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Central Bank Credibility as a risk: Why the ECB leads, the BoJ lags and the Fed and BoE are scrutinized

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In Summary

Central bank credibility is becoming a risk rather than a background condition. At Jackson Hole, the new Fed Chairman called for a quieter central bank, breaking with two decades of managing expectations while the US Treasury is co-steering financial conditions through debt maturity and buybacks. Meanwhile in Europe, cancelling debt held by the Eurosystem has entered the French presidential campaign and investors still remember the Bank of England's emergency bond purchases during the Mini-Budget crisis. Against geopolitical tension, partisan polarization, inflation overshooting and elevated sovereign debt, these are all risks for central bank credibility – long a shock absorber for markets, it may start amplifying shocks instead.

We introduce a framework measuring credibility on six dimensions: the ECB tops the ranking, the BoJ carries the highest overall risk, and the Fed and BoE each show different vulnerabilities. We use six dimensions, three are structural: *institutional credibility* (legal independence, leadership stability), *expectation credibility* (how memory of past inflation shapes expectations) and the *credibility gap* (control over long-term yield trend); and three are cyclical: *credibility risk sentiment* (media coverage questioning independence), *market credibility* (how well prices and surveys track the inflation target) and *credibility pressure* (difficulty defending the price of money). The ECB ranks highest, an asset for the euro's international role. The Fed is strong structurally but weaker cyclically; the BoE's weakness is structural. The BoJ carries the highest risk, hit by JPY depreciation and long-end steepening at once.

Two trends capture the erosion: news-based concern is at its worst since 2017, and central banks are judged on a shorter track record than before 2022. The Fed drives 70% of global news coverage on central-bank credibility, yet Americans are less worried than the rest of the world. The opposite holds for the ECB, BoJ and BoE, where concern is mainly domestic. In parallel, we estimate how many years of past inflation shape expectations – how long the public's memory of past mistakes lasts. That memory fell from eight years to four in the 1980s disinflation fight, rebuilt to an 8-12-year peak by 2021, then was cut toward early-2000s levels by 2022. Credibility holds on market and survey measures, but long-earned trust has been in part lost.

Central banks have not regained their grip on the long-term yield trend after ending QE, opening a credibility gap. For the Fed and BoJ, yields sit above what policy implies – closing that gap may require buying long-term bonds again. For the ECB and BoE this is less urgent. Each gap opened at a distinct balance-sheet turn: end of QE for the Fed, end of yield-curve control for the BoJ, start of QE for the ECB and BoE. Markets seem to underprice renewed bond-buying odds in the US and Japan.

Restoring credibility means acting on four fronts, the cheapest being the most urgent: publish a rule-based framework with voting records so giving up forward guidance reads as discipline, not silence; anchor communication in reference points like wage growth or nominal GDP; define the Treasury relationship before issuance becomes a rival lever on rates and, most urgently, decide now how to respond if rates hit zero again, rather than improvise under the next shock. Credibility once let central banks avoid intervening at all; reversed, it will amplify shocks instead of absorbing them – and the Fed and BoJ have the least room to disappoint.

Central bank credibility moved from background condition to a risk factor

To establish which of the G4 (Fed, ECB, BoJ, and BoE) is most exposed to credibility risk, we built the a framework combining six measures. On the structural side we analyze the institutional setting (Institutional Credibility), monetary policy expectations (Expectation Credibility) and the capacity to anchor the long-term yield trend (Credibility Gap). As cyclical measure we propose the news sentiment (Credibility Risk Sentiment), market and survey indicators and the price of money (Credibility Pressure). We focus on the price stability target and policy rate setting, which the four share, recognizing that some carry a dual mandate or additional financial stability responsibilities.

The institutional framework: between *de jure* and *de facto* independence

Legal central bank independence is at a peak globally, but is mainly an European phenomenon. From a legal point of view, their independence has never been stronger. Over the last 50 years, this independence has been increasingly enshrined in the constitutional framework of developed and emerging countries. The main push did not come with the monetarist revolution of the 1980s. While the subordination of monetary to fiscal policy was identified at the time as a reason for the ineffectiveness of central banks during the 1970s inflation shock, this did not lead to a legal (*de jure*) separation of political and monetary decision-making. Instead, the independence of monetary policy came about through a targeted board appointment policy, which led to a change in economic culture and, ultimately, to a form of informal *de facto* institutionalization. The biggest global push in *de jure* independence came in the 1990s with the creation of the Eurozone, when future member countries adjusted to the standard of the German Bundesbank. One could even say that elevated *de jure* central bank independence is a largely European phenomenon. The US, UK, Japan, Australia and most emerging countries have only slightly tightened their legal frameworks over time. Their independence mainly relies on *de facto* elements. Among the G4 central banks, institutional credibility is weakest for the BoJ and BoE (Figures 1 & 2).

