FED SURVEY
September 15, 2020

These survey results represent the opinions of 37 of the nation's top money managers, investment strategists, and professional economists.

They responded to CNBC's invitation to participate in our online survey. Their responses were collected on September 10-12, 2020.

Participants were not required to answer every question.

Results are also shown for identical questions in earlier surveys.

This is not intended to be a scientific poll and its results should not be extrapolated beyond those who did accept our invitation.

Contents (Click on a question to go directly to the results)

1. At its September meeting, the Federal Reserve will:

2. After this month's meeting, will the Fed's next directional move be a hike or a cut?

3. Do you believe the Fed will have to take additional actions to shore up the financial system?

For those answering "Yes" -- What action or actions do you think the Fed will have to take?

When do you expect the Fed to take the action?

4. As of September 2, the Fed's balance sheet stood at $6.96 trillion. It will:

To what size do you believe the Fed's balance sheet will eventually grow and when will it reach its maximum size?

5. The Fed will allow inflation to overshoot its 2% target for as long as

6. In the current environment, what level of average inflation over a six-month period do you believe would prompt the Federal Reserve to tighten policy?

7. What impact, if any, has the absence of a new Phase IV relief bill had on your GDP forecast for:

8. Congress is currently debating a phase IV COVID-19 relief bill. How large should this package be:

9. When you consider the economic effects of the coronavirus and the actions by Congress and the Federal Reserve, the impact on prices will be?

10. The Fed's new Statement on Longer-Run Goals and Monetary Policy Strategy:

11. When do you believe economic activity in the U.S. will be fully restored?

12. What is the probability there will be a second wave of coronavirus infections in the fall and winter? (0%=No chance, 100%=Certainty)

13. What is your q/q forecast for annualized GDP growth in:

14. Relative to your forecasts for earnings and economic growth, stock prices now are:

15. Do you generally approve or disapprove of the job President Trump is doing handling the economy?

16. What is your assessment of the job President Trump is doing handling the COVID-19 (coronavirus) outbreak?

17. What is the probability President Trump will be reelected to a second term? (0%=No chance, 100%=Certainty)

18. Which candidate ...

19. Please rate each candidate's proposed economic policies in the following areas on a scale of 0 to 5, where a higher number indicates a better policy.

20. The winner of the presidential election will be first known:

21. Is the possibility of a contested election a current risk to the stock market?

22. Where do you expect the S&P 500 stock index will be on …?

23. What do you expect the yield on the 10-year Treasury note will be on … ?

24. Where do you expect the fed funds target rate will be on …?

25. What is your forecast for the Q4/Q4 percentage change in real U.S. GDP for … ?

26. Compared to your forecast earlier this year, the U.S. economic recovery from COVID-19 is proceeding?

27. What is your forecast for the year-over-year percentage change in the headline U.S. CPI for …?

28. What do you expect the U.S. unemployment rate will be for:

29. Is the COVID-induced recession in the U.S. still underway or has it ended?

For those who said the recession is still underway: When do you expect the current U.S. recession to end?

For those who said the recession has ended: When did it end?

30. What is your primary area of interest?

Comments

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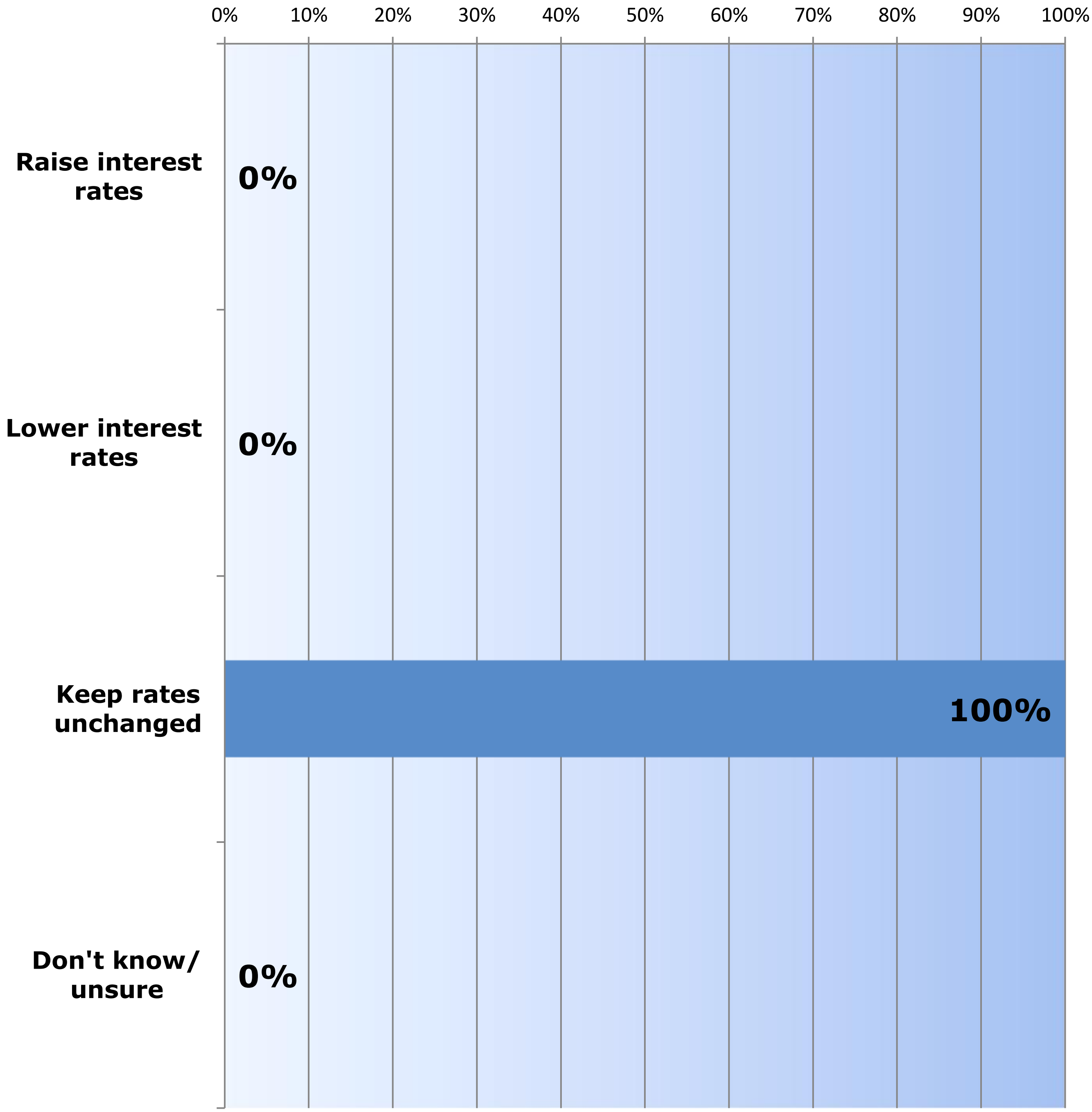

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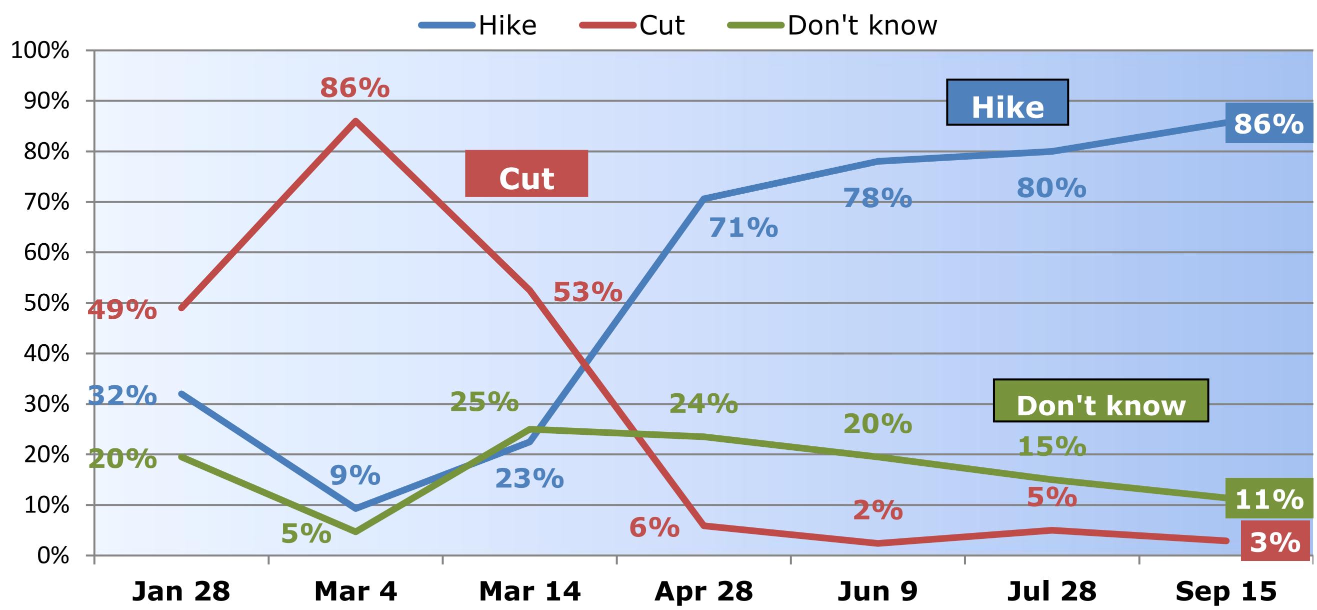

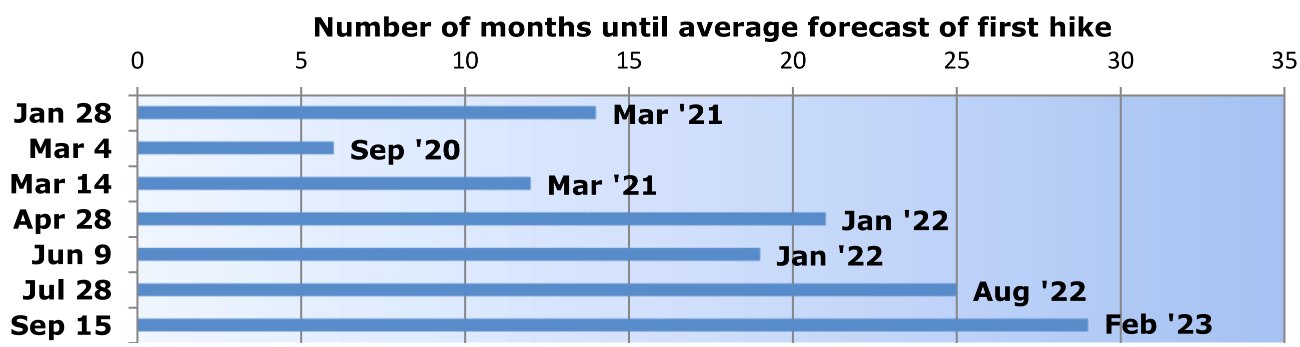

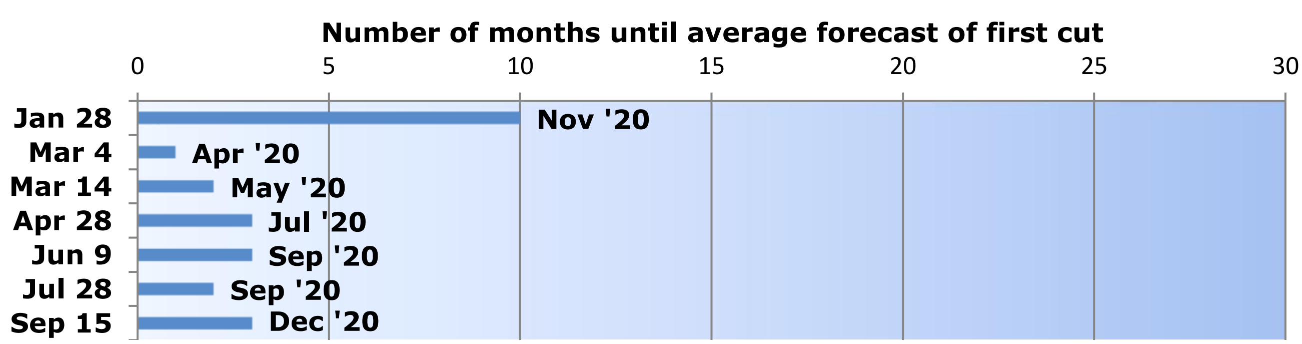

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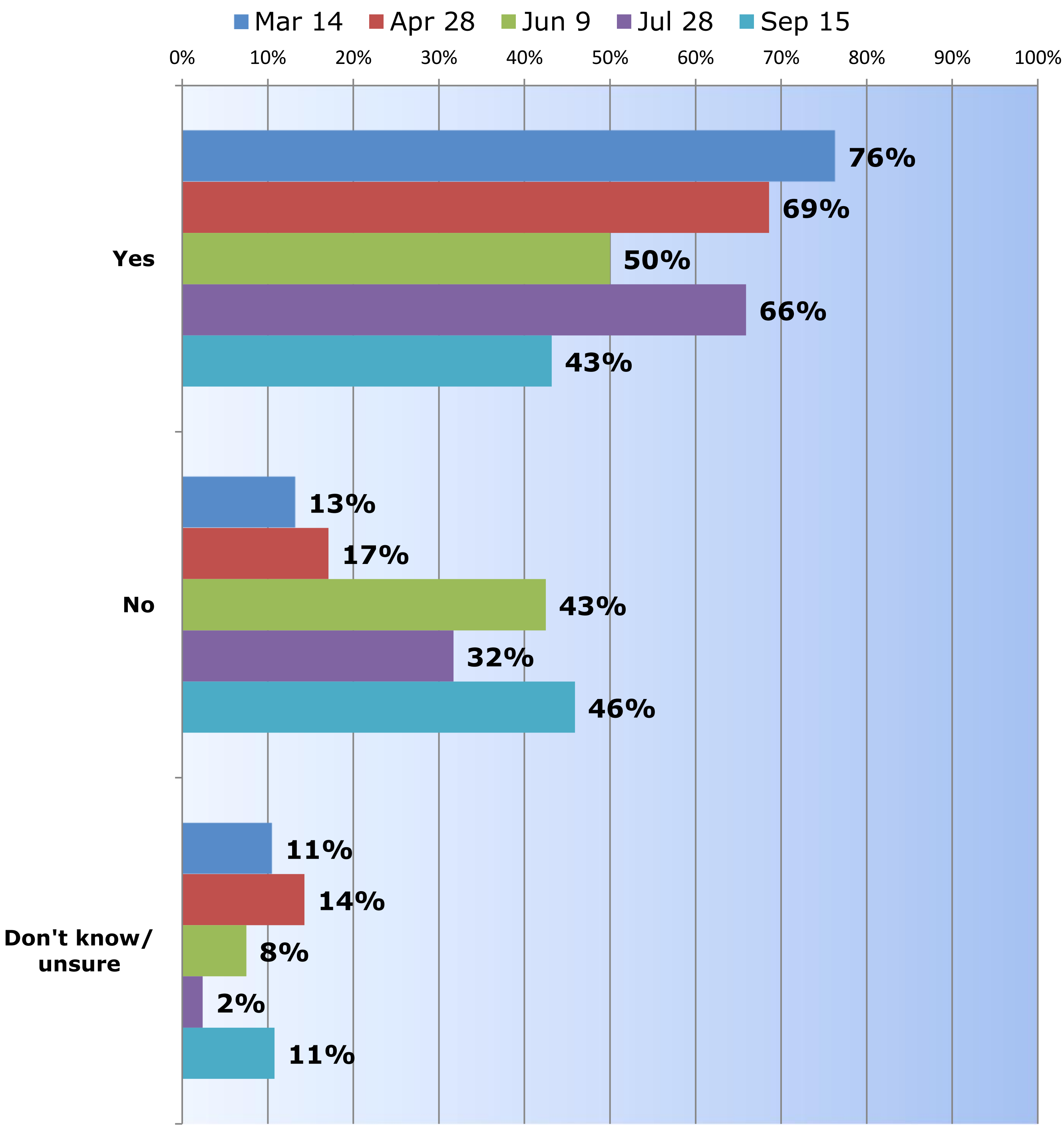

