



FEDERAL RESERVE BANK *of* NEW YORK

Market Expectations and U.S. Monetary Policy

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Federal Reserve Bank of New York
March 30, 2017

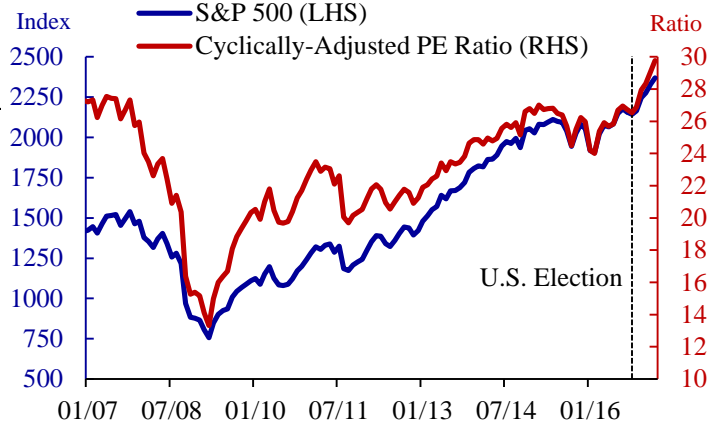
Confidential and only for distribution to the official sector.

(1) Asset Price Changes Since Nov. FOMC

	Nov. FOMC to Jan./Feb. FOMC	Since Jan./Feb. FOMC	Total Change
S&P 500 Index	+7.9 %	+3.3 %	+11.4 %
KBW Bank Index	+22.7 %	-0.0 %	+22.7 %
High-Yield OAS	-104 bps	+15 bps	-89 bps
U.S. Broad T.W. Dollar	+2.0 %	-1.3 %	+0.7 %
Nominal 10-Year TSY Yield	+63 bps	-4 bps	+58 bps
E.M. Bond Spread Index	-16 bps	-21 bps	-38 bps

Source: Barclays, Bloomberg, Federal Reserve Board, J.P. Morgan

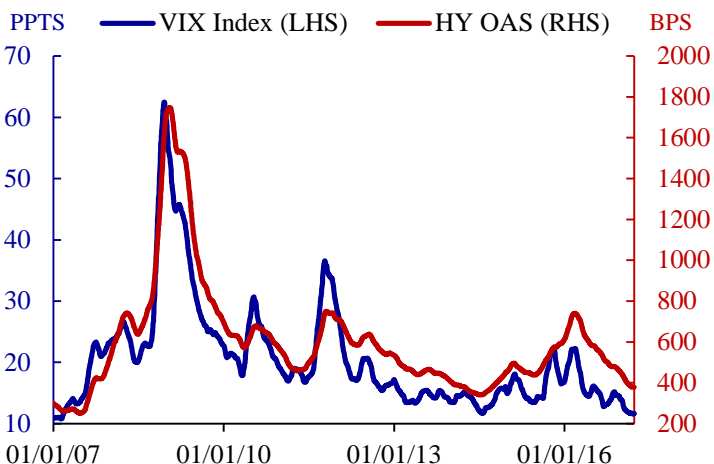
(2) S&P 500 Index and Cyclically-Adjusted PE Ratio*



*Cyclically-adjusted PE ratio is a monthly series, S&P 500 is a monthly average.

Source: Bloomberg, Robert Shiller

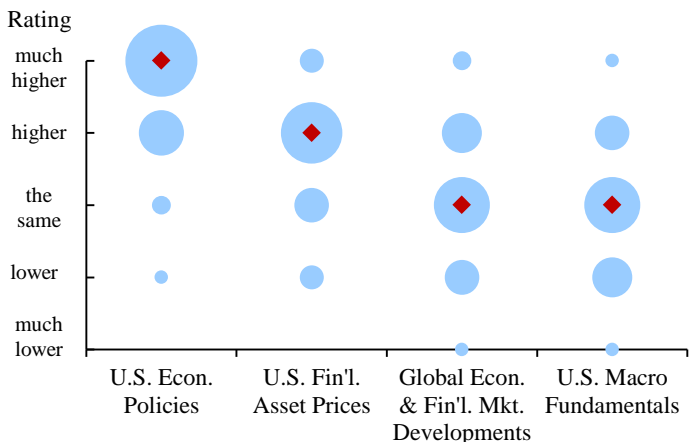
(3) VIX Index and High-Yield Credit OAS*



*Rolling 50-day average.