Figure 1: *De jure* central bank independence conceived in the 1980s and born in the 1990s

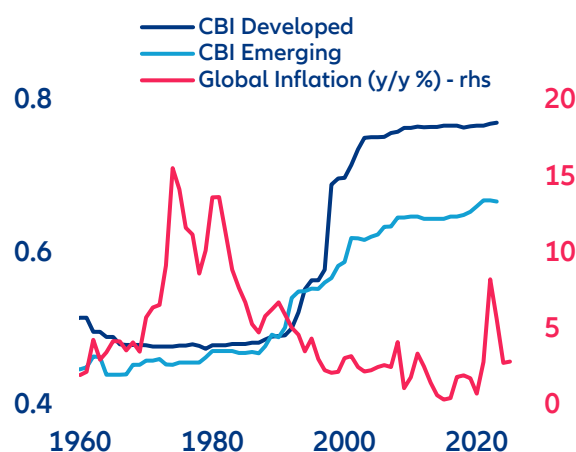
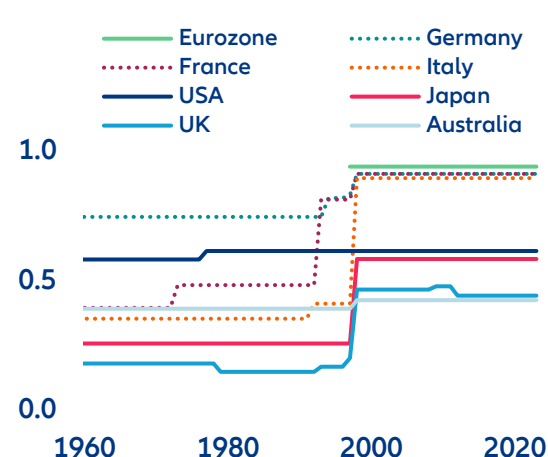


Figure 2: Strong *de jure* independence is a largely European phenomenon



Note: Central Bank Independence Index (CBI Index): 0 = no legal independence; 1 = maximum legal independence

Sources: CBI Database by Romelli (2025), LSEG Datastream, Allianz Research

When measuring the credibility risk for central banks arising from their *de jure* framework we use the Central Bank Independence Index (CBI Index)¹. But since many central banks rely on a *de facto* model of independence, we enhance the index by increasing the weight of nomination policy and add elements that reflect the risks of political interference, such as the number of irregular changes at the board and the quality of government. The ECB and the Fed lead this ranking, with the ECB being tighter on the legal framework while the Fed shows stronger institutional continuity. Compared to the purely *de jure* approach, the

¹ Romelli, D. (2025)

introduction of *de facto* elements decreases the independence score for the ECB while it increases the score for the Fed, the BoE and the BoJ (Figures 3 & 4).

Figure 3: *De facto* central bank Independence

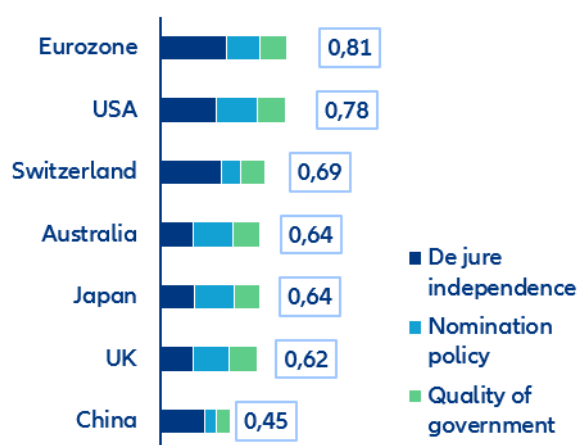
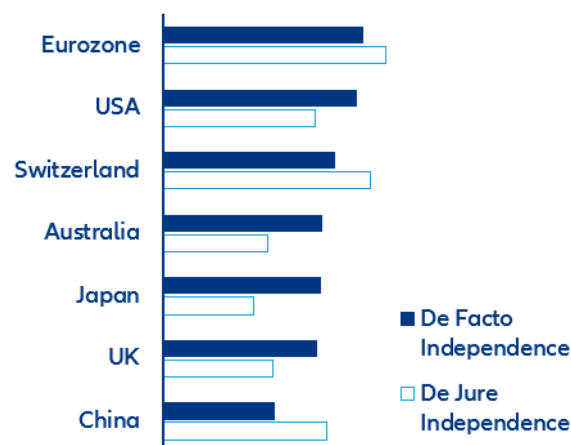


Figure 4: *De facto* vs *De jure* Independence



Note: *de facto* score: 50% CBI Index database with a double weight on "Governor and Central Bank Board policy" subindex, 30% ETH Zürich (KOF) Governor Turnover database and 20% Quality of Government (QoG) score from University of Gothenburg
Sources: CBI Database, ETH Zürich (KOF), University of Gothenburg, Allianz Research

Central bank sentiment signaling elevated level of credibility risk

News-based central-bank credibility has entered a new era of concern. *De jure* and *de facto* independence are necessary elements, but not sufficient to create central-bank credibility. A central bank strongly independent on paper can lack credibility, while a less legally independent one may retain market confidence if its actions are perceived by households, corporates and investors as effective. We measure this sentiment by tracking the occurrence of the words "independence" and "credibility" in combination with "central banks" and other monetary policy concepts in the global news flow and determine the sentiment attached to it (using the GDELT database). We see that the awareness (percentage of global news flow) around central-bank credibility has surged since 2025 and is associated with a cyclical low in sentiment expressing elevated credibility concerns. The volatility of the sentiment and its partial disconnect with awareness is also remarkable. Previously, sentiment moved in cycles mirroring public awareness: low awareness coincided with improving sentiment, rising awareness with sentiment deterioration (Figure 5).

