

Franklin Templeton Fixed Income

Central Bank Watch

Steady as she goes

The Franklin Templeton Fixed Income (FTFI)

Central Bank Watch is a qualitative assessment of the central banks for the Group of Ten (G10) nations plus three additional countries (China, India and South Korea). See full methodology on page 6.

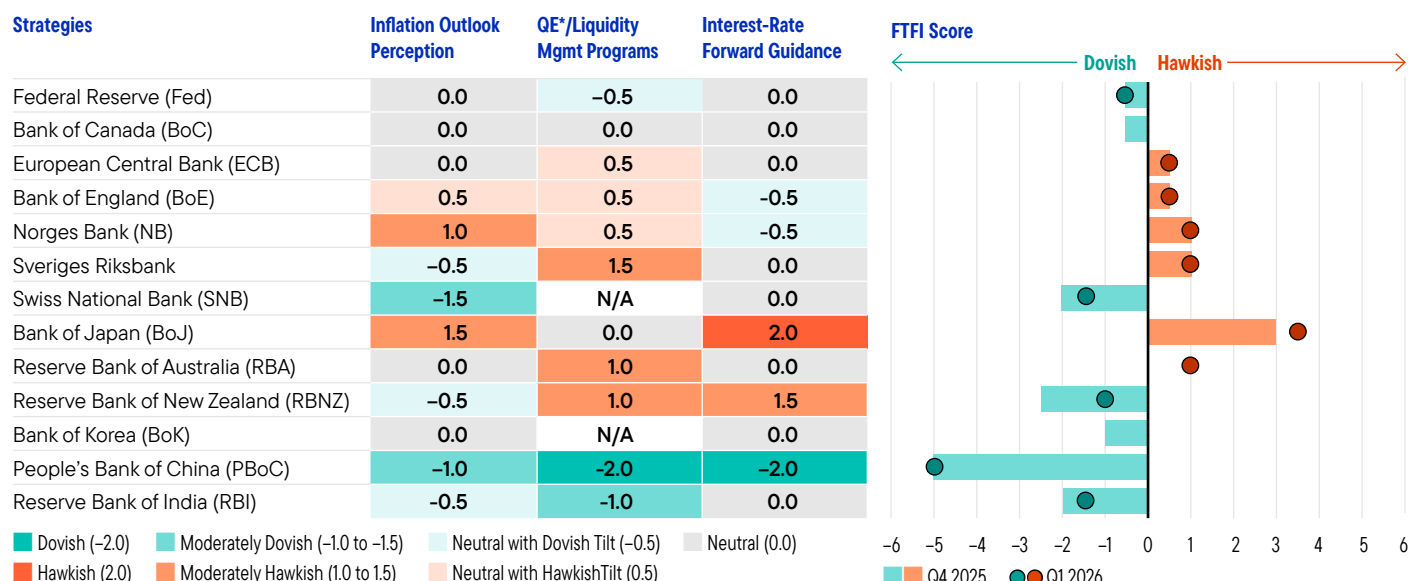
Key highlights

Measured easing in North America: The Federal Reserve (Fed) cut interest rates in December amid internal divisions, signaling a higher bar for future easing with policy near neutral. While the Fed projects one more cut in 2026, we expect a prolonged pause at least through May when Fed Chair Powell's term ends, unless labor weakness forces risk-management cuts. In Canada, although we think the Bank of Canada (BoC) has reached its terminal rate, the future of the US-Mexico-Canada trade agreement could play a role in determining policy. Markets expect the BoC to hike by the fourth quarter.

Central banks in Europe are taking their time: With an expected upswing in economic growth next year, both the European Central Bank (ECB) and the Riksbank appear comfortable remaining on hold after bringing their easing cycles to a close, while retaining flexibility should the data deviate materially from current forecasts in both directions. By contrast, the Bank of England (BoE) and Norges Bank continue to guide toward gradual and cautious easing into 2026, seeking further disinflation evidence before further rate cuts are delivered. We expect the Swiss National Bank to keep rates at zero at least through end-2026. The bar for negative rates remains high and foreign exchange interventions will likely be preferred to manage currency pressures.

