These survey results represent the opinions 52 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 January 23-26, 2013. 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.

1. For all of 2013, what is the total amount of additional asset purchases the Federal Reserve will have made?

![Graph showing distribution of responses with average: $858.8 billion]
2. When do you expect the Federal Reserve will completely stop purchasing assets?

Average: November 2013
3. The Federal Reserve will:

- End its purchases in a single month: 22%
- Gradually reduce (taper) its purchases: 76%
- Don't know/unsure: 2%
(For those who believed the Fed will taper) In what month do you expect the Fed to begin tapering its purchases?

Average: December 2013
4. At what unemployment rate will the Fed halt its asset purchases?

In December survey, 6% of respondents selected “Fed purchases will not react to the unemployment rate.” That option was not available in the January survey.

Averages
December: 6.5%
January: 6.8%
5. At what inflation rate will the Fed halt its asset purchases?

In December survey, 20% of respondents selected “Fed purchases will not react to the inflation rate” That option was not available in the January survey.
6. The Fed is now tying its policies to economic targets rather than a calendar date. In general:

- Linking policy to economic targets leads to better monetary policy: 84%
- Linking policy to calendar dates leads to better monetary policy: 6%
- Don't know/unsure: 10%
7. When it comes to the Fed’s use of economic targets specifically:

**Comments on Questions 6 & 7:**

**Dan Greenhaus, BTIG:** Too many people think the economic targets are "triggers" rather than "references" and the Fed doesn’t appear to be doing enough to counter this erroneous view.
David Kotok, Cumberland Advisors: 6.5 percent unemployment is clear. Inflation level of 2.5 percent is fuzzy. Clarity would require more definition.

Mike Dueker, Russell Investments: Questions 6 and 7 should distinguish between nominal and real economic targets; specifying a real variable, such as unemployment, is a bad idea - too much like the 1970s. It would be a fine idea to target nominal GDP growth at 4.5-5 percent.

John Augustine, Fifth Third Asset Management: The Fed is complicit in financial repression and will continue to be until such time that the federal government brings its balance sheet under control. That is what is driving Fed policy more than the economy.

Subodh Kumar, Subodh Kumar & Associates: News conferences have not led to clarity.

Stuart Hoffman, PNC: Some ambiguity around below a 6.5 percent unemployment rate and above a 2.5 percent inflation outlook is necessary.

Rob Morgan, Fulcrum Securities: The Fed using economic targets to drive the economy is similar to using a rear-view mirror to drive a car.

Joel Naroff, Naroff Economic Advisors: The Fed has indicated that just because a target is hit, that doesn't mean policy will automatically be changed. The Committee should make it clearer that is what they will do and what they are referring to as most people still think the targets are hard targets.

Scott Wren, Wells Fargo Advisors: Using a specific target is a bad idea….a general target area gives the Fed more flexibility.
James Paulsen, Wells Capital Management: I like the Fed using economic targets to set policy but not one of the most "lagging" economic reports (the unemployment rate). Rather, a much better policy prescription would be for the Fed to use a combo of real GDP and inflation (or a good leading proxy) or just nominal GDP growth.

Bob Baur, Principal Global Investors: Linking policy to economic targets leads to monetary policy falling behind, especially when the targets are lagging indicators like inflation and unemployment.

Neal Soss, Credit Suisse: The Fed has left itself a great deal of policy discretion, even as it has defined quantitative economic thresholds.

Diane Swonk, Mesirow Financial: The Fed has four decisions: when to stop expanding its balance sheet, when to stop backfilling expiring assets from its balance sheet, when to shrink its balance sheet, and when to raise rates. It’s important to understand the subtleties of those actions and who is voting when.

Donna Luskin, Trend Macrolytics: The reality is that the Fed can change its targets at any time, so what's the point really?

John Kattar, Ardent Asset Advisors: I'm sure I'm in the minority, but I don't like the link to economic targets because I believe it is too open-ended and dangerous. I prefer the closure that calendar dates provide, while not precluding the option that policy can be extended if conditions warrant.

Lynn Reaser, Point Loma Nazarene University: The Fed is not consistent in using economic targets. It has set them as the primary triggers for changing the fed funds target, but is maintaining more general statements (substantial improvement in the labor market) to guide the duration of its QE program.
Stephen Gallagher, Societe Generale: In question two, you asked when the Fed will completely stop asset purchases. I interpreted this as completely stopping net purchases. The Fed will continue buying to replace maturing Treasury and agency securities for some time longer. Also on gradual tapering, I assume more of a two-step process, ending agency-MBS purchases first, followed by Treasury purchases later. That is not gradual in my mind, but it is not all at once either.