Figure 5: Central-bank credibility peaks in global news with a strongly negative sentiment Z-Scores of frequency and sentiment

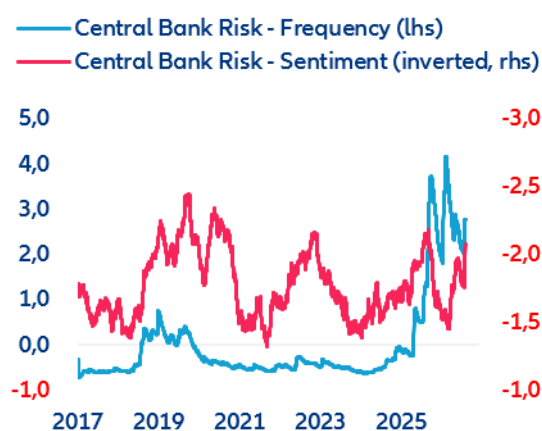
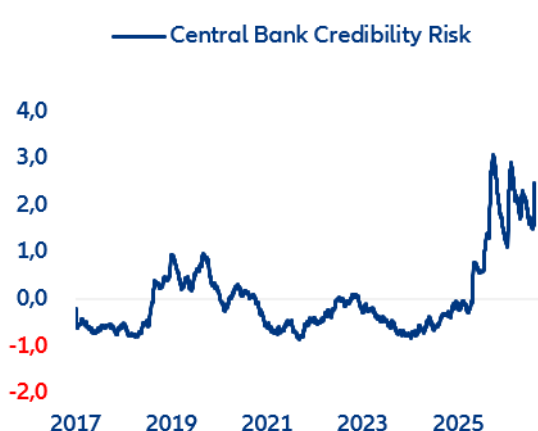


Figure 6: Credibility Risk Sentiment entered a new era of global concern
Z-Score Global Central Bank Credibility Risk



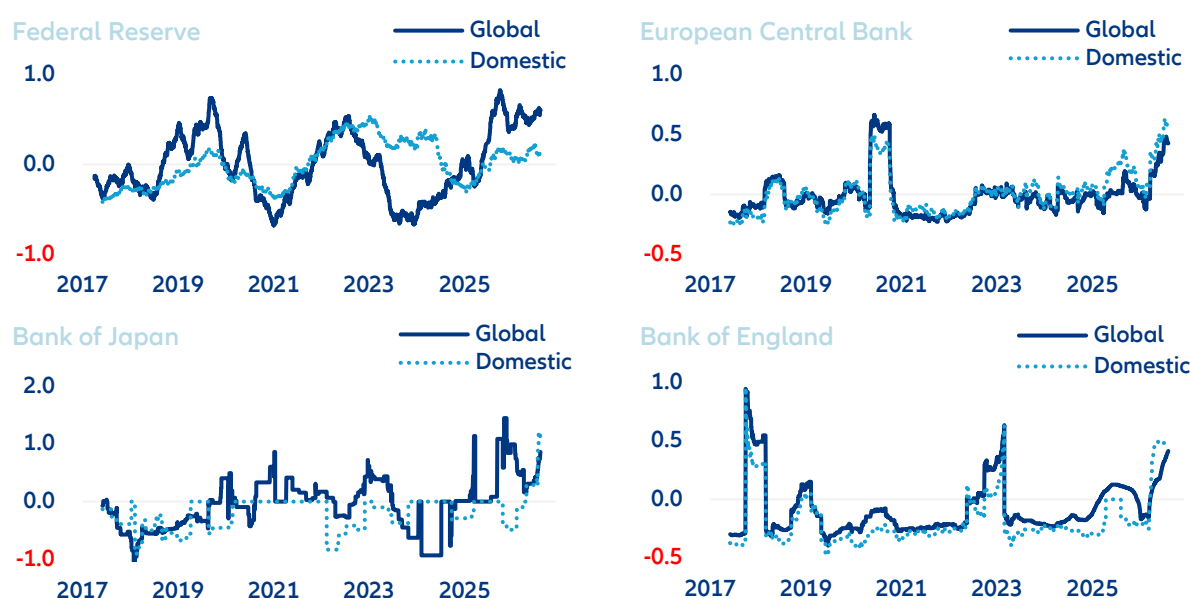
Note: data derived from GDELT news database measuring frequency and sentiment of word "credibility" and "independence" in combination with the terms "central bank", "Fed", "Federal Reserve", "ECB", "European Central Bank", "BoJ", "Bank of Japan", "BoE", "Bank of England", "monetary", "monetary policy", "inflation target", "fiscal dominance", "price stability" and "mandate"
Sources: GDELT, Allianz Research

When combining awareness and sentiment into one global Credibility Risk Indicator, we see that we have entered a new era – central-bank credibility has never been questioned as much as it is being questioned now (Figure 6).

The Fed suffers from an international credibility deficit, while for other central banks credibility concerns are stronger domestically. The global index is naturally dominated by US developments. Fed-related news flow accounts for roughly 70% of the global index. But the same trend holds when we examine individual central banks' credibility risks. The G4 (Fed, ECB, BoJ, and BoE) all stand at or near historical highs, with the BoJ being the most challenged in terms of credibility, followed by the Fed. Comparing domestic with global sentiment, the Fed's domestic news flow reflects less credibility risk than on the global level. The reverse holds for the ECB, the BoJ and the BoE, where domestic sentiment expresses more credibility concerns than global perception. This may relate to the global role of the USD: international investors react more sensitively to news flow here, while for the other central banks the domestic focus remains predominant (Figure 7).

