July 2026

DNB Research Newsletter

Research highlights

1. Credit rating and investments

In a forthcoming article in Management Science, Razvan Vlahu and co-authors study how credit ratings influence investor behaviour and firms' investment decisions, with a particular focus on potentially inflated ratings. They document both positive and negative effects, showing that ratings act mainly as a coordination device - shaping investors' beliefs about other investors' actions rather than substantially altering beliefs about underlying firm fundamentals. Read more

2. Monetary policy in the Euro Area, when Phillips curves ... are curves

This working paper by Guido Ascari and co-authors develops a nonlinear New Keynesian model in which price and wage setting are state-dependent, meaning firms and workers adjust more frequently when inflation is high. This generates asymmetric and nonlinear inflation dynamics: inflation reacts more strongly to shocks when it is already high, and the effects depend on the size, sign, and timing of shocks. The model is estimated using Euro area data from 1999-2024, analysing the recent inflation surge and its implications for monetary policy. Read more

3. On the limits of hedging inflation risk in investment portfolios

In this DNB working paper, Damiaan Chen, Roel Beetsma, and Sweder van Wijnbergen show empirically that investment portfolios can hedge inflation risk only to a limited extent, even with index-linked bonds. A theoretical model explains that part of inflation risk is uninsurable due to structural mismatches and market frictions, implying that real returns cannot be fully protected. Read more

4. Differentiated deleveraging: How do banks respond to capital ratios and capital requirements?

In a recent DNB working paper, Maurice Bun and Eric Cuijpers investigate the effects of capital ratios and capital requirements on bank lending and loan pricing at the portfolio level. They establish a pattern of differentiated deleveraging, whereby higher capital ratios are associated with smaller portfolio sizes, but only for high-risk portfolios and at banks with low leverage ratios. On the pricing side, higher capital requirements are associated with only modest increases in portfolio loan rates. The results suggest that once banks are adequately capitalized, as is currently the case for most European banks, capital requirements can be varied with limited effects on bank loan supply and pricing. Read more

5. Inequality along the European green transition

In a forthcoming article in the Economic Journal, Guido Ascari, Andrea Colciago, Timo Haber, and Stefan Wöhrmüller study how fiscal policies aimed at achieving the EU's renewable energy targets affect aggregate outcomes, inequality, and welfare across households. They find a clear equity-efficiency trade-off in EU green-transition policy. Carbon-tax revenues used to finance uniform transfers reduce consumption inequality and shift more of the welfare burden to richer households, but at the cost of larger output losses. Read more

Publications (since February 2026)

Working Papers

862 - Differentiated deleveraging: How do banks respond to capital ratios and capital requirements?
Maurice Bun, Eric Cuijpers

861 - Monetary policy in the Euro Area, when Phillips curves ... are curves
Guido Ascari, Alexandre Carrier, Emanuele Gasteiger, Alex Grimaud, Gauthier Vermandel

860 - Identifying scenarios of interest under deep uncertainty
Jan Kwakkel, Willem L. Auping, Jan Willem van den End

859 - The Employment Concentration Channel of Monetary Policy
Guido Ascari, Andrea Colciago, Marco Membretti

858 - On the Limits of Hedging Inflation Risk in Investment Portfolios
Damiaan Chen, Roel Beetsma, Sweder van Wijnbergen

857 - From nature shocks to financial stability: Incorporating nature physical risks......
Sebastien Gallet, Julja Prodani, Kitty Rang

856 - Locked out by loyalty: entry deterrence through rebates in payment card markets
Vera Lubbersen

855 - Optimal Job Retention
Edouard Challe, Astrid Ruland

854 - Cross-border banking, intragroup exposures and risk-taking
Eric Cuijpers, Razvan Vlahu

DNB Analyses

De grijze druk op banken
Carlijn Eijking, Jolanda Peeters

Monetary policy and (dis)inflation: a Euro Area perspective
Annelie Petersen, Sebastian Rast, Gabriele Galati

Wisselen van werkgever, maar ook van bedrijfstak?
Maikel Volkerink, Astrid Ruland, Cindy Biesenbeek

Global supply chains and European economic vulnerabilities
Dennis Bonam, Josien Demmers, Gavin Goy, Jos de Grip, Bas Heerma van Voss, Daan de Leeuw, Camille Mehlbaum, Andra Smadu, Rixt Swierstra

