FUND MANAGER'S INSIGHTS

FIXED INCOME – APRIL 2021

Edward Iskandar Toh
Chief Investment Officer,
Fixed Income

US : Unconcerned with rising long term US Treasury yields; attributing that to a normal reaction reflecting economic outlook optimism, Powell empasises the Fed's objective of full employment and long term inflation of 2%. He further pledges commitment to maintain easy and accommodative monetary policy to support economic recovery and patience for sustained growth to take hold. This while recognizing that low base effect is a factor to consider while annalising this year's data. On the whole, **Policy interest rates (Fed Fund Rate) will likely stay at current low levels throughout the year.**

Malaysia: While optimistic that global recovery is beginning to take shape, Bank Negara remains vigilant to its downside risk as the pandemic is still a threat and the vaccines complete efficacy is unknown. Proactive steps taken by BNM and government has definitely encouraged the decision by FTSE Russell on Malaysia staying in the WGBI (World Global Bond Index) thus aiding the depth and breadth of our bond markets. Readings also show improvements in external demand and domestic consumption as restrictions have eased, growth is anticipated to pick up from Q2 while inflation may spike in the months ahead due to higher oil prices and low base effects. The government's attempt to keep RON 95 unchanged is a sign that they intend to ensure inflation is not disorderly. Citing policy rates will be data dependent, **Overnight Policy Rates is unlikely to change unless economic direction is more certain. This may mean that if Covid cases rise again and a lockdown reimposed, there may even be rate cuts again. However, if the vaccines prove effective, rate hikes expectations may surface by Q3/Q4.**