Source: Barclays, Bloomberg

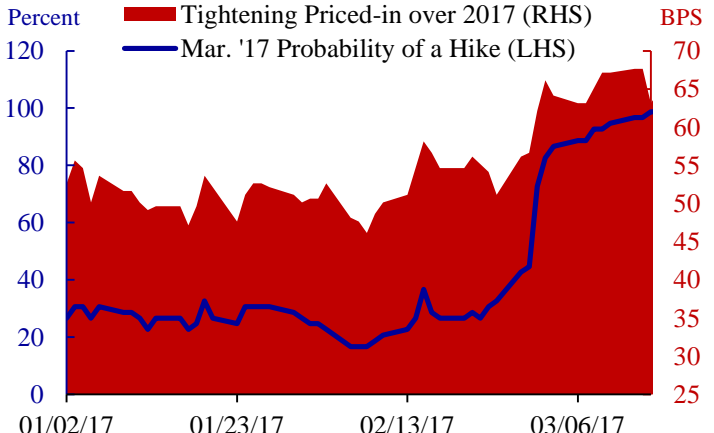
(4) Assessment of Uncertainty Relative to October*



*Dots scaled by percent of respondents from the March Surveys of Primary Dealers and Market Participants. Red diamond is median.

Source: FRBNY

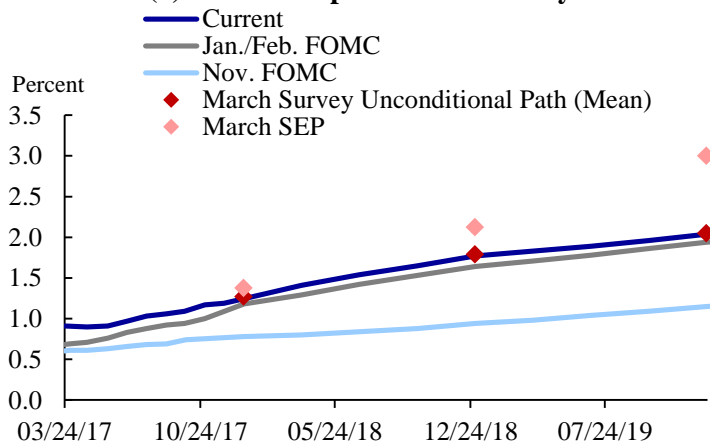
(5) Probability of a March Rate Hike and Amount of Tightening Priced-in over 2017*



*Assumes futures contracts price in a rolling 6 month average EFFR decline on month-end dates. As of close on 03/15/17, day of March FOMC decision.

Source: Bloomberg, Desk Calculations

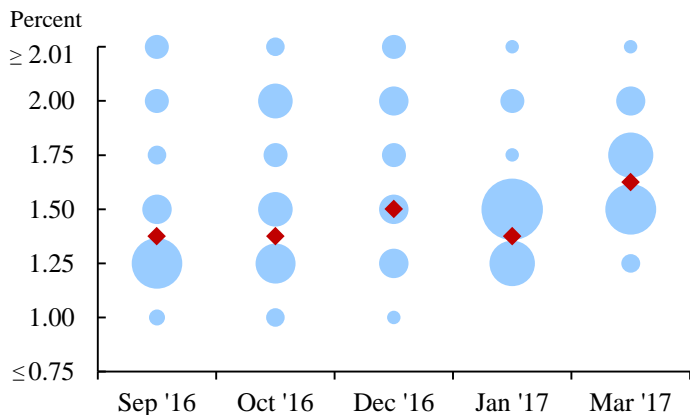
(6) Market-Implied Path of Policy*



*Market-implied paths derived from federal funds and Eurodollar futures. Survey path is the average PDF-implied means from the March Surveys of Primary Dealers and Market Participants.

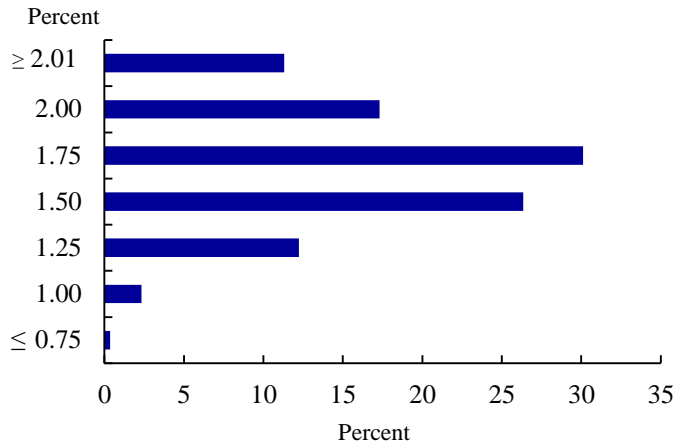
Source: Bloomberg, Desk Calculations, Federal Reserve Board, FRBNY

(7) Modal Fed Funds Rate Expectations for First Announced Change in Reinvestment Policy*



