Q2 2026 Outlook

Franklin Templeton Fixed Income

Central Bank Watch

On edge—hold, hike or hedge?

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

Federal Reserve (Fed) and Bank of Canada (BoC) in wait-and-watch mode: In March, the Federal Open Market Committee (FOMC) kept median rate projections unchanged, but rising geopolitical and energy-driven inflation risks—and a subtle hawkish shift among officials—support a longer Fed hold. In Canada, inflation sits near target and the economy remains in excess supply; the BoC is looking through the near-term oil shock and signaling flexibility, which makes near-term rate hikes unlikely.

Central banks in Europe are ready to react: Many European economies rely heavily on energy imports, keeping inflation risks front and center for policymakers. The European Central Bank (ECB) faces weaker expected growth alongside rising inflation and signaled it will respond quickly if the energy shock persists and lifts core inflation. Similarly, the Bank of England (BoE) dropped references to further easing this year and renewed its focus on inflation risks. In the Nordics, the Riksbank is buying time before it reacts, while Norges Bank will likely begin hiking soon. The Swiss National Bank (SNB) has focused more on preventing an excessive Swiss franc appreciation than on inflation; it emphasized foreign exchange (FX) intervention and kept rates at 0% with a high bar for hikes.

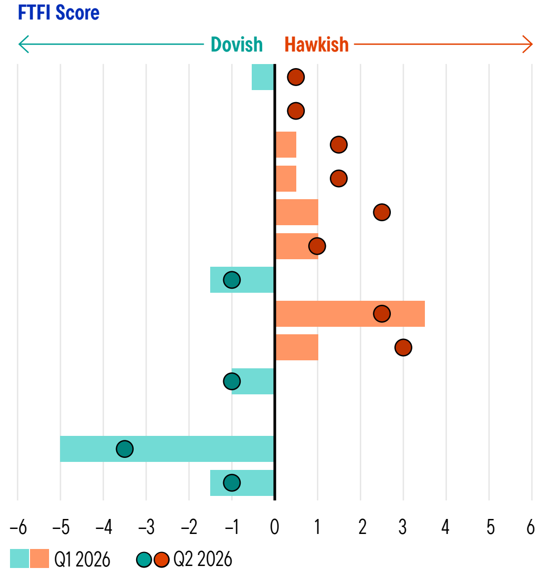
Asia's net energy importer tag a concern: The Middle East conflict and the resulting supply-side shock put Asia—broadly a net energy importer—under pressure. Central banks in South Korea, New Zealand and India will weigh the risks; they may calibrate any tightening depending on how long the conflict lasts. We continue to expect the Bank of Japan (BoJ) and Reserve Bank of Australia (RBA) to raise rates, likely in April and May respectively, as they respond to inflation concerns. By removing explicit references to rate cuts, we believe the People's Bank of China (PBoC) is signaling patience, favors targeted liquidity tools, and may push expected easing into the second half of the year.

FTFI Central Bank Dove-Hawk Ranking

Strategies	Inflation Outlook Perception	QE*/Liquidity Mgmt Programs	Interest-Rate Forward Guidance
Federal Reserve (Fed)	1.0	–0.5	0.0
Bank of Canada (BoC)	0.5	0.0	0.0
European Central Bank (ECB)	1.0	0.5	0.0
Bank of England (BoE)	1.0	0.5	0.0
Norges Bank (NB)	1.0	0.5	1.0
Sveriges Riksbank	0.5	0.5	0.0
Swiss National Bank (SNB)	-1.0	N/A	0.0
Bank of Japan (BoJ)	1.0	0.0	1.5
Reserve Bank of Australia (RBA)	1.0	1.0	1.0
Reserve Bank of New Zealand (RBNZ)	–0.5	1.0	-1.5
Bank of Korea (BoK)	0.0	N/A	0.0
People's Bank of China (PBoC)	-0.5	-2.0	-1.0
Reserve Bank of India (RBI)	0.0	-1.0	0.0

