Powered by UBS Evidence Lab

Global Economics & Strategy

Deep Speak: An AI-driven read on tone shifts

Economics

Global

Elena Amoruso
Strategist
elena.amoruso@ubs.com
+44-20-7567 0239

Arend Kapteyn
Economist
arend.kapteyn@ubs.com
+44-20-7567 0531

A new LLM-based tracker of central bank sentiment and thematic shifts

We developed an AI-based framework to measure policy tone for the Fed, ECB, and BoJ. Using LLMs, we analyze policy-relevant remarks in speeches, interviews and press conferences and score them on a hawkish/dovish scale, offering insights into sentiment shifts as well as thematic drivers and speakers' contributions. Updated daily, the dataset spans over two decades and is accessible via an interactive dashboard and a Python API (>Access Dataset).

Fed: Hawkishness broadening

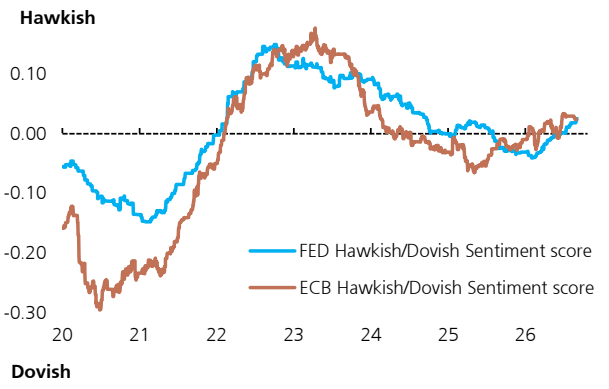
Fed hawkish sentiment continues to climb, driven by an inflation tone that remains firmly hawkish despite the recent retracement in the data (Figures 2-5). At the same time, sentiment on both growth and employment has firmed, reinforcing rather than diluting the hawkish signal. Speaker-level data show Board members have generally shifted in a more hawkish direction since the July FOMC meeting, and across most topics, with Waller's latest comments on inflation the main exception (Figures 6-7).

Chair Warsh delivered materially more policy substance at Jackson Hole (Figure 8), but the overall tone was little changed from the July FOMC (Figure 9). The speech mix, characterized by moderate hawkishness across all major topics, closely resembled the profile of Chair Powell's 2018 Jackson Hole debut (Figure 10). Relative to 2024 and 2025, the most notable absence this year was concern about labour-market weakness (Figure 11).

ECB: A quieter summer

The ECB communication calendar has been very light since the July meeting, with only remarks from Lagarde and Cipollone entering the sample, both of which read mildly dovish (Figures 12 and 17). As a result, sentiment has softened modestly at the margin. Importantly, the latest readings do not yet reflect strong August inflation data and hawkish repricing at the Fed. At this stage, speaker-level metrics suggest ECB hawkishness may be past its peak, with policymakers, including President Lagarde remaining broadly hawkish over the summer, but less intensely so than during the sharp Q2 surge (Figure 16). That said, recent events in the Middle East may lead to the Governing Council turning more cautious and, hence, sounding more hawkish.

Figure 1: Fed hawkishness builds as ECB tone softens

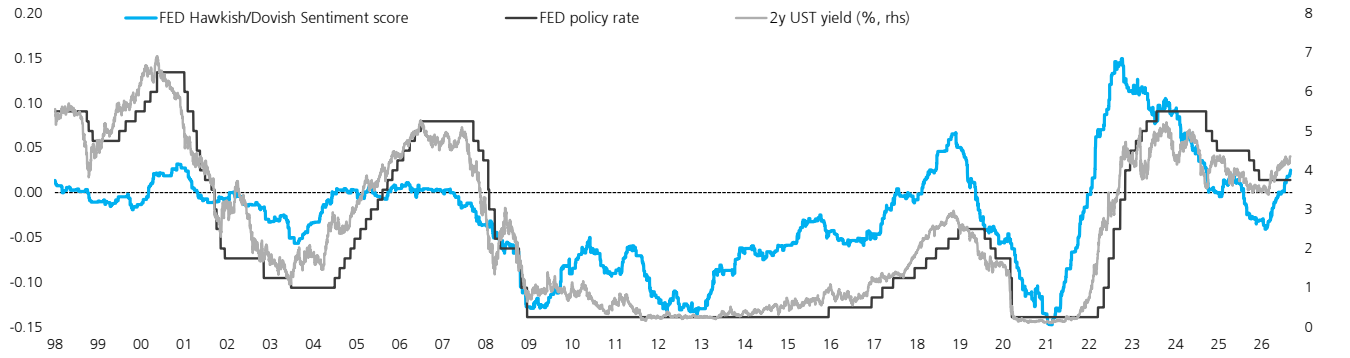


Source: Federal Reserve, ECB, UBS Evidence Lab. (> Access Dataset)