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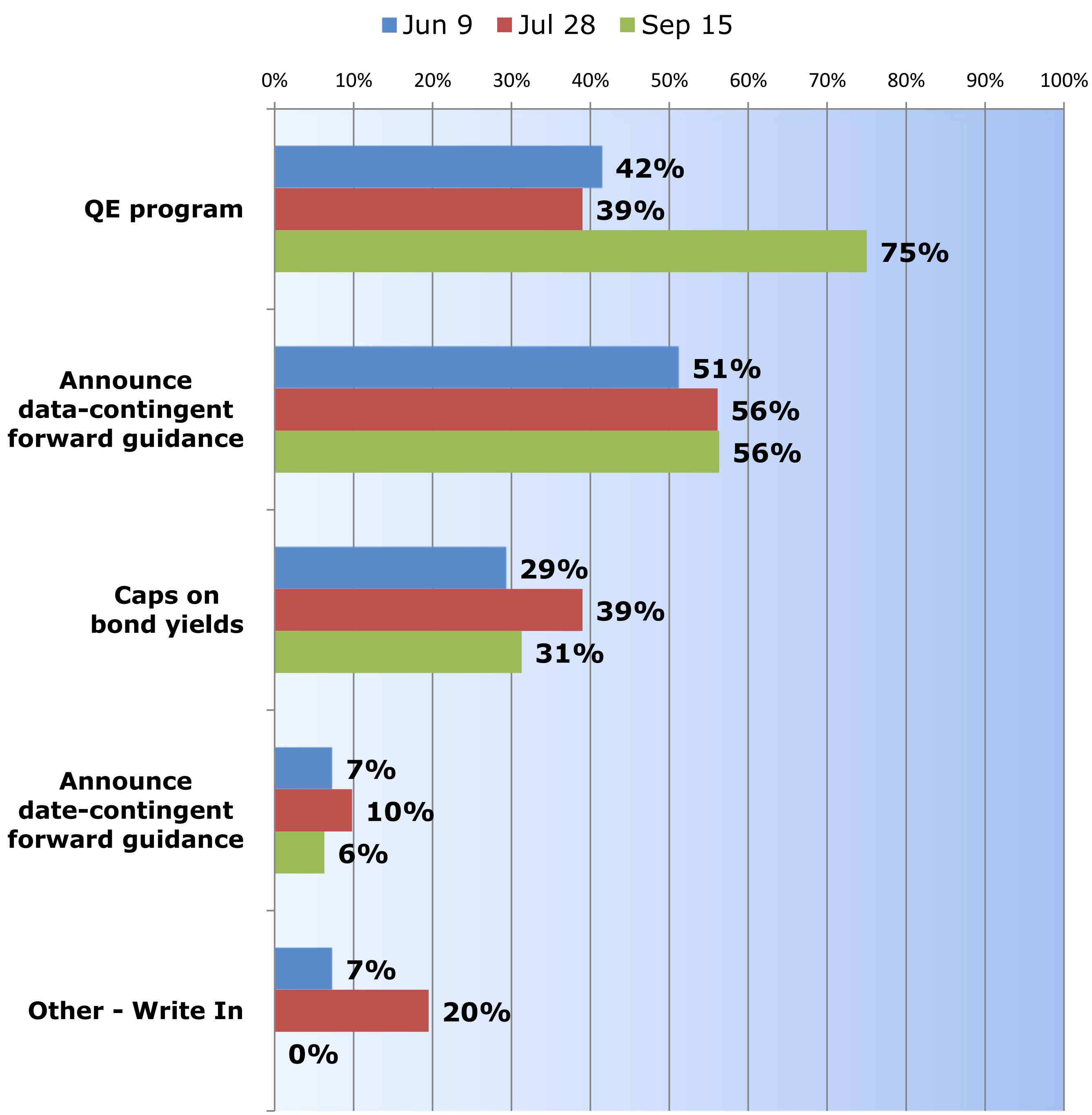
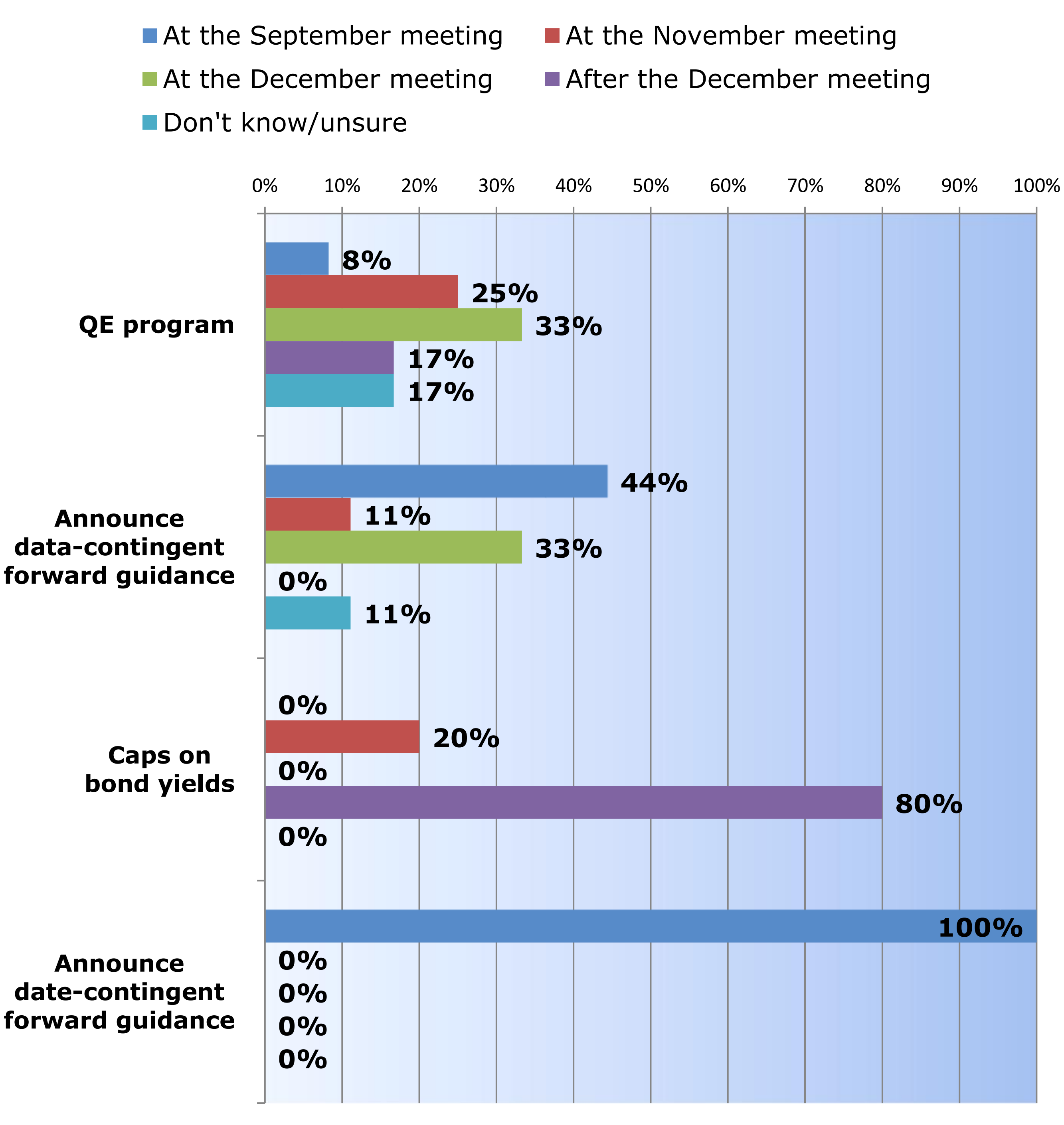


Note: Respondents could choose more than one option.

When do you expect the Fed to take the action?



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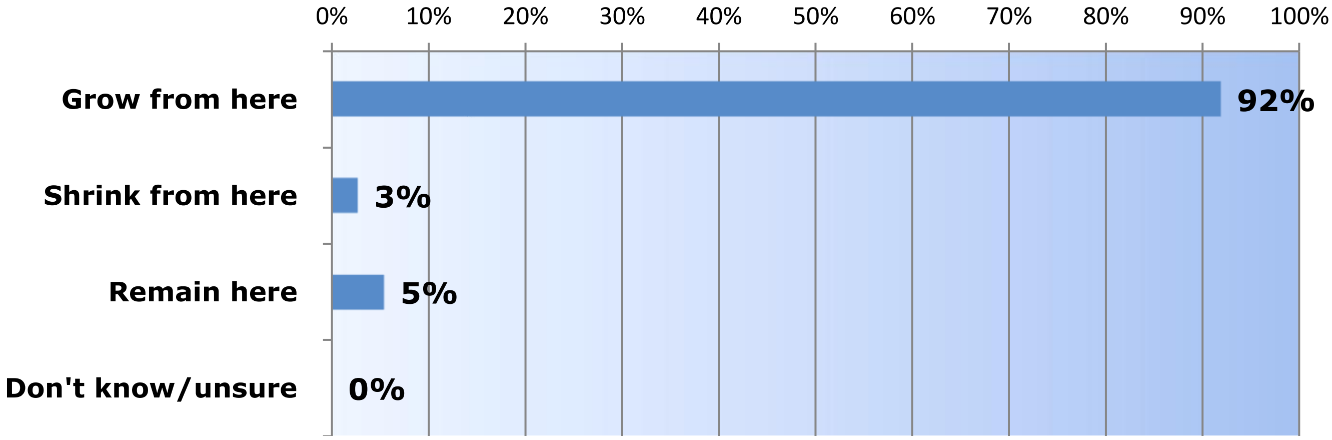

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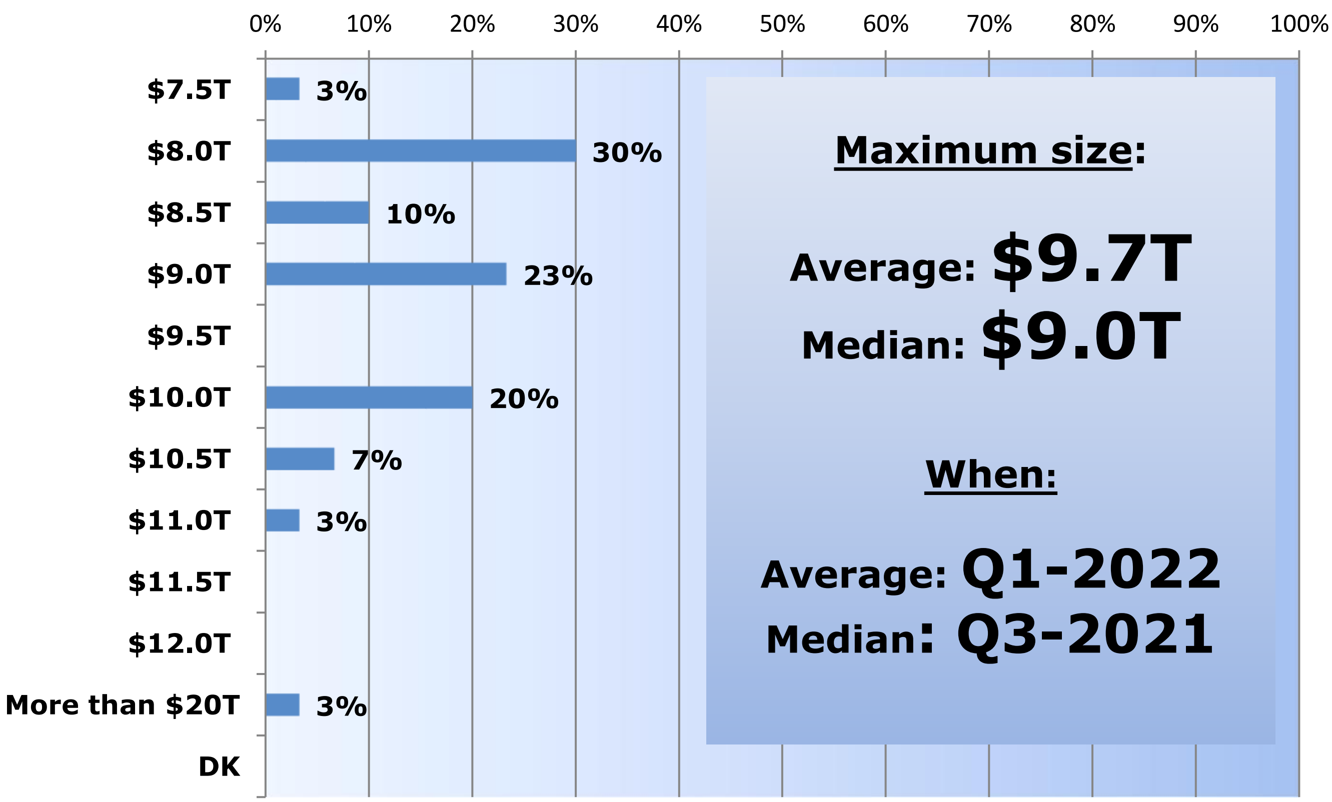

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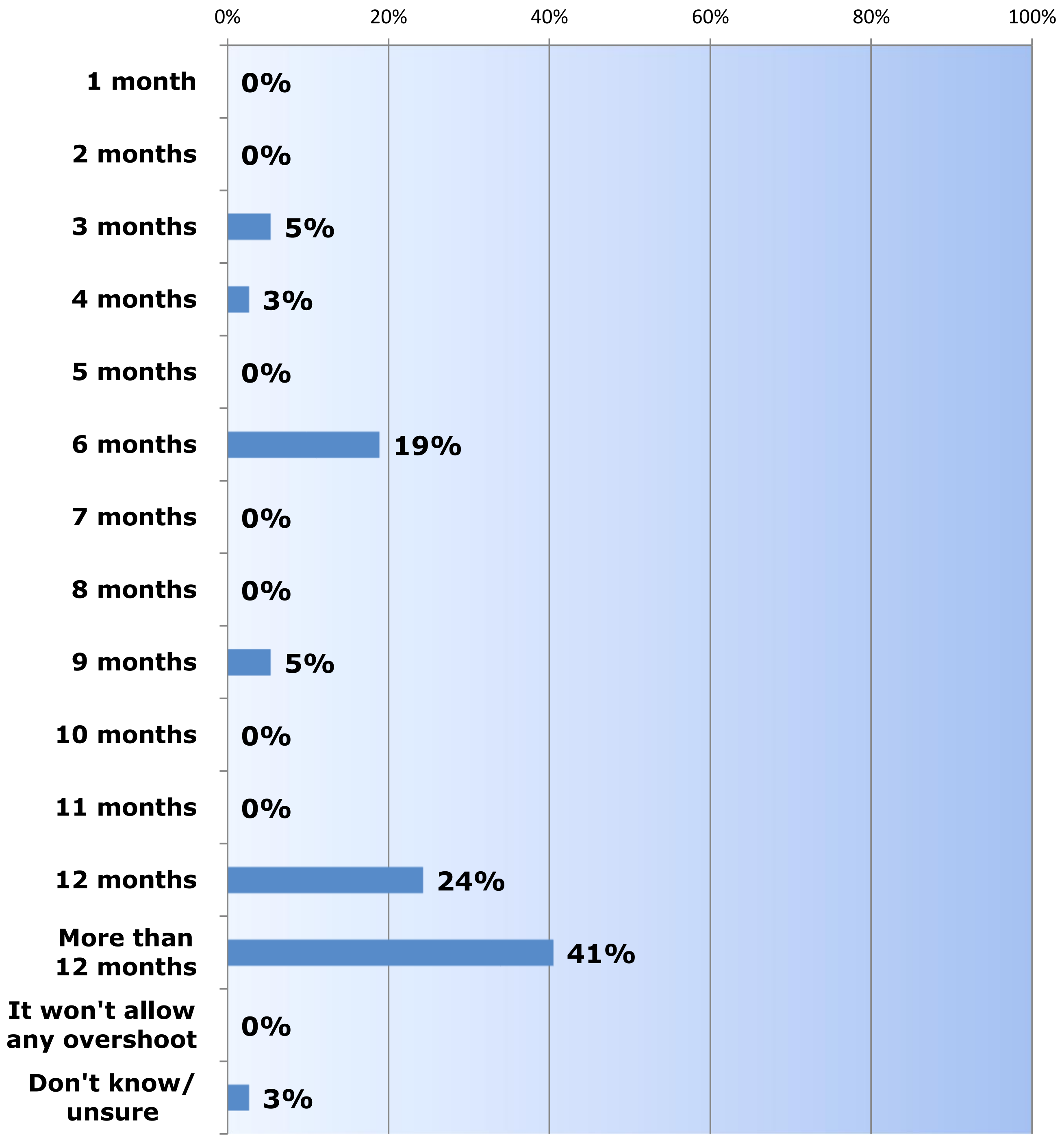

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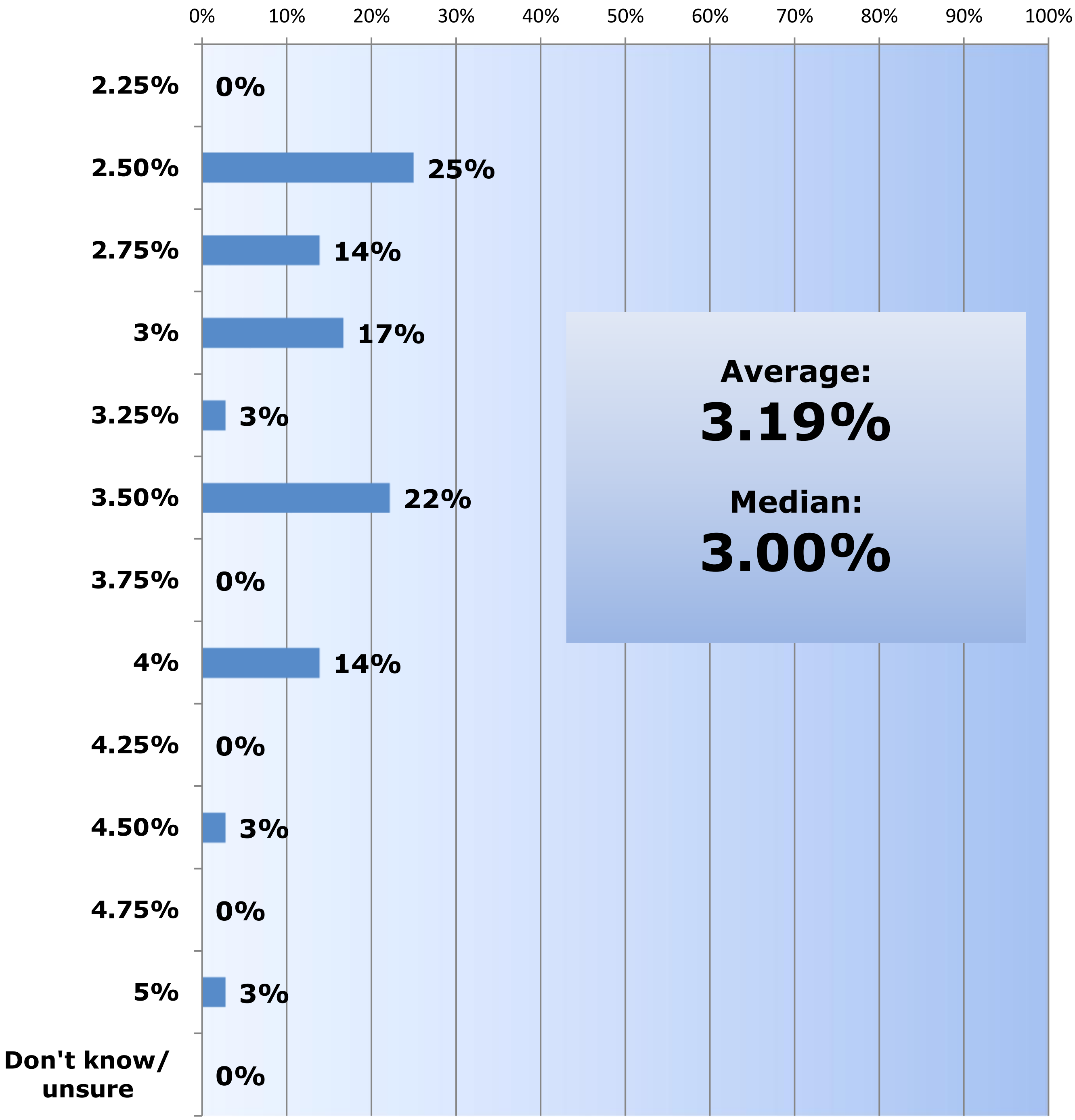