Mark Vitner, Wells Fargo: The Fed has given us no indication of whether they will react to changes in the economy or try to anticipate them. Monetary policy works with a lag!

John Silvia, Wells Fargo: What is the benchmark for inflation?

Stephen Stanley, Pierpont Securities: I don't find the economic threshold approach particularly appealing but it is better than the date-based approach.

Barry Knapp, Barclays PLC: Very skeptical on the stability of the Phillips Curve - HH was bad public policy.

John Lonski, Moody’s: The interpretation of targets varies. What if inflation surges because of an unsustainable jump in energy prices, as in 2008? What if the unemployment rate is skewed lower by an unexpected swelling of labor force dropouts?

Joseph LaVorgna, Deutsche Bank: The Fed has remained sufficiently broad in its economic targets in order to maintain flexibility.
8. Do you believe further quantitative easing can help lower the unemployment rate?

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<th>Sept 12, 2012</th>
<th>Dec 11</th>
<th>Jan 29, 2013</th>
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<tbody>
<tr>
<td>Yes</td>
<td>36%</td>
<td>37%</td>
<td>34%</td>
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<tr>
<td>No</td>
<td>59%</td>
<td>59%</td>
<td>58%</td>
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<tr>
<td>Don't know/uns</td>
<td>5%</td>
<td>4%</td>
<td>8%</td>
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Do you believe further quantitative easing can help mortgage rates?

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<tbody>
<tr>
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<td>54%</td>
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<tr>
<td>No</td>
<td>33%</td>
<td>42%</td>
</tr>
<tr>
<td>Don't know/unsure</td>
<td>9%</td>
<td>4%</td>
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Do you believe further quantitative easing can help lower bond yields?

<table>
<thead>
<tr>
<th>November 11, 2012</th>
<th>January 29, 2013</th>
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<tbody>
<tr>
<td><strong>Yes</strong></td>
<td><strong>No</strong></td>
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<tr>
<td>58%</td>
<td>47%</td>
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<tr>
<td>47%</td>
<td>30%</td>
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<tr>
<td>13%</td>
<td>6%</td>
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Don't know/unsure
Do you believe further quantitative easing can help increase stock prices?

- Yes: 69%
- No: 20%
- Don’t know/unsure: 10%
9. Would further purchases of government or mortgage-backed securities by the Fed impair market pricing and overall functioning?

- Yes: 43% (September 12, 2012), 40% (December 11, 2012), 59% (January 29, 2013)
- No: 52% (September 12, 2012), 28% (December 11, 2012), 16% (January 29, 2013)
- It already is: 36% (September 12, 2012), 5% (December 11, 2012), 13% (January 29, 2013)
- Don’t know/unsure: 5% (September 12, 2012), 8% (December 11, 2012), 8% (January 29, 2013)
10. Would further QE cause inflation?
11. When it comes to the debate over the U.S. debt ceiling, do you believe the Congress will:

- Increase the debt ceiling every time it is reached this year: 86%
- Refuse at some point this year to raise it: 8%
- Don't know/unsure: 6%
12. When it comes to spending cuts, do you believe the United States needs to:

- Enact spending cuts this year that take effect this year: 59%
- Enact spending cuts this year that take effect next year: 18%
- Enact spending cuts that take effect in 2015 or later: 20%
- Does not need to enact any spending cuts: 2%
- Don't know/unsure: 0%
13. When it comes to revenue increases, do you believe the United States needs to:

- Enact revenue increases this year that take effect this year: 16%
- Enact revenue increases this year that take effect next year: 16%
- Enact revenue increases that take effect in 2015 or later: 14%
- Does not need to enact any revenue increases: 53%
- Don't know/unsure: 0%
14. What impact, if any, do you believe recent revenue increases will have on U.S. GDP this year?

Average: -0.6%
15. When it comes to the budget deficit, do you believe the United States:

- Should urgently enact a plan that puts it on a path toward a sustainable budget deficit: 80%
- Has at least a couple of years before it must enact such a plan: 16%
- Does not need to enact a plan that puts it on a path toward a sustainable budget deficit: 4%
- Don’t know/unsure: 0%
16. When it comes to Europe, do you believe the lack of a current crisis mentality is:

- A sign of real progress: 30%
- Only temporary: 62%
- Don't know/unsure: 8%
17. Where do you expect the S&P 500 stock index will be on ... ?

- June 30, 2013: 1497
- September 12, 2012: 1480
- December 31, 2013: 1505
- December 31, 2013 (Jan 29 2013): 1547
18. What do you expect the yield on the 10-year Treasury note will be on ... ?

