

THE WEEK AHEAD, 26 SEPTEMBER 2025

Diverging policy paths

Following the latest statements from leading central bankers in North America, Europe and Asia, two points stand out: their policy paths are diverging and the messages they sought to convey were different. Investors took note and drew their own conclusions. What, then, are the key takeaways?

One principal message by the **European Central Bank** (ECB) was that it views its monetary policy as being “in a good place”, with growth in the euro area approaching normal capacity utilisation levels, overall inflation stabilising at close to the bank’s 2% target and the current policy rate roughly at a level that ECB policymakers consider “neutral”, i.e. neither expansionary nor restrictive. In other words, no justification to change very much—in line with expectations prior to the decision. Before the September meeting, the majority of bond investors had been hoping for a rate cut by the end of the year, a hope they have since all but abandoned. This explains the recent up-tick in bond yields and the euro’s

appreciation against the US dollar. As things stand, it seems that the hurdle for a near-term interest rate cut is high.

Across the pond, the **Federal Reserve** (Fed) is treading a very different path. As expected, it cut its key interest rate by 25 basis points, while signalling further rate cuts going forward. The Fed’s core message was: We want to avert any downside risks before it is too late—and are confident of success. That is because their keenly watched “Summary of Economic Projections” neither anticipates any significant rise in unemployment nor any drop-off in GDP growth in 2026. The US central bank’s biggest headache remains sticky inflation. It can only hope that tariff-induced price rises will remain limited and that base effects will mean they fade from the numbers—at the latest within a year. Added to this is a further year-on-year rise in underlying service-sector inflation of over 3%. Against this backdrop, the outlook for US interest rates remains uncertain, particularly given the inflation picture. Investors anticipate around four further interest rate moves of 25 basis points each over the following twelve months. Considering that only a few observers anticipate any material weakening in economic growth, this may prove an overly optimistic scenario.

PUBLICATIONS

→ **Fixed Income Forward**

The US Federal Reserve delivered a much-awaited rate cut of 25 basis points. The mostly priced-in cut should benefit allocations to front-end core rates and credit assets.

→ **Investing in the “multiverse”**

The world is being transformed at unprecedented speed. For investors, this means ensuring that their investments are broadly diversified across a constantly shifting “multiverse” of opportunities.

→ **Behavioural Finance:**

Outsmart yourself!

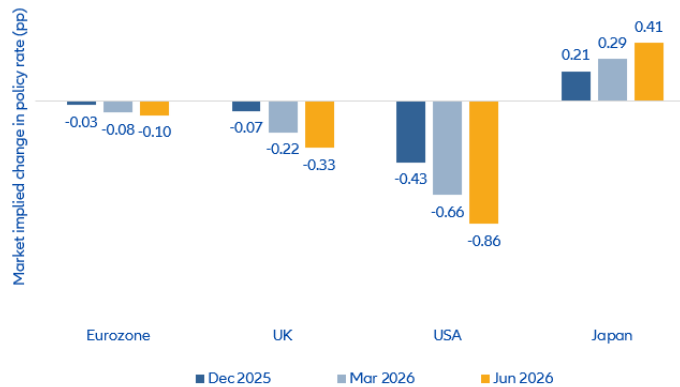
Rising gold and oil prices, fears of inflation and recession – geopolitics are at the top of the agenda. Particularly in times of heightened uncertainty, there is an increased risk that our actions will be determined by behavioural patterns that are anything but rational. This is why the findings of behavioural finance are more important than ever. But even more important than self-knowledge is the ability to outsmart oneself.



Stefan Rondorf
Senior Investment
Strategist, Global
Economics & Strategy

Finally, turning to Asia, the **Bank of Japan (BoJ)** is following yet another policy path in keeping its base rate steady. However, at its latest monetary policy meeting, there were some hawkish dissenters who favoured a hike. This is a rare situation and one that has, in the past, signalled upcoming interest rate rises. As such, investors would not be surprised if the BoJ's Policy Board were able to decide on a 25 basis point increase by the end of the year. What is more, the bank announced its intention to begin selling holdings of equities and real estate securities (ETFs and J-REITs) that it had accumulated during the phase of quantitative easing (QE)—albeit at such a modest pace that it is unlikely to have any significant impact on markets.

Money markets anticipate different interest rate paths for major central banks in coming months



Sources: AllianzGI Global Economics & Strategy, Bloomberg, data as of 23 Sept 2025

UPCOMING POLITICAL EVENTS 2025

2 October	EZ	European Political Community Meeting
8 October	US	FED Minutes
13–19 October	IMF	Annual Meeting
15 October	G20	Finance Ministers Meeting

The week ahead

The highlight of next week's **macro data** should be Friday's **US labour market report**. Most recently, labour market numbers in the US have been trending weaker, though the overall picture has not been alarmingly soft. A weak labour market is likely to exacerbate concerns over economic growth; unexpectedly robust employment data could dampen the market's hopes for interest rate cuts. Many market participants may view a "middle ground" as sufficiently positive. On top of that, the week also sees the release of some noteworthy sentiment data, such as the EU Commission's business survey results on Monday, the Conference Board's US Consumer Confidence Survey on Tuesday and, on Wednesday, the quarterly Tankan survey in Japan. Finally, a number of countries publish their final purchasing manager's indices for September, which will mainly appear on Wednesday and Friday.

Following meetings of the most important global central banks, investors may find this an opportune moment to pause and reassess. Implied market fluctuation ranges, as reflected by volatility indices, remain low. Although risk appetite appears intact, Deutsche Bank's positioning data suggests that many portfolios are not yet excessively allocated to higher-risk asset classes such as equities.