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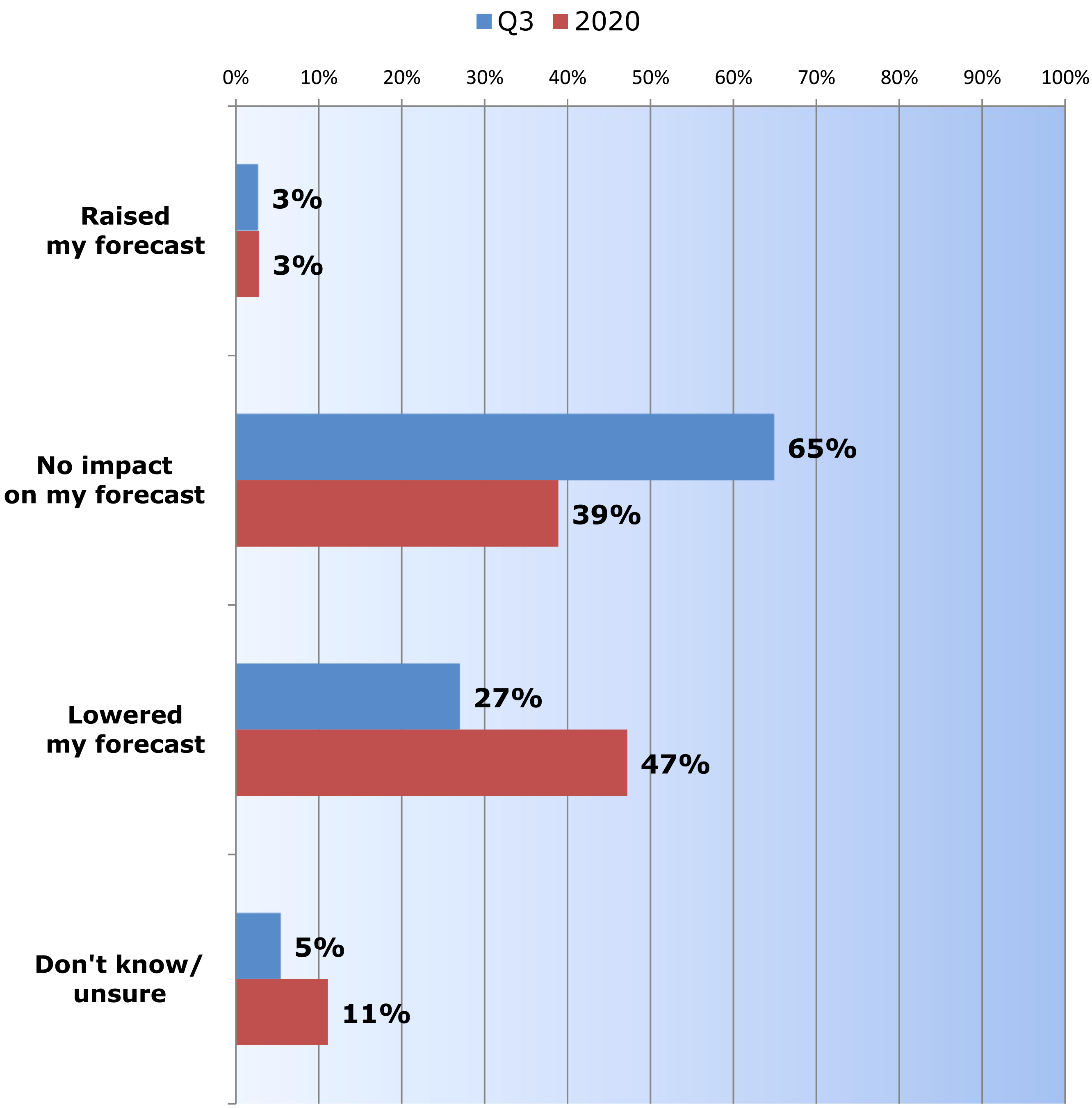
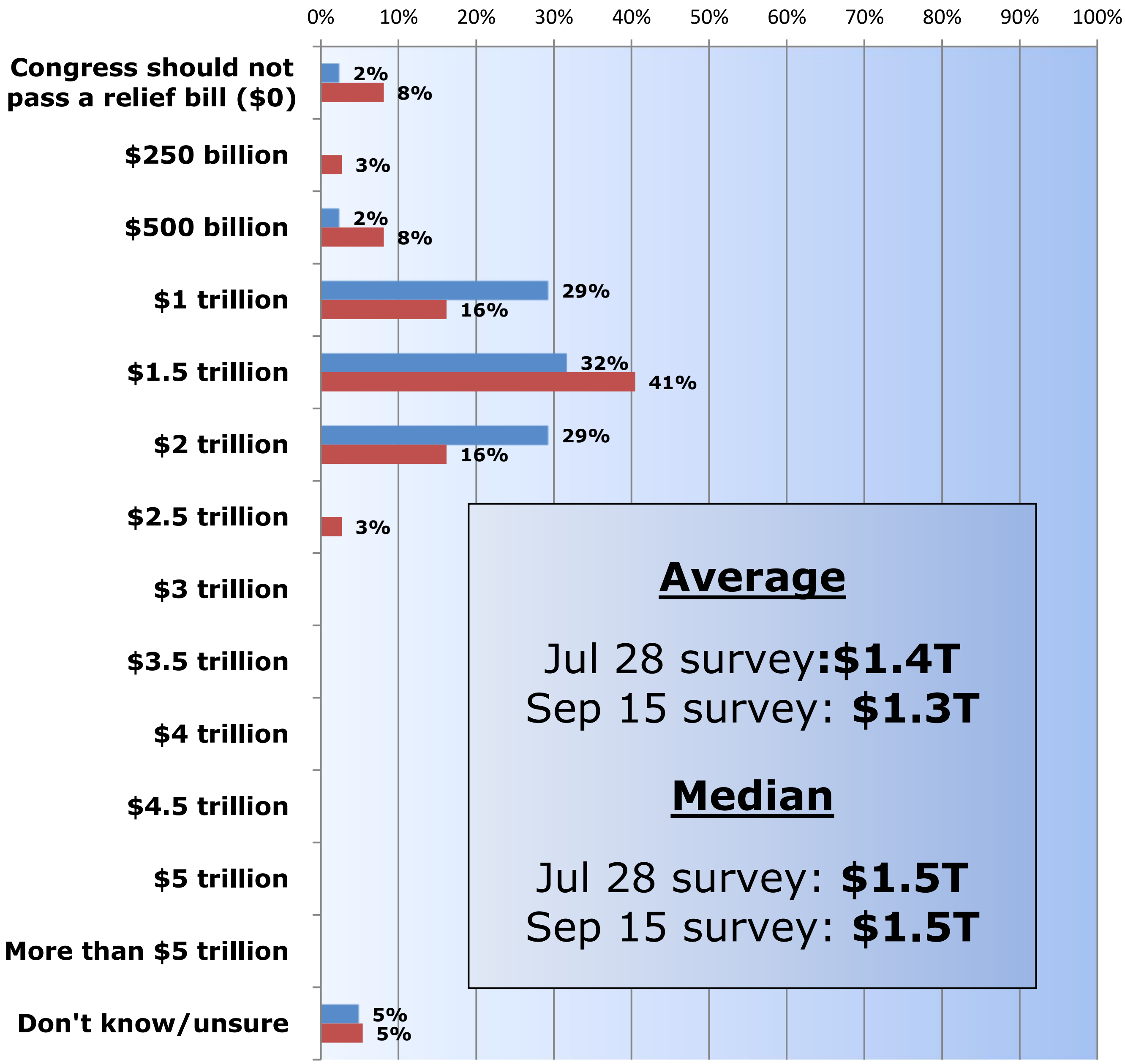


8. Congress is currently debating a phase IV COVID-19 relief bill. How large should this package be:



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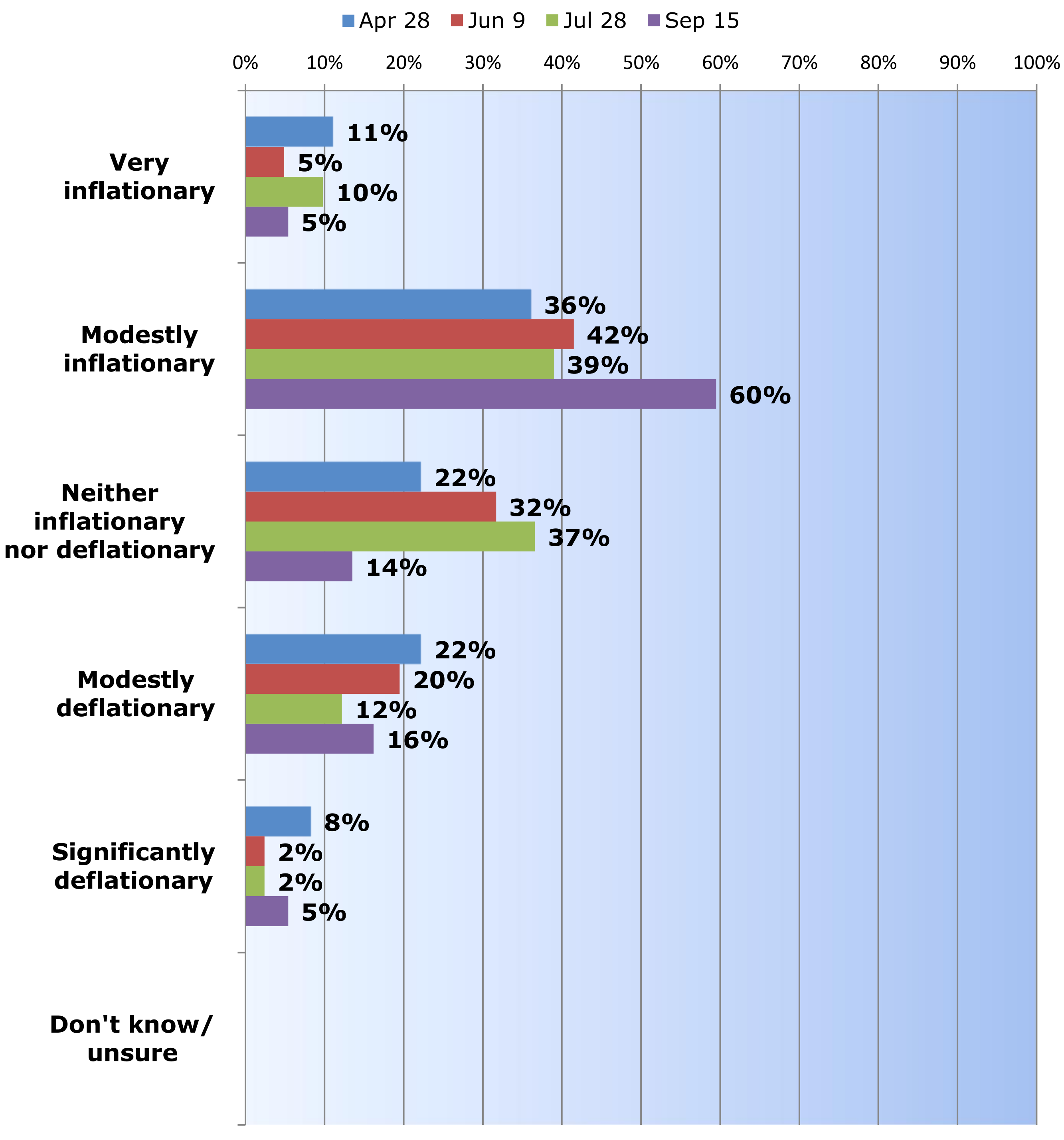

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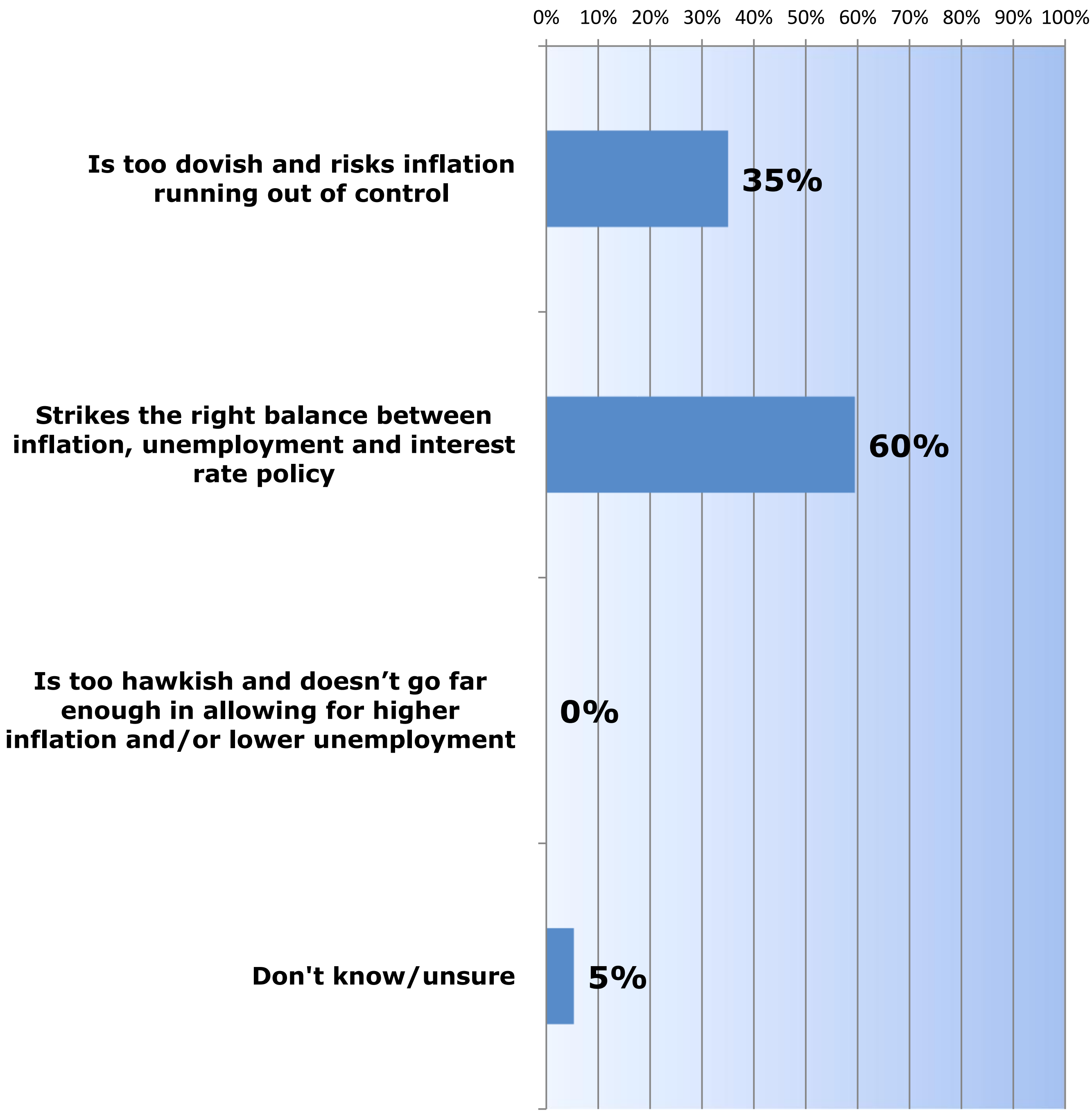
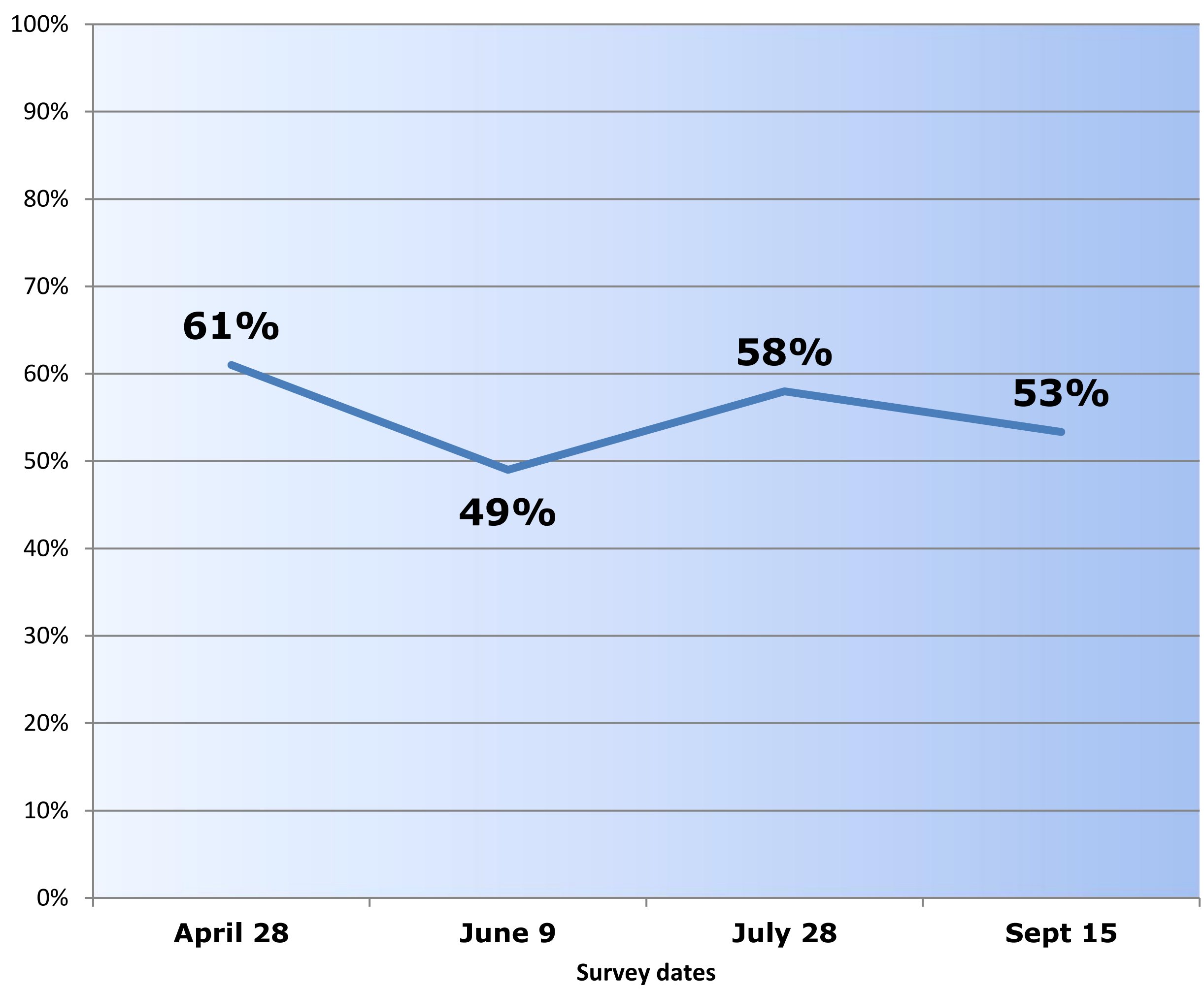


