FRANKLIN TEMPLETON

Central Bank Watch

No Rush to Relax

Latest thoughts on global central bank policy

Franklin Templeton Fixed Income | Q3 2026 Outlook

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

The Federal Reserve (Fed) and Bank of Canada (BoC) to remain patient, but with conditions: Fed policy is likely to remain on hold unless core inflation proves persistent or accelerates, in which case tightening could resume as early as the fourth quarter. With inflation pass-through limited, core inflation near target and growth soft but stable, the BoC has little urgency to tighten and is likely to keep rates unchanged through 2026.

Facing inflation uncertainty, Europe's central banks are responding at different speeds: After hiking in June, the European Central Bank (ECB) is likely to deliver another 25-basis point (bp) hike in September unless inflation surprises meaningfully to the downside. The Bank of England (BoE) is alert to inflation risks but remains reluctant to tighten unless second-round effects become clearer. In the Nordics, Norges Bank has already returned to tightening and is likely to hike again in the third quarter, while the Riksbank is leaning toward a gradual normalization rather than a hiking cycle. The Swiss National Bank (SNB) remains comfortable with inflation dynamics and is likely to keep rates at 0% through 2026–2027, despite some residual market pricing for future tightening.

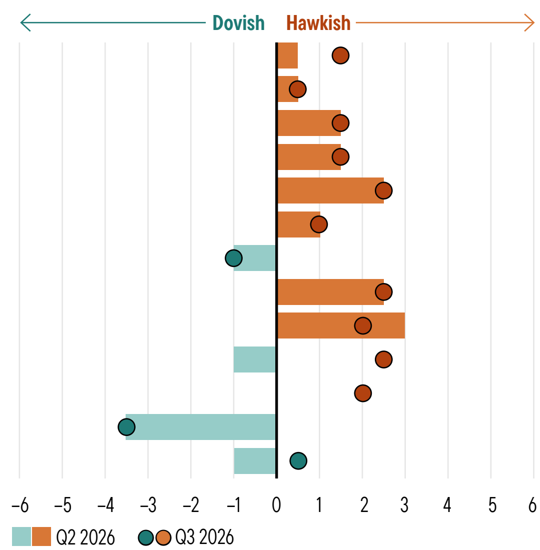
Asia's hiking trajectory continues, albeit data-dependent: The tech super cycle has mitigated some risks to growth emanating from the Middle East tensions. Monetary policy will broadly be hawkish across the region with the frequency and extent driven by data. We expect Bank of Korea (BoK) to embark on more hikes, following in the footsteps of the Reserve Bank of New Zealand (RBNZ) and the Reserve Bank of Australia (RBA). The Bank of Japan (BoJ) is expected to raise rates gradually, with the next in the fourth quarter whereas the Reserve Bank of India (RBI) will likely wait until inflation becomes more entrenched to act. China's two-speed economy and underwhelming fiscal support keep easing expectations alive, with the People's Bank of China (PBoC) likely to deliver limited monetary support in 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)	1.5	–0.5	0.5
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)	1.5	0.0	1.0
Reserve Bank of Australia (RBA)	0.5	1.0	0.5
Reserve Bank of New Zealand (RBNZ)	0.5	1.0	1.0
Bank of Korea (BoK)	1.0	N/A	1.0
People's Bank of China (PBoC)	-0.5	-2.0	-1.0
Reserve Bank of India (RBI)	1.0	-1.0	0.5