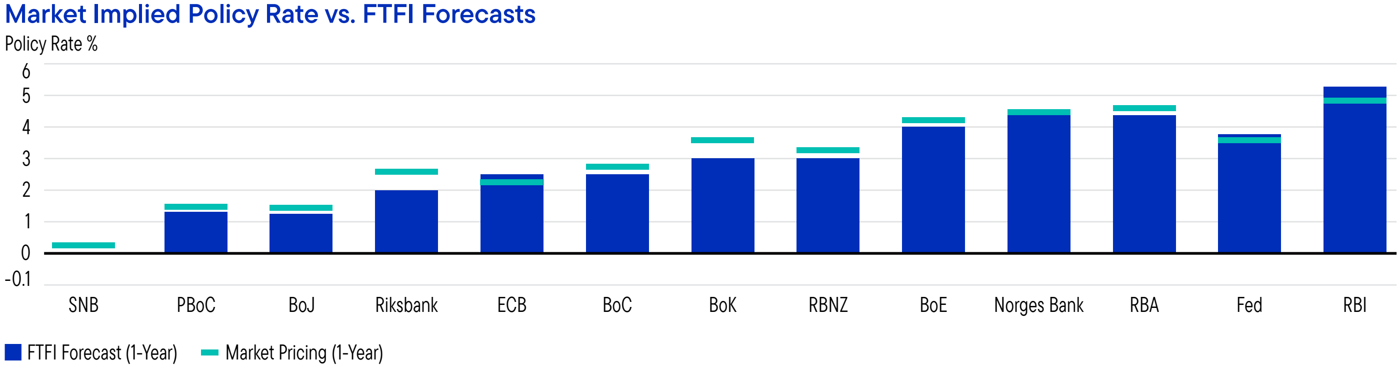
Dovish (–2.0) Moderately Dovish (–1.0 to –1.5) Neutral with Dovish Tilt (–0.5) Neutral (0.0)
Hawkish (2.0) Moderately Hawkish (1.0 to 1.5) Neutral with HawkishTilt (0.5)

FTFI Score



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 March 31, 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 March 31, 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**

Geopolitics to keep the Fed on a protracted hold

The FOMC left the policy rate unchanged in March. Despite stronger growth and inflation projections (particularly for 2026), median rate projections for 2026–2028 were unchanged, implying two interest rate cuts to a 3.125% terminal rate. Fed Chair Jerome Powell acknowledged pressure from several officials to adjust guidance and stepped back from prior claims that hikes were nobody's base case, but he resisted framing risks as two sided, stressing that the vast majority still expect cuts. The summary of Fed policy-makers' projections known as the "dot plot" showed modest hawkish shifts beneath the surface. Although medians were unchanged, the 2026 distribution narrowed, with 14 of 19 officials favoring either one interest rate cut or no change. Several previously dovish participants moved higher, which Fed Chair Jerome Powell called meaningful. Meanwhile, inflation concerns sparked by the ongoing disruptions to tanker traffic through the Strait of Hormuz have shown up via a material selloff in front and long-end US Treasuries since February 28, and as of this writing, markets are pricing out rate cuts this year. Powell noted that higher energy prices would likely boost headline inflation in the near term, but argued policy-makers should generally look through oil driven inflation unless it spills into core inflation or expectations. Although the combination of hawkish economic forecasts and unchanged median rate projections implies a low bar for renewed easing later this year, especially if geopolitical risks fade quickly, we expect the Fed to remain on hold through the end of Powell's term and potentially through the year given rising upside risks to inflation. Moreover, Powell's explicit openness to remain at the Fed beyond May if a successor is not confirmed also skews risks toward a more protracted hold. In a more adverse scenario of sustained energy-driven inflation generating second-round inflation effects, the Fed could be forced to keep rates higher for longer or even consider renewed tightening.