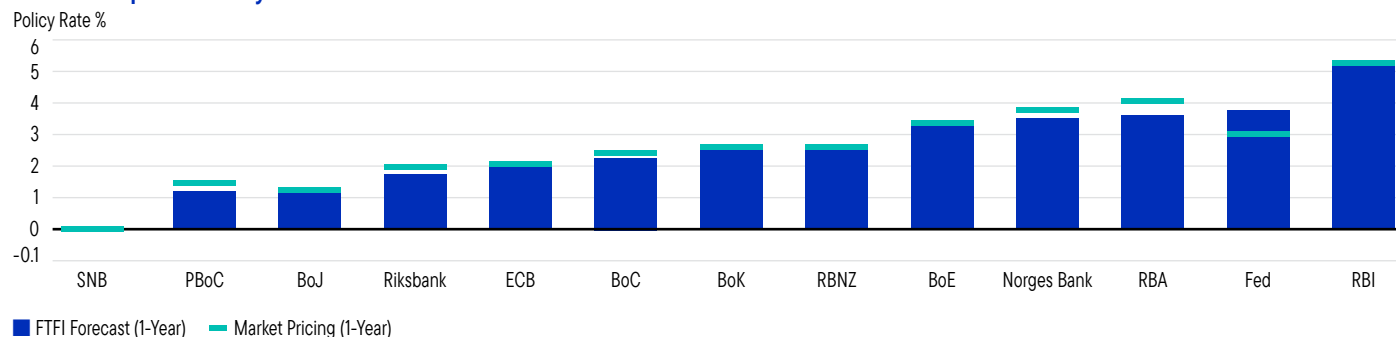
Will Asia be the first to hike? Despite trade uncertainties, growth has been more resilient in the Asia-Pacific region in 2025. With fiscal support measures also kicking in, we expect a long pause in both South Korea and India. Growth is looking to finally turn for the better in New Zealand, prompting the Reserve Bank of New Zealand (RBNZ) to likely stay on an extended pause in 2026. It will be in a close race with Australia to determine who will be the first to hike as the Australian economy stays robust amid sticky price pressures. That central bank will join the Bank of Japan's (BoJ) tightening club, as we expect two more rate hikes in Japan during 2026. In China, although Beijing has acknowledged the need to reverse deflationary impulses, the room for additional easing is constrained by historically low levels of bank margins. We believe the People's Bank of China is therefore likely to favor incremental, targeted easing.

FTFI Central Bank Dove-Hawk Ranking



Notes: *QE = Quantitative Easing. Ranks are based on qualitative judgement based on our interpretation of central banks' forward guidance with overall score of -6 as most dovish and +6 as most hawkish. There is no assurance that any estimate, forecast or projection will be realized. Source: Franklin Templeton Fixed Income Research. As of January 5, 2026.

Market Implied Policy Rate vs. FTFI Forecasts



Notes: Forecasts represent Franklin Templeton Fixed Income's projected policy rate one year from now. There is no assurance that any estimate, forecast or projection will be realized. Sources: Franklin Templeton Fixed Income Research, Bloomberg. As of January 5, 2026.

Latest thoughts on global central bank policy

US Federal Reserve (Fed)

Next expected move	On Hold
FTFI policy rate 1-yr forecast	3.75
FTFI score	-0.5

Rates within a plausible range of neutral

The December policy meeting delivered a widely expected 25-basis-point (bp) rate cut but revealed sharp internal divisions. Three officials dissented: two hawks favored holding rates, while one dove pushed for a 50-bp cut. The 2025 Fed member projections known as the “dot plot” showed four additional silent dissents, though longer-run projections remained stable. Fed Chair Jerome Powell signaled a higher bar for future easing, noting policy is now “within a range of plausible estimates of neutral,” suggesting patience amid data distortions from the recent government shutdown. Despite hawkish guidance, Powell leaned dovish on inflation and labor, arguing underlying inflation excluding tariffs is in the “low-2s” and highlighting risks of overstated payroll gains by as much as 60,000 jobs/month. However, Powell’s view on the extent of downward revisions may be overly pessimistic since November and December payroll figures have typically been revised up from initial estimates. Powell’s labor pessimism was also at odds with the Fed’s *Summary of Economic Projections*, which maintained unemployment forecasts and upgraded gross domestic product (GDP) growth, citing resilient spending, artificial intelligence (AI)-driven investment and productivity gains. Another notable move was aggressive reserve management purchases—US\$40 billion/month through April—signaling concern over funding stress and a willingness to expand the balance sheet despite prior commitments to maintain the smallest possible balance sheet size. Looking ahead, while the Fed projects one more rate cut in 2026, we expect a prolonged pause at least through Powell’s term unless labor weakness forces risk-management cuts. Although Kevin Hassett—Powell’s likely successor—aligns with Trump’s preference for lower rates, he has also insisted on the need for independent judgment.

