Treasury yield at the end of each period below. In addition, provide your estimate of the longer-run level of the 10-year Treasury yield. For reference, as of March 1 the yield was roughly 1.73 percent.

	2022 Q1	2022 Q2	2022 Q3	2022 Q4
25th Pctl	**1.75%**	**1.90%**	**2.00%**	**2.15%**
Median	**1.80%**	**2.00%**	**2.11%**	**2.25%**
75th Pctl	**1.90%**	**2.00%**	**2.25%**	**2.50%**
# of Responses	**26**	**26**	**26**	**26**

	2023 H1	2023 H2	2024 H1	2024 H2	Longer Run
25th Pctl	**2.25%**	**2.25%**	**2.25%**	**2.25%**	**2.10%**
Median	**2.45%**	**2.50%**	**2.50%**	**2.50%**	**2.50%**
75th Pctl	**2.60%**	**2.80%**	**3.00%**	**3.00%**	**3.25%**
# of Responses	**26**	**25**	**25**	**25**	**25**

5) Provide your estimate of the most likely outcome for the 30-year fixed primary mortgage rate at the end of each period below. In addition, provide your estimate of the longer-run level of the 30-year fixed primary mortgage rate. For reference, as of March 1 the rate was roughly 3.90 percent.

	2022 Q1	2022 Q2	2022 Q3	2022 Q4
25th Pctl	**3.90%**	**3.94%**	**4.00%**	**4.00%**
Median	**4.00%**	**4.03%**	**4.20%**	**4.25%**
75th Pctl	**4.05%**	**4.20%**	**4.30%**	**4.50%**
# of Responses	**24**	**24**	**24**	**24**

	2023 H1	2023 H2	2024 H1	2024 H2	Longer Run
25th Pctl	**4.11%**	**4.06%**	**4.10%**	**4.00%**	**3.83%**
Median	**4.35%**	**4.40%**	**4.38%**	**4.48%**	**4.16%**
75th Pctl	**4.75%**	**4.90%**	**5.00%**	**5.00%**	**5.00%**
# of Responses	**24**	**24**	**24**	**24**	**24**

6) What percent chance do you attach to any additional U.S. federal fiscal policy measures being signed into law over the next 12 months (March 1, 2022 through February 28, 2023)?
(27 responses)

Probability of Additional U.S. Federal Fiscal Policy Measures	
	Next 12 Months
25th Pctl	**25%**
Median	**40%**
75th Pctl	**50%**

If you assigned a non-zero probability above, please provide your estimate of the most likely total amount of additional U.S. federal fiscal policy spending and revenue measures to be signed into law over the next 12 months (March 1, 2022 through February 28, 2023), conditional on there being such additional measures.
(26 responses)

Additional U.S. Federal Fiscal Policy Measures Estimates		
	Estimate of Most Likely Total Amount of Additional U.S. Federal Fiscal Policy Spending Measures ($ billions) Over Next 12 Months	Estimate of Most Likely Total Amount of Additional U.S. Federal Fiscal Policy Revenue Measures ($ billions) Over Next 12 Months
25th Pctl	**750**	**250**
Median	**1000**	**500**
75th Pctl	**1200**	**1000**

7a) Please provide the percent chance you attach to the following outcomes for headline PCE inflation in 2022, 2023, and 2024 (Q4/Q4).
(25 responses)

Headline PCE Inflation 2022 (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%
Average	**2%**	**2%**	**3%**	**8%**	**17%**	**20%**	**19%**	**13%**	**9%**	**6%**

Headline PCE Inflation 2023 (Q4/Q4)										
	≤ 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%
Average	**2%**	**2%**	**5%**	**8%**	**13%**	**18%**	**21%**	**14%**	**7%**	**9%**

Headline PCE Inflation 2024 (Q4/Q4)										
	≤ 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%
Average	**2%**	**3%**	**5%**	**8%**	**19%**	**24%**	**18%**	**9%**	**5%**	**8%**

Please also provide your point estimate for the most likely outcome.
(25 responses)

Headline PCE Inflation Modal Point Estimates (Q4/Q4)			
	2022	2023	2024
25th Pctl	**3.40%**	**2.10%**	**2.00%**
Median	**3.85%**	**2.25%**	**2.10%**
75th Pctl	**4.50%**	**2.60%**	**2.30%**

7b) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from March 1, 2022 - February 28, 2027 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(26 responses)

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%
Average	**2%**	**7%**	**19%**	**35%**	**25%**	**13%**

	Most Likely Outcome
25th Pctl	**2.35%**
Median	**2.50%**
75th Pctl	**2.60%**

7c) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from March 1, 2027 - February 29, 2032 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.
(26 responses)

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%
Average	**4%**	**11%**	**29%**	**32%**	**15%**	**9%**

	Most Likely Outcome
25th Pctl	**2.00%**
Median	**2.23%**
75th Pctl	**2.30%**

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**?
(27 responses)

	Currently in U.S. Recession		U.S. Recession in 6 Months		Global Recession in 6 Months
25th Pctl	**0%**	25th Pctl	**5%**	25th Pctl	**15%**
Median	**1%**	Median	**20%**	Median	**25%**
75th Pctl	**5%**	75th Pctl	**25%**	75th Pctl	**30%**

**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) Please explain the factors behind any change to your expectations in part a since the last policy survey. (26 responses)

In describing the factors behind any changes to their responses, most respondents attributed increases in recession probabilities to geopolitical events, and some specified associated increases in energy or commodity prices.