Bank of Canada (BoC)

Next expected move	H2 2026 (+25bp)
FTFI policy rate 1-yr forecast	2.50
FTFI score	**0.5**

Looking through near-term oil risk

The BoC held its policy rate at 2.25% in March for the third successive time, stating it would "look through" the near-term inflationary effects of the Middle East conflict while maintaining focus on downside risks to growth. An oil shock has mixed effects on Canada, a major crude exporter to the United States. Sustained higher oil prices increase revenues for governments and energy firms, particularly in resource-rich provinces. However, BoC Governor Tiff Macklem downplayed the net growth benefit, noting that while export income rises, higher gasoline prices reduce consumer spending power. Moreover, the persistent slack from the ongoing trade dispute with the United States has meant that the economy is still in excess supply. He also highlighted tighter financial conditions stemming from the conflict—evidenced by rising global bond yields, falling equity markets, and widening credit spreads. Additionally, potential disruptions in the Strait of Hormuz could constrain supplies of other key commodities, including fertilizers. Meanwhile, inflation itself remains close to the BoC's 2% target, and according to Macklem, the risk that higher energy prices rapidly feed through to broader goods and services inflation appears limited. That said, the BoC dropped prior guidance that rates "remain appropriate," instead signaling it "stands ready to respond as needed." Markets see the BoC hiking rates aggressively this year despite Macklem's measured messaging and his extended discussion of downside risks to growth and the weakened Canadian economy. We believe the BoC is likely to be data-dependent and flexible. Given a weak economy and subdued inflation at present, near-term hikes seem unlikely. However, tighter policy later in 2026 remains possible should inflation broaden beyond energy and become persistent.

European Central Bank (ECB)

Next expected move	Apr 2026 (+25bp)
FTFI policy rate 1-yr forecast	2.50
FTFI score	1.5

Finger on the hiking-trigger

The ECB left the deposit rate unchanged at 2% in its March meeting while evaluating the unfolding energy crisis. President Christine Lagarde struck a relatively neutral yet careful tone and again praised the long-standing data dependency and meeting-by-meeting approach as uncertainty shot up. The ECB outlined stagflationary scenarios in varying intensities. Downside risks to growth are higher than in 2022, when post-pandemic pent-up demand was large and fiscal policy was looser, and the ECB could look through an energy-driven inflation overshoot if it remains moderate and short-lived. However, the ECB already is focused on second-round effects as inflation "memory" is fresh for both consumers and firms, and the inflation scar from 2022–2023 still burns. The ECB staff presented four different sets of forecasts, including alternative scenarios with higher-for-longer energy prices. Considering the latest price moves, the baseline scenario looks somewhat obsolete. The adverse scenario seems to be at play (with oil peaking at around US$120/barrel and gas at 85 megawatts-hour), which sees inflation spiking to above 4% in the second half of 2026 before normalizing. Core inflation rises to 2.7% in 2027 as the impact is delayed, before normalizing to 2.1% by 2028. In such a scenario, real gross domestic product (GDP) likely will grow 0.6% in 2026, about half the central bank's December forecast, while avoiding a recession; then it is expected to recover to trend relatively quickly by 2028. All scenarios embedded market expectations discounting circa two hikes from the ECB, suggesting some action might be warranted. The ECB stated that policymakers feel "well positioned" to respond to the shock. The broader macro context appears less inflationary than in 2022, as Harmonized Index of Consumer Prices ran slightly below 2% in the pre-Middle East conflict forecast, but the ECB is also ready to react quicker without quantitative easing and forward guidance delaying the hiking cycle as per last time. The situation remains crucially dependent on energy prices and on the fiscal reaction of governments which are deploying measures to cushion the blowout. However, unless a stable resolution to the war is reached quickly, we expect a short upward readjustment of about two interest rate hikes, possibly starting already in April.