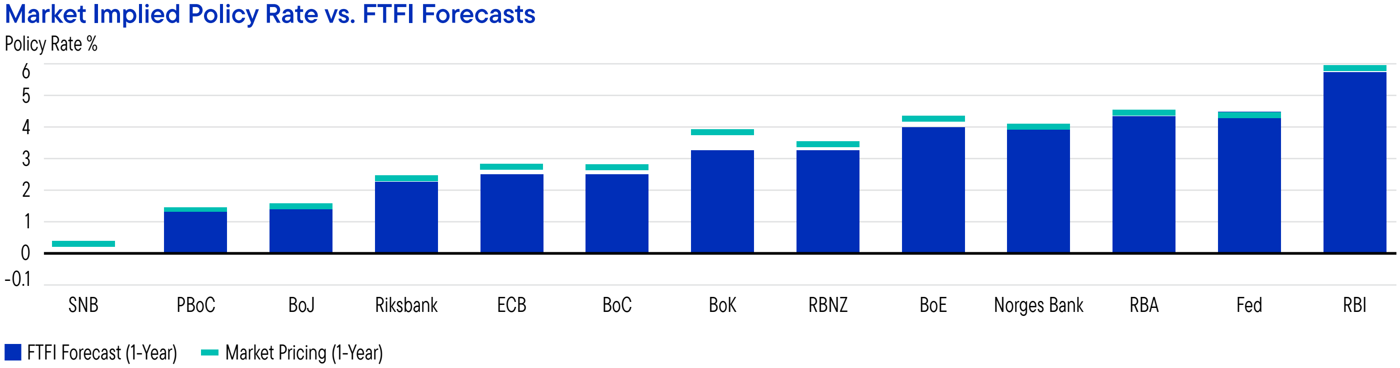
Dovish (–2.0) Moderately Dovish (–1.0 to –1.5) Neutral with Dovish Tilt (–0.5) Neutral (0.0)
Hawkish (2.0) Moderately Hawkish (1.0 to 1.5) Neutral with HawkishTilt (0.5)

FTFI Score



Notes: *QE = Quantitative Easing. Ranks are based on qualitative judgment 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 July 16, 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 July 16, 2026.

US Federal Reserve (Fed)

Next expected move	Q4 2026 (+25bps)
FTFI policy rate 1-yr forecast	4.00
FTFI score	1.5

A Modest Course Correction Through Higher Rates?

At his first Federal Open Market Committee meeting, Fed Chair Kevin Warsh presided over a unanimous decision to keep rates unchanged, but consensus may prove harder to maintain as some policymakers actively debate the potential need for rate hikes. While Warsh did not submit a projection for policy rates, half of his colleagues (nine out of 18) thought the policy rate should be higher by year-end while the other half thought it should be unchanged or lower. The key debate facing Warsh is whether stronger economic conditions and persistent inflation justify reversing part of last year's rate cuts, which were implemented amid concerns about labor-market weakness. Those have largely faded as employment conditions have remained resilient. Meanwhile, inflation has stayed in the 3%-4% range rather than moving close to the Fed's 2% target, leading policy hawks to argue that policy is now more accommodative than intended as real interest rates move closer to zero or negative. The sources of inflation have also turned more unusual, with policymakers pointing to tariffs, disruptions linked to the Middle East conflict (which have re-escalated), fertilizer and energy costs, and growing demand from the artificial intelligence (AI) investment boom rather than labor-market pressures. The case for patience is that policymakers should look through inflation driven by temporary, one-off shocks, provided inflation expectations remain well anchored. However, the bigger challenge may be the AI investment boom, which is creating sustained demand that tighter monetary policy can help restrain. Warsh, who has revealed little about his own preferences, will likely favor a wait-and-see approach and avoid any policy shift until the Fed receives recommendations from the task forces. In our view, should inflation moderate through the remainder of the year, the Fed will likely remain on hold, while persistence and/or acceleration in core inflation will likely be met with tightening as early as the fourth quarter.

Bank of Canada (BoC)

Next expected move	On hold
FTFI policy rate 1-yr forecast	2.50
FTFI score	0.5

No Urgent Need to Tighten

The BoC left its policy rate unchanged at 2.25% in July. Although BoC officials acknowledged that higher oil prices linked to the Middle East conflict have lifted headline inflation, the BoC is willing to look through the near-term inflation effects of higher energy prices stemming from the Middle East conflict, while remaining alert to any evidence that these price increases become broader and more persistent. Governor Macklem noted that evidence of such pass-through has been limited, with core inflation remaining below the BoC's 2% target since February, while medium-term inflation expectations remain well anchored. Inflation forecasts were adjusted only modestly in the BoC's updated projections. The Bank raised its 2026 inflation projection to 2.5% from 2.3% while lowering its 2027 forecast to 2.0% from 2.1%. The most notable change at the July meeting was a more optimistic assessment of growth. The BoC lowered 2026 gross domestic product (GDP) growth to 0.7% from 1.2% but raised 2027 growth to 1.8% from 1.6%, reflecting a weak first half of 2026 followed by an expected recovery. The policy statement highlighted "signs of improvement" in activity, citing resilient consumer spending, housing shifting from a drag to neutral, business adaptation to new US trade restrictions, and stronger energy-sector investment. However, uncertainty from trade policy and geopolitical tensions remains elevated. Meanwhile, despite the more optimistic tone on growth, the BoC argues that an economy still in excess supply and a labor market unlikely to tighten significantly should continue to restrain inflation. That, therefore, suggests that the BoC sees no urgent need for tightening. We expect rates to remain unchanged through 2026.

