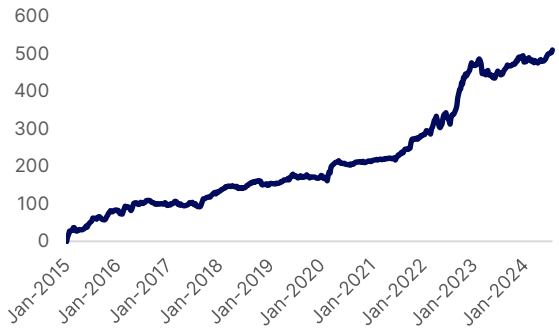
The Monetary Tones of Central Banks Across Economies

Using Media-Derived Monetary Narratives to Forecast Global Bond Yield Movements

Central bank communication is one of the most important drivers of global fixed income markets, yet official policy statements are infrequent, highly curated, and often difficult to interpret in real time. In this paper, we show that media coverage of central banks can provide a more timely and transparent signal of monetary policy expectations. The analysis draws on nearly one million news articles discussing 15 developed and emerging market central banks and classifies media narratives as relatively hawkish or dovish. The resulting monetary tone indicators capture how markets and financial media interpret central bank policy developments.

Exhibit 1: Cumulative 2Y Yield Spread



Source: State Street Markets.

We find that:

- Cross-economy variation in central bank monetary tone predicts subsequent changes in government bond yields, with relatively hawkish central banks experiencing larger increases in both 2-year and 10-year yields.
- Trading strategies that rank countries by relative monetary tone generate economically and statistically significant yield spreads, producing approximately 69 basis points of annual spread across developed markets and roughly 180 basis points when emerging markets are included.
- The predictive power of monetary tone persists after controlling for traditional fixed-income factors, indicating that media-derived monetary narratives contain information beyond standard bond market risk premia.
- Large language model classifications of monetary tone generally outperform traditional dictionary-based approaches, producing stronger forecasting results and larger yield responses.
- Bond market responses differ substantially across central banks, with yield reactions to Federal Reserve tone shifts appearing notably stronger than those associated with institutions such as the Bank of Japan.
- More hawkish monetary narratives are associated with a flatter yield curve, as shorter-term yields rise more than longer-term yields.

Overall, the research highlights the value of media-derived monetary narratives as a forward-looking indicator for global fixed income markets. By systematically measuring how financial media interprets central bank policy, investors can gain insight into future interest-rate movements, identify relative-value opportunities across countries, and better understand evolving monetary policy expectations.

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Expiration date: 7/29/2027

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