Bank of Canada (BoC)

Next expected move	On Hold
FTFI policy rate 1-yr forecast	2.25
FTFI score	0.0

Likely at terminal rate

The BoC held its policy rate at 2.25% in December, signaling the likely end of its easing cycle after two consecutive 25-bp cuts. The Governing Council reiterated that the current rate is “at about the right level” to keep inflation near 2%. Markets are now focusing on the next move, with a rate hike priced in by October 2026. This came off the back of November’s labor data showing unemployment at 6.5%, the lowest this year. However, this improvement resulted from by youth and part-time jobs, while full-time employment fell, and hiring intentions remained muted. Third-quarter GDP surprised at 2.6% versus the BoC’s 0.5% forecast, but growth was largely due to lower imports masking weak domestic demand, as consumption contracted for the first time in five years. December’s statement warned fourth-quarter growth would likely be weak. On inflation, with headline close to the 2% target and core showing no signs of acceleration (albeit sticky), the BoC believes “inflationary pressures continue to be contained.” Therefore, with inflation generally under control and the downside risks to growth implied by the underlying weakness behind recent “hawkish” headline numbers, we expect the BoC to stay on hold through 2026. That said, the minutes of the December meeting did note that the future of the US-Mexico-Canada trade agreement could potentially affect the policy outlook. Meanwhile, markets still expect a rate hike in the fourth quarter.

European Central Bank (ECB)

Next expected move	Q1 2027 (+25bp)
FTFI policy rate 1-yr forecast	2.00
FTFI score	0.5

Same message, hawkish forecasts

The ECB left policy rates unchanged at 2.0% at its December meeting, as universally expected, in a unanimous decision. Communication was broadly unchanged, reiterating a data-dependent, meeting-by-meeting approach while preserving “full optionality” to adjust policy in either direction. The main takeaway from the meeting came from the updated projections, which were revised in a more hawkish direction and underpinned President Lagarde’s assessment that the ECB remains “in a good place.” Real GDP growth is now seen averaging 1.4% in 2025 and 1.2% in 2026, reflecting stronger-than-expected resilience in the third quarter and a pickup in domestic demand, supported by consumption and investment. The fiscal impulse was also revised marginally higher, to 0.3% of GDP in 2026. On inflation, the ECB continues to project an undershoot of the 2% target over the next few years, but to a lesser extent than before. Harmonized Index of Consumer Prices inflation was revised up to 1.9% in 2026 (from 1.7%) and expected to be 1.8% in 2027, then back at target in 2028, partly reflecting the expected introduction of the European Emissions Trading System 2 mechanism, assumed to add around 0.2 percentage point (pp) to inflation. The upward revisions were driven mainly by core inflation, now seen at 2.2% in 2026 (from 1.9%), as services inflation is expected to slow more gradually amid stronger wage growth next year (3.2%, +0.5 pp versus September). We continue to expect a prolonged hold, absent significant surprises to the outlook, with a rate hike in 2026 appearing somewhat premature, but a modest upward adjustment becoming more plausible in early 2027.

Bank of England (BoE)

Next expected move	Mar 2026 (-25bp)
FTFI policy rate 1-yr forecast	3.25
FTFI score	0.5

Further easing becoming a closer call

The BoE lowered the bank rate to 3.75% in December, delivering its first cut since August in a more finely balanced decision than markets had anticipated. The vote split 5–4, with Governor Bailey proving pivotal by switching sides and backing the cut, unlike at the November meeting. Despite the decision to ease, guidance remained broadly unchanged, with the Monetary Policy Committee (MPC) reiterating its preference for a “gradual downward path” for rates, while emphasizing that “judgement around further easing will become a closer call” as policy approaches neutral. Recent data have been more supportive of disinflation: the headline Consumer Price Index (CPI) eased to 3.2% in November, while the labor market continues to cool as the unemployment rate trends upward, having reached 5.1% in October. The MPC now judges inflation persistence to be “less pronounced” than previously feared and expects inflation to move closer to the 2% target next year, helped by budget measures. However, wage growth remains perhaps too uncomfortably elevated to speed up the pace of easing. Overall, the narrow vote is split, and the cautious tone of the guidance underlines the MPC’s continued hawkish bias. We expect one further 25-bp rate cut, taking the bank rate to 3.5% in spring 2026, with some risk of an additional move should the disinflation trend continue without surprises.

