RESPONSES TO SURVEY OF PRIMARY DEALERS

Markets Group, Federal Reserve Bank of New York

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The **Survey of Primary Dealers** 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 dealers, along with the 25th and 75th percentiles, are reported. For questions that ask respondents to give a probability distribution, the average response across dealers 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 primary dealers. Except where noted, all 25 dealers responded to each question. In some cases, dealers 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 Primary Dealers:
www.newyorkfed.org/mafrkets/primarydealers

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

Current economic conditions:

Many dealers indicated they expected little or no change. Several dealers indicated they expected a reference to slowing growth or downside risks around growth.

Economic outlook and communication on the expected path of the target federal funds rate:

In response to this question, many dealers indicated they expected a 50-basis point increase in the target range for the federal funds rate. Some dealers indicated they expected some signal of further increases in the target range. Several dealers indicated they saw some possibility that the statement would reflect that the Committee expects to move the target range to neutral "expeditiously".

Communication on tools other than the target federal funds rate:

Most dealers indicated they expected an announcement of balance sheet reduction. In response to this question, several indicated they expected balance sheet reduction to start in May, and several others indicated they expected June. Some dealers indicated they expected caps on securities reductions.

Other:
(13 responses)

Dealers did not provide significant commentary in this section.

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

Some dealers indicated they expected the Chair to emphasize the FOMC's commitment to addressing inflation and the need for further rate increases. Several dealers indicated they expected the Chair to reference elevated inflationary pressures or risks, and several dealers expected reference to the strong labor market.

On balance sheet policy, some dealers indicated they expected the Chair to provide detail on balance sheet reduction. On rate expectations, several dealers specified they expected the Chair to reiterate a desire to move the target range "expeditiously" to neutral. Several dealers indicated they expected the Chair to signal the potential for one or more additional 50-basis point rate increases at subsequent meetings.

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.

	May 3-4	Jun. 14-15	Jul. 26-27	Sep. 20-21	Nov. 1-2	Dec. 13-14	Jan. 31 - Feb. 1
25th Pctl	**0.88%**	**1.38%**	**1.63%**	**1.88%**	**2.13%**	**2.38%**	**2.63%**
Median	**0.88%**	**1.38%**	**1.63%**	**1.88%**	**2.13%**	**2.38%**	**2.63%**
75th Pctl	**0.88%**	**1.38%**	**1.88%**	**2.13%**	**2.38%**	**2.63%**	**2.88%**
# of Responses	**25**	**25**	**25**	**25**	**25**	**25**	**25**

	2023 Q1	2023 Q2	2023 Q3	2023 Q4
25th Pctl	**2.63%**	**2.63%**	**2.63%**	**2.63%**
Median	**2.88%**	**2.88%**	**2.88%**	**3.13%**
75th Pctl	**2.88%**	**3.13%**	**3.38%**	**3.13%**
# of Responses	**25**	**25**	**25**	**25**

	2024 Q1	2024 Q2	2024 Q3	2024 Q4
25th Pctl	**2.63%**	**2.63%**	**2.63%**	**2.63%**
Median	**3.00%**	**2.88%**	**2.88%**	**2.88%**
75th Pctl	**3.38%**	**3.13%**	**3.13%**	**3.13%**
# of Responses	**22**	**22**	**22**	**22**

	2025	2026	2027	2028
25th Pctl	**2.13%**	**2.13%**	**2.13%**	**2.13%**
Median	**2.63%**	**2.38%**	**2.38%**	**2.38%**
75th Pctl	**3.13%**	**2.88%**	**2.63%**	**2.63%**
# of Responses	**22**	**22**	**21**	**21**

2b) 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	10-yr Average FF Rate
25th Pctl	**2.13%**	**2.13%**
Median	**2.38%**	**2.25%**
75th Pctl	**2.50%**	**2.65%**

2c) 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 May and June 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.
(22 responses)

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	**0%**	**0%**	**0%**	**6%**	**88%**	**5%**	**0%**	**0%**	**0%**	**0%**

Federal Funds Rate or Range after June 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%**	**0%**	**0%**	**1%**	**3%**	**13%**	**64%**	**17%**	**2%**	**0%**