Healthy markets, healthy growth: dynamics, market power and misallocation in the Dutch business sector
Jasper de Winter, Guus Brouwer

Waar gaat de tijd naartoe? Niet-kerntaken op het werk: ruimte voor productiviteitswinst?
Frank van Moock, Maarten van Rooij

How should monetary policy respond to tariffs?
Gavin Goy, Kostas Mavromatis

The economic consequences of defence spending
Bas Heerma van Voss, Daan de Leeuw, Fulvia Marotta, Camille Mehlbaum, Andra Smadu, Irina Stanga, Stefan Wöhrmüller

Published journal articles

Floods and financial stability: Scenario-based evidence from below sea level
Francesco Caloia, Kees van Ginkel, David-Jan Jansen
Journal of Financial Stability 84, 101545

Does uncertainty raise the probability of a recession?
Jan Willem van den End
Empirical Economics 70:79

The impact of uncertainty on economic tail risk: bank capital as mitigating factor
Kasper Goosen, Nander de Vette, Jan Willem van den End
Economic Analysis and Policy 91, 1469-1485

Forthcoming journal articles

Credit ratings and investments
Anna Bayona, Oana Peia, Razvan Vlahu
Management Science

Fiscal policy and inflation in the Euro Area
Guido Ascari, Dennis Bonam, Lorenzo Mori, Andra Smadu
Journal of International Economics

Do common shocks drive changes in aggregate emissions intensity?
Xiyu Ren, Fulvia Marotta, Francois Lafond
Journal of Environmental Economics and Management

Inequality along the European green transition
Guido Ascari, Andrea Colciago, Timo Haber, Stefan Wöhrmüller
The Economic Journal

Floods and homeowners' financial resilience: Survey-based evidence from the Netherlands
Dorien de Leeuw, David-Jan Jansen
De Economist

Who manages the household purse? Payment task allocation between partners, associated factors, and implications
Carin van der Cruijsen, Dörthe Kunkel, Rick Nijkamp
De Economist

For a complete list of publications, see our website.

Other publications

Inflation expectations in the context of climate change and the green transition
Gabriele Galati, Fulvia Marotta, Richhild Moessner, Maarten van Rooij
Oxford Smith School of Enterprise and the Environment Working Paper No. 26-02

The psychology of macroeconomic expectations
Pedro Bordalo, Nicola Gennaioli, Florencio Lopez-de-Silanes, Simon G. Schröder, Andrei Shleifer, Maarten van Rooij

NBER Working Paper 35214

No labels, no problem: Identifying investment fund cohorts through clustering
Sophie Almekinders, Antoine Bouveret, Massimo Ferrari, Michael Grill, Mattia Pividori, Roberto Proietti, Daniel Jonas Schmidt
ESRB Occasional Paper 30

How do consumers think about climate change? Experiences, expectations and policy preferences
Dimitris Georgarakos, Geoff Kenny, Justus Meyer, Giovanna Olivieri, Maarten van Rooij, Athanasios Tsiortas
SUERF Policy Note, No 404, April 2026

Who's on FIRE? Household characteristics and the formation of inflation expectations
Lovisa Reiche, Gabriele Galati, Maarten van Rooij, Richhild Moessner
SUERF Policy Brief, No 1402, April 2026

Extreme weather and financial stability: Using loan-to-value ratios for vulnerabilities monitoring
David-Jan Jansen, Rick Mulder
SUERF Policy Brief, No 1443, May 2026

In het betalingsverkeer kan weerbaarheid burgers verder worden vergroot
Carin van der Cruijsen, Nicole Jonker
Economisch Statistische Berichten, 3 maart 2026

Spaaroverschot Nederland lager na aanpassing voor ingehouden winsten
Melle Bijlsma, Rini Hillebrand, Safan van der Gaauw
Economisch Statistische Berichten, 10 juni 2026

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Research seminars

Past

02 February 2026: The impact of central bank backstops on sovereign risk premia: Evidence from the ECB's Transmission Protection Instrument

Bernd Schwaab (European Central Bank)

05 February 2026: Global Banks' Macroeconomic Expectations and Credit Supply

Steven Ongena (University of Zurich)

09 February 2026: The Monetary Dynamics of Hyperinflation Reconsidered

Luca Benati (University of Bern)

12 February 2026: Identifying Non-Gaussian Structural Shocks

Filippo Ferroni (University of Bologna)