This report has been prepared by UBS AG London Branch. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 7.**

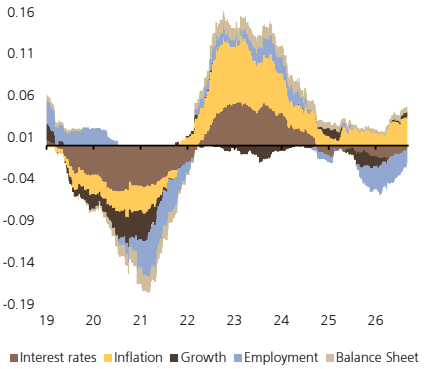
Federal Reserve

Figure 2: Fed sentiment climbs steadily into hawkish territory



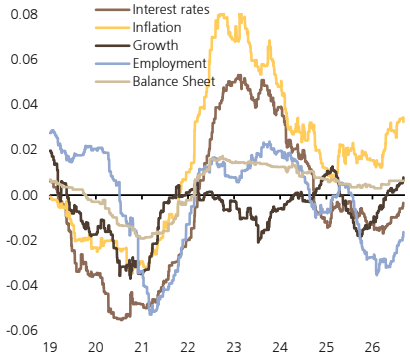
Source: Federal Reserve, Bloomberg, UBS Evidence Lab. Positive values indicate net hawkish sentiment, negative values net dovish. (> Access Dataset)

Figure 3: Inflation reasserts itself as the dominant driver of Fed tone



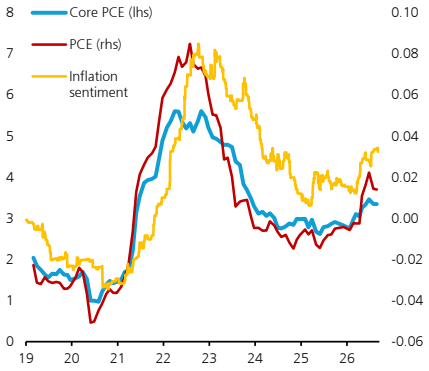
Source: Federal Reserve, UBS Evidence Lab

Figure 4: Hawkish shift led by inflation, with growth and labour reinforcing



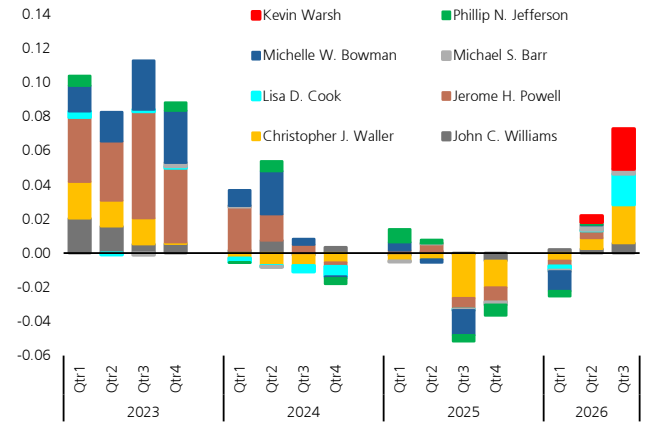
Source: Federal Reserve, UBS Evidence Lab

Figure 5: Inflation tone has held steady despite the retracement in the data



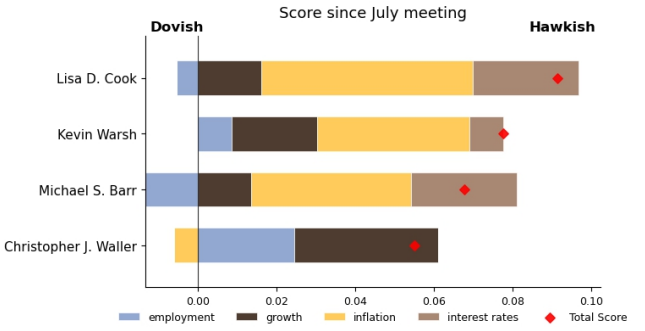
Source: Federal Reserve, Haver, UBS Evidence Lab. Note: Inflation data indexed by release date.