European Central Bank (ECB)

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

Not Looking Through

In June, the ECB hiked its interest rates 25 bps to 2.25% in a widely expected and well-telegraphed move. The decision was unanimous and marked the first hike since 2023, coming one year after the last policy cut. After delaying action in April and with global energy prices remaining uncomfortably high for months, the ECB was firm around the idea that "looking through" the shock was no longer an option. The updated forecasts reinforced this assessment. The ECB published three alternative scenarios alongside its baseline, adding a "mild" scenario to the updated "adverse" and "severe" cases. Under the baseline, headline and core inflation for 2026 were revised up to 3.0% and 2.5%, respectively, while the milder scenario was only 0.1 percentage point (pp) lower for both measures. More importantly, all scenarios assumed about two hikes in 2026, making the June move a "robust adjustment" across the spectrum rather than a pre-emptive response to inflation. While energy prices fell significantly in June following the ceasefire announcement and the reopening of the Strait of Hormuz, the ECB will remain cautious in signaling an end to further hikes, given the fragility of the ceasefire and the need for evidence that second-round inflation effects are not building. President Christine Lagarde reiterated the meeting-by-meeting approach but also noted that the ECB will deliver "a moderated and measured response," reducing the likelihood of a prolonged hiking cycle. Overall, our base case remains for another 25-bps hike in September, as inflation is likely to remain above target over the coming quarters. For the ECB to stop hiking, meaningful downward surprises to its inflation projections would likely be required over the summer, which we view as unlikely. Beyond that, we expect cuts to resume in 2027, likely during the summer months, a scenario that remains underpriced by markets.

Bank of England (BoE)

Next expected move	On hold
FTFI policy rate 1-yr forecast	4.00
FTFI score	1.5

Dragging Its Feet

The BoE left rates unchanged at 3.75% in June, with the expected 7-2 vote split and two members favoring a 25-bp hike. The guidance remained unchanged, with the Monetary Policy Committee (MPC) reiterating that it "stands ready to act as necessary," although policymakers drew some comfort from the "encouraging news" on energy prices following the ceasefire announcement. Indeed, peak inflation in the fourth quarter 2026 is now expected to be "a little over 3.25%," implying an undershoot of even Scenario A—the mildest of the April forecast scenarios—by at least 0.3 pp. Lower headline and food inflation should help ease concerns around inflation expectations remaining elevated or drifting higher, while the labor market keeps loosening gradually and tighter financial conditions are considered by the BoE to already be doing some of the work. This reinforces the view of the MPC that remains reluctant to raise rates further and would likely require a material and sustained increase in energy prices, or stronger evidence of second-round effects, before considering tightening. While the MPC is in no hurry to act, the bias remains toward further hikes over the coming quarters, with several members continuing to view inflation risks as skewed to the upside. We therefore expect the BoE to remain on hold for an extended period unless inflation surprises persistently to the upside and inflation expectations begin to rise more materially. An interest-rate cut to 3.5% in the second half of 2027 remains a possibility and would become more likely if the Bank Rate were to rise to 4.0% by year-end.

Norges Bank (NB)

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

Going Back Where It Started

NB delivered a unanimous 25-bp hike to 4.25% in May, having signaled a return to tightening in March. This marked the shallowest easing cycle among developed-market central banks (excluding the BoJ), with only 50-bps of cumulative cuts from the peak policy rate reached in June 2025. The June meeting then delivered a hawkish hold. While some of the Monetary Policy and Financial Stability Committee members appeared inclined to raise rates again, the recent improvement in the geopolitical backdrop and the relatively early timing of the May hike provided scope for (some) patience. The statement emphasized that it "will likely be necessary to raise the policy rate further," while the projected policy rate path was revised higher and remained above what incoming data would indicate, pointing to a hawkish policy judgement by the Committee. Economic activity has been somewhat softer than expected in recent months, but low unemployment and uncomfortably high wage growth forecasts for 2026 and 2027, together with the impact of the global energy shock, are likely to keep Norges Bank on the hawkish side for longer. We continue to expect another interest-rate hike in the third quarter, followed by an extended period on hold. Beyond that, some modest policy easing may come into consideration in the second half of 2027, but is likely to be limited in scope once again.