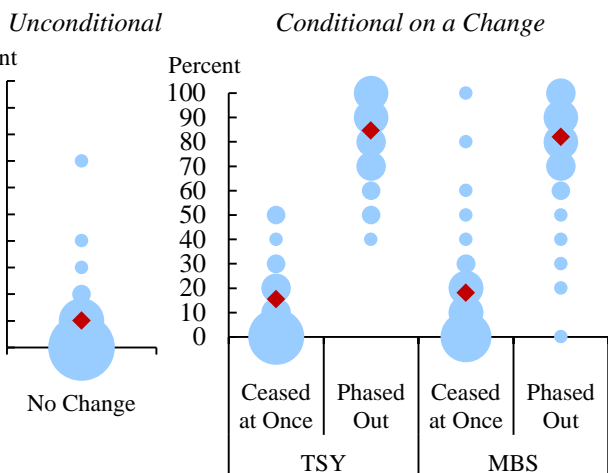
*Dots scaled by percent of respondents from the Surveys of Primary Dealers and Market Participants. Red diamond is median.
Source: FRBNY

(8) Average PDF of Fed Funds Rate Expected at First Announced Change in Reinvestment Policy*



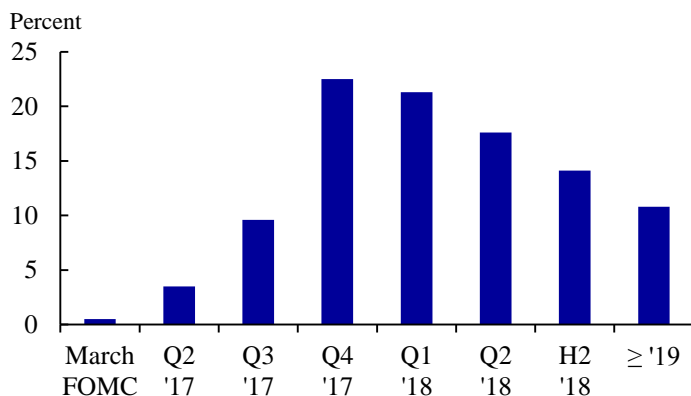
*Based on all responses from the March Surveys of Primary Dealers and Market Participants.
Source: FRBNY

(9) Probability of Reinvestment Outcomes*



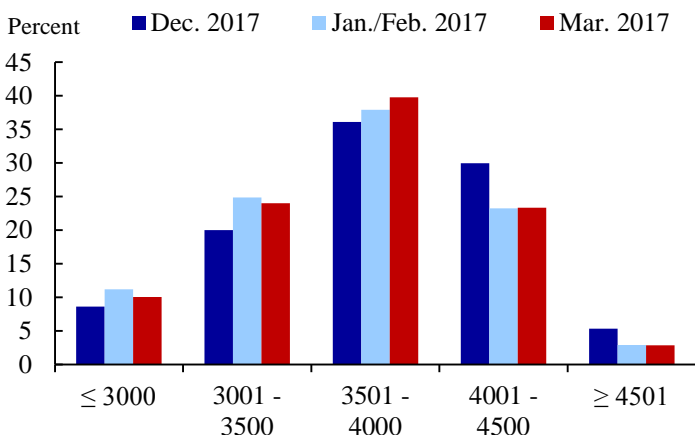
*Dots scaled by percent of respondents from the March Surveys of Primary Dealers and Market Participants. Red diamond is average.
Source: FRBNY

(10) Average PDF of Expected Time of First Announced Change in Reinvestment Policy*



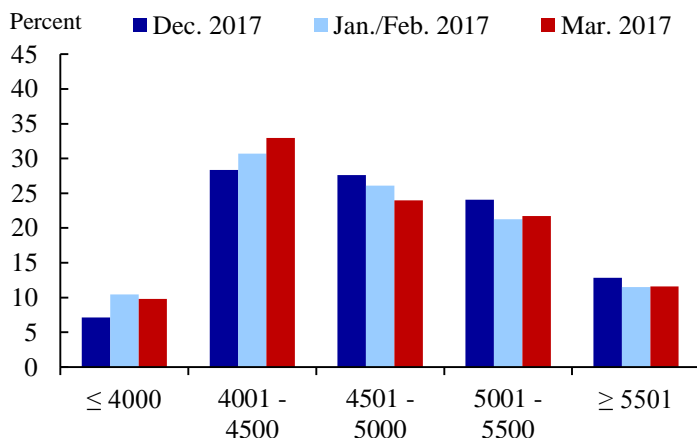
*Conditional on less than 100 percent probability assigned to no change in reinvestments. Based on all responses from the March Surveys of Primary Dealers and Market Participants.
Source: FRBNY

(11) Size of SOMA at End of 2019 Conditional on Not Moving to the ZLB



*Not a matched panel. Based on all responses from the Surveys of Primary Dealers and Market Participants.
Source: FRBNY

(12) Size of SOMA at End of 2019 Conditional on Moving to the ZLB



*Not a matched panel. Based on all responses from the Surveys of Primary Dealers and Market Participants.
Source: FRBNY