Figure 7: Credibility Risk for different central banks – domestic vs global perception

Z-Scores of domestic and global Central Bank Credibility Risk



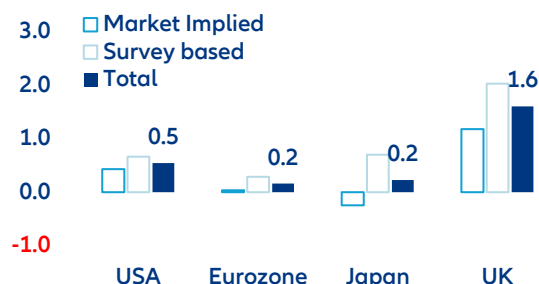
Sources: GDELT, Allianz Research

Inflation expectations from markets and surveys: a convenient but incomplete measure of central-bank credibility

The ECB and the Fed contain market- and survey-based inflation measures more successfully, which suggests lower credibility risk in the eyes of private sector agents. The conventional approach to quantifying central-bank credibility in terms of private-sector inflation expectations draws on a set of market-implied indicators such as breakeven inflation rates, inflation swap rates and inflation forward swap rates, alongside survey-based long-term expectations. It assesses their stability and their distance from the inflation target. The 5y5y inflation swap and the University of Michigan consumer inflation expectations have, in particular, acquired quasi-official standing as the market's and households' reading of long-run inflation anchoring. Combining their volatility, their deviation from the central-bank target since 2006 and the duration of target under- and overshooting, our analysis shows that the ECB and the Fed face less credibility risk since they contain these expectation indicators. The BoJ and the BoE, on the other hand, struggle on the back of extended episodes of over- and undershooting (Figures 8 to 11).

Figure 8: Deviation of long-term expectations from inflation target since 2006

Average deviation in pps



Notes: Market-implied: 5y5y inflation swap, 10y inflation swap, 10 breakeven inflation, Surveys: NY Fed, Cleveland Fed, ECB, BoJ, BoE, University of Michigan

Figure 9: Volatility of long-term inflation expectations

Standard deviation in pps, last 20 years

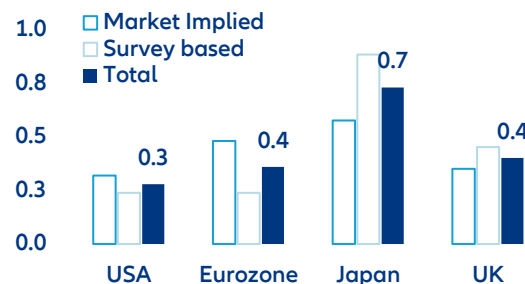
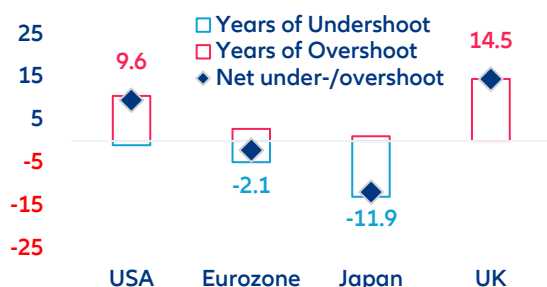


Figure 10: Years of long-term expectations under-/overshooting inflation target

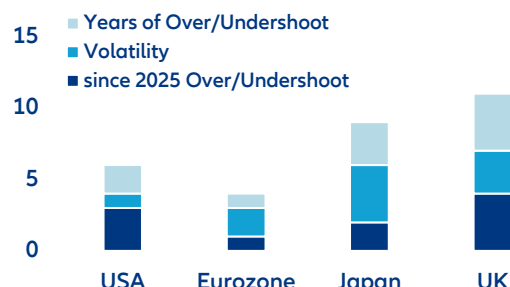
In years, last 20 years



Notes: Market-implied: 5y5y inflation swap, 10y inflation swap, 10 breakeven inflation, Surveys: NY Fed, Michigan University, Cleveland Fed, BoE, ECB, BoJ. Overshoot: long-term expectations > 2,15%; Undershoot: long-term expectations < 1,75%

Figure 11: Composite Score: Market- and survey- based Credibility Risk

Low = Low credibility risk; High = High credibility risk



Sources: LSEG Datastream, Allianz Research

Taken alone, neither market prices nor surveys measure the expectations that bear on central-bank credibility. Market-implied measures are prices, not beliefs: risk and liquidity premia, hedging demand and balance-sheet constraints can displace them by tens of basis points without any revision of expectations. The distortion is largest especially under stress, when the reading matters most.² They are also subject to Goodhart's law – once agents learn that a central bank reacts to a particular price, that price begins to reflect the anticipated reaction function, rather than belief.³ Surveys extend coverage to households and price-setting firms, but at the cost of a very short effective memory, which leaves them unable to separate a transitory relative-price shock from an erosion of the nominal anchor.⁴ We therefore complete them in two steps. First, we redirect market data from the level of expected inflation to regime and intermediation signals:

² Distortions arise from inflation risk and liquidity premia, regulation-driven hedging of real liabilities, central bank balance-sheet operations and for OTC inflation swaps counterparty credit and the funding cost of collateral. One illustration: the euro 5y5y fell to roughly 0.75% in March 2020 at the height of the dealer-intermediation dislocation. See D'Amico, Kim and Wei (2018); Fleckenstein, Longstaff and Lustig (2014)

³ The euro 5y5y is the clearest case. Mario Draghi elevated it to a quasi-official credibility gauge at Jackson Hole in August 2014; after its failure in 2020, the ECB's 2021 strategy review demoted it, admitting market-based measures only after model-based adjustment for risk premia and alongside the SPF, Consensus Economics and the Consumer Expectations Survey. See Work stream on inflation expectations, ECB Occasional Paper No. 264 (2021).

⁴ Household expectations form from salient recent prices, especially food and energy, even when the question specifies a long horizon; US households have additionally displayed partisan divergence as inflation has become a political subject. Professional forecasters show the opposite status quo bias, updating too slowly. See D'Acunto, Malmendier, Ospina and Weber (2021); Mankiw, Reis and Wolfers (2003)

our *Credibility Pressure*. Second, we model expectation formation as an adaptive process with an error-dependent estimation window: our *Expectation Credibility*.⁵

Central-bank credibility pressure has normalized, but pockets of instability remain

Instead of naively deriving inflation expectations from market prices, we define price stability as the central bank capacity to preserve the value of money under stress. We define price stability as the central bank's capacity to preserve the value of money, and measure the pressure on it across Mehrling's four prices of money.⁶ The aggregate is our *Credibility Pressure* indicator. It reads the regime a central bank operates in, rather than the level of any inflation price.