Sveriges Riksbank

Next expected move	Q4 2026 (+25bp)
FTFI policy rate 1-yr forecast	2.25
FTFI score	1.0

Leaning Towards Normalization

The Riksbank left the policy rate unchanged at 1.75% in June, in a unanimous and widely expected decision. The statement nevertheless leaned more hawkish than in March, replacing the previous guidance that rates should remain unchanged "for some time" with the view that the probability of a hike later this year has increased. While the Board judged a hold to be well-balanced for now, the minutes confirm a slightly tighter bias. The published rate path was revised higher, although only modestly and still implies limited urgency to move. The upward revision mainly reflected higher risks from energy, imported cost pressures, supply-chain disruption and rising firms' price plans, partly offset by a softer near-term inflation and activity starting point. Since the March forecasts, inflation surprised to the downside and was also revised down for this year flattered by temporary fiscal measures and last year's krona appreciation. However, inflation further out was revised higher, with underlying inflation excluding temporary policy effects expected to run around or above target through much of 2027 also supported by lively economic activity. Overall, we continue to see the Riksbank likely to normalize rates toward neutral rather than embarking on a tightening cycle. We expect a 25-bp interest-rate hike in September, followed by an extended hold.

Swiss National Bank (SNB)

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

SNB Unmoved by Inflation

The SNB remains unconcerned about inflation and saw no need to tighten policy at its June meeting, leaving the policy rate unchanged at 0% for the fourth consecutive meeting. The central bank also retained its language on foreign-exchange (FX) intervention, continuing to signal an "increased willingness" to act in FX markets if excessive Swiss franc appreciation re-emerges. The most notable change was a modest upward revision to inflation forecasts in the near term. Inflation is now expected to average 0.8% year/year in the fourth quarter of 2026 versus 0.6% previously, largely reflecting higher raw material and oil prices following the Middle East conflict. However, the medium-term outlook remains virtually unchanged. The SNB views the recent increase in inflation as limited and largely energy-related rather than broad-based. In fact, Swiss inflation slowed in June for the first time in six months on the back of a deceleration in services prices as well as some early easing in energy prices. The Bank's growth outlook was left unchanged, with Swiss GDP expected to expand by around 1% in 2026 before improving to 1.5% in 2027. Governor Martin Schlegel highlighted lingering uncertainty surrounding energy prices, especially as the Middle East conflict re-escalates. The lack of material changes to the SNB's inflation outlook and communication reinforces our previously held view that policy rates will remain at 0% throughout 2026 and 2027. While markets still are pricing in some probability of future tightening, a full 25-bp interest-rate hike by the first quarter of 2027 is no longer fully reflected in market pricing.

Bank of Japan (BoJ)

Next expected move	Oct 2026 (+25bp)
FTFI policy rate 1-yr forecast	1.50
FTFI score	2.5

Too Slow to Count

As widely expected, the BoJ raised the policy rate by 25 bps to 1.00% at its June meeting. The decision was not unanimous, with a 7-1 vote (Governor Ueda was hospitalized and was absent from the meeting). The sole dissenter was Toichiro Asada, the newest member to the Board who joined on April 1, 2026. He argued that downside risks to production and employment would likely outweigh the upside risks to inflation. However, most other members were increasingly confident of the growth dynamics in the economy while acknowledging the upside nature of inflation. The BoJ also decided to halt tapering of Japanese government bond (JGB) purchases from April 2027 onwards, keeping monthly purchases steady at ¥2 trillion thereafter. The BoJ projected that its overall JGB holdings would fall by roughly 40% by March 2027, compared to June 2024. Deputy Governor Uchida cited clearly that the only major change since the April meeting was that downside risks to growth had moderated, which led to the Board leaning toward an interest-rate hike. The assessment on inflation was broadly unchanged from last time when the Board sharply raised its inflation forecasts to close to 2% for the foreseeable future. Therefore, we stick to our call for another 25-bps interest-rate hike in October. Market consensus for now is building toward a December interest-rate hike. If a US-Iran deal to end the conflict sticks, our October call will get more credence as it would help mitigate risks on the growth outlook.