11. When do you believe economic activity in the U.S. will be fully restored?

	Average response
April 28 survey	End of **Q1-2022**
June 9 survey	End of **Q1-2022**
July 28 survey	End of **Q2-2022**
Sept 15 survey	End of **Q3-2022**

12. What is the probability there will be a second wave of coronavirus infections in the fall and winter?

(0%=No chance, 100%=Certainty)



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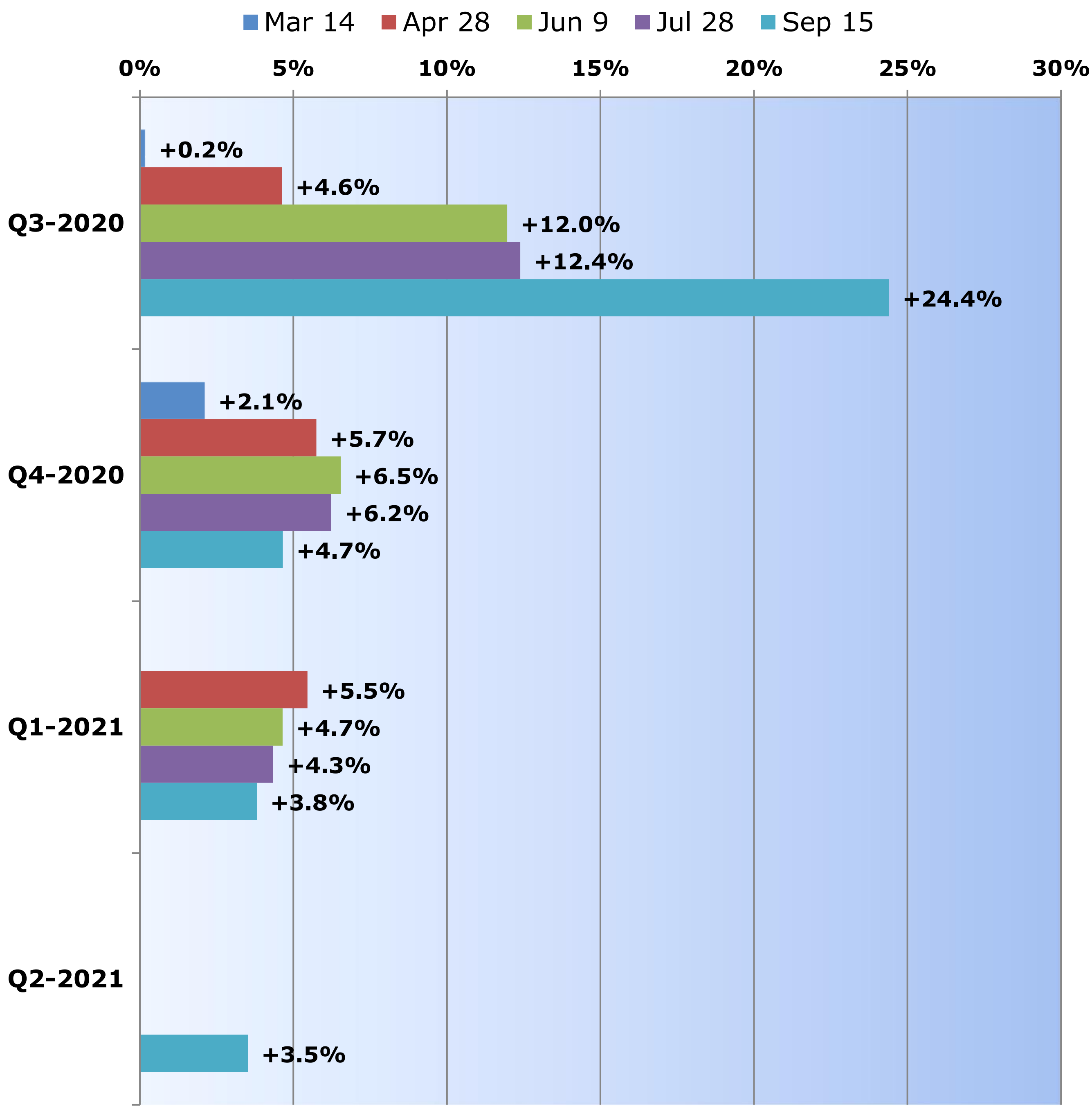

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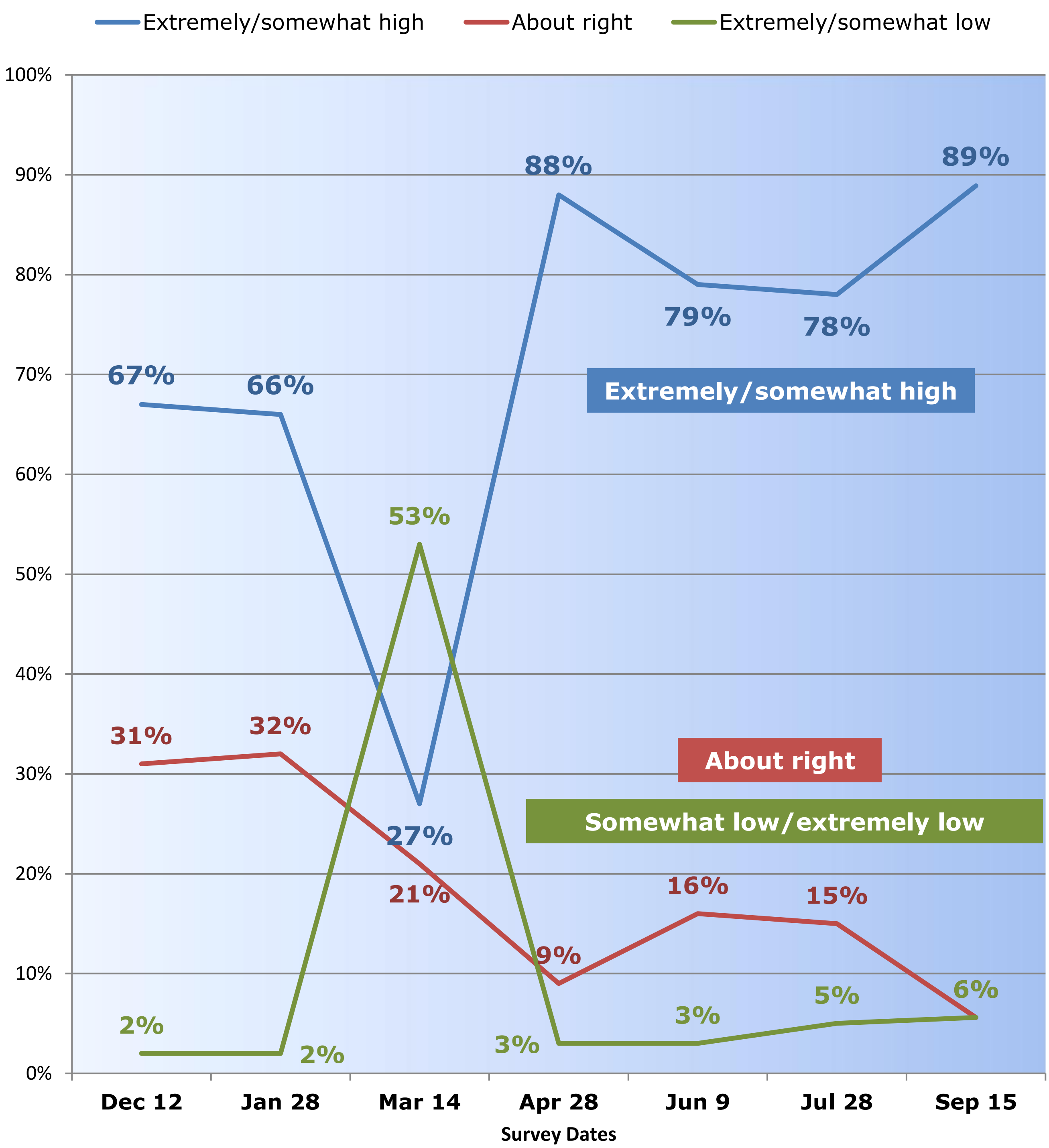
14. Relative to your forecasts for earnings and economic growth, stock prices now are:



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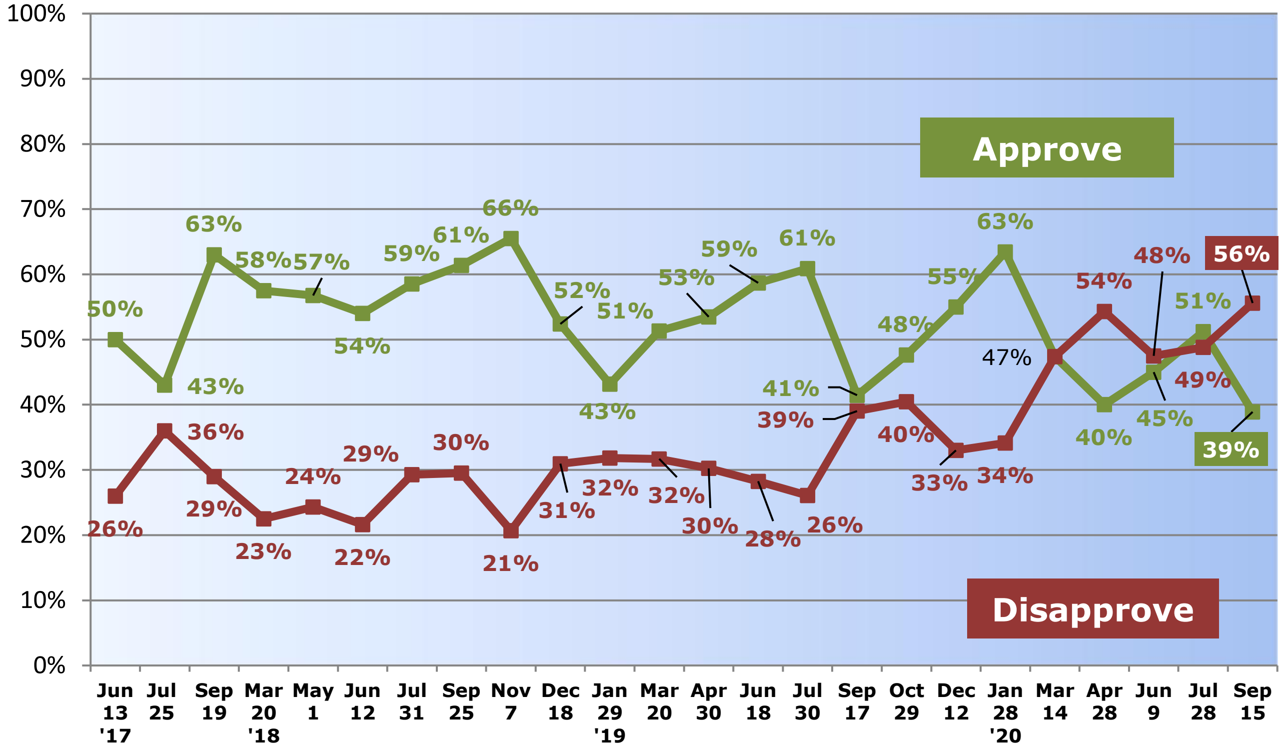
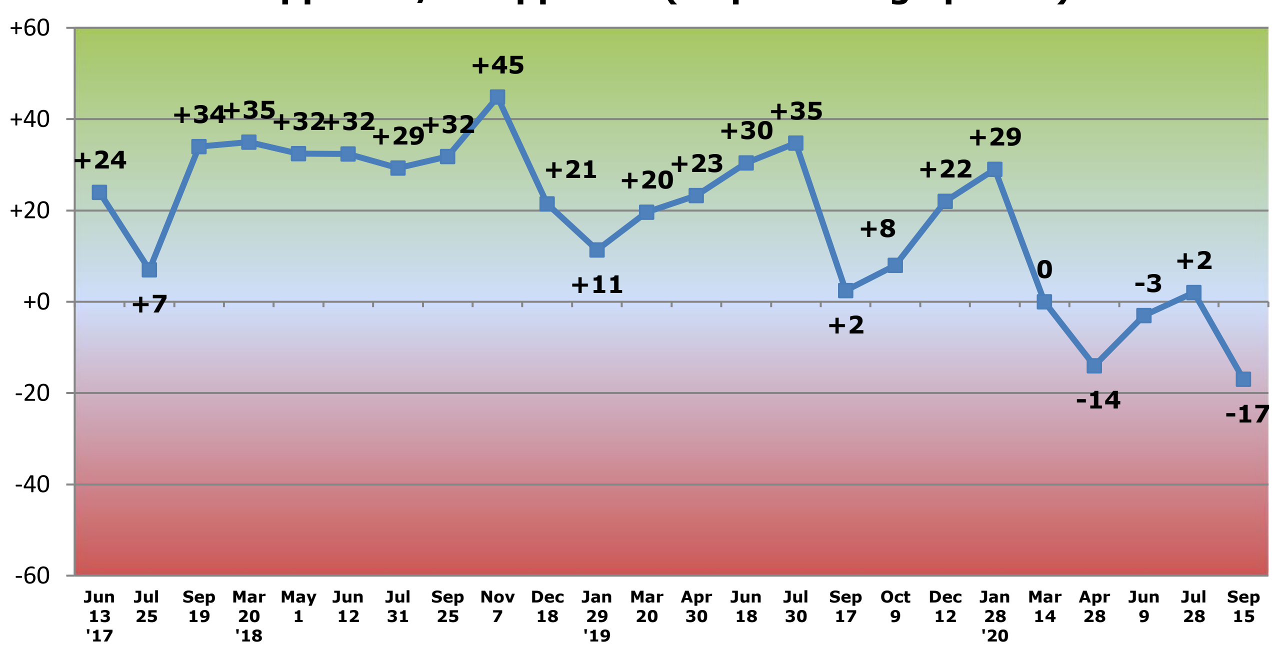
15. Do you generally approve or disapprove of the job President Trump is doing handling the economy?