Norges Bank (NB)

Next expected move	Jun 2026 (-25bp)
FTFI policy rate 1-yr forecast	3.50
FTFI score	1.0

Not in a hurry to ease

Norges Bank kept the policy rate unchanged at 4.0% in December, fully in line with guidance, and reaffirmed its cautious approach to easing. The updated rate path was only marginally lower and still implies one to two cuts in the second half of 2026, with a terminal rate of around 3.25% by 2028. Recent data have been mildly dovish but not sufficient to alter the broader policy stance. Third-quarter mainland GDP growth undershot expectations at 0.1% quarter-over-quarter (q/q) amid large historical revisions, and the 2026 growth forecast was lower at 1.3%. Unemployment edged up to 2.2% and indicators of spare capacity have risen slightly, though both remain consistent with a tight labor market. Inflation dynamics remain a key constraint: Core inflation has hovered around 3% for over a year and is projected to average 2.7% in 2026, supported by still elevated wage growth of around 4.2% in 2026. A weaker Norwegian krone adds to concerns by means of imported inflation and stronger wage pressures in export-oriented sectors (e.g., oil industry) that act as benchmarks for broader wage formation. Overall, while the intent to ease remains, internal inflationary pressures and currency weakness remain pressure points. We continue to expect only one rate cut in 2026, with June being the plausible meeting. Norges Bank also signaled future liquidity-draining operations through central bank certificates, likely from the first half of 2026, in contrast to the Fed’s announced plans.

Sveriges Riksbank

Next expected move	Q1 2027 (+25bp)
FTFI policy rate 1-yr forecast	1.75
FTFI score	1.0

Comfortably on hold

The Riksbank kept the policy rate unchanged at 1.75% in December, as universally expected, in a unanimous decision. The updated rate path was only marginally revised higher: It remains flat over the next three quarters (set by the Board rather than purely model driven) before edging upward from the fourth quarter 2026 onward, effectively embedding one full hike over the course of 2027. While the policy projection was unchanged, the forecast revisions were more meaningful. Growth forecasts were upgraded following the third-quarter upside surprise, with real GDP now seen at 1.8% in 2025 and strengthening further to 2.6% in 2026, supported by income tax cuts, before easing to 2.2% in 2027. However, the labor market remains a constraint, with unemployment still elevated at 8.8% in 2025 and only a modest improvement to 8.6% expected in 2026. On inflation, the Riksbank now expects a pronounced undershoot, with inflation seen below 1% in 2026, largely reflecting the halving of the value-added tax on food to 6% and a lower electricity tax. Against this backdrop, we expect the Riksbank to remain on hold through 2026. Rate hikes look unlikely next year given that inflation will be artificially low and would require a material absorption of the current slack in the labor market to justify tightening.

Swiss National Bank (SNB)

Next expected move	On Hold
FTFI policy rate 1-yr forecast	0.00
FTFI score	-1.5

High bar for negative rates

In December, the SNB kept its policy rate at 0.00% for the second consecutive meeting, maintaining the pause it initiated in September after six straight rate cuts. Forward guidance remained unchanged, with the SNB reiterating its commitment to monitor conditions and adjust policy if needed to ensure price stability, while remaining ready to intervene in foreign currency (FX) markets. Inflation forecasts were revised lower following recent downside surprises, with CPI at 0.0% year-over-year (y/y) in November. Most revisions were near-term, while long-term projections stayed broadly unchanged. Growth expectations improved slightly after the mid-November US-Switzerland trade deal, with tariffs on Swiss goods reduced to 15%. The SNB now projects growth of “just under 1.5%” in 2025 and “around 1%” in 2026, though unemployment is expected to rise somewhat. SNB President, Martin Schlegel, emphasized that policy remains expansionary and appropriate, noting that negative rates remain an option but with a higher hurdle than conventional cuts. Therefore, given the slightly better growth prospects (albeit still modest) and inflation expected to remain within the 0%-2% target range, we expect the SNB to keep rates at 0% at least through end-2026 and potentially through 2027. FX interventions are likely to remain the preferred tool in the event of significant currency appreciation pressures.