Figure 6: Q3 brings a more decisive hawkish shift across the Board



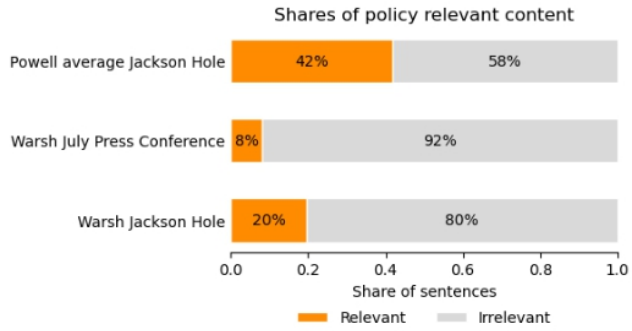
Source: UBS Evidence Lab, US Federal Reserve. Note: values are normalized by the volume of speeches given

Figure 7: Board members have broadly turned more hawkish since the July meeting



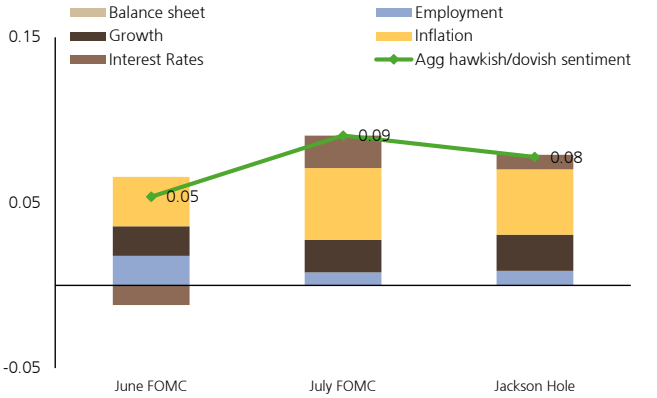
Source: UBS Evidence Lab, Federal Reserve

Figure 8: Chair Warsh delivered more policy substance at Jackson Hole



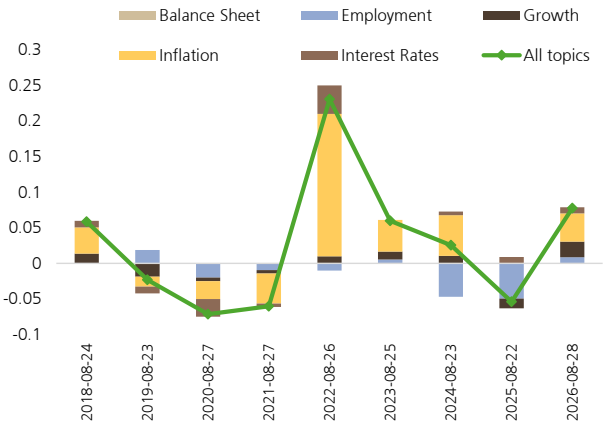
Source: UBS Evidence Lab, Federal Reserve

Figure 9: But the tone was no more hawkish than at the July FOMC



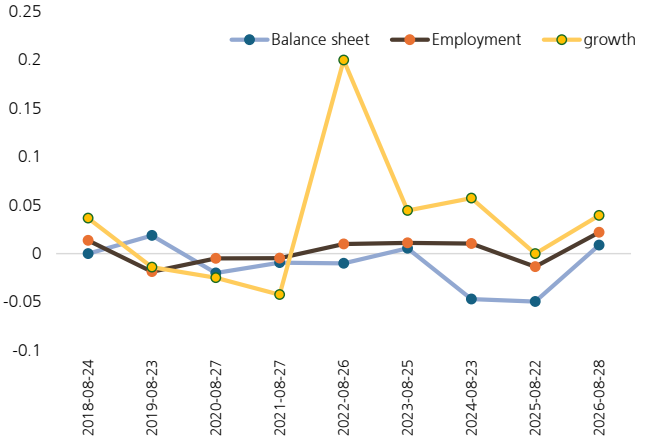
Source: UBS Evidence Lab, Federal Reserve

Figure 10: Tone profile closely resemble Powell's 2018 Jackson Hole debut



Source: UBS Evidence Lab, Fed.