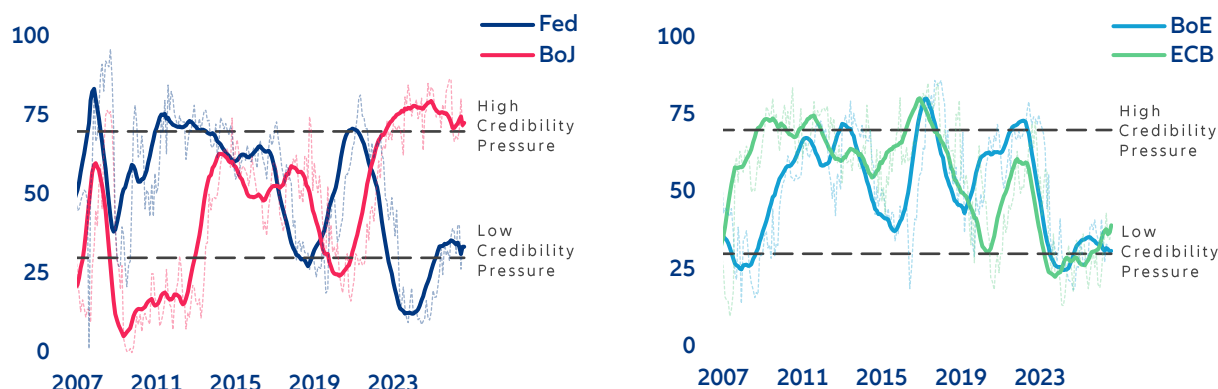
1. *The Par Value*: This is defined as the law of one price between private money and public money. We proxy it using the spread between the three-month Treasury bill yield, representing public money, and the three-month OIS rate, representing the risk-free price of bank-created money. Any widening of this spread signals tensions within the monetary system and growing doubts about the central bank's ability to keep short-term rates anchored. This measure has gained importance with the emergence of the *Activist Treasury Issuance* (ATI) in the US. Heavy bills issuance represents an expansion of public money supply from the Treasury, rather than the monetary authority. While the Fed's reverse repo facility (RRP) carried a large balance, that supply was absorbed without a price effect. With the facility drained, incremental bill issuance has to be taken down by real money, and the price appears in the Bill - OIS spread. The marginal price of the safest short rate is now influenced by the Treasury, not the central bank alone. This could lead to fiscal dominance visible at the front end. The *Par Value* would be the earliest to register it. Currently, the *Par Value* indicates no danger of front end fiscal dominance, but the US and UK are structurally more inclined to it (Figure 13).
2. *The Price of Goods*: We measure this as the spread between inflation rate and the overnight risk-free rate. This spread indicates whether inflation is running above or below the effective monetary stance. A widening positive gap suggests increasing pressure on the central bank's ability to maintain price stability and re-anchor inflation expectations.
3. *The Foreign Price of Money*: This is defined by the Real Effective Exchange Rate (REER), which captures the inflation-adjusted value of a currency against a basket of trading partners. It measures the external purchasing power and competitiveness of a currency. Sustained deviations from its historical equilibrium can signal growing doubts about the central bank's ability to preserve the external value of money.
4. *The Future Price of Money*: We proxy this through the steepening of the long end of the yield curve, measured by the 5y30y term spread. When the long end rises significantly relative to intermediate maturities, investors may be questioning the central bank's ability to control long-term rates and risk premia, thereby putting pressure on its credibility.

During the post-pandemic inflation shock, the Fed, the ECB and the BoE experienced significant credibility pressure. For all three, the pressure originated primarily from the *Price of Goods* (inflation) and *Future Price of Money* (curve steepness) dimensions of money. Following the aggressive monetary tightening since 2023, credibility pressure has eased and almost returned to neutral territory by now. Pockets of pressure remain in the steepening of the long end of the yield curve. (Figure 12).

⁵ Consistent with the experience-weighting evidence, see Malmendier and Nagel (2016) and adjacent to endogenous-gain learning, see Orphanides and Williams (2005)

⁶ Mehrling, P. (2023)

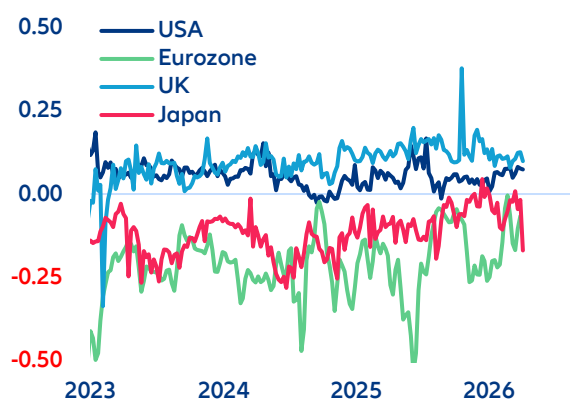
Figure 12: Evolution of the central-bank credibility pressure since 2007
Standardized composite Index