19 February 2026: US monetary policy spillovers through global commercial real estate

Rogier Quaedvlieg (ABN Amro)

26 February 2026: Disentangling Monetary Policy, Central Bank Information, and Fed Response to News Shocks

Peter Karadi (European Central Bank)

05 March 2026: AI For monetary Policy

Michele Lenza (European Central Bank)

19 March 2026: The Heterogeneous Bank Lending Channel of Monetary Policy

Galo Nuno (Banco d'Espana)

26 March 2026: Ex Machina: Financial Stability in the Age of Artificial Intelligence

Agnese Leonello (European Central Bank)

09 April 2026: The Investment Channel of Monetary Policy: Disentangling Firm Heterogeneity

Daniel Lewis (UCL)

16 April 2026: External Finance Premium: Market Finance versus Bank Finance

Livia Chitu (European Central Bank)

20 April 2026: On the impact of GEN-AI on the macroeconomy

Pablo Guerron (Boston College)

23 April 2026: Monetary policy, state-dependent bank capital requirements and the role of non-bank financial intermediaries

Chiara Punzo (Bank of England)

30 April 2026: Locked out by loyalty: entry deterrence through rebates in payment card markets

Vera Lubbersen (Vrije Universiteit, DNB)

07 May 2026: The Inflation Uncertainty Amplifier

Efrem Castelnuovo (University of Padova)

28 May 2026: Down-payment requirements: Implications for portfolio choice and consumption

Karin Kinnerud (BI Norwegian Business School)

04 June 2026: Monetary policy along the yield curve: Why can central banks affect long-term real rates?"

Tim Willems (Bank of England)

11 June 2026: The Nature of Capital Expenditures over the Business Cycle

Peter Zorn (LMU Zurich)

25 June 2026: Labor Market Reforms in Open Economies: Current Account Dynamics and Consumer Heterogeneity

Brigitte Hochmuth (University of Copenhagen)

Forthcoming

02 July 2026: TBA

Michaela Elfsbacka-Schmöller (European Central Bank)

09 July 2026: TBA

Martin Kornejew (Bocconi University)

03 September 2026: TBA

Job Boerma (University of Wisconsin-Madison)

10 September 2026: TBA

Jessica Piccolo (University of Padova)

17 September 2026: TBA

Marta Banbura (European Central Bank)

24 September 2026: TBA

Rachel Ngai (LSE)

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Events and Conferences

09-10 April, 2026 - DNB Retail Payments Research Conference 2026: Opening address by Bas ter Weel: Resilient Payments: Cash, Card, Connected

10-11 November, 2026 - 29th Annual Research Conference of the Dutch Central Bank**: "Shocks, Inequality, and Trade-offs: Monetary Policy in a Heterogeneous Economy"**

Nearly a decade after the introduction of heterogeneous-agent frameworks into modern macroeconomics, this conference takes stock of how these developments have reshaped our understanding of business cycles, aggregate fluctuations, and monetary policy transmission. We invite theoretical and empirical contributions that examine the role of heterogeneity - across households, firms, and other dimensions - in shaping macroeconomic outcomes and informing monetary policy design.

This annual research conference aims to bring together leading scholars from around the world to discuss these issues and foster an exchange of ideas at the frontier of macroeconomic research. Its objective is to strengthen the link between academic insights and policy practice, thereby supporting the development of more effective and robust policy frameworks.

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Research highlights, details

1. Credit ratings and investments

The feedback effects between capital markets and the real economy are often understated. Credit ratings play a key role in this relationship: they not only reflect firms' creditworthiness but also shape it. While inflated ratings can encourage excessive risk-taking and lead to adverse economic outcomes, they may also enhance efficiency by providing informative – albeit potentially biased – signals that influence financing costs and investment decisions, thereby validating the original rating ex post. Identifying these effects empirically has been challenging, as inflated ratings are inherently difficult to observe and confounding factors may affect both ratings and investor behaviour. To address these issues, we employ an experimental design that controls for firms' fundamentals and investors' information, allowing us to isolate the informational role of potentially inflated ratings. This approach enables us to study how ratings influence financing conditions, investor expectations, and firms' investment choices, and to assess their overall impact on efficiency.