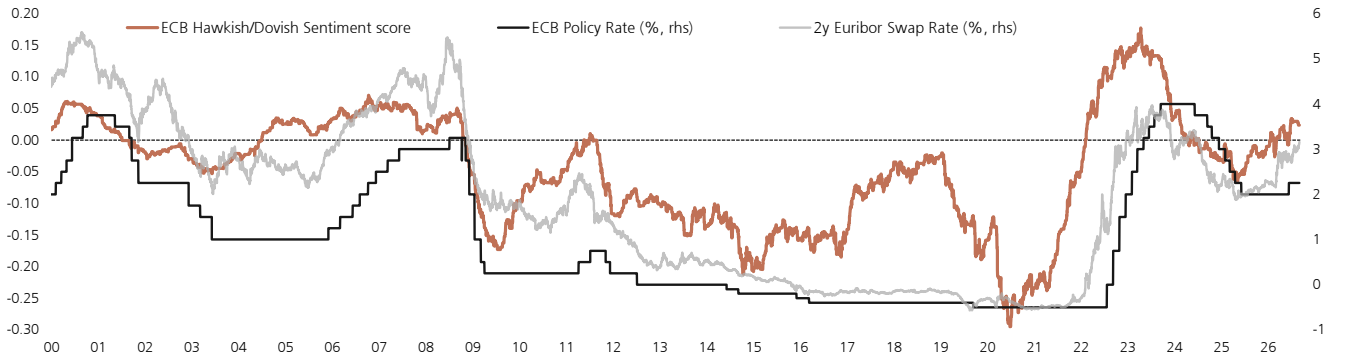
Figure 11: And mark a break from the labour-market concerns of 2024 and 2025



Source: UBS Evidence Lab, Fed

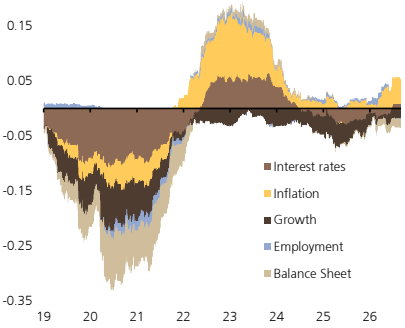
European Central Bank

Figure 12: ECB tone softens on the margin



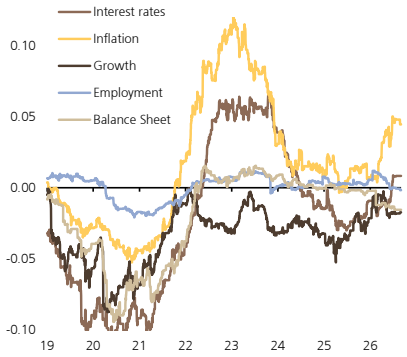
Source: ECB, UBS Evidence Lab, Bloomberg, Positive values indicate net hawkish sentiment, negative values net dovish. (> Access Dataset)

Figure 13: Inflation remains the primary driver of ECB tone



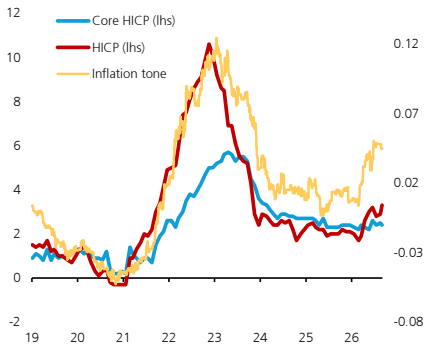
Source: ECB, UBS Evidence Lab

Figure 14: The inflation impulse dwarfs softer growth and employment signals



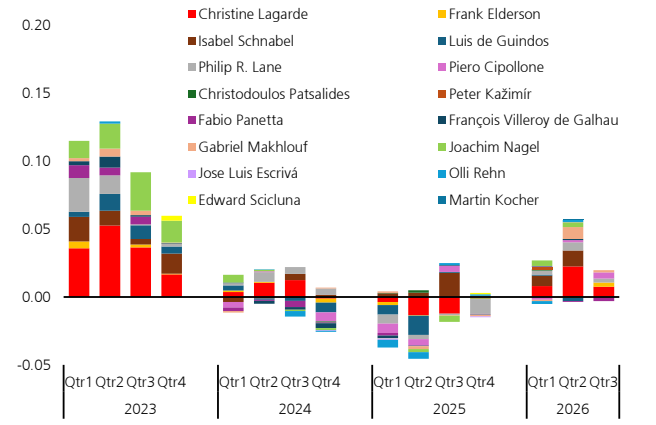
Source: ECB, UBS Evidence Lab.