Net Approval/Disapproval (In percentage points)



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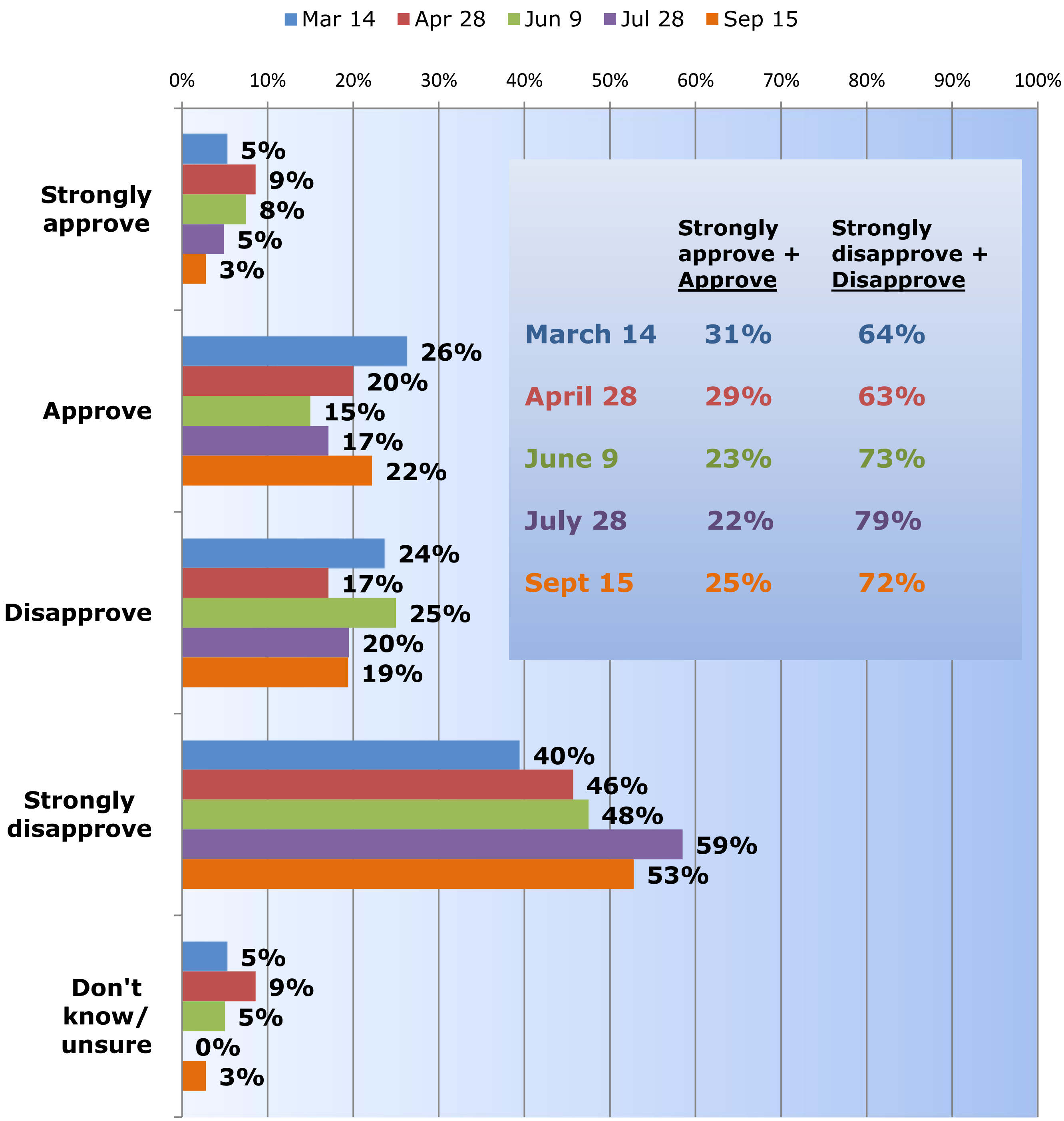
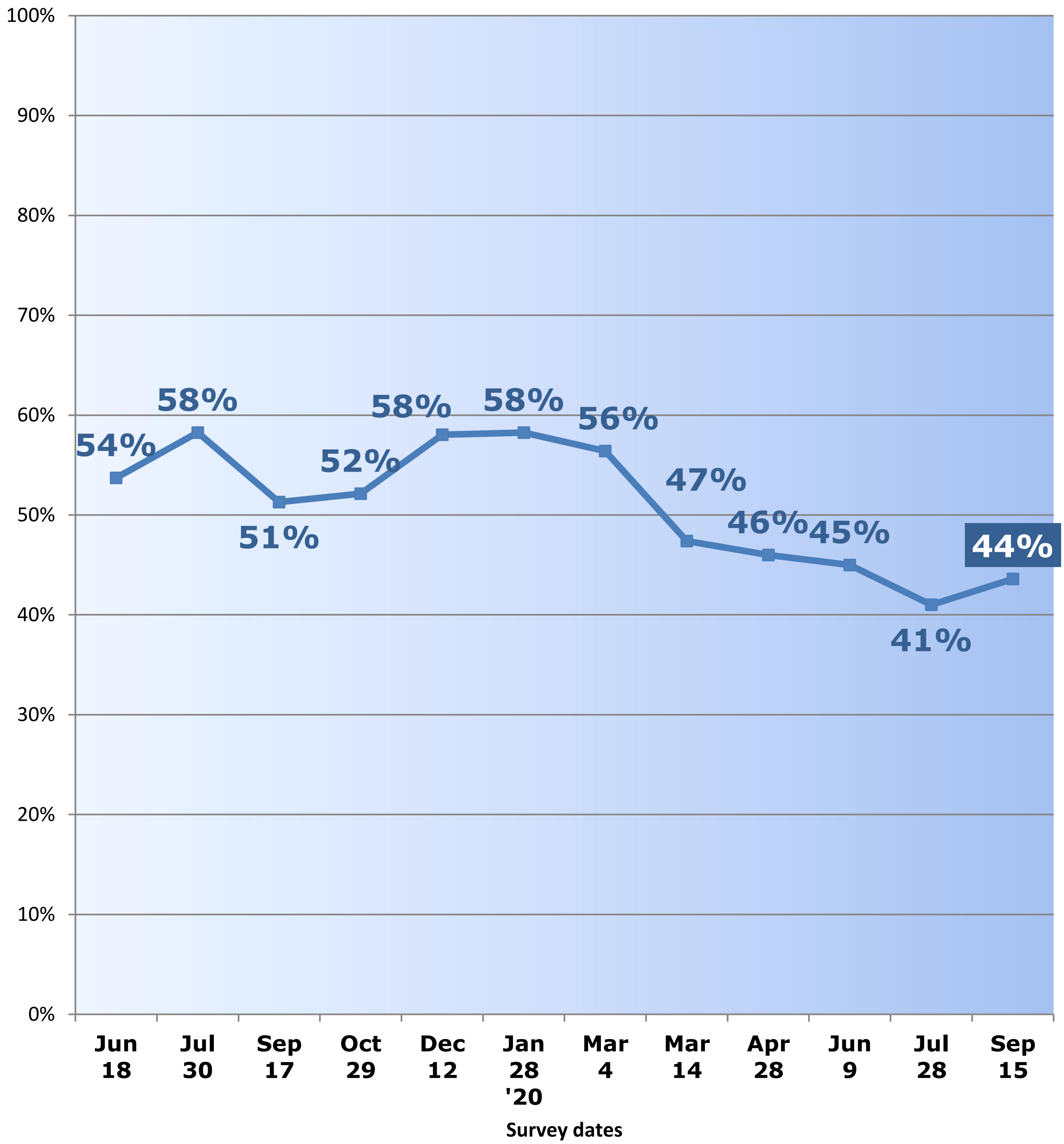
16. What is your assessment of the job President Trump is doing handling the COVID-19 (coronavirus) outbreak?

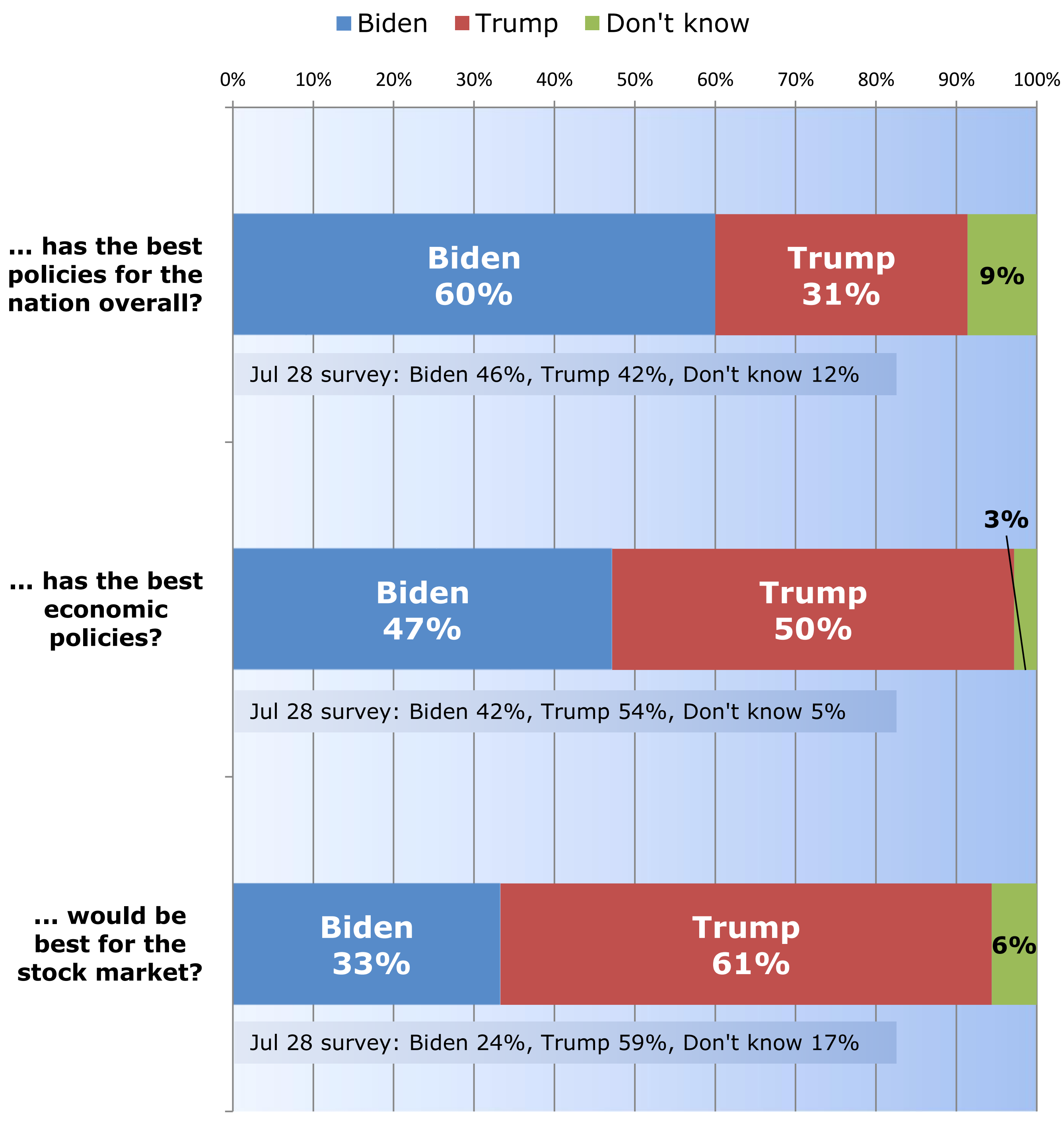


	Strongly approve + Approve	Strongly disapprove + Disapprove
March 14	31%	64%
April 28	29%	63%
June 9	23%	73%
July 28	22%	79%
Sept 15	25%	72%

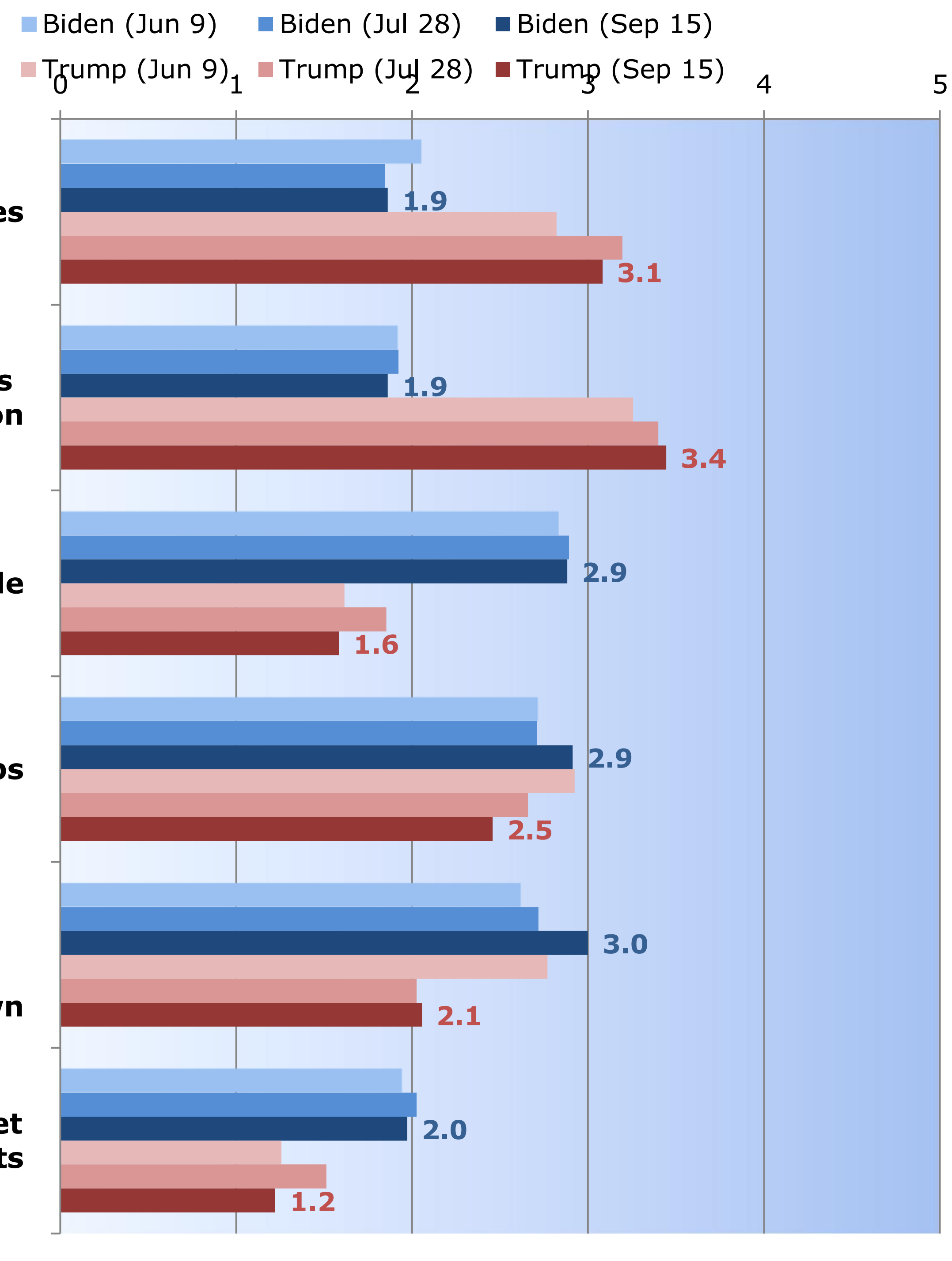
17. What is the probability President Trump will be reelected to a second term? (0%=No chance, 100%=Certainty)