Reserve Bank of Australia (RBA)

Next expected move	On hold
FTFI policy rate 1-yr forecast	4.35
FTFI score	2.0

To Hold On for Now

After having raised the cash rate by a cumulative 75 bps in this cycle yet still maintaining a hawkish bias at the June meeting, we think the RBA will likely stay on an extended hold for now. The RBA remains concerned about the excess demand in the economy and risks for inflation to remain above target. Inflation at 4.0% in May and trimmed mean at 3.6% remains a place for concern. While activity is slowing owing to recent monetary tightening, the Board would also likely take some time to assess the impact of the rate hikes on the economy. The weaker economic data is expected per se, not only due to tightening but also because the Board expects it to help inflation return to target. The Board therefore cautioned against excessive reaction to monthly data points, despite the labor market being a little weaker than was expected earlier and the housing market struggling as well. The latter is not only concentrated in the larger metropolitan markets like Sydney and Melbourne, which are recording home price declines, but spread elsewhere as well. Recent softening in consumer spending and an uptick in unemployment rate underline our expectations that the RBA will for now stay on hold, despite coming off hawkish. We expect rates to stay at 4.35% for the next one year or so.

Reserve Bank of New Zealand (RBNZ)

Next expected move	Aug 2026 (+25bp)
FTFI policy rate 1-yr forecast	3.25
FTFI score	2.5

Rate Hikes are Underway

As expected, the RBNZ raised the Official Cash Rate (OCR) by 25 bps to 2.50% at the July meeting, with the summary record of the meeting broadly suggesting it was reached by consensus. The Monetary Policy Committee suggested that inflation risks are more balanced and the growth outlook more robust which made the removal of some stimulus needed and therefore further hikes are "likely to be required." There were deliberations on factors that could impact inflation more closely, from the recent weakness in the currency to higher input costs despite oil prices having subsided in recent weeks. Firms' price-setting behavior could be stickier to adapt to lower oil prices. Yet, the RBNZ forecasted inflation to soften to 3.3% in September 2026 from 3.9% in the quarter ending June (from 4.2% estimated in the May meeting). They kept the door open for action being data dependent, including a close look at price-setting behavior of firms and underlying economic momentum to determine impact on medium-term inflation pressures. While growth is likely to hit a bump in the second quarter as elsewhere owing to the war, we expect a quicker rebound in the second half of the year as firms realign their investment outlook and employment remain solid. Therefore, given the backdrop of on-track growth and still-elevated price risks, we expect at least two more rate hikes by the RBNZ in this cycle, to take the Official Cash Rate to 3.00% by year-end 2026.

Bank of Korea (BoK)

Next expected move	Q4 2026 (+25bp)
FTFI policy rate 1-yr forecast	3.25
FTFI score	2.0

Lift Off

The BoK raised its policy rate to 2.75% in July, its first hike in this cycle. The move was broadly expected since the central bank turned materially hawkish at their May meeting, the first under new Governor Hyun-Song Shin with two members voting for an immediate hike. The May statement also explicitly referred to timing of interest-rate hikes from the previous wait-and-see mode. The narrative now shifts to what's next, with growth clearly on the upside thanks to the AI-led spillovers. Notably, the BoK has cited demand-side pressures from income growth as a new Consumer Price Index (CPI) driver to consider that inflation will likely stay above trend for a considerable time. While the sequential momentum in core CPI eased to 0.1% month/month in June, the breadth of inflation remains a concern. So while headline inflation may cool, the core could remain stickier, especially if demand-pull inflationary pressures persist. We therefore see at least one more interest-rate hike by the BoK in 2026. Next year could see further interest-rate hikes, especially if the semiconductor upcycle proves to be more sustained with spillovers into domestic demand. In addition, wages, capital expenditures and overall fiscal policy also point to upside risks.

People's Bank of China (PBoC)

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

PBoC Opening the Door to (Limited) Easing?

China's economy continues to exhibit a widening "two-speed" dynamic, with strong external demand and high-tech manufacturing offsetting persistent weakness in domestic demand. Reduced geopolitical tensions have shifted attention back to China's structural imbalances, where exports and industrial production remain resilient while consumption, housing activity and traditional industries continue to struggle. Employment trends illustrate the divide: job creation in sectors such as leasing services, health care, IT and scientific research has only partially offset losses in construction, manufacturing and finance. High-tech manufacturing remains a standout performer, with industrial robots, microchips and IT equipment posting particularly strong output growth. Meanwhile, fiscal policy has thus far underdelivered, with slower government spending and stronger revenue collection weighing on growth. The fiscal restraint reflects policymakers' focus on local-government debt reduction, but risks delaying broader economic rebalancing. While stronger fiscal support is warranted, resilient export-led growth may reduce the urgency for action. On the monetary front, the PBoC introduced a new overnight reverse repo facility at 1.25%, below the 1.35% market expectation and below the unchanged 1.40% seven-day policy rate. While one could interpret as a de-facto easing signal that could pave the way for lower loan prime rates and broader policy support (and a gradual shift toward an overnight-rate framework), for now, a still-wide US-China bond yield spread is likely holding the PBOC back from lowering the seven-day rate. We continue to expect a 50-bp reserve requirement ratio and a 10-bp interest-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	Q4 2026 (+25bps)
FTFI policy rate 1-yr forecast	5.75
FTFI score	0.5

