

The hawkish turn, read in real time

The RBA's hike and a Fed back in tightening mode frame the run into Q4. Our directional sentiment shows how the G10 policy debate has turned, and where it is still building.

The Reserve Bank of Australia lifted the cash rate by 25bp to 4.60% on 29 September, a unanimous decision that takes it to its highest level since October 2011 and marks its fourth hike this year. The move itself was widely expected. What caught our attention was the language. The Board noted that global energy prices are now “much higher than had been assumed” in its August forecasts, unusually strong wording for the RBA, and it will do what is necessary, “including increasing the cash rate target further if needed”. That leaves the door open to further tightening, with the next decision on 3 November.

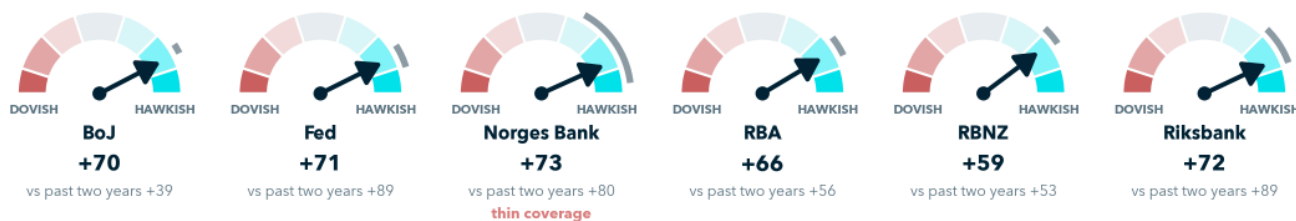
The RBA is not moving in isolation. The Fed resumed tightening in September, and firmer activity data and a run of hawkish commentary from FOMC members have since added to expectations of further hikes. US 10-year yields rose by about 49bp between the end of August and 28 September, to 5.24%, their highest since 2007, and that move has pulled rates higher well beyond the US. With Brent above US\$100 a barrel and inflation rising again, at 3.1% in the UK and 4.9% in Spain, the conversation across the G10 has turned firmly towards tightening.

We track that conversation as it happens. Our Global Macro Sentiment Indices read news on each economy's monetary-policy outlook every hour, from global wires and from local, boots-on-the-ground coverage, and score each headline from -1, fully dovish, to +1, fully hawkish. Because it is built from news rather than prices, directional sentiment gives an independent, real-time read to set alongside market pricing and forecasts.

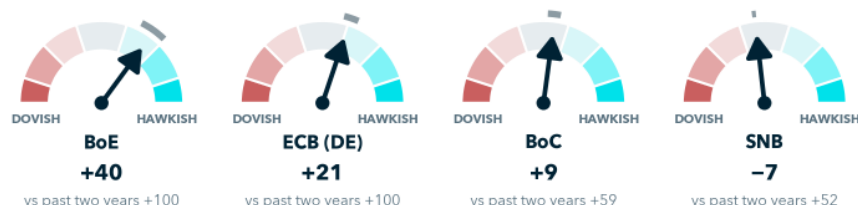
What the signal is telling us

- **The turn is broad.** A year ago directional sentiment leaned dovish in nine of the G10 economies. Today it is positive in nine, and six sit firmly in hawkish territory.
- **Europe is where it is shifting fastest.** The ECB and the Bank of England are the most unusual against their own past two years, even though their sentiment is only modestly hawkish.
- **The build-up can be seen as it forms.** RBA sentiment climbed steadily through September into its hike, the clearest of the five September decisions we look at as case studies.