Bank of Japan (BoJ)

Next expected move	Q2 2026 (+25bp)
FTFI policy rate 1-yr forecast	1.25
FTFI score	3.5

A higher neutral rate?

The BoJ raised the policy rate in December to 0.75% in a unanimous vote. The BoJ noted that real interest rates are at significantly low levels, meaning that current policy settings continue to be accommodative. Governor Ueda was more on the neutral to hawkish side in his press conference, stating that delayed interest-rate hikes could force greater hikes later and that timely hikes are necessary to achieve the 2% target. He cautioned to be data dependent, not only for future moves but also to judge the neutral rate. Meanwhile, the November CPI print showed persistent price pressure, with core CPI at 3.0% y/y. Energy prices were up, at 2.5% y/y, due to the end to the government's electricity subsidies, whereas food inflation remained elevated at 0.4% month-over-month, seasonally adjusted. The pace of disinflation in food prices has been slow, contrary to the BoJ's estimates. Government-led price-control measures are expected to become more severe in the coming months: December will see the impact of lower gasoline prices trickle in; electricity subsidies will be reintroduced in January – March 2026. Free high school tuition fees will be expanded starting April, pushing down education costs. So, as we have argued earlier, while core inflation will likely be pushed lower in the first half of 2026, underlying price momentum will likely remain sticky. We therefore retain our call for two more rate hikes in 2026 (current market pricing indicates one hike), although it will be paced out and the suppression of inflation by these government measures will make it tough to get quicker hikes.

Reserve Bank of Australia (RBA)

Next expected move	On Hold
FTFI policy rate 1-yr forecast	3.60
FTFI score	1.0

How tables turn!

The Australian economy and market sentiment around it has substantially turned since our last publication a quarter ago. Growth indicators are robust, with the economy nearing its potential (RBA's estimate is 2%). The initial kick to growth came from the 2024 income tax cuts, but through 2025, a solid labor market and interest-rate cuts have supported growth. Labor-force participation rates are stable, which means the unemployment rate will likely move more sideways than upward going forward. Wage growth has lifted income and spending, which will likely continue into 2026. With growth and the labor market broadly in balance, it is inflation that is going to move the needle on the direction of monetary policy. Trimmed mean inflation rose a solid 1.0% q/q in the third quarter 2025 (well above RBA's forecast) with the monthly CPI indicator showing this likely persisted into the fourth quarter. The next critical data point will be the November CPI print. For now, given that inflation is turning up when growth and the labor market remains at sustained levels, we believe it's likely that the next move for the RBA will be up rather than down. Markets are now pricing a rate hike in 2026, too, but the key question remains when?

Reserve Bank of New Zealand (RBNZ)

Next expected move	On Hold
FTFI policy rate 1-yr forecast	2.50
FTFI score	-1.0

Hold on and sit tight

It seems that the economy is turning positively, with the third-quarter GDP bouncing back sharply from second-quarter levels (1.1% q/q versus RBNZ's forecast of 0.4%). High-frequency activity data, including business sentiment and retail spending, have risen. Supporting this recovery, the RBNZ delivered 75-bp of further cuts in the fourth quarter of 2025, with the total easing in this cycle 325-bp. This has helped cushion the economy, which is likely to see a buoyant rise in GDP growth from about 0.5% y/y in 2025 to more than 2% in 2026. Consequently, the labor market is also expected to stabilize, with the unemployment rate seen cooling off to 4.5% in 2026 from the current 5.3%. Meanwhile, inflation has crept up to the upper limit of the target band of 1%–3% in the third quarter but is likely to stay around 3% in 2026. With the bulk of the easing behind it and the recovery underway, we expect a long pause by the RBNZ in 2026. New RBNZ Governor Breman said financial conditions had tightened since its November rate cut as shorter-term rates moved lower, which markets saw as a cue to address high swap rates (consistent with expectations of rate hikes in early 2027). We expect the RBNZ to be among the first central banks in the developed world to raise rates (alongside neighboring Australia) in early 2027. We will be prompted to bring forward our hike call to 2026 if data surprises us more positively.