Bank of England (BoE)

Next expected move	Q3 2026 (+25bp)
FTFI policy rate 1-yr forecast	4.00
FTFI score	1.5

Further easing becoming a closer call

The BoE kept rates unchanged at 3.75% in March with no dissenter voters, already marking a hawkish shift. Surprisingly, dovish Monetary Policy Committee (MPC) member Swati Dhingra expressed openness for a hike at future meetings, flipping her long-held stance. Communication was also hawkish, while there were no new forecasts at this round. The MPC dropped guidance that further easing and inflation persistence were becoming less pronounced. Instead, the MPC is "alert on increased risk of domestic inflationary pressures through second-round effects" which rise the longer high energy prices persist. The MPC expressed concerns that the inflation "memory" of consumers and firms is still fresh, potentially raising their sensitivity to energy prices. There was also recognition of increased risks to growth. The risk balance for the BoE has shifted markedly from an easing bias to a hiking one if the energy shock persists. However, the current policy rate of 3.75% is considered restrictive by the MPC and the labor market had already lost momentum even before the conflict, likely buying more time to assess whether energy price pressures will persist. We think the BoE will likely remain on hold in the short term but could deliver one or two precautionary hikes if second-round effects emerge by June.

Norges Bank (NB)

Next expected move	May 2026 (+25bp)
FTFI policy rate 1-yr forecast	4.50
FTFI score	2.5

Hikes are coming

Norges Bank kept the policy rate unchanged at 4.0% in March but did not miss its chance to turn back into a full hawkish stance. Indeed, guidance now explicitly points to hikes at "one of the forthcoming" meetings as inflation risks have increased due to the Middle East conflict. In the meeting minutes that Norges Bank will now make available immediately after, the Committee discussed a March rate hike. Norges Bank also raised the rate path, which now implies a high probability of two hikes by the fourth quarter (Q4) of this year, versus roughly two cuts before. Core inflation was already running above the December forecasts before the Middle East conflict and Norges Bank revised wage growth up once again to 4.5% in 2026 as labor unions renegotiate wage adjustments amid higher expected inflation. Moreover, we believe Norway's economy will likely feel less impact from the energy crisis. The oil and gas sector should see a boost in profits and the government should likewise see a boost in tax revenues once again. The strong Norwegian krone is unlikely to dampen the inflationary considerations in such environment. Unless March inflation surprises to the downside, we believe Norges could hike in May and likely again in summer bringing its policy rate back to the June 2025 pre-easing level of 4.5%. Such moves would mark the shallowest easing cycle among developed market central banks (excluding the Bank of Japan).

Sveriges Riksbank

Next expected move	Q3 2026 (+25bp)
FTFI policy rate 1-yr forecast	2.00
FTFI score	1.0

Too early to signal

The Riksbank left rates unchanged at 1.75% as expected and in a unanimous decision. Guidance reiterated that the policy rate will likely stay at this level for some time, although the outlook is increasingly uncertain. Indeed, the overall tone stayed relatively constructive on the timid recovery via consumption and the labour market, but careful regarding the renewed inflation uncertainty. The main scenario is that the Middle East conflict has a "moderate" effect on inflation and the economic recovery. The Riksbank upgraded its inflation forecasts but still sees inflation staying well below target in 2026 and 2027, at 1.5% and 1.3% respectively—also due to value-added tax cuts. Meanwhile, it moderately downgraded growth this year by 0.4 percentage points to 2.2%. This left the policy rate path unchanged compared to December, for now. As usual, the staff also presented alternative scenarios. One stagflationary scenario points to greater effects on the global economy and a sharp rise in inflation, with policy rates rising 75–100-basis points (bps) within a year. Another scenario assumes demand dampens significantly and inflation weakens, which would lead the Riksbank to cut rates; this seems unlikely to us. Away from the spotlight, Riksbank also lowered the rate for the supplementary liquidity facility from 75-bps to 30-bps, lowering the stigma for banks to borrow from the central bank in case of stress in the interbank market while also relaxing collateral requirements. The bar for hiking rates is higher for the Riksbank (e.g. compared to the ECB), due to its relative smaller exposure to energy imports, higher economic slack and lower inflation as starting points. Thus, we expect Riksbank to deliver one or two hikes if the energy shock persists and if price expectations shift higher, but without rushing and likely to be delivered later than the ECB.