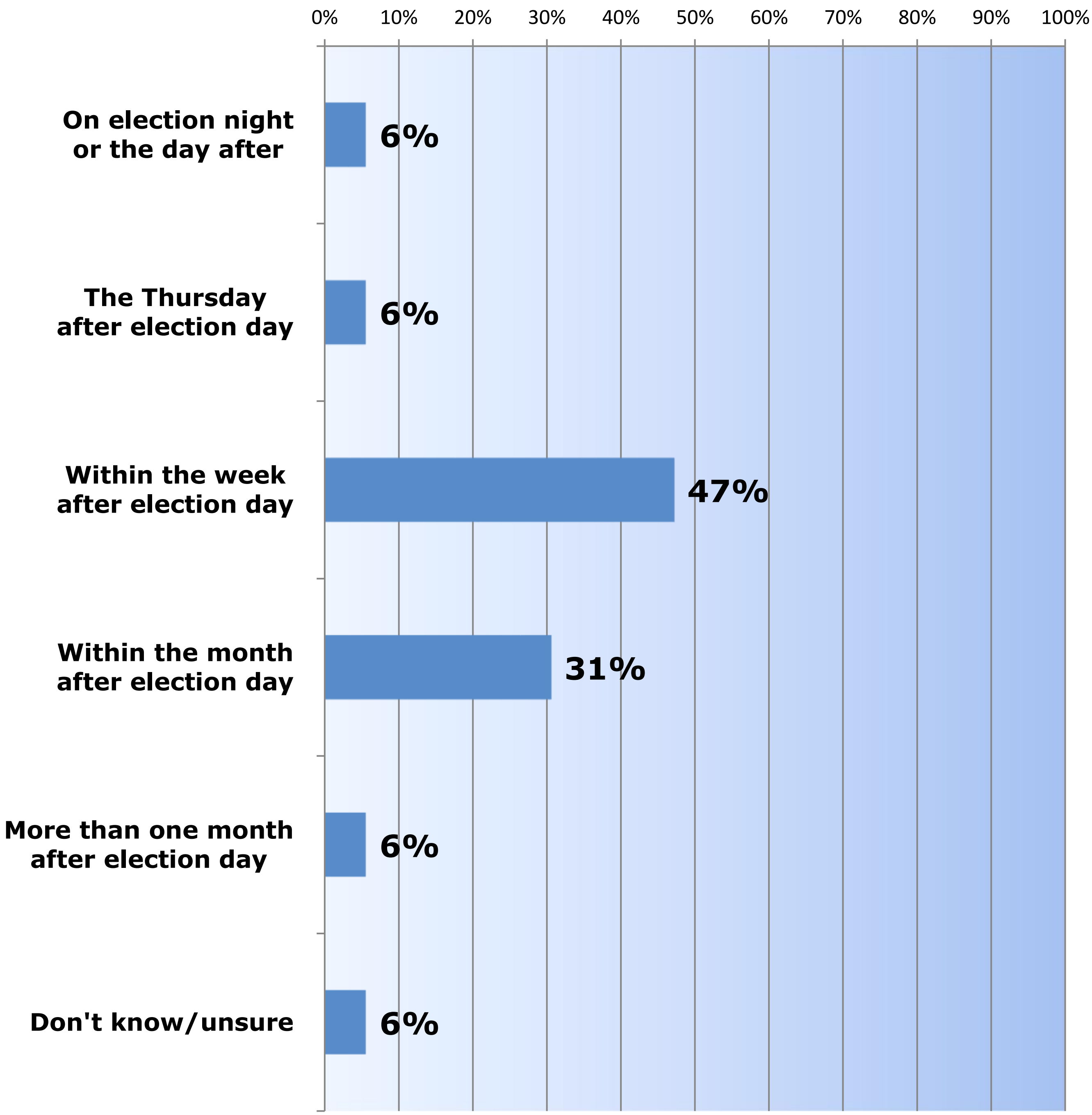
18. Which candidate …



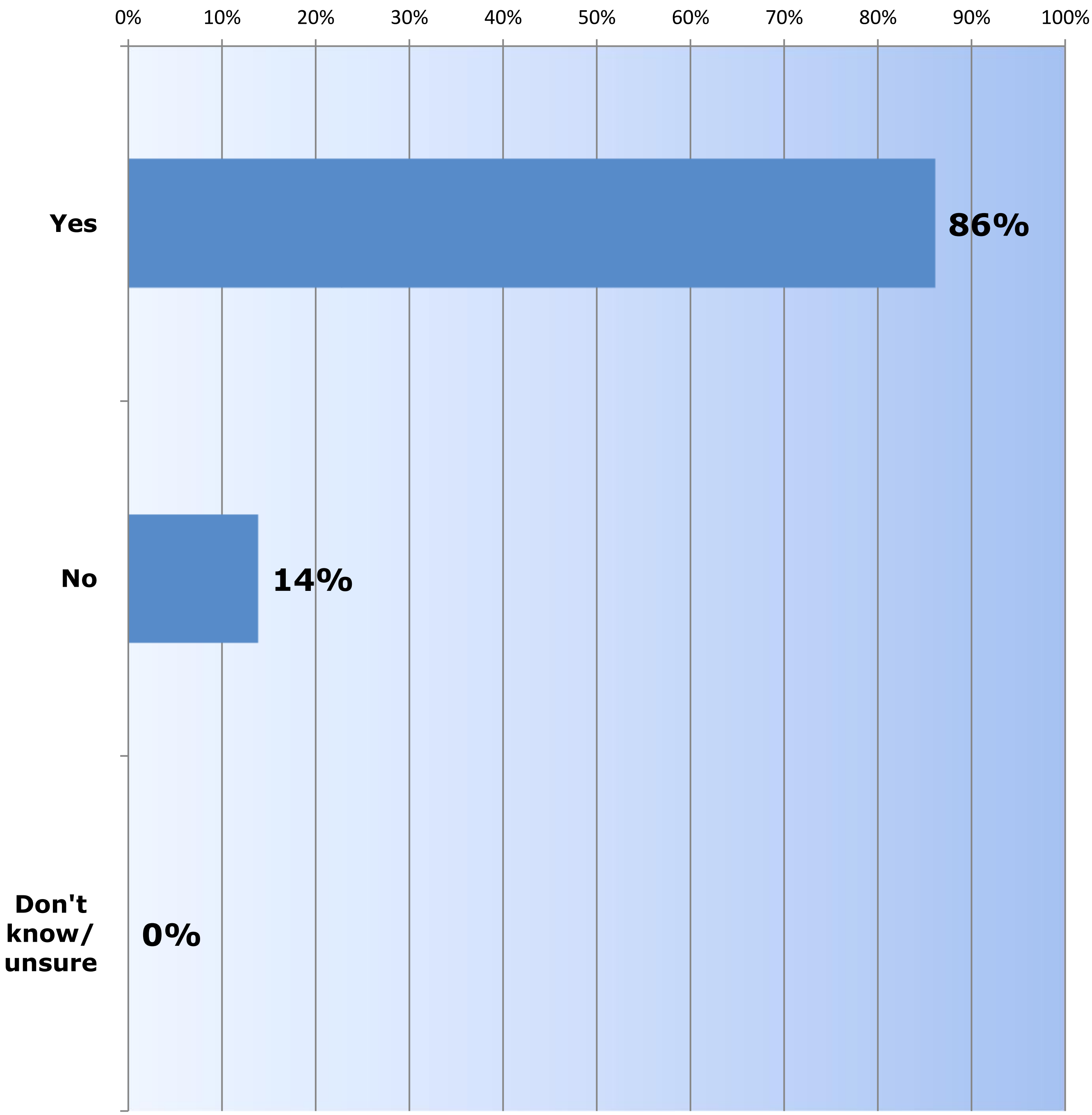
19. Please rate each candidate's proposed economic policies in the following areas on a scale of 0 to 5, where a higher number indicates a better policy.



20. The winner of the presidential election will be first known:



21. Is the possibility of a contested election a current risk to the stock market?



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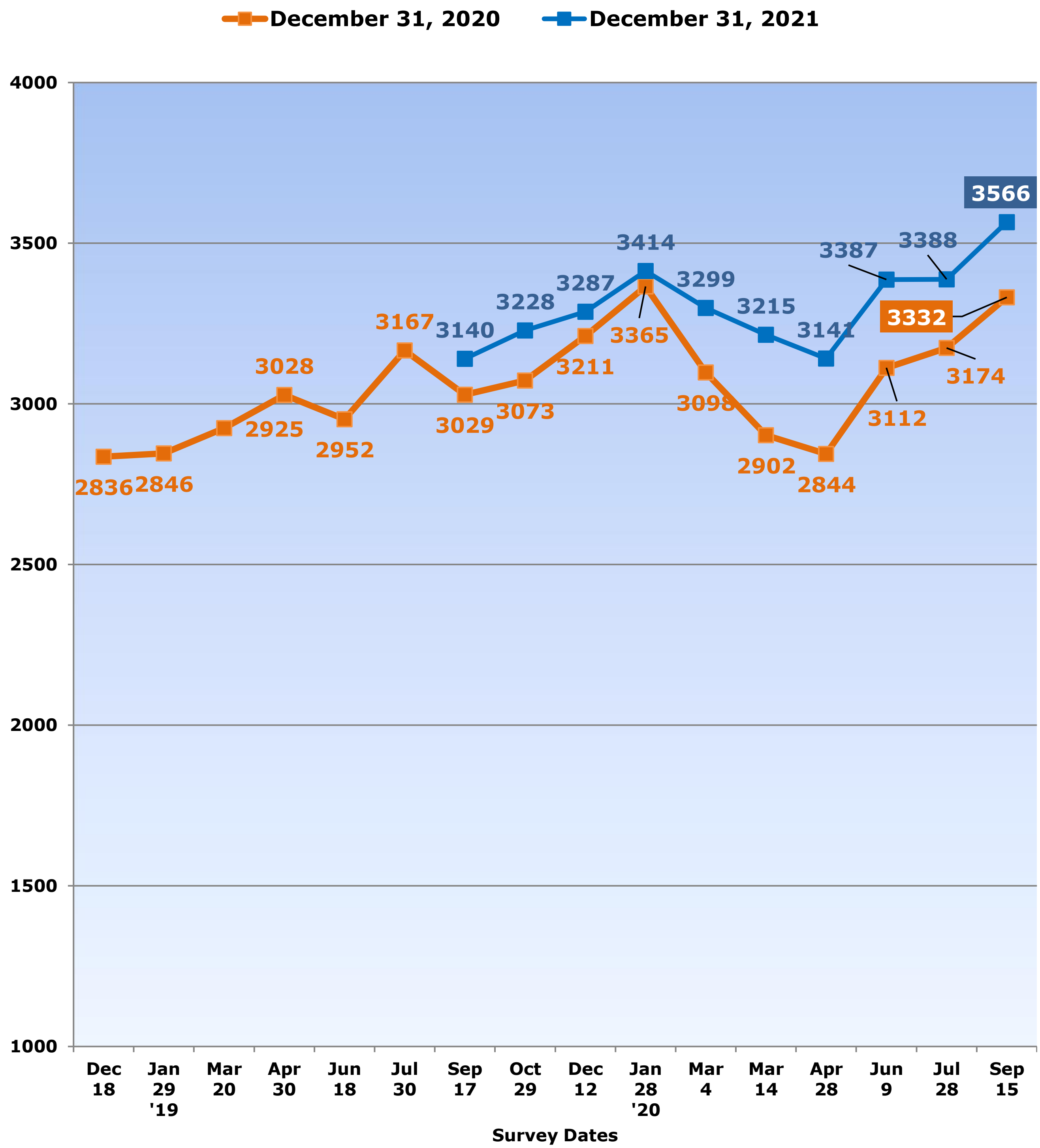
22. Where do you expect the S&P 500 stock index will be on …?



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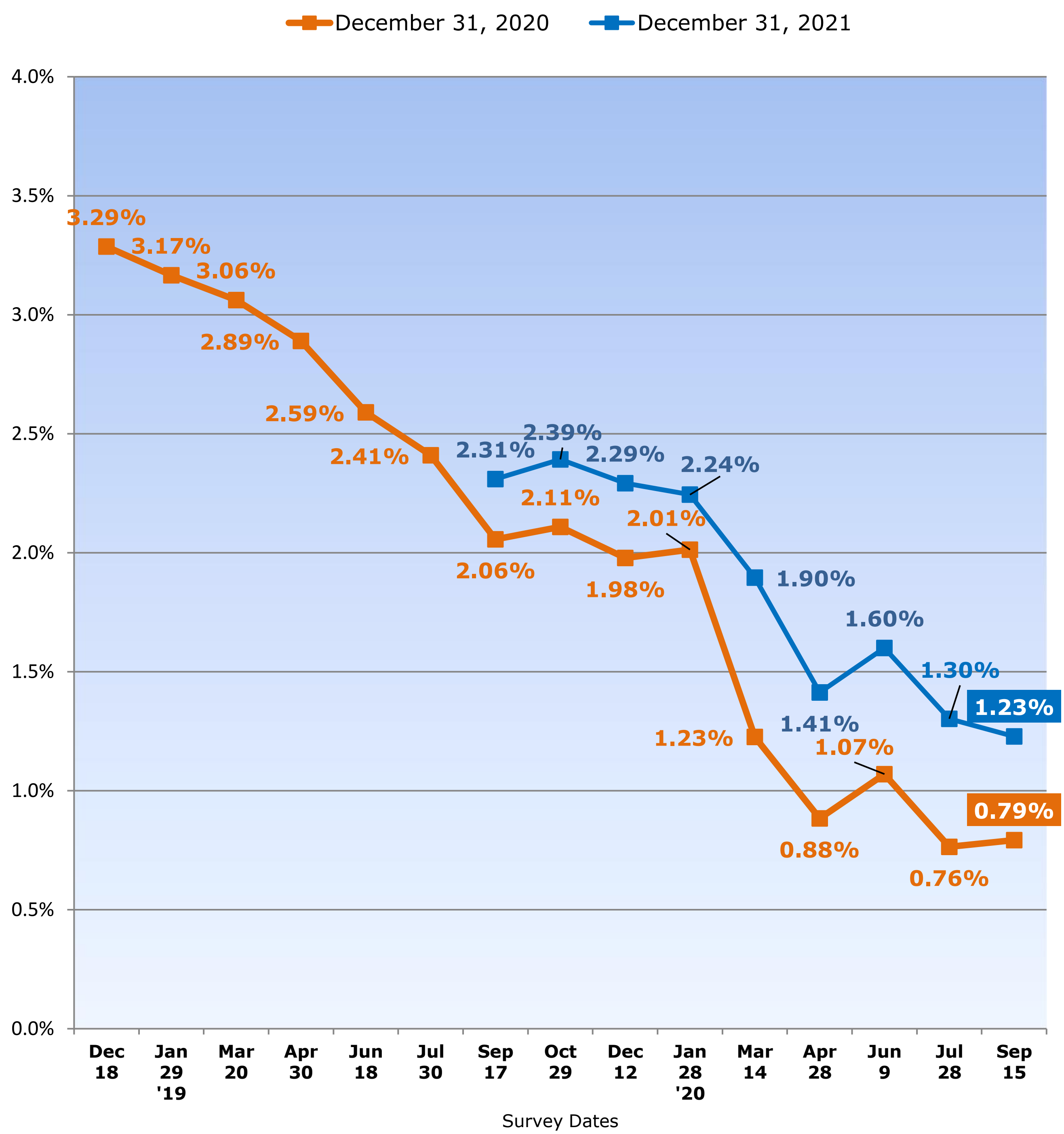

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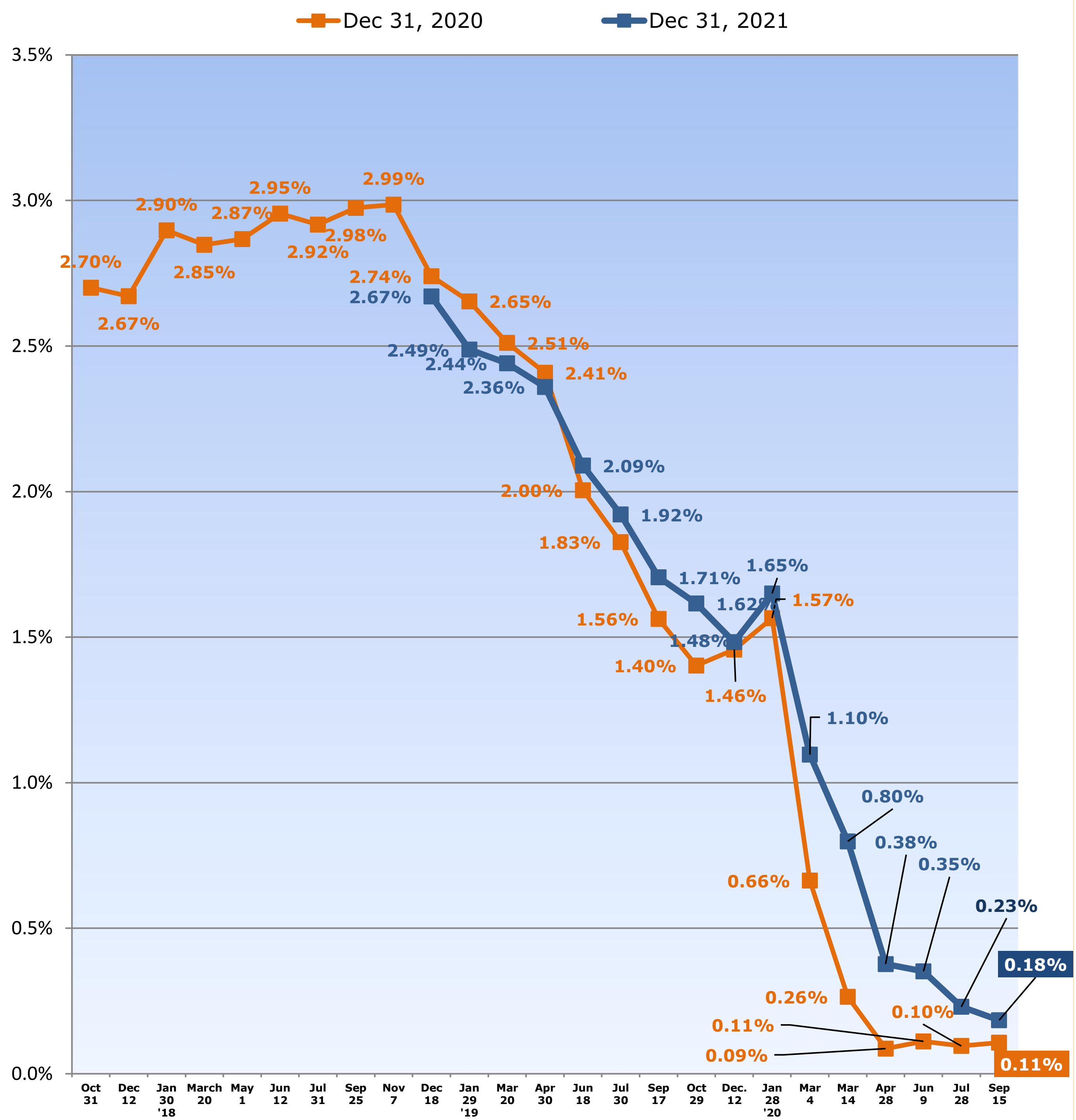
24. Where do you expect the fed funds target rate will be on …?



