# FUND MANAGER'S INSIGHTS

## FIXED INCOME – AUGUST 2021

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**US :** The Federal Reserve remains committed to maintain sufficient market liquidity with the ongoing US$120bil a month bond purchase program. The fact that that was mentioned means that scaling back was discussed. Tapering off the program may begin as early as early next year. That would be a precursor to the stat of tightening cycle. Though it may still be some distance to go for inflation to raise concerns, the market has taken it that 'lift-off' fm zero will likely start early 2023 but under the "