Swiss National Bank (SNB)

Next expected move	On hold
FTFI policy rate 1-yr forecast	0.00
FTFI score	-1.0

More concerned about strong Franc than inflation

The Swiss National Bank (SNB) kept its policy rate unchanged at 0.00% at its March 2026 policy meeting, marking a third consecutive hold and aligning with consensus expectations. The key shift in communication was a stronger emphasis on foreign exchange intervention. The SNB stated that its willingness to intervene has increased, citing heightened geopolitical risks from the Middle East conflict and the need to prevent a rapid and excessive appreciation of the Swiss franc that could threaten price stability. The SNB also sees energy price increases linked to the Middle East conflict pushing inflation higher in coming quarters. However, the Bank characterized the impact as transitory—evident from the medium-term inflation forecasts, which it nudged lower. On an annual basis, the SNB expects inflation to average 0.5% in both 2026 and 2027—well below its medium-term ceiling of 2%—which further goes to show that the bar for an interest rate hike is still elevated. The SNB signaled limited concern about inflation dynamics, but nonetheless, the market has priced in an interest rate hike by end-2026. We expect the SNB to keep rates at 0% at least through end-2026 and potentially through 2027. The central bank's limited concern about inflation is understandable given the very low starting point ahead of the Middle East conflict, with Swiss inflation at just 0.1% year/year (y/y) in February. Meanwhile, the SNB continues to see growth of around 1% in 2026, improving to 1.5% in 2027, while stressing unusually high uncertainty.

Bank of Japan (BoJ)

Next expected move	Apr 2026 (+25bp)
FTFI policy rate 1-yr forecast	1.25
FTFI score	2.5

An April move is likely

While the February core Consumer Price Index (CPI) came in below 2% for the first time in four years on policy-led measures, we are sticking to our baseline scenario of a 25-bps interest rate hike in April. The March meeting was nothing out of the ordinary, with an 8–1 vote to keep rates steady (one member dissented in favor of a hike). However, markets read Governor Kazuo Ueda's post-meeting press conference as slightly hawkish. He continued to emphasize that prices were holding steady although the target to 2% is still not there yet, but highlighted upside risks from the current geopolitical stress and impact on higher oil prices. Japan relies heavily (almost 93% of its supply needs) on Middle East oil, and fuel makes up 20% of total imports, adding to a vulnerable outlook if tensions persist. Even without the current Middle East conflict, our base-case was for an April hike (markets are shifting towards it, but a full hike is priced only by July). The recent dip in inflation, with core CPI at 1.6% y/y in February, largely reflects a sharp dip in energy prices (9% y/y) with a resumption in electricity and gas subsidies from January onwards on top of the scrapping of gasoline tax in December. Barring these policy effects though, underlying inflation looks clearly sticky at 2%, with non-energy categories like communication, clothing and recreation and culture well above 2% levels. Meanwhile, food prices, though retreating from the highs of last summer, remain elevated. Taking all these factors into account, we believe the BoJ will look past policy-led disinflation as temporary and take stock of higher oil prices and a weaker yen to deliver an April hike. We have one more hike penciled for 2026 to take the policy rate to 1.25% by end-2026.

Reserve Bank of Australia (RBA)

Next expected move	May 2026 (+25bp)
FTFI policy rate 1-yr forecast	4.35
FTFI score	3.0

One more hike at least

The RBA raised the cash rate twice in the first quarter of 2026 to 4.10%, worried about stickier inflation owing to supply side constraints and weak productivity. Inflation surprised on the upside in the second half of 2025, with both core and headline CPI rising above the RBA's 2% to 3% target. Growth, on the other hand, has exceeded expectations, driven by improved business and household sentiment. However, recent developments in the Middle East are beginning to have local implications, with retail petrol prices rising. This will not only lift inflation further, but the negative supply shock will also likely weigh on growth. Businesses could face rising input costs and households could see a squeeze on disposable incomes. Combined with the monetary policy rate hikes already announced, growth will likely slow further, squeezing demand and likely bringing inflation back to the RBA's target only gradually. This chain of thought will likely prompt the RBA to hike at least once more in this cycle in May. Such a move would take the cash rate to 4.35%, fully reversing last year's 75-bps of easing. Beyond that, we expect the central bank to be more data-dependent and cautious on external risks, weighing the impact of recent tightening on the economy before acting again.