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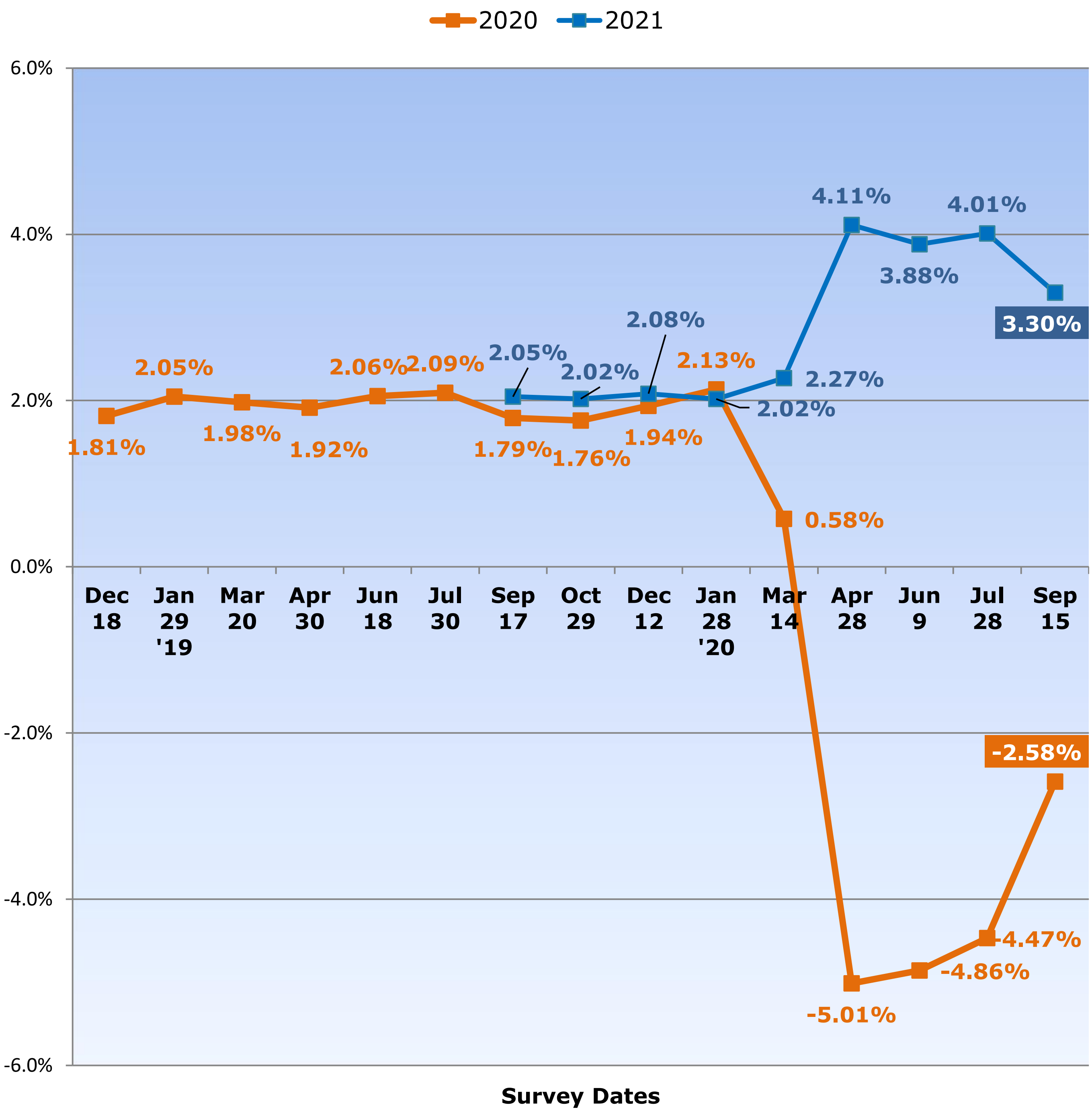

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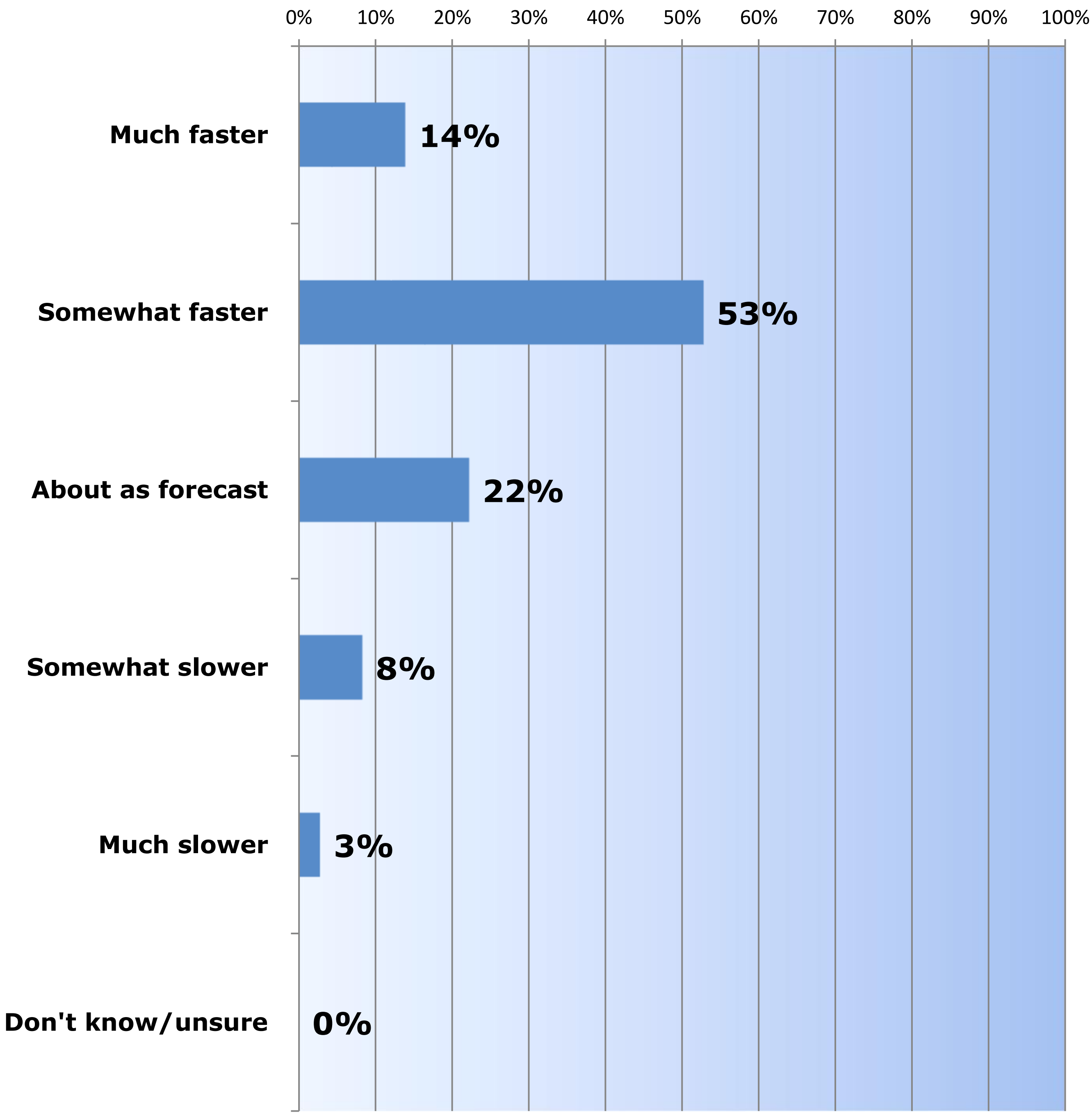

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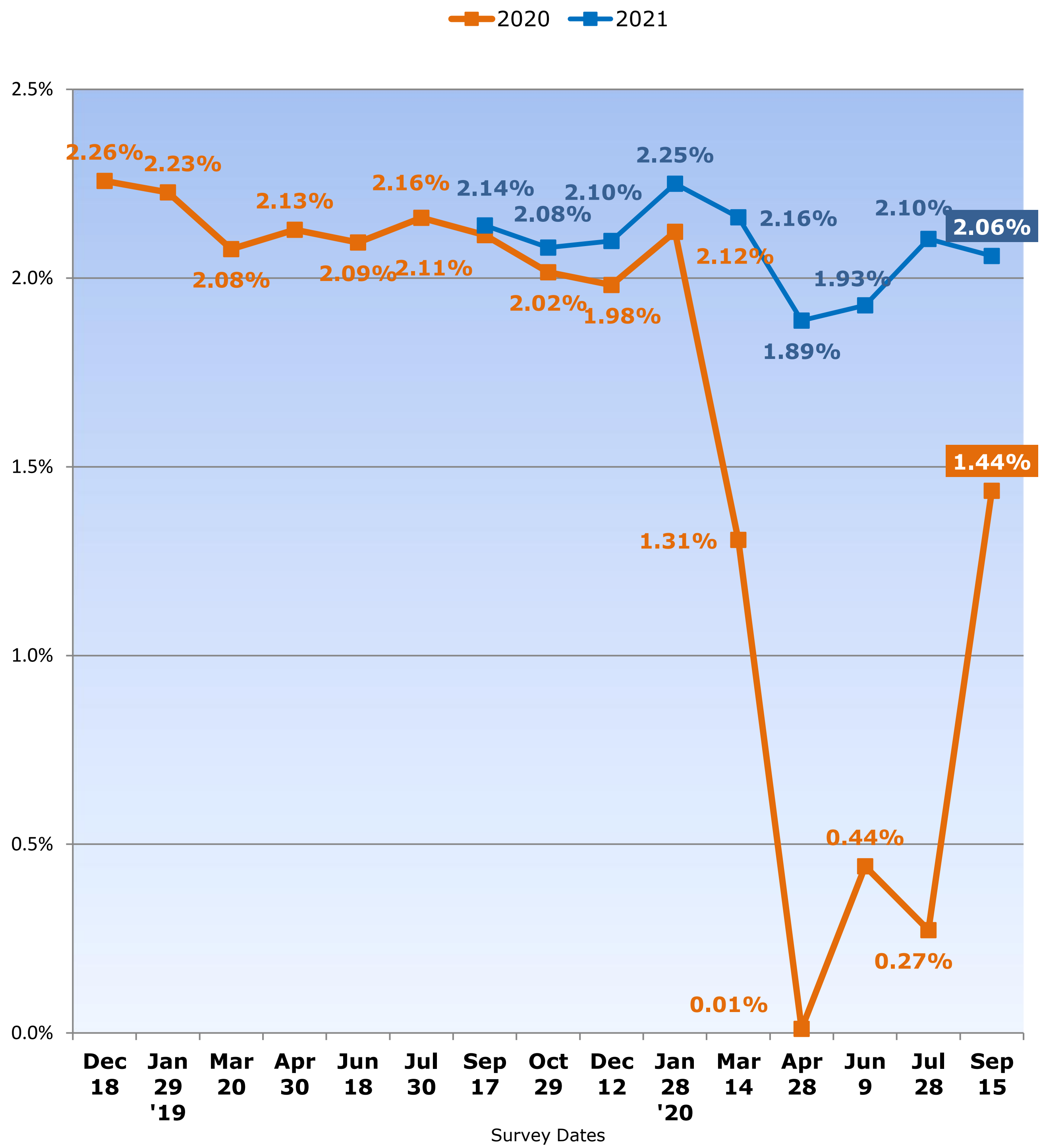
27. What is your forecast for the year-over-year percentage change in the headline U.S. CPI for …?



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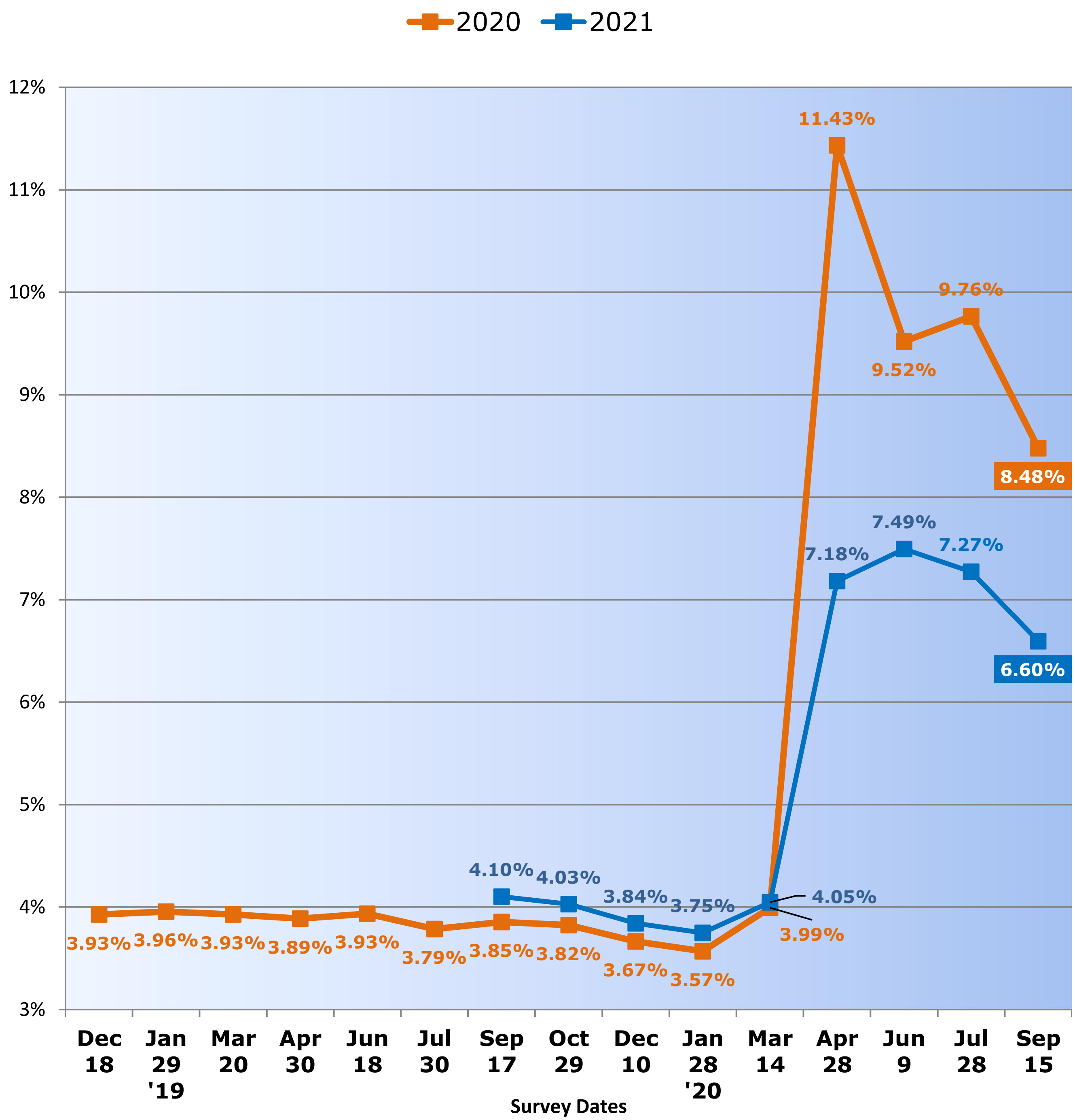
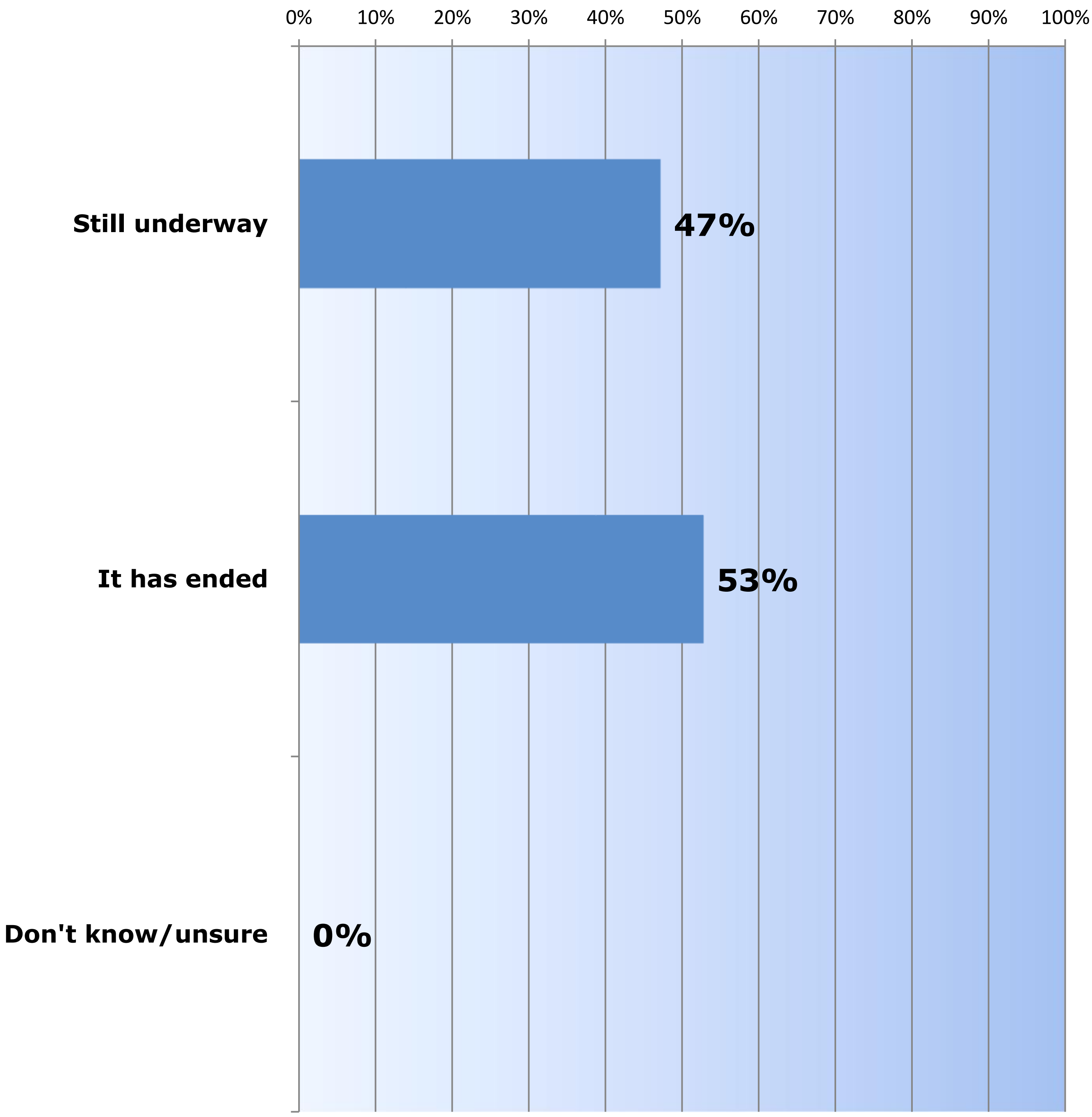
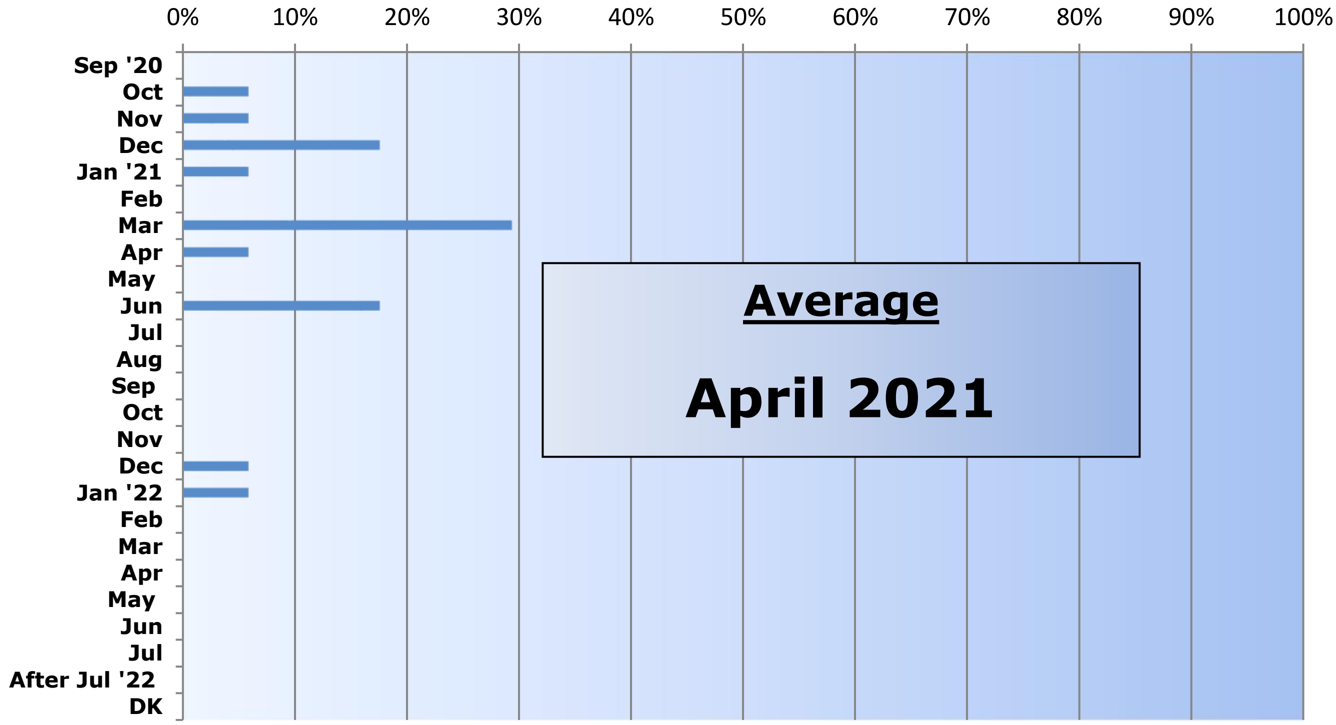
28. What do you expect the U.S. unemployment rate will be for:



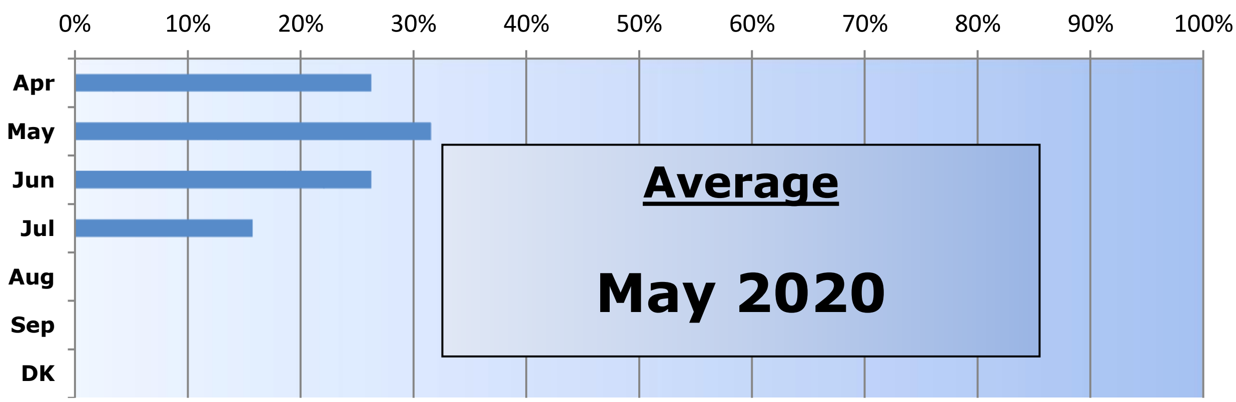
29. Is the COVID-induced recession in the U.S. still underway or has it ended?



For those who said the recession is still underway: When do you expect the current U.S. recession to end?

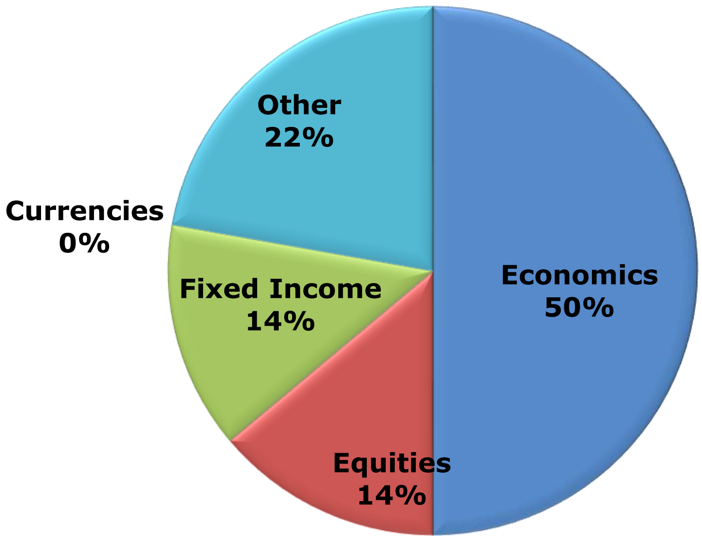


For those who said the recession has ended: When did it end?



Combined average: **October 2020**

30. What is your primary area of interest?



Comments

Steven Blitz, Chief US Economist, TS Lombard: Data is difficult to discern because there are two cycles at play. The shut/reopen from COVID driving headline data, and the emerging underlying recession. August employment data are perfect examples -- top line vs increase in permanent job losses. The Fed understands the difference and is focused on growing underlying weakness.

Peter Boockvar, Chief Investment Officer, Bleakley Advisory Group: There continues to be so much talk about what more the Fed could do. Instead, I want to start hearing/seeing them thinking about thinking about reversing this extraordinary policy when we get an effective vaccine, which very well could be coming in the next few months.

Kathy Bostjancic, Chief US Financial Market Economist, Oxford Economics: While market participants are eager for the FOMC to take immediate action following the announcement of its new framework objectives, we believe it's premature to expect any major policy announcements at next week's policy meeting. With policymakers still deliberating the next steps, we expect forward guidance will remain very dovish, but likely nonspecific. Additionally, we still expect at least $1 trillion in additional fiscal stimulus, but admittedly odds are rising that there is no agreement.

Thomas Costerg, Senior US Economist, Pictet Wealth Management: The Fed put the cart before the horse when it announced a new strategy, but without details on how to implement it. We all want higher inflation, but the question is how we get there. I still think the path of least resistance will be to do more QE in the fourth quarter, even though there is a risk it is seen as interference in the November elections. But the Fed will likely argue the recovery is losing momentum, which is factually true.

John Donaldson, Director of Fixed Income, Haverford Trust Co.: The Fed's policy on using an average rate of inflation is a very good adjustment to their toolkit. The change gives them flexibility to not have an automatic, knee-jerk response to a one-time pop of 2.5% in prices. The real key will be to have the capability to make policy changes if inflation starts to accelerate from 2% to 2.5%, to 3% and possibly heading higher. Then they will act. They will need to keep their eye on the ball to distinguish between the one-time and the accelerating versions of inflation.

Bill Dunkelberg, Chief Economist, National Federation of Independent Business: The small business sector has been seriously weakened by shutdown policies and will provide a less than hoped for push for growth.

Robert Fry, Chief Economist, Robert Fry Economics LLC: Given the Fed's inability to get inflation up to its 2% target -- which is a good thing, not a bad thing -- all the attention being devoted to Average Inflation Targeting is more than a little bit silly. We might get asset bubbles, but we won't get much more growth or inflation. I don't think you should look at the presidential election independent of what happens in congressional elections. From the standpoint of economic growth, stock prices, and especially fiscal sanity, the best election outcome would be for Biden to win the White House and for Republicans to maintain control of at least one house of Congress, preferably both. The only time the federal government exhibits any fiscal responsibility is when we have divided government. The six years when Bill Clinton was president and Newt Gingrich was speaker of the house were the high-water mark of the U.S. economy.

Kevin Giddis, Chief Fixed Income Strategist, Raymond James Financial: To me, the balance of the year's market activity will depend more on what happens in the congressional elections vs. the presidential election. Look for volatility in both stocks and bonds to significantly increase by the end of October.

Art Hogan, Chief Market Strategist, National Securities: We have long held that COVID-19 health care news is more important than economic data, as the latter will be driven by the former. We would contend that finding a safe and durable vaccine is more important than who wins the election. Presidents don't make markets, markets make presidents. Pay more attention to the readouts from vaccines testing, and less to political polls.

John Kattar, Chief Investment Officer, Ardent Asset Management: The Fed is on hold until the election, so we should not expect any changes in policy or rhetoric until then. Thereafter, they need to make an effort to normalize policy - slowing and ultimately stopping balance sheet expansion, and allowing market forces a greater voice in determining interest rates.

Jack Kleinhenz, Chief Economist, National Retail Federation: The economy is rebounding faster than expected. The consumer is resilient, as in the past. Yet, we are in a tale of two consumer recoveries - goods and services. Even with large government support programs the economy will struggle because of COVID-19 and the impact on the service sector. The services sector will take a long while to heal and not until a vaccine is in place.

Barry C. Knapp, Managing Partner Director of Research, Ironsides Macroeconomics LLC: The draconian lockdowns in NY, NJ and CA will go down as the greatest policy mistake in a generation of interventionist public and monetary policy.

Subodh Kumar, President, Subodh Kumar & Associates: Even as capital markets appeared comforted by momentum, there had appeared messaging mash, including in market internals, in central bank assessments, and in politics. The Federal Reserve risks mixed messaging. It had no inflation target until just a few years ago. In the abrasive runup to the U.S. general elections of November 3, opinions may sharpen around Labor Day. Other political tensions stretch from the Baltic to the Mediterranean to the Indo-Pacific to trade. Being obfuscated are rebalance of risk premium compression in fixed income and of valuation versus momentum in equities. We espouse short duration in fixed income and precious metals like gold bullion instruments in asset mix. Even if company earnings have bottomed amid battered economies, we see earnings recovery as being in a three-year and fractured path to prior peaks. Momentum has its risks and even with monetary largesse, rebalance is overdue. In growth, strong balance sheet health care at overweight and information technology now market weight seem better positioned than consumer staples and concept social media that have led momentum. In cyclicals, we favor industrials over consumer discretionary dependent on aspirational spending built on leverage. Strong balance sheet energy offers opportunity of a severely out-of-favor kind. Financials performance is crucial for market direction and we favor banks where less excess may reside.

Guy LeBas, Chief Fixed Income Strategist, Janney Montgomery Scott: Although it's easy to get market expectations tied up in political knots, the reality is that private capital and private sector decision making drives the overwhelming majority of economic and market activity in the U.S. And while the private sector is recovering from a deep and tragic slump, that recovery provides a tailwind for inflation, interest rates, and risk assets to all move moderately higher from here.

Rob Morgan, Director of Market Strategy, Sethi Companies: The Fed is still committed to printing money until its dual mandates of full employment and 2% inflation are met. It's going to take a long time for that to happen.

Joel L. Naroff, President, Naroff Economics LLC: The biggest questions facing the economy are how many firms will fold once they run out of government money and what will happen to consumer spending once the enhanced unemployment insurance payments end. Right now, the markets don't think much will happen, but that is not likely to be the case.

Jim Paulsen, Chief Investment Strategist, The Leuthold Group: I think it is odd that the consensus narrative is we need more stimulus when we have already added more monetary and fiscal stimulus than at any time in the post-war era, when the current quarter real GDP growth is probably around +30%, when the U.S. has created on average 2.6 million jobs in each of the last four months, when retail sales have surged back to record highs and when housing activity is on fire! Has everyone forgotten that economic policies have long lags and the impact from policies already employed this year are likely to have considerable positive impact in 2021? And, in the meantime, the economy seems to be improving about as rapidly as almost anyone could have predicted. It's time for policy officials to step back and take a breath.

Lindsey Piegza, PhD, Chief Economist, Stifel: The Fed has been crystal clear that it remains committed to continuing to provide support to the economy, essentially standing ready to deploy any further amount of money or credit necessary to keep markets functioning smoothly along with perpetually low rates regardless of the consequences - regardless of whether or not the committee's intervention has only served to widen the gap between asset holders and non-asset holders, fuel the financial markets as opposed to Main Street, and threaten a rise in inflation (albeit a very long-term threat). The Fed has become blinded by its own assessment of being all-knowing, all-powerful.

Lynn Reaser, Chief Economist, Point Loma Nazarene University: The Fed has torn up the old inflation rulebook but has not yet given us a new one. One thing is clear: inflation hawks are going to have to fly over a much higher wall. Low unemployment has been discarded as an inflation driver, but we do not know which culprits we should now watch. The 2% inflation spot target has been abandoned, but we know neither how long nor how much of an overshoot will be tolerated. Perhaps the intention is to have no new rulebook, but to trust the judgment of monetary policy officials.

John Ryding, Chief Economic Advisor, Brean Capital, LLC: The economy is recovering from the March-May drop in economic activity at a pace that is exceeding expectations, but a full recovery needs a vaccine or an effective therapeutic for COVID-19. The predominant inflation risks are to the upside but the Fed's adoption of flexible average inflation targeting gives the Fed considerable discretion to tolerate an inflation overshoot and rates will remain at the effective lower bound for several years. I am somewhat concerned that risk is being underpriced in the equity and corporate bond market.

Richard I Sichel, Senior Investment Strategist, The Philadelphia Trust Company: My optimism for unprecedented medical developments continues. I believe the very strong economy that stopped abruptly in March can be resumed. Stocks are attracting investors as the best choice for the long term. However, short-term traders have driven a small group of exciting companies too high and too quickly. That higher-risk retail trade has been abating of late, which is an encouraging sign that we can concentrate on reasonable valuation parameters as we build portfolios.

Allen Sinai, Chief Global Economist and Strategist, Decision Economics: Recession is over, long "L" with an uptilt, and uneven.

Stephen Stanley, Chief Economist, Amherst Pierpont Securities: The economy has recovered much sooner and faster than had been expected back in the spring. Real GDP growth, inflation, and unemployment are all well ahead of schedule.

Richard D. Steinberg, CFA, Chief Market Strategist, The Colony Group: The Fed has created overly risky behavior in the equity and bond markets. The TINA mentality is directly linked to the open checkbook in bond buying and abnormally low rates. As soon as things start to normalize, post-vaccine, the Fed should slowly signal an end to its program and a slow unwind of the backstop.

Diane Swonk, Chief Economist, Grant Thornton: The economy has been knocked off its trajectory on growth. Getting back to the peak of 2019 does not equate to recouping previous losses. Congress has allowed the wounds associated with COVID-19 to fester. We need a new vocabulary to deal with the COVID recession. "Recovery" in the transitional sense doesn't mean much with so many still hurting. The ranks of the permanently unemployed are rising, while our ability to call workers sidelined by the crisis is diminishing. Congress needs to take its eye off the stock market and focus more on its electorate. They are still hiring. Change the course of COVID; change the course of the recovery - full stop.

Mark Zandi, Chief Economist, Moody's Analytics: Odds are about even that lawmakers will pass another meaningful rescue package. Odds are better than even that the economy will backslide into recession if they don't.