Federal Funds Rate or Range at the End of 2022										
	≤ 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	**1%**	**1%**	**1%**	**2%**	**8%**	**14%**	**27%**	**23%**	**16%**	**7%**

Federal Funds Rate or Range at the End of 2023										
	≤ 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 - 3.75%	≥ 3.76%
Average	**5%**	**3%**	**6%**	**13%**	**13%**	**14%**	**13%**	**11%**	**11%**	**11%**

Federal Funds Rate or Range at the End of 2024										
	≤ 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 - 3.75%	≥ 3.76%
Average	**9%**	**5%**	**8%**	**11%**	**14%**	**15%**	**14%**	**10%**	**9%**	**7%**

2d) What is your estimate of the target federal funds rate or range at the effective lower bound?

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

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

Some dealers 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 communications from FOMC officials. Several dealers cited higher inflation expectations, and several others cited higher realized inflation. Several dealers indicated that, given their inflation expectations, they expected the Committee to increase the target range for the federal funds rate into restrictive territory.

3) The following matrix lays out hypothetical scenarios in which the realized levels of the 2023 unemployment rate (Q4 average level) and 2023 core PCE inflation (Q4/Q4 growth) are either 50 basis points above, below, or equal to the medians of FOMC participants' projections for these indicators in the current (March 2022) Summary of Economic Projections (SEP). For example, the upper left box represents a scenario in which the unemployment rate and core PCE inflation are both 50 basis points below the current SEP medians.

For each of the following scenarios, please indicate the level of the target federal funds rate or range that you expect would prevail at the end of Q1 2024. If you expect a target range, please indicate the midpoint of that range in providing your response.*

25th Percentile Responses

2023 Core PCE Inflation (Q4/Q4)	2023 Unemployment Rate (Q4 average level): - 50 bps	Current SEP median 3.5%	+ 50 bps
- 50 bps	2.63%	2.38%	2.10%
Current SEP median 2.6%	3.00%	2.80%	2.50%
+ 50 bps	3.63%	3.20%	3.00%

Median Responses

2023 Core PCE Inflation (Q4/Q4)	2023 Unemployment Rate (Q4 average level): - 50 bps	Current SEP median 3.5%	+ 50 bps
- 50 bps	2.63%	2.63%	2.38%
Current SEP median 2.6%	3.13%	2.88%	2.63%
+ 50 bps	3.88%	3.50%	3.13%

75th Percentile Responses

2023 Core PCE Inflation (Q4/Q4)	2023 Unemployment Rate (Q4 average level): - 50 bps	Current SEP median 3.5%	+ 50 bps
- 50 bps	2.88%	2.63%	2.38%
Current SEP median 2.6%	3.38%	3.13%	2.88%
+ 50 bps	4.13%	3.70%	3.38%

Please explain any assumptions underlying your responses.
(21 responses)

Many dealers specifically described inflation as more important than the unemployment rate for the level of the target range for the federal funds rate at the time horizon specified in the question. Several dealers' written responses indicated they expected the Committee would be more responsive to higher inflation scenarios.

4a) Please provide your modal expectation for the total net change in SOMA holdings 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.
(23 responses)

Net Change in U.S. Treasury Securities ($ billions)									
	Apr. 2022	May 2022	Jun. 2022	Jul. 2022	Aug. 2022	Sep. 2022	Oct. 2022	Nov. 2022	Dec. 2022
25th Pctl	0	-20	-40	-60	-60	-60	-60	-60	-60
Median	0	-10	-40	-50	-60	-60	-60	-60	-60
75th Pctl	0	0	-20	-40	-60	-60	-60	-60	-60

Net Change in U.S. Treasury Securities ($ billions)								
	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
25th Pctl	-180	-180	-180	-180	-180	-180	-180	-180
Median	-180	-180	-180	-180	-180	-178	-168	-130
75th Pctl	-180	-180	-180	-180	-170	-90	-23	0

Net Change in U.S. Treasury Securities ($ billions)				
	2025 Q1	2025 Q2	2025 Q3	2025 Q4
25th Pctl	-137	-83	0	0
Median	0	0	0	0
75th Pctl	38	90	90	90