Reserve Bank of New Zealand (RBNZ)

Next expected move	H2 2026 (+25bp)
FTFI policy rate 1-yr forecast	3.00
FTFI score	–1.0

Look past the immediate supply shock for now

The economy has been on a recovery path after the sharp recession it experienced, owing to large interest rate hikes though 2024 and 2025 aimed at bringing inflation within target levels. Recent high-frequency indicators suggest growth is holding up well, with high meat and dairy prices through 2025 also lifting growth. But as spare capacity dwindles, inflation will likely stay stiff, as recent headline and core measures indicate. In addition, as a net energy importer, the current supply shock will not only feed into higher inflation but also weaken growth through souring sentiment and a squeeze in disposable incomes. Fow now, we expect the RBNZ to be data-dependent and adopt a wait-and-see approach. At 3.1% y/y in Q4 2025, inflation is already a tad above the top of the target band, with risks further to the upside. As long as the conflict remains short-term, the RBNZ will likely look past the immediate supply side constraints and view any near-term rise in inflation as temporary. The main concern would arise if household inflation expectations start to rise, which will depend on the longevity of the crisis. Fow now, we are comfortable with our assessment that the central bank will largely stay on hold, with a rate hike possible in the first half of 2026. We need more evidence in the data—on both growth and inflation—before the RBNZ moves the needle and acts sooner.

Bank of Korea (BoK)

Next expected move	Q2 2026 (+25bp)
FTFI policy rate 1-yr forecast	3.00
FTFI score	0.0

A hike or hold depending on oil

In its last meeting on February 26, the BoK unanimously kept policy rates unchanged at 2.50% and introduced a new dot-plot which signaled a bias for staying on hold over the next six months. Simultaneously, the central bank marginally upgraded its growth expectations for 2026 to 2.0% (from 1.8%), reflecting the positive momentum in the semiconductor super cycle, while maintaining inflation forecasts at close to the target of 2%. Yet, the ground realities have changed since Middle East tensions flared at the beginning of March. Relatively higher oil prices could begin to unsettle inflation expectations. While financial stability risks continue to be a concern, house prices are stabilizing thanks to regulatory policy focus shifting to market volatility and risks of capital outflows. The BoK will also have a new governor in Hyun Song Shin, who will take over from the meeting in May, and markets read him as leaning hawkish on policy. We think much of the BoK's future policy action will depend on the policy biases of the new governor and two other changes to the Monetary Policy Board (Governor Rhee Chang-yong will chair his last meeting on April 10), in addition to how long the geopolitical crisis in the Middle East persists. Even without these external tensions our baseline scenario was for a prolonged hold in 2026 followed by a rate hike in early 2027, but the crisis could bring that hike forward if it persists. If oil prices stay above US$100 per barrel for long, we could see the BoK deliver one to two hikes in the next few months, as early as May or July. The won's weakness, elevated oil prices and high household leverage will likely be catalysts for an early move if tensions persist.

People's Bank of China (PBoC)

Next expected move	H2 2026 (-10bp)
FTFI policy rate 1-yr forecast	1.30
FTFI score	-3.5

Signaling patience in the face of rising inflation and geopolitical uncertainties

The PBoC signaled a more neutral monetary policy stance at its March 2026 meeting, prompting a reassessment of the near-term easing outlook. In a notable shift from recent guidance, the PBoC removed explicit references to policy rate cuts, instead stating it would "effectively guide and adjust interest rate levels," while mentioning "implementation" of reserve requirement ratio policy without signaling reductions. This contrasts with earlier statements that had explicitly endorsed rate and reserve requirement ratio (RRR) cuts when appropriate. The change in tone suggests declining odds of near-term rate cuts. Rising global energy prices have increased short-term inflation pressures and uncertainty, while China remains exposed to potential supply shocks given that part of its energy imports transit the Strait of Hormuz. Moreover, with other major central banks likely delaying easing or even hiking in response to the same energy shock, the scope for unilateral Chinese rate cuts is lower, as easing in this environment may weigh on the yuan. However, structural monetary policy instruments remain a key focus for the central bank, signaling continued reliance on targeted liquidity measures rather than broad-based easing. To enhance policy effectiveness, the PBoC also reaffirmed coordination with fiscal policy, including interest subsidies and risk-sharing mechanisms. The PBoC vowed to firmly safeguard stability across equity, bond and FX markets, a stance that likely reflects heightened risks stemming from the ongoing geopolitical disruptions in the Middle East. In terms of the outlook, PBoC expectations for easing have been pushed back rather than removed. We expect a 50-bp RRR and a 10-bp rate cut in the second half of the year, with the latter potentially in the fourth quarter.