Sources: LSEG Datastream, Allianz Research

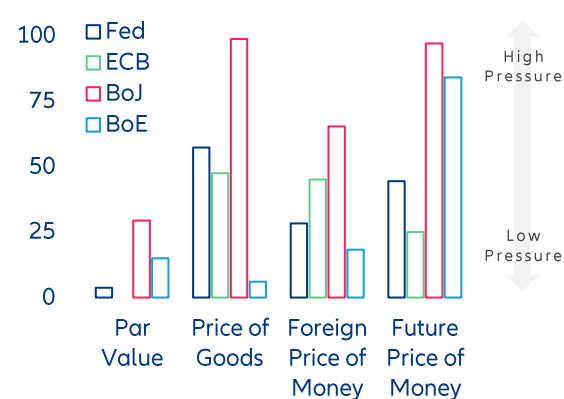
For the BoJ, the situation looks different. Having delayed the monetary response to inflation pressures, its credibility pressure has mounted across three dimensions simultaneously: JPY depreciation has weakened the foreign price of money, inflation overshoot affects the price of goods and the steepening of the long end of the yield curve suggests growing uncertainty regarding the future value of money. While tensions in the domestic monetary system remain relatively contained, the Bank of Japan's credibility is today the weakest in this framework. (Figure 14).

Figure 13: No fiscal dominance at short end for now, but US and UK with higher risk
Par Value: Bill-OIS spread, in pp



Sources: LSEG Datastream, Allianz Research

Figure 14: Current composition of central-bank credibility pressure
Standardized composite Index



More broadly, credibility pressure rarely emerges uniformly across all dimensions. Instead, it typically originates in one dimension before spreading to the others. By identifying the initial source of pressure and monitoring its transmission, *Credibility Pressure* provides a dynamic measure of effective central-bank credibility rather than monitoring level of inflation prices. It can also help to detect early signs of potential policy constraints before they become visible through conventional indicators

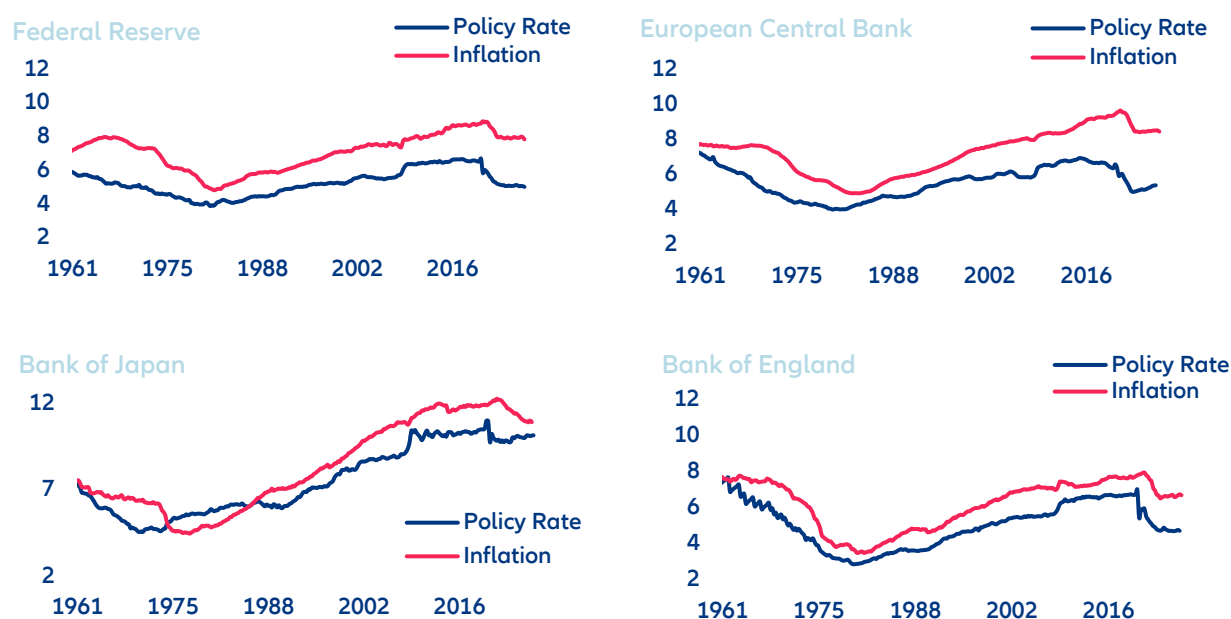
The broken of stability of monetary policy expectations

Monetary policy expectations have entered a fragile consolidation after the post-Covid inflation shock.

Since policy operates through expectations, credibility has to be measured through them instead of solely relying on noisy market-implied and survey-based indicators. We construct expectations as a weighted average of past observations in which the rate of forgetting rises with the magnitude of recent forecast errors: memory contracts under surprise and lengthens with accuracy.⁷ The estimation window that results is the credibility measure. It reads as how far back agents still find the past informative. An eight-year window means expectations rest on roughly the last eight years of data before memory decays materially, a four-year window means that everything before the last cycle has been discarded. Two structural features stand out. Inflation expectations are consistently formed over longer horizons than policy rate expectations: agents trust the inflation regime further out than they trust the reaction function. And credibility hit a global low in the early 1980s, when surging inflation and a break in the policy response cut the average window from eight years to four. Through the Great Moderation, central banks rebuilt it steadily, uninterrupted by the GFC. The peak came in 2021: eight years for inflation expectations in the UK and US, nine in the Eurozone, 12 in Japan; seven years for policy rates at the BoE, Fed and ECB, again 12 at the BoJ. The 2022 inflation shock broke that trend. Inflation memory shortened by up to two years, back to early-2000s levels, and the adjustment in policy rate expectations was sharper still, particularly in the UK and US. The BoJ was the exception. Expectation credibility is now consolidating, but precariously. Another inflation or deflation shock would take it below anything seen since the 1980s (Figure 15).