HAWKISH



LEANING HAWKISH

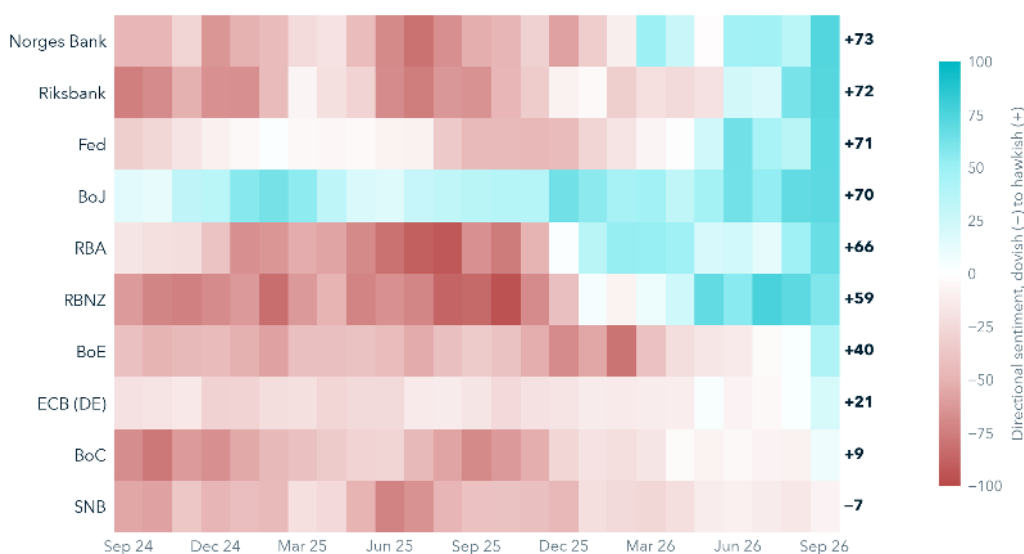


NEUTRAL

Reading the gauges. Banks are grouped by band, not ranked. The needle shows **directional sentiment**, and the grey arc how far it moves under alternative constructions, so a long arc, as for Norway on thin coverage, means a less settled reading. The line beneath compares it with the bank's own **past two years**, where +100 is the top of its range. The ECB reads only +21, yet +100 against its own history. Readings on 29 September 2026, scaled so the strongest G10 readings of the past two years reach ± 100 .

THE TURN

How quickly sentiment has changed



Directional sentiment on monetary-policy outlook, month-end readings, September 2024 to September 2026. Germany stands in for the euro area.

Through most of 2025 directional sentiment leaned dovish across the G10 as central banks eased. It began to turn around the new year, first in Australia, then in Norway and New Zealand by the spring, and more broadly through the summer as the energy shock took hold. Japan is the exception, hawkish throughout as the Bank of Japan continued to normalise policy.

METHOD

How we build the signal



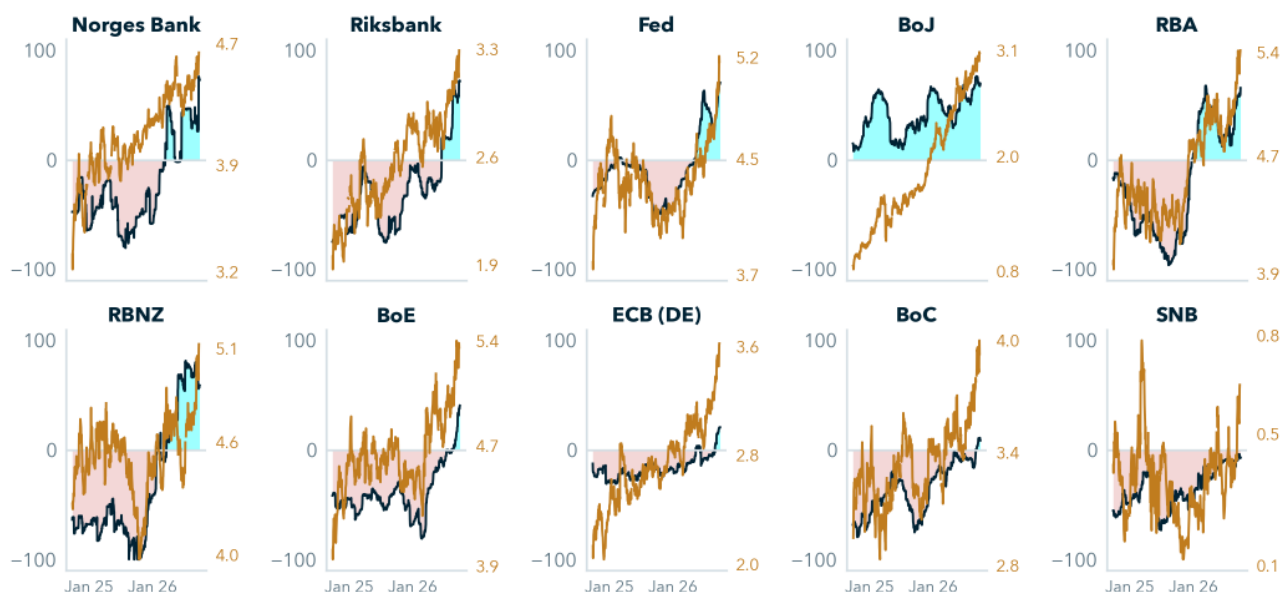
Every headline on an economy's monetary-policy outlook receives a directional score from -1, fully dovish, to +1, fully hawkish. We take a recency-weighted average across all recent headlines, with a 30-day half-life, so each headline counts equally and a busy decision day carries more weight than a quiet one. Because that average seldom strays far from zero, we rescale it by one common factor for all ten central banks, recalculated daily so the strongest G10 readings of the preceding two years reach ± 100 . Zero stays neutral and the ranking is unchanged. From that one series we report two readings. **Directional sentiment** shows which way the narrative leans and how strongly. **vs past two years** compares it with the bank's own last two years to show how unusual it is.