Bank of Korea (BoK)

Next expected move	On Hold
FTFI policy rate 1-yr forecast	2.50
FTFI score	0.0

A prolonged hold

The Bank of Korea maintained its policy rate at 2.50% at its November meeting as widely expected. One out of six members voted for a rate cut. Only three, instead of the earlier four members, showed willingness to cut rates in the next three months. The growth projections reflected optimism, with 2025 and 2026 numbers raised to 1.0% and 1.8%, respectively (up from 0.9% and 1.6%). Inflation forecasts for both years were also lifted to 2.1%, marginally higher than the 2% target. For 2027, the BoK kept GDP and inflation forecasts at 1.9% and 2%, respectively. There are stronger expectations for exports to keep up the momentum amid the upcycle in semiconductors and optimism around domestic demand. Financial stability risks continue to cloud further easing, in our view. Although house price increases and transaction volumes have moderated, expectations around housing prices remain high amid heightened household leverage. Together, therefore, expectations that growth will return to 2% amid a fiscal boost will likely see the BoK return to the margins. We expect a prolonged hold through 2026 and a formal change in stance in early 2026.

People's Bank of China (PBoC)

Next expected move	H1 2026 (-10bp)
FTFI policy rate 1-yr forecast	1.20
FTFI score	-5.0

Further easing to remain incremental and targeted

The annual Central Economic Work Conference (CEWC), held on December 10–11, reaffirmed Beijing's "moderately accommodative" monetary stance while introducing subtle but important changes. For the first time, policymakers emphasized the need for monetary policy to support steady growth and restore price levels—a clear sign Beijing acknowledges persistent near-zero CPI inflation and producer price index deflation. Notably, the removal of quantitative targets for credit growth and money supply signals a shift away from binding monetary objectives toward a more flexible framework. Although the CEWC reiterated its commitment to maintaining ample liquidity and more efficiently deploying tools such as the reserve requirement ratio (RRR) and interest-rate cuts, it also stressed monetary policy's central role in 2026 will be to improve the transmission mechanism, thus ensuring that these monetary tools actually lower financing costs and support domestic demand, innovation and small-medium enterprises. While mentions of RRR and policy rate cuts at the CEWC—after being notably absent from the last two Politburo meetings—certainly point to Beijing's openness to further monetary easing in 2026, we still do not anticipate large-scale monetary intervention. The need for large reserve ratio cuts appears limited, and historically low levels of bank net-interest margins should constrain rate cuts. With Beijing likely to soften language around its 5% growth goal for 2026, thus allowing for a slight miss to focus on structural issues, we anticipate incremental, targeted easing in 2026 rather than a decisive shift. In all, we expect a 50-bp RRR and a 10-bp rate cut in the first half of the year.

Reserve Bank of India (RBI)

Next expected move	On Hold
FTFI policy rate 1-yr forecast	5.25
FTFI score	-1.5

Mindfully supportive

As we expected, the RBI unanimously cut the repurchase (repo) rate at the December policy meeting to 5.25% while maintaining a neutral stance. One member voted to change the stance from neutral to accommodative. In addition, the central bank announced liquidity-enhancing measures, including open market purchases of government bonds worth 1 trillion rupees and a three-year buy-sell FX swap of US\$5 billion. Projections for inflation were lowered for fiscal year 2026 (ending March 2026) from 2.6% y/y to 2.0% y/y and for the first quarter and the second-quarter fiscal year 2027 to 3.9% and 4% based on expectations of subdued food prices. GDP growth forecast for FY26 was revised up to 7.3%, accounting for the recent uptick in the first-half numbers. At an average 6.75% forecast for the first half of fiscal year 2027, growth is expected to remain robust even though milder from current levels. Governor Malhotra's comments were more neutral this time, citing that growth remained substantially robust despite historically weak inflation. There was no mention of Indian rupee weakness either, which is reeling under negative sentiment due to a delay in the US trade deal. Overall, therefore, sticking to our earlier assessment, we think that rate cuts have likely concluded in this cycle, and there is little reason for the RBI to cut if growth sticks to the central bank's assessment. Inflation will likely start to turn higher in fiscal year 2027 as base effects turn unfavorable, which will keep the central bank mindful about being supportive. We continue to expect more liquidity-enhancing measures from time to time to ensure the full transmission of the 125-bp of cuts done so far.