Figure 15: Inflation tone has been tracking headline inflation



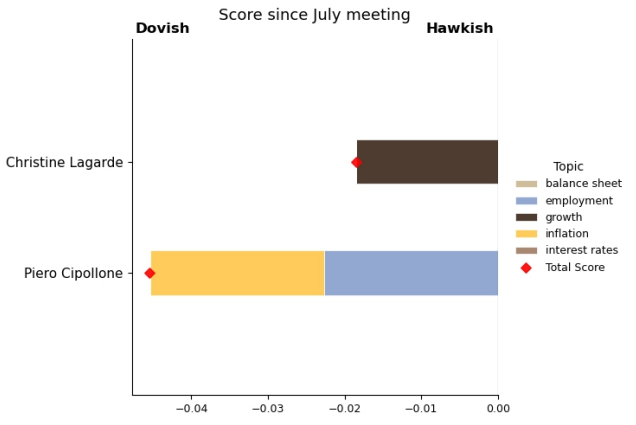
Source: ECB, Haver, UBS Evidence Lab. Note: Inflation data indexed by release date.

Figure 16: Hawkish sentiment normalizes in Q3



Source: UBS Evidence Lab, ECB. Note: values are normalized by the volume of speeches given

Figure 17: Post-meeting communication limited to Lagarde and Cipollone, both mildly dovish



Source: UBS Evidence Lab, ECB

***UBS Evidence Lab** is a sell-side team of experts that work across numerous specialized labs creating insight-ready datasets. The experts turn data into evidence by applying a combination of tools and techniques to harvest, cleanse, and connect billions of data items each month. Since 2014, UBS Research analysts have utilized the expertise of UBS Evidence Lab for insight-ready datasets on companies, sectors, and themes, resulting in the production of thousands of differentiated UBS Research reports. UBS Evidence Lab does not provide investment recommendations or advice but provides insight-ready datasets for further analysis by UBS Research and by clients. All published UBS Evidence Lab content is available via UBS Neo. The amount and type of content available may vary. Please contact your UBS sales representative if you wish to discuss access.*

Central Banks Policy Sentiment Tracker (>Access Dataset)

This report leverages the following UBS Evidence Lab asset: Central Banks Policy Sentiment Tracker. Key themes and brand mentions are based on data collected from press conference and speeches. We carefully adjust for the specific context in which language/terms may appear under each theme to make sure that every mention is of high relevancy to the theme definition.

Central Banks Policy Sentiment Tracker Monthly Summary (>Access Dataset)

This report leverages the following UBS Evidence Lab asset: Central Banks Policy Sentiment Tracker Monthly Summary Key themes and sentiment are based on data collected from central banks transcripts. Figures, Tables and References are not parsed. Sentences are considered for thematic and sentiment analyses only if they are centered on a topic relevant for monetary policy.



Valuation Method and Risk Statement

Risks of multi-asset investing include but are not limited to market risk, credit risk, interest rate risk, and foreign exchange risk. Correlations of returns among different asset classes may deviate from historical patterns. Geopolitical events and policy shocks pose risks that can reduce asset returns. Valuations may be adversely affected during times of high market volatility, thin liquidity, and economic dislocation.

Options, structured derivative products and futures (including OTC derivatives) are not suitable for all investors. Trading in these instruments is considered risky and may be appropriate only for sophisticated investors. Prior to buying or selling an option, and for the complete risks relating to options, you must receive a copy of "The Characteristics and Risks of Standardized Options." You may read the document at http://www.theocc.com/publications/risks/riskchap1.jsp or ask your salesperson for a copy. Various theoretical explanations of the risks associated with these instruments have been published. Supporting documentation for any claims, comparisons, recommendations, statistics or other technical data will be supplied upon request. Past performance is not necessarily indicative of future results. Transaction costs may be significant in option strategies calling for multiple purchases and sales of options, such as spreads and straddles. Because of the importance of tax considerations to many options transactions, the investor considering options should consult with his/her tax advisor as to how taxes affect the outcome of contemplated options transactions. All options discussed in this report are OTC options.