<table>
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<tr>
<th>Date</th>
<th>Yield (%)</th>
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<tbody>
<tr>
<td>June 30, 2013</td>
<td>1.98%</td>
</tr>
<tr>
<td>Sept 12</td>
<td>2.06%</td>
</tr>
<tr>
<td>Dec 11</td>
<td>2.09%</td>
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<tr>
<td>Jan 29, 2013</td>
<td>2.31%</td>
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19. What is your forecast for the year-over-year percentage change in real U.S. GDP for 2013 and 2014?
20. When do you think the FOMC will first increase the fed funds rate?

Don’t know/unsure
Dec 11 survey: 9%
Jan 29 survey: 4%

Averages:
Dec 11: 2015 - Q1
Jan 29: 2015 - Q1

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21. When do you think the Federal Reserve will make its first planned decrease in the size of its balance sheet?

Don’t know/unsure
Dec 11 survey: 15%
Jan 29 survey: 6%
22. Where do you expect the fed funds target rate will be on ... ?

[Bar chart showing expected fed funds target rates for different dates, with rates ranging from 0.0% to 0.41% and dates from Jan 23 2012 to Jan 29 2013.]
23. In the next 12 months, what percent probability do you place on the U.S. entering recession? (0% = No chance of recession, 100% = Certainty of recession)
24. What is the single biggest threat facing the U.S. economic recovery?

Other responses:
- Political miscalculation
- Gridlock in DC
- Washington paralysis on fiscal issues
- Stop. There are no fracking headwinds for the economy

this year
- Fiscal overkill in general; taxes, spending cuts, regulatory overreach, and continuing policy uncertainty
- China
25. What grade would you give to outgoing Treasury Secretary Timothy Geithner?

Numerical average based on A=4, B=3, C=2, D=1, F=0

Average: 2.2
26. How do you grade the choice of White House Chief of Staff Jack Lew to be Treasury Secretary?

Numerical average based on A=4, B=3, C=2, D=1, F=0

Average: 2.0
27. What is your primary area of interest?

![Pie chart showing interests: Economics 57%, Equities 20%, Fixed Income 8%, Currencies 2%, Other 12%]

Comments:

**Bob Baur, Principal Global Investors:** There is a decent chance that the U.S. economy will get up a head of steam sometime in the second half and above trend growth early in 2014. Headwinds are fading and pent-up demand is surfacing.

**Robert Brusca, Fact and Opinion Economics:** God help us.

**Mike Dueker, Russell Investments:** The Fed should stop using a real variable (the unemployment rate) as a trigger for monetary policy and announce that the reason for quantitative easing is to get nominal GDP growth up to 4.5-5 percent. This rate of nominal spending growth would fit with the dual mandate by aiming at 2 percent trend inflation and leaving room for at least 2.5 percent real growth. The key feature is that it is a nominal target that allows market forces to determine the precise division of nominal spending into inflation and real growth. This nominal target is both a good...
way to explain why the first fed funds rate hike is unlikely before 2015 and to explain why the Fed is currently in an asset-purchase program - because nominal GDP growth has not made the grade in this recovery.

**Mike Englund, Action Economics:** The primary headwind restraining U.S. investment, confidence, and GDP growth is mounting U.S. government insolvency combined with a lack of political inertia for addressing it that leaves an expectational black hole at the end of this cycle. If federal budgets can't get downsized sharply before the next recession, the cycle will end with a sharp dollar drop, inflation and interest rate rise, and deficit surge that leave little incentive for business to "lever up" now.

**Kevin Giddis, Raymond James/Morgan Keegan:** We are clearly seeing a shift of market focus from an economic concern to a fiscal concern. This is actually good news, because instead of being worried about "if" there will be economic growth, we have shifted to being concerned with "sustaining" economic growth.

**Stuart Hoffman, PNC:** Defanged fiscal cliff and debt ceiling-induced Treasury default will not suck the life blood out of an anemic U.S. expansion.

**Lee Hoskins, Pacific Research Institute:** Federal Reserve policy is turning into a riddle wrapped in a conundrum.

**Barry Knapp, Barclays PLC:** Due to a combination of regulatory constraints and monetary policy efficacy limitations, I do not believe the Fed can reduce the effective mortgage rate or the primary-secondary spread. They can reduce the real Treasury rate but probably not the nominal rate. They can boost valuation of stocks with bond-like characteristics but not the cyclical sectors or the broad indices.
David Kotok, Cumberland Advisors: Add uncertainty index to your questionnaire. It is rising and now has become a widely watched indicator. Does Goodhart's law now apply?