Figure 15: Credibility as memory: expectation windows for inflation and policy rates

Estimation window for adaptive filtered trend, in years



Sources: LSEG Datastream, Allianz Research

The credibility gap: Central banks have not yet regained their grip on the yield curve

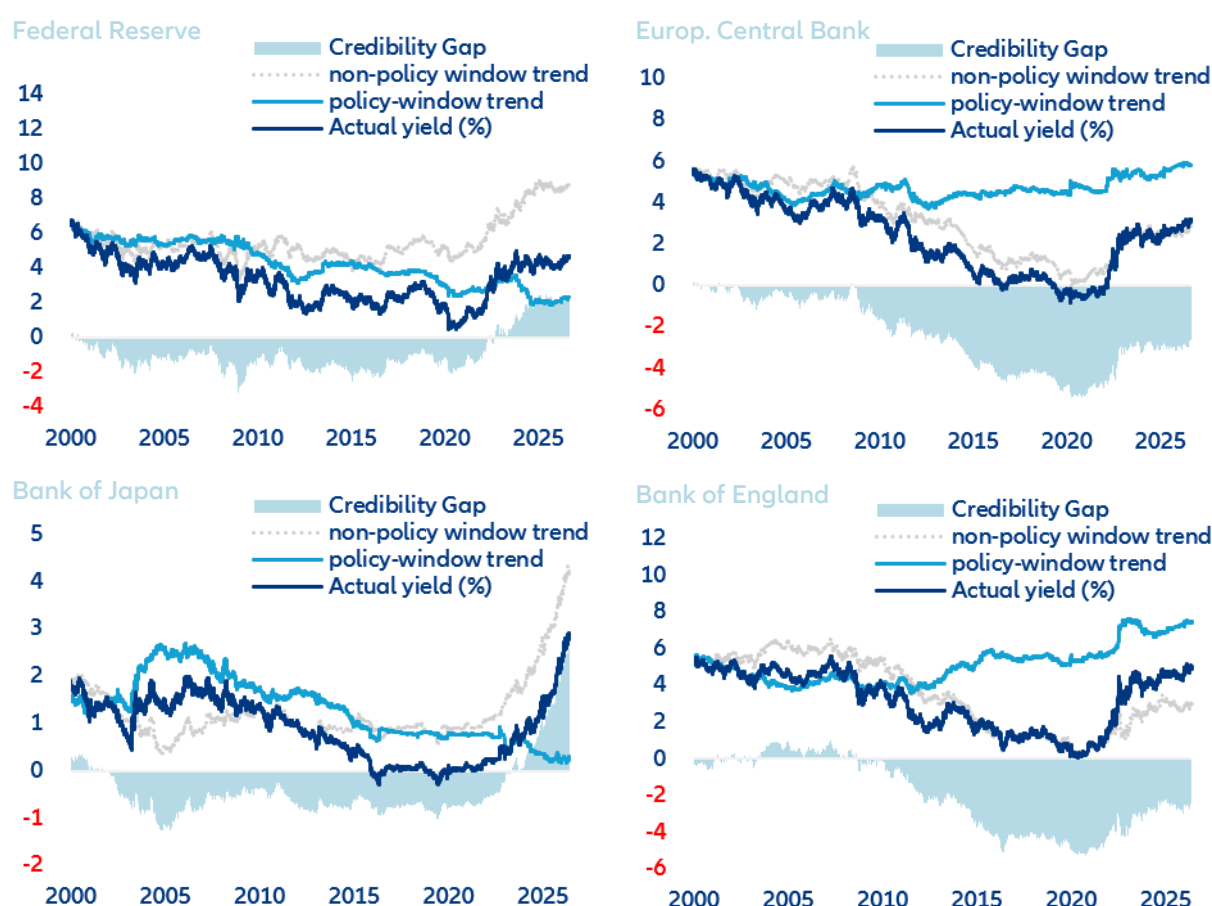
The balance-sheet grip has gone and rate decisions have not replaced it. We measure credibility by the extent to which a central bank is able to effectively set the level of yields. To measure this "grip on the yield curve" we use a decomposition that splits cumulative yield changes into those realized around policy meetings ($t-2$ to $t+2$) and those realized in between.⁸ To capture the long-term anchoring of yield levels, we use the 10-year maturity. The more the meeting window determines the trend in actual long-term yields, the

⁷ Bartholon, E., (2014)

⁸ Hillenbrand, S. (2025)

better the central bank is able to anchor rate expectations. The difference between the observed yield and the policy-window trend is thus a simple estimate of a "credibility gap" measuring how far the market has walked away from the central bank's anchor. For a credible central bank, the anchor holds between meetings and intermediate price moves are mostly offset. When the gap opens and stays open, policy meetings are unable to re-anchor the trend and the market sets long-term rates in response to other signals. For the US, between 2000 and 2008, the FOMC meeting window did a decent job of setting the long-term trend. When the Zero Lower Bound was reached and QE was introduced, the grip on the yield curve moved from rate decisions to the balance sheet. Since QE ended, the Fed's credibility gap has switched signs and widened progressively. The evolution is similar for the BoJ, where the surge came with the end of yield curve control in 2024 and is still deteriorating rapidly. The ECB and the BoE show a wide, negative gap that also opened with the ZLB and QE. The credibility gap analysis shows that central banks find themselves in a place where the balance-sheet grip has gone and has not yet been replaced by a grip through policy rate decisions (Figure 16).