We find both positive and negative effects, though the positive effects tend to dominate. Good (even inflated) ratings foster optimism about other investors' willingness to invest, facilitating external financing and enabling firms to undertake value-enhancing projects. Conversely, bad ratings induce pessimism, tightening funding conditions and restraining excessive risk-taking by financially constrained firms. Overall, the adverse real effects of inflated ratings appear weaker, suggesting that even biased public ratings improve resource allocation and market outcomes relative to a setting without ratings.

Read more?

See the latest version of the paper here.

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2. Monetary policy in the Euro Area, when Phillips curves ... are curves

The paper investigates how monetary policy works when the relationship between inflation and economic activity - the Phillips curve - is nonlinear and state-dependent. In a New Keynesian model, firms and labour unions can adjust prices and wages more frequently in response to economic conditions. This generates asymmetric and nonlinear inflation dynamics: inflation reacts more strongly to shocks when it is already high, with effects varying based on the size, sign, and timing of shocks.

Estimating the model on Euro Area data (1999–2024), the authors show that inflation is not explained primarily by exogenous supply shocks. When inflation is high, price and wage flexibility increases, leading to steeper Phillips curves and a more favourable trade-off between reducing inflation and maintaining output. This helps explain why the recent disinflation occurred without a deep recession. Compared to standard models with fixed adjustment frequencies, the proposed framework fits the data better and predicts that in a high-inflation environment monetary policy is more effective in curbing inflation, whereas supply shocks have larger effects.

Read more?

See DNB Working Paper 861, Monetary policy in the Euro Area, when Phillips curves ... are curves, by Guido Ascari, Alexandre Carrier, Emanuele Gasteiger, Alex Grimaud, Gauthier Vermandel

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3. On the limits of hedging inflation risk in investment portfolios

The authors examine the extent to which inflation risk can be hedged using existing financial assets. Empirically, inflation-linked bonds provide only limited protection, with nominal bonds and equities performing at least comparably in stabilising real returns.

To explain this, they develop a theoretical framework that highlights an uninsurable component of inflation risk. This arises from structural mismatches between available instruments and relevant inflation measures (e.g. the absence of Dutch inflation-linked bonds), as well as market frictions such as limited availability and illiquidity.

These findings imply that financial markets are incomplete with respect to inflation risk. For long-term investors such as pension funds, this limits their ability to guarantee purchasing power and makes diversification essential. It also affects the pricing of inflation risk and welfare outcomes, highlighting the need to account for unhedgeable inflation risk in investment and policy decisions.

Read more?

See DNB Working Paper 858, On the Limits of Hedging Inflation Risk in Investment Portfolios by Damiaan Chen, Roel Beetsma, Sweder van Wijnbergen

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4. Differentiated deleveraging: How do banks respond to capital ratios and capital requirements?

The authors study the relationship between bank capital ratios, capital requirements, bank lending, and loan pricing using data on portfolios and bank characteristics for a sample of large European banks over the period 2014–2025. Earlier studies show that allowing for heterogeneous pass-through of regulatory changes across portfolios and banks is quantitatively important. The authors therefore employ dynamic panel data models with slope parameter heterogeneity in their empirical analysis.

In addition to “between-portfolio” differentiated deleveraging, they find evidence of “within-portfolio” differentiated deleveraging: reductions in portfolio size are more pronounced for risk-weighted assets than for unweighted exposures. They further find that, on average, increases in capital requirements are largely absorbed through lower headroom rather than higher capital ratios. This finding contributes to the emerging literature on the muted and heterogeneous pass-through of capital requirements to capital ratios.

Read more?

See DNB Working Paper 862, Differentiated deleveraging: How do banks respond to capital ratios and capital requirements?, Maurice Bun, Eric Cuijpers

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5. Inequality along the European green transition

The authors develop a heterogeneous-agent general equilibrium model with incomplete markets and non-homothetic preferences to analyse how EU renewable energy policies affect macroeconomic outcomes and household inequality. A carbon tax is introduced, calibrated to achieve the EU target of 42.5% by 2030, alongside an evaluation of three revenue-recycling schemes: (wasteful) government spending, lump-sum transfers, and green energy subsidies. Carbon-tax revenues allocated to government spending generate the largest decline in output and increase inequality, as higher energy prices disproportionately burden lower-income households that devote a larger share of income to energy consumption. Lump-sum transfers deliver the strongest redistribution, while green energy subsidies achieve the renewable target with the smallest output losses, highlighting a key trade-off between equity and efficiency in climate policy design.

Read more?

Inequality Along the European Green Transition | The Economic Journal.

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