Subodh Kumar, Subodh Kumar & Associates: Urgency remains for fiscal restructuring in U.S. and Europe and export/domestic re-balance in China. Investors should be less complacent than current bond and stock markets indicate.

John Lonski, Moody's: Possible policy mistakes in the U.S. and Europe are the biggest risk to the adequacy of economic growth in 2013.

Drew Matus, UBS Investment Research: The advantage the United States has with regard to its fiscal situation is that, if enacted, a long-term plan would allow the Fed to accrue the benefits the market provides to the fiscally responsible long before any tightening would take place.

Rob Morgan, Fulcrum Securities: Fed QE programs will end this year, and there is an outside chance rates will be hiked this year as well.

Joel Naroff, Naroff Economic Advisors: Instead of focusing on the negatives coming from the tax increases and spending cuts we should consider the positive impacts on business investment and hiring from the removal of the uncertainties that constrained activities over the past six months. Faster job growth and rebounding capital expenditures could overcome the slowdown that the tax increases and likely spending cuts present.

James Paulsen, Wells Capital Management: I think the Fed can still argue it needs to be accommodative (growth is still too slow and unemployment is still too high) but I don't think the Fed can support an argument that it still needs to implement "crisis-like" policies in
an economy which is no longer in crisis. Why continue to employ National Emergency-like policies (like zero interest rate pledges, alternative asset purchases, continuing to expand a massive balance sheet) when there is no longer a national emergency? Why won't the Fed "normalize" policy (even if the normal policy is still accommodative) in an economy which is still challenged but no longer in crisis? If they did this - stayed accommodative but only in a more normal recovery sense - I think business, consumer and investor confidence would improve significantly. That would ultimately be more effective in promoting growth than any monetary policy the Fed is currently employing.

**Lynn Reaser, Point Loma Nazarene University:** The Fed's use of QE has both helped the housing market with low mortgage rates and boosted stocks and household wealth. But it could be a high-risk strategy by spawning either another asset price bubble or future inflation. The "exit" strategy could be even more difficult than the "fix-it" strategy the Fed has deployed to help the economy and financial markets. The ultimate need to rein in the balance sheet and raise interest rates could be both economically and political treacherous.

**John Roberts, Hilliard Lyons:** With the recovery now becoming long in the tooth, we believe that a significant recession could be in the cards by the latter half of 2014. Regulatory/policy mistakes that the Fed cannot overcome are the most likely genesis for such a recession at this point, although we also cannot discount a regression to the mean on profit margins causing a profit slowdown and a resulting economic malaise.

**Chris Rupkey, Bank of Tokyo-Mitsubishi:** Description of the economy should see just minor changes and the write-ups are increasingly irrelevant as policy is on autopilot until unemployment gets to 6.5 percent. We are thinking George dissents picking up the torch passed from Hoenig. It is questionable if the man from St.
Louis takes a step out of the pack and registers a ‘no’ vote. It's a big step. ‘No’ votes still don't go down well at the Board no matter how many times members say they are grateful for outlier opinions. They are in their own bubble down there talking to themselves and convinced in the rightness of their cause. Sometimes I think they will keep rates low until poverty in America is eliminated. Not very central bankery.

**John Silvia, Wells Fargo:** The Fed needs to clarify the inflation target and stick with it.

**Hank Smith, Haverford Investments:** Taxes and regulations are big potential threats to GDP growth. But the biggest threats are external shocks which by definition are unknowable and unforecastable.

**Neal Soss, Credit Suisse:** Stopping asset purchases well before the end of 2013 likely requires more robust job performance than we’ve seen to date. But continued labor market improvements, even sluggish ones, may warrant trimming the Fed’s $85 billion monthly shopping budget, perhaps as soon as mid-year.

**Diane Swonk, Mesirow Financial:** Lew is important because he is a budget guy, and as much as he may not have done a deal recently, he has negotiated bi-partisan deficit reduction. He knows both sides of the ledger must be addressed.

**Mark Vitner, Wells Fargo:** Growth should strengthen once we clear the fiscal hurdles at the start of the year. Businesses are extremely tentative, however, and generally suspicious of Washington. Few feel like taking big risks.

**Scott Wren, Wells Fargo Advisors:** While the U.S. can borrow gobs of money at low rates now and the equity market has traded higher with the Fed’s help, I think sooner than later the market will
begin to demand that our elected officials begin to address the debt and deficit. Clearly, at some point, the financial markets will become unsettled as our debt skyrockets and our refunding needs balloon. As history shows, markets can go from jubilant to panic-mode in the blink of an eye.