How far to trust it

- **No look-ahead.** Each reading and each past-year comparison uses only data dated up to that day. The history uses today's data vintage, which includes later revisions, so it is a time-ordered record rather than an archive of first releases.
- **Weighting matters where coverage is thin.** Weighting each news day equally instead of each headline keeps the broad ranking (rank correlation 0.62) but lowers readings where one busy day dominates. Norway falls from +73 to +29 and Sweden from +72 to +45.
- **Thin coverage is flagged.** Headline counts are tracked alongside every reading, and gauges built on news from fewer than 20 of the past 30 days carry a warning.

ALONGSIDE THE MARKET

Sentiment and the market move together

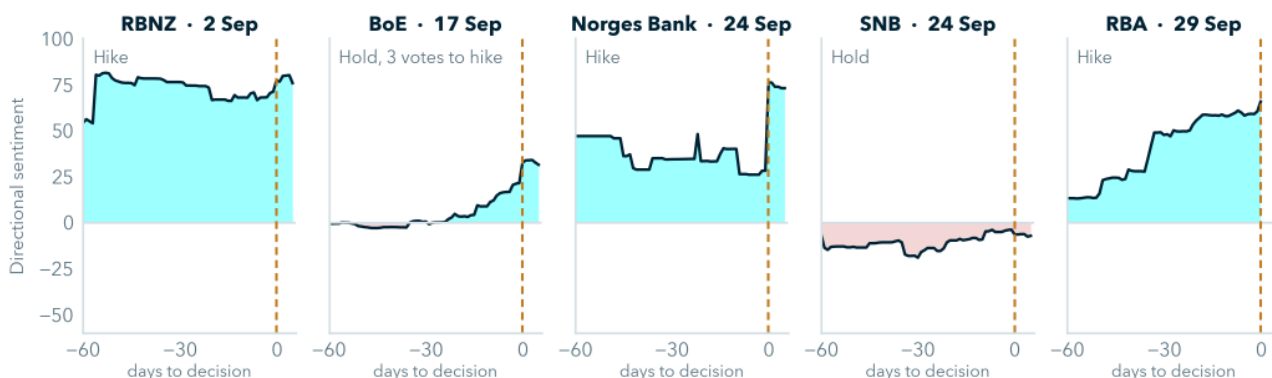


Directional sentiment (shaded, left axis) and 10-year government bond yield (gold, right axis, %), October 2024 to September 2026.

Where sentiment turned hawkish, local yields rose alongside it, most clearly in Australia, New Zealand, Sweden and the UK. Across ten years of data the two move together within the same month, even after stripping out the pull of US Treasuries. That is co-movement rather than cause and effect, since market moves also shape the news being scored, and sentiment does not lead the next move in yields. Its value lies in reading the narrative behind a move as it happens, and in confirming or challenging a view as the story develops.

INTO THE MEETING

Five September decisions as case studies



Directional sentiment in the 60 days before each September 2026 decision with a confirmed outcome. The dashed line marks the decision day.