Net Change in Agency MBS ($ billions)									
	Apr. 2022	May 2022	Jun. 2022	Jul. 2022	Aug. 2022	Sep. 2022	Oct. 2022	Nov. 2022	Dec. 2022
25th Pctl	0	-13	-25	-32	-35	-35	-35	-35	-35
Median	0	-6	-20	-25	-30	-30	-29	-28	-28
75th Pctl	0	0	-12	-20	-24	-25	-21	-21	-21

Net Change in Agency MBS ($ billions)								
	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
25th Pctl	**-105**	**-105**	**-105**	**-105**	**-105**	**-105**	**-105**	**-92**
Median	**-84**	**-90**	**-90**	**-88**	**-75**	**-66**	**-68**	**-57**
75th Pctl	**-59**	**-66**	**-70**	**-61**	**-51**	**-57**	**-43**	**-30**

Net Change in Agency MBS ($ billions)				
	2025 Q1	2025 Q2	2025 Q3	2025 Q4
25th Pctl	**-75**	**-73**	**-69**	**-68**
Median	**-48**	**-54**	**-43**	**-38**
75th Pctl	**-10**	**0**	**0**	**0**

4b) 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 April 13, 2022 was $8,505 billion according to the most recent H.4.1 release.

	Period in which SOMA Portfolio Ceases to Decline*:	Size of SOMA Portfolio when it Ceases to Decline**:
25th Pctl	**Q4 2024**	**5750**
Median	**Q1 2025**	**6250**
75th Pctl	**Q2 2025**	**6250**

**Dropdown selections: 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*

4c) Please provide any additional information on your expectations for balance sheet reduction that is not captured above.
(23 responses)

Some dealers indicated they viewed sales of mortgage-backed securities (MBS) as possible. Several dealers indicated they expected MBS principal payments to not exceed their expected maximum cap on MBS reductions. Several dealers indicated they saw rotation of MBS into Treasuries as possible in the long run.

5) 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 2022 and 2023.

Year-end 2022								
	≤ 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	**1%**	**2%**	**7%**	**16%**	**30%**	**28%**	**12%**	**4%**

Year-end 2023								
	≤ 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	**2%**	**4%**	**8%**	**18%**	**24%**	**22%**	**14%**	**7%**

6) As of April 19, the 5-year, 5-year forward nominal Treasury yield increased by approximately 80 basis points since the March FOMC meeting. Please rate the importance of the following factors in explaining the change in the 5-year, 5-year forward nominal Treasury yield since the March FOMC meeting. **(5=very important, 1=not important).**

Factors Explaining the Change in the 5-year, 5-year Forward Nominal Treasury Yield Since the March FOMC							
	Changes in the outlook for the longer run real federal funds rate	Changes in the outlook for U.S. inflation	Changes in expectations for Fed balance sheet policy	Changes in expectations for foreign monetary policy	Changes in geopolitical factors	Changes in positioning or other technical factors	Other (Please Explain)
1-Not Important	0	0	2	2	6	7	0
2	4	1	5	7	12	8	0
3	2	3	7	7	4	6	0
4	8	11	6	7	2	3	0
5-Very Important	11	10	5	2	1	1	1
# of Responses	25	25	25	25	25	25	1

If "Other", please explain:
(1 responses)

Dealers did not provide significant commentary in this section.

7) Please provide the percent chance you attach to the following outcomes for U.S. real GDP growth in 2022, 2023, and 2024 (Q4/Q4).
(21 responses)

Probability Distribution of U.S. Real GDP Growth in 2022 (Q4/Q4)										
	< 0.00%	0.00 - 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	**2%**	**3%**	**5%**	**14%**	**19%**	**22%**	**17%**	**10%**	**5%**	**3%**

Probability Distribution of U.S. Real GDP Growth in 2023 (Q4/Q4)										
	< 0.00%	0.00 - 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	**7%**	**8%**	**11%**	**16%**	**22%**	**20%**	**9%**	**4%**	**2%**	**1%**

Probability Distribution of U.S. Real GDP Growth in 2024 (Q4/Q4)										
	< 0.00%	0.00 - 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	**10%**	**9%**	**12%**	**18%**	**23%**	**16%**	**7%**	**3%**	**1%**	**0%**