Have a good week—wherever your path may lead.

Yours,
Stefan Rondorf

Calendar Week 40

Monday			Consensus	Previous
UK	BOE Consumer Credit	Aug	--	1.622B
UK	Mortgage Lending	Aug	--	4.522B
EC	Business Climate	Sep	--	-0.72
EC	Economic Sentiment	Sep	--	95.2
EC	Industrial Sentiment	Sep	--	-10.3
EC	Services Sentiment	Sep	--	3.6
EC	Consumer Confid. Final	Sep	--	--
Tuesday				
JN	Large Scale Retail Sales YY	Aug	--	2%
CN	NBS Manufacturing PMI	Sep	--	49.4
JN	Housing Starts YY	Aug	--	-9.7%
GE	Import Prices YY	Aug	--	-1.4%
GE	Retail Sales YY Real	Aug	--	1.9%
UK	GDP YY	Q2	--	1.2%
UK	Business invest YY	Q2	--	0.1%
GE	Unemployment Chg SA	Sep	--	-9k
GE	Unemployment Rate SA	Sep	--	6.3%
GE	CPI Prelim YY	Sep	--	2.2%
GE	HICP Prelim YY	Sep	--	2.1%
US	CaseShiller 20 YY NSA	Jul	--	2.1%
US	Chicago PMI	Sep	--	41.5
US	Consumer Confidence	Sep	--	97.4
US	JOLTS Job Openings	Aug	--	7.181M
Wednesday				
JN	Tankan Big Mf Outlook DI	Q3	13	12
UK	Nationwide house price yy	Sep	--	2.1%
GE	HCOB Mfg PMI	Sep	--	--
EC	HCOB Mfg Final PMI	Sep	--	--
UK	S&P GLOBAL MANUFACTURING PMI	Sep	--	--
EC	HICP Flash YY	Sep	--	2.0%
EC	HICP-X F,E,A&T Flash YY	Sep	--	2.3%
US	ADP National Employment	Sep	--	54k
US	S&P Global Mfg PMI Final	Sep	--	--
US	ISM Manufacturing PMI	Sep	--	48.7
US	ISM Mfg Prices Paid	Sep	--	63.7
Thursday				
EC	Unemployment Rate	Aug	--	6.2%
US	Initial Jobless Clm	22 Sep, w/e	--	--
US	Cont Jobless Clm	15 Sep, w/e	--	--
Friday				
JN	Unemployment Rate	Aug	--	2.3%
GE	HCOB Services PMI	Sep	--	--
GE	HCOB Composite Final PMI	Sep	--	--
EC	HCOB Services Final PMI	Sep	--	--
EC	HCOB - Composite Final PMI	Sep	--	--
UK	S&P GLOBAL SERVICE PMI	Sep	--	--
UK	S&P GLOBAL PMI: COMPOSITE - OUTPUT	Sep	--	--
UK	Reserve Assets Total	Sep	--	211,210.47M
EC	Producer Prices YY	Aug	--	0.2%
US	Non-Farm Payrolls	Sep	--	22k
US	Private Payrolls	Sep	--	38k
US	Unemployment Rate	Sep	--	4.3%
US	Average Earnings YY	Sep	--	3.7%
US	Average Workweek Hrs	Sep	--	34.2
US	S&P Global Svcs PMI Final	Sep	--	--
US	ISM N-Mfg PMI	Sep	--	52.0

The calendar data for the current week comes directly from LSEG Datastream. They are published in the week in which "The Week Ahead" appears. These are economic data that come from official sources. Where available, the previous figure is collected together with the consensus estimate. The consensus estimate is collected by LSEG Datastream through a survey of analysts and economists. It is the average of all estimates submitted.

If not mentioned otherwise data and information sources are from LSEG Datastream.

Diversification does not guarantee a profit or protect again losses.

The document is for use by qualified Institutional Investors (or Professional/Sophisticated/Qualified Investors as such term may apply in local jurisdictions).

This document or information contained or incorporated in this document have been prepared for informational purposes only without regard to the investment objectives, financial situation, or means of any particular person or entity. The details are not to be construed as a recommendation or an offer or invitation to trade any securities or collective investment schemes nor should any details form the basis of, or be relied upon in connection with, any contract or commitment on the part of any person to proceed with any transaction.

Any form of publication, duplication, extraction, transmission and passing on of the contents of this document is impermissible and unauthorised. No account has been taken of any person's investment objectives, financial situation or particular needs when preparing this content of this document. The content of this document does not constitute an offer to buy or sell, or a solicitation or incitement of offer to buy or sell, any particular security, strategy, investment product or services nor does this constitute investment advice or recommendation.

The views and opinions expressed in this document or information contained or incorporated in this document, which are subject to change without notice, are those of Allianz Global Investors at the time of publication. While we believe that the information is correct at the date of this material, no warranty of representation is given to this effect and no responsibility can be accepted by us to any intermediaries or end users for any action taken on the basis of this information. Some of the information contained herein including any expression of opinion or forecast has been obtained from or is based on sources believed by us to be reliable as at the date it is made, but is not guaranteed and we do not warrant nor do we accept liability as to adequacy, accuracy, reliability or completeness of such information. The information is given on the understanding that any person who acts upon it or otherwise changes his or her position in reliance thereon does so entirely at his or her own risk without liability on our part. There is no guarantee that any investment strategies and processes discussed herein will be effective under all market conditions and investors should evaluate their ability to invest for a long-term based on their individual risk profile especially during periods of downturn in the market.

Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Any past performance, prediction, projection or forecast is not indicative of future performance. Investors should not make any assumptions on the future on the basis of performance information in this document. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions.

September 2025