The RBA offers the clearest example. Its sentiment climbed from +13 two months out to +60 on the eve of the hike, as Governor Bullock's final pre-meeting speech and the major banks' forecasts firmed up expectations. The RBNZ's was already firmly hawkish ahead of its 2 September hike, and the SNB's stayed slightly negative into a hold. The other two are less clear-cut. Bank of England sentiment rose over the final month into a hold, in keeping with the three members who voted to hike rather than with the decision itself. Norges Bank's faded ahead of its 24 September hike, on patchy coverage, and caught up only afterwards. Judging a hit rate would need a set rule and a larger sample of meetings, which is the next step.

INTO Q4

Where sentiment stands, and what we are watching

The Q4 decision run opens on 28 October with the Fed, the Bank of Canada and the RBNZ, and runs through to the SNB on 10 December. On balance, we see hawkish pressure as most likely to keep building in Europe, where sentiment is most unusual against its own past two years. Elsewhere the picture is more mixed.

Central bank	Next	Sentiment	vs past two years	Our read
Bank of Canada	28 Oct	+9	+59	Hike odds rising, but sentiment is still neutral
Federal Reserve	28 Oct	+71	+89	Resumed hiking, with further moves in play
RBNZ	28 Oct	+59	+53	Another hike may be needed this year
ECB (Germany proxy)	29 Oct	+21	+100	A hold looks likely, with December in focus
Bank of Japan	30 Oct	+70	+39	A hold looks likely, with December in view
RBA	3 Nov	+66	+56	Door left open to further tightening
Sveriges Riksbank	4 Nov	+72	+89	Several hikes flagged, so November is in play
Bank of England	5 Nov	+40	+100	Split six to three in September, November looks live
Norges Bank	5 Nov	+73	+80	Hiked in September and ready to act again, on thin coverage
Swiss National Bank	10 Dec	-7	+52	On hold at 0%, with a hold expected

Directional sentiment runs from -100 to +100. vs past two years compares it with the bank's own last two years, where +100 is the top of its range. Rows are ordered by next decision date.

Three meetings stand out

- **Bank of England, 5 November.** After a six-to-three hold, with motor fuel inflation running at 23% and Governor Bailey warning that holding gets harder the longer oil stays high, the meeting looks live. Sentiment of +40 is moderate in outright terms but well above its own past two years.
- **ECB, 29 October.** Coverage points to December, when new projections are due, and President Lagarde has stressed that second-round effects remain limited. Yet German coverage is the most unusual in the G10 against its own past two years, which we read as a debate turning quickly from a low base.
- **RBNZ, 28 October.** The RBNZ has said another hike may be needed this year, and its September projections implied a pause in October with a further move later. With sentiment at +59, below its July high of +81, our reading does not point to pressure for an earlier move.

How we see it being used

- **Forming ideas.** Comparing each central bank with its own past two years highlights where the debate is shifting most, as with the ECB and the Bank of England today.
- **Confirming a thesis.** A view on a central bank can be checked against directional sentiment in real time, not just against prices.
- **Watching the run-up to meetings.** The weeks before a decision show whether sentiment is moving towards or away from the expected outcome.
- **An independent dataset.** Built from news rather than prices, it can be tested systematically alongside existing models.

Data and method. Daily directional sentiment (sums of headline scores, each from -1 to +1) and headline counts from Permutable GMSI, combining domestic and international coverage, January 2015 to 29 September 2026. Source buckets are stamped at the end of each day, so dates are shifted back one day to the day of publication, and the latest day is part-complete. The history is time-ordered on today's data vintage rather than first releases. Germany stands in for the euro area. Over 2017 to 2026, a one standard deviation hawkish shift in directional sentiment over a month coincides with local 10-year yields about 3bp higher in the same month (95% interval 2.2 to 3.9bp, block bootstrap), after removing the US contribution. Over the following 5 to 60 days the effect is indistinguishable from zero. Policy details are from central-bank statements and news coverage to 29 September 2026, and yield moves are calculated from 10-year closes. The index measures the balance of the policy debate. It is not a forecast of decisions or yields, and nothing here is investment advice.