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

U.S. Real GDP Modal Point Estimates (Q4/Q4)			
	2022	2023	2024
25th Pctl	**1.90%**	**1.70%**	**1.35%**
Median	**2.10%**	**1.80%**	**1.80%**
75th Pctl	**2.60%**	**2.10%**	**2.00%**

8a) Please provide the percent chance you attach to the following outcomes for headline PCE inflation in 2022, 2023, and 2024 (Q4/Q4).
(22 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%**	**2%**	**3%**	**5%**	**10%**	**17%**	**23%**	**20%**	**15%**

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	**1%**	**2%**	**3%**	**4%**	**8%**	**16%**	**20%**	**16%**	**14%**	**15%**

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%**	**9%**	**16%**	**21%**	**18%**	**12%**	**8%**	**8%**

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

Headline PCE Inflation Modal Point Estimates (Q4/Q4)			
	2022	2023	2024
25th Pctl	**4.70%**	**2.30%**	**2.00%**
Median	**5.00%**	**2.50%**	**2.10%**
75th Pctl	**5.30%**	**2.70%**	**2.30%**

8b) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from May 1, 2022 - April 30, 2027 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%
Average	**3%**	**6%**	**15%**	**25%**	**26%**	**25%**

	Most Likely Outcome
25th Pctl	**2.50%**
Median	**2.80%**
75th Pctl	**3.10%**

8c) For the outcomes below, provide the percent chance you attach to the annual average CPI inflation rate from May 1, 2027 - April 30, 2032 falling in each of the following ranges. Please also provide your point estimate for the most likely outcome.

	≤ 1.00%	1.01 - 1.50%	1.51 - 2.00%	2.01 - 2.50%	2.51 - 3.00%	≥ 3.01%
Average	**3%**	**9%**	**23%**	**39%**	**20%**	**7%**

	Most Likely Outcome
25th Pctl	**2.20%**
Median	**2.30%**
75th Pctl	**2.40%**

9a) 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**?
(24 responses)

	Currently in U.S. Recession
25th Pctl	**1%**
Median	**3%**
75th Pctl	**5%**

	U.S. Recession in 6 Months
25th Pctl	**10%**
Median	**20%**
75th Pctl	**25%**

	Global Recession in 6 Months
25th Pctl	**20%**
Median	**25%**
75th Pctl	**33%**

**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.*

9b) Please explain the factors behind any change to your expectations in part a since the last policy survey.
(24 responses)

In describing factors behind any changes to their responses, several dealers attributed increases in recession probabilities to tightening monetary policy, several cited geopolitical risks, and several cited lockdowns in China.

10a) Provide your estimate of the most likely outcome for output, inflation, and unemployment.
(19 responses)

		2022	2023	2024	Longer Run
Real GDP (Q4/Q4 Growth)	25th Pctl	**1.90%**	**1.70%**	**1.20%**	**1.80%**
	Median	**2.10%**	**1.80%**	**1.80%**	**1.90%**
	75th Pctl	**2.60%**	**2.10%**	**2.00%**	**2.00%**
Core PCE Inflation (Q4/Q4)	25th Pctl	**3.90%**	**2.50%**	**2.00%**	**-**
	Median	**4.00%**	**2.60%**	**2.20%**	**-**
	75th Pctl	**4.40%**	**2.80%**	**2.30%**	**-**
Headline PCE Inflation (Q4/Q4)	25th Pctl	**4.60%**	**2.30%**	**2.00%**	**2.00%**
	Median	**5.00%**	**2.50%**	**2.10%**	**2.00%**
	75th Pctl	**5.30%**	**2.70%**	**2.30%**	**2.00%**
Unemployment Rate (Q4 Average Level)	25th Pctl	**3.30%**	**3.30%**	**3.40%**	**3.60%**
	Median	**3.40%**	**3.40%**	**3.50%**	**4.00%**
	75th Pctl	**3.50%**	**3.70%**	**4.10%**	**4.00%**

10b) Please explain changes, if any, to your estimates in part a since the last policy survey.
(21 responses)

In describing the factors underlying changes to their estimates, many dealers indicated they revised their GDP growth estimates downward in response to expectations for increased monetary policy tightening. Many dealers noted increases in their inflation expectations. Several cited realized inflation data, and several cited impacts on inflation from the Russian invasion of Ukraine.