Franklin Templeton Fixed Income (FTFI) Policy Rate Forecasts vs. Market Pricing

As of January 5, 2026

Country	Inflation (Latest % Y/Y)	Official Rate	Current Rate (% pa)	Last Change	Next Change (FTFI Forecast)	Market Implied Policy Rate** (%)		FTFI Policy Rate Forecast (%)	
						1-Year	2-Year	1-Year	2-Year
United States	2.7	Fed Funds*	3.75	Dec 2025 (-25bp)	On Hold	2.96	3.08	3.75	4.00
Canada	2.2	O/N Rate	2.25	Oct 2025 (-25bp)	On Hold	2.38	2.74	2.25	2.50
Euro Area	2.2	Deposit Rate	2.00	Jun 2025 (-25bp)	Q1 2027 (+25bp)	2.02	2.28	2.00	2.25
United Kingdom	3.2	Bank Rate	3.75	Dec 2025 (-25bp)	Mar 2026 (-25bp)	3.33	3.51	3.25	3.50
Norway	3.0	Deposit Rate	4.00	Sep 2025 (-25bp)	Jun 2026 (-25bp)	3.71	3.61	3.50	3.50
Sweden	0.3	Repo Rate	1.75	Sep 2025 (-25bp)	Q1 2027 (+25bp)	1.96	2.36	1.75	2.00
Switzerland	0.0	Policy Rate	0.00	Jun 2025 (-25bp)	On Hold	-0.01	0.22	0.00	0.25
Japan***	3.0	Policy Rate	0.75	Dec 2025 (+25bp)	Q2 2026 (+25bp)	1.16	1.65	1.25	1.75
Australia	3.8	Cash Rate	3.60	Aug 2025 (-25bp)	On Hold	4.01	4.03	3.60	4.10
New Zealand	3.0	Cash Rate	2.25	Nov 2025 (-25bp)	On Hold	2.57	3.30	2.50	3.00
South Korea	2.3	7D Repo Rate	2.50	May 2025 (-25bp)	On Hold	2.56	2.97	2.50	2.75
China	0.7	7D Rev Repo Rate	1.40	May 2025 (-10bp)	H1 2026 (-10bp)	1.42	1.48	1.20	1.20
India	0.7	Repo Rate	5.25	Dec 2025 (-25bp)	On Hold	5.20	5.66	5.25	5.50

*For the US, the rate considered is the upper bound of the Fed Funds target range. **Market implied rates are based on Bloomberg's MIPR rates. *** Japan's CPI is official core, CPI excluding fresh food. Source: Franklin Templeton Fixed Income Research, Bloomberg, each country's respective national sources. As of January 5, 2026.

Editorial review



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About Franklin Templeton Fixed Income

Franklin Templeton has been among the first to actively invest in many sectors of the fixed income markets as they have evolved—covering corporate credit, mortgage-based securities, asset backed securities and municipal bonds since the 1970s, international fixed income since the 1980s, bank loans since the early 2000s, and digital assets since the 2010s. Over 145 investment professionals globally support the portfolio managers, who oversee more than US\$140 billion in assets under management. Being part of an established investment group at Franklin Templeton gives the portfolio managers access to experts across different areas of the fixed income market, helping them to diversify opportunities and risks across multiple sectors.

Our global reach through Franklin Templeton Investments provides access to additional research, trading, and risk management resources. Portfolio managers have opportunities to exchange insights with other investment groups, and collaborate with an independent risk team that regularly examines risk analytics to help identify and address areas of excessive risk exposure within our portfolios.

Franklin Templeton Fixed Income (FTFI) Central Bank ranking methodology

Each central bank is scored on three parameters: Inflation Outlook Perception, Quantitative Easing/Liquidity Management Programs, and Interest Rate Forward Guidance. Each parameter can be scored from a range with a minimum of -2 (dovish) and a maximum of +2 (hawkish). The methodology for scoring compares the latest monetary policy statement/press statements with prior ones to see how the language and tone regarding each of these parameters may have changed over time. The scores are ultimately aggregated for each central bank, with a final FTFI score ranking each from -6 (for most dovish) to +6 (for most hawkish). We also provide our one-year ahead policy rate expectations and compare our rankings and expectations with market implied policy rates to evaluate how the difference between our expectations/rankings and market expectations/rankings.

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International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**.

Sovereign debt securities are subject to various risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a governmental entity may be unwilling or unable to pay interest and repay principal on its sovereign debt. To the extent a strategy focuses on particular **countries, regions, industries, sectors or types of investment** from time to time, it may be subject to greater risks of adverse developments in such areas of focus than a strategy that invests in a wider variety of countries, regions, industries, sectors or investments.

The government's participation in the economy is still high and, therefore, investments in China will be subject to larger regulatory risk levels compared to many other countries.

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