Reserve Bank of India (RBI)

Next expected move	On hold
FTFI policy rate 1-yr forecast	5.25
FTFI score	-1.0

Calibrated approach

The RBI faces multiple headwinds. High crude oil prices and their secondary effects create risks to growth, the current account, the rupee and liquidity—along with potential inflationary impacts. Up until its February meeting, the RBI was more balanced on policy rates, with a focus on improving the passthrough of earlier rate cuts and improving bond market transmission by keeping liquidity well in balance. But the fallout of the current Middle East crisis risks hits the Indian economy hard, with knock-on effects on cooking gas and fertilizers. The rupee will also likely bear the brunt of this, in terms of both higher import bills and souring sentiment. We expect the RBI to continue to intervene in the FX market to curb excessive volatility but stay away from immediate rate hikes, as the crisis is more a supply shock. The risks of a weaker rupee and higher bond yields could lead to higher borrowing costs for banks, which the RBI would need to ably mitigate. We continue to expect the central bank will take a more nuanced and calibrated approach, with hawkish undertones depending on the longevity of the crisis. For now, we see the RBI to be on hold.

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

As of March 31, 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	2.4	Fed Funds*	3.75	Dec 2025 (-25bp)	On Hold	3.59	3.38	3.75	4.00
Canada	1.8	O/N Rate	2.25	Oct 2025 (-25bp)	H2 2026 (+25bp)	2.78	2.95	2.50	2.75
Euro Area	2.5	Deposit Rate	2.00	Jun 2025 (-25bp)	Apr 2026 (+25bp)	2.27	2.35	2.50	2.00
United Kingdom	3.0	Bank Rate	3.75	Dec 2025 (-25bp)	Q3 2026 (+25bp)	4.26	4.04	4.00	3.50
Norway	2.7	Deposit Rate	4.00	Sep 2025 (-25bp)	May 2026 (+25bp)	4.46	4.00	4.50	3.75
Sweden	0.3	Repo Rate	1.75	Sep 2025 (-25bp)	Q3 2026 (+25bp)	2.55	2.61	2.00	2.00
Switzerland	0.1	Policy Rate	0.00	Jun 2025 (-25bp)	On Hold	0.25	0.19	0.00	0.25
Japan***	1.6	Policy Rate	0.75	Dec 2025 (+25bp)	Apr 2026 (+25bp)	1.40	1.84	1.25	1.75
Australia	3.7	Cash Rate	4.10	Mar 2026 (+25bp)	May 2026 (+25bp)	4.64	4.47	4.35	4.35
New Zealand	3.1	Cash Rate	2.25	Nov 2025 (-25bp)	H2 2026 (+25bp)	3.29	3.93	3.00	3.25
South Korea	2.0	7D Repo Rate	2.50	May 2025 (-25bp)	Q2 2026 (+25bp)	3.61	3.55	3.00	3.00
China	1.3	7D Rev Repo Rate	1.40	May 2025 (-10bp)	H2 2026 (-10bp)	1.42	1.46	1.30	1.30
India	3.2	Repo Rate	5.25	Dec 2025 (-25bp)	On Hold	4.81	4.92	5.25	5.25

*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: Bloomberg. Analysis by Franklin Templeton Fixed Income research, each country's respective national sources. As of March 31, 2026.

Editorial review

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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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