FX Risks at the Forefront

At its June meeting, the RBI unanimously voted to keep the policy rate unchanged at 5.25% with a neutral stance. It increased its oil price projection to US$95 per barrel for fiscal year 2027 (fiscal year ending March 2027) which consequently led to a higher inflation forecast of 5.1% for fiscal year 2027 with the December quarter closer to 6%. The Monetary Policy Committee members expect prices to stay sticky around 5% in an extended period thereafter. Their projection for core CPI was 4.7% for fiscal year 2027. Global energy prices (which have cooled off since) and El Niño conditions are key risks to monitor to determine if inflation becomes more entrenched than currently anticipated. The minutes of the June meeting also suggested that members were more cautious about downside risks to growth and what further tightening could do there given still subdued consumer inflation. Meanwhile, the Committee announced a host of measures to manage balance of payments risks and a weakening rupee. These include an increase in investment limits for overseas citizens and non-resident Indians into equity, a concessional FX swap facility for public sector units undertaking external commercial borrowings, bearing the full hedging cost for banks to raise fresh 3-5-year foreign currency non-resident bank deposits until September 2026 to lower the cost of attracting FX deposits and more. It seems unlikely that the RBI would use rate hikes as a tool to limit currency weakness. It therefore is going to be a very data-dependent analysis to assess the RBI's next move. We believe a hike or two may be coming, but not as early as markets had expected.

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

As of July 16, 2026

Country	Inflation (Latest % Y/Y)	Official Rate	Current Rate (% pa)	Last Change	Next Change (FTFI Forecast)	Market Implied Policy Rate** (%) 1-Year	Market Implied Policy Rate** (%) 2-Year	FTFI Policy Rate Forecast (%) 1-Year	FTFI Policy Rate Forecast (%) 2-Year
United States	3.5	Fed Funds*	3.75	Dec 2025 (-25bp)	Q4 2026 (+25bps)	4.01	3.87	4.00	4.00
Canada	3.2	O/N Rate	2.25	Oct 2025 (-25bp)	On Hold	2.73	3.02	2.50	2.75
Euro Area	2.8	Deposit Rate	2.25	Jun 2025 (-25bp)	Sep 2026 (+25bp)	2.76	2.68	2.50	2.00
United Kingdom	2.8	Bank Rate	3.75	Dec 2025 (-25bp)	On Hold	4.28	4.20	4.00	3.50
Norway	2.7	Deposit Rate	4.25	May 2026 (+25bp)	Sep 2026 (+25bp)	4.39	4.05	4.50	3.75
Sweden	0.3	Repo Rate	1.75	Sep 2025 (-25bp)	Q4 2026 (+25bp)	2.38	2.57	2.25	2.25
Switzerland	0.5	Policy Rate	0.00	Jun 2025 (-25bp)	On Hold	0.28	0.40	0.00	0.25
Japan***	1.4	Policy Rate	1.00	Jun 2026 (+25bp)	Oct 2026 (+25bp)	1.49	1.87	1.50	2.00
Australia	4.0	Cash Rate	4.35	May 2026 (+25bp)	On hold	4.46	4.28	4.35	3.85
New Zealand	3.1	Cash Rate	2.50	Jul 2026 (+25bp)	Aug 2026 (+25bp)	3.45	3.71	3.25	3.25
South Korea	3.2	7D Repo Rate	2.75	Jul 2026 (+25bp)	Q4 2026 (+25bp)	3.84	4.04	3.25	3.25
China	1.0	7D Rev Repo Rate	1.40	May 2025 (-10bp)	H2 2026 (-10bp)	1.36	1.41	1.30	1.40
India	4.4	Repo Rate	5.25	Dec 2025 (-25bp)	Q4 2026 (+25bps)	5.89	6.22	5.75	5.75

*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 July 16, 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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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.

There is no assurance that any estimate, forecast or projection will be realized.

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