Figure 16: QE is over, but policy rate decisions are yet unable to re-anchor long-term yield trends
10y yield, cumulative policy-window, non-policy window path and credibility gap, in %



Sources: LSEG Datastream, Allianz Research

The probability of a return to duration purchases, or of other measures to regain a grip on the curve, is higher in the US and Japan. One might object that this is not a loss of monetary grip, but a term premium rebuilding on fiscal supply and inflation risk. The timing argues otherwise. Term premium repricing was a common movement that began in 2022 and ran across all four jurisdictions more or less simultaneously. The credibility gaps did not. Each opened at an important change in that central bank's own balance sheet regime (start of QE for the ECB and the BoE, end of QE for the Fed and end of yield-curve control for the BoJ). A common shock does not produce staggered responses. The term premium is an enhancing factor, not the cause. Today all four face similarly sized gaps but with different signs, positive for the Fed and BoJ, negative

for the ECB and BoE. Closing them requires either regaining influence over the trend through a credible and legible reaction function, or acting on the yield itself through the balance sheet. The sign determines the urgency. Where the gap is positive, as for the Fed and the BoJ, the market is holding long yields above the policy-implied trend and closing it means buying duration. Where the gap is negative, as for the ECB and the BoE, the pressure runs the other way and is less acute. The probability of a return to duration purchases, or of other measures to regain grip on the curve, is therefore materially higher in the US and Japan. Markets may be underpricing this. A further credibility risk would be if Treasury were to massively buy back long-dated debt while issuing bills extracting duration and compressing the term premium as under a central-bank-orchestrated QE. In that case, the grip on the curve would be entirely assumed by Treasury setting the short-term bills issuance rate and steering long-term yields via buy-backs.

ECB with highest credibility, followed by the Fed. BoJ with highest credibility risk

The ECB scores highest, followed by the Fed. The credibility risk is structural for the BoE, but cyclical for the Fed and the BoJ. When we apply our six measures of central-bank credibility and establish an equally weighted ranking among the G4 central banks, the ECB scores equally well in structural and cyclical measures, emerging on top, while Fed credibility is strong structurally but weaker cyclically. The credibility of the ECB is an asset that could be used to strengthen the international role of the euro.⁹ In comparison, the BoE shows an elevated credibility risk, suffering notably from weak scores in structural measures such as expectations, anchoring and institutional framework. The BoJ shows the highest credibility risk, suffering from weak scores in cyclical indicators such as credibility sentiment and pressure. This means that any premium that is priced for central-bank credibility is more of a cyclical nature for the BoJ and the Fed, and is more structural for the BoE (Table 1).

Table 1: The Central Bank credibility framework

Ranking by subcategory and aggregate Ranking – the lower the score the lower the credibility risk

Measure	Type	Fed	ECB	BoJ	BoE
Insitutional framework	Structural	2	1	3	4
Credibility Risk Sentiment	Cyclical	3	2	4	1
Markets and Surveys	Cyclical	2	1	3	4
Credibility Pressure	Cyclical	2	3	4	1
Expectations Anchoring	Structural	3	2	1	4
Credibility Gap	Structural	3	1	4	2
Total			2,5	1,7	3,2

Source: Allianz Research

How to restore central bank credibility?

The withdrawal of forward guidance is not a credibility risk if communication is embedded in an “explain or comply” framework. Central banks hold no informational advantage as public data usually forecast policy rates and inflation about as well as markets do.¹⁰ Guidance is therefore always part forecast and part promise, and withdrawing forward guidance is not in itself a credibility loss. What a central bank does know better than the market is its own reaction function. Publishing a benchmark rule, explaining deviations from it and releasing vote tallies as a gauge of how stable the rule is and how long a deviation is expected to last would be the genuine credibility enhancer.

Develop a more nominal framing of policy targets. Under inflation targeting, a supply shock forces a choice between tolerating a strong inflation overshoot and crushing output; under nominal GDP (NGDP) level targeting, the framework answers for itself since the nominal target is left broadly unchanged. A more

⁹ Rey, H. and Subran, L. (2025), [Link](#)

¹⁰ Giannone, Reichlin and Sala (2004)

nominal framing, including nominal wages, also makes communication legible to the wider public. But the switch is itself the credibility cost. The better route is to publish nominal wage growth and NGDP as reference variables against which decisions are explained, leaving the mandate untouched.

Prepare for the next credibility challenge. The recent strategic reviews adapted to a world of supply shocks: the Fed abandoned average inflation targeting, the BoJ abandoned its inflation-overshooting commitment. Both frameworks were built for a persistent undershoot that failed its first supply shock. We see that as a sign that the prevailing economic culture in central banks, and the models that embed it, have shifted decisively towards inflation vigilance. Should deflationary pressure return (AI-driven supply expansion and productivity gains, demographics, Chinese excess capacity), the available instruments may prove neither adequate nor prompt. Strategic reviews on a fixed schedule tend to be procyclical and cap the horizon agents are willing to believe in. The lower-bound answer is best decided now, while it costs nothing, rather than at the bound.

Manage the relationship with the Treasury. This is mainly a US question today, but potentially a broader one as debt-service costs rise. If issuance composition can offset monetary policy, the policy rate stops summarizing the stance and forecasting monetary policy becomes a two-player problem. For the Treasury, the remedy is a public recommitment to regular and predictable issuance. For the central bank, it is a stance measure that internalizes Treasury duration supply. Making ATI visible makes it less challenging for central bank credibility.

These assessments are, as always, subject to the disclaimer provided below.

FORWARD-LOOKING STATEMENTS

The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

NO DUTY TO UPDATE

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.

Allianz Trade is the trademark used to designate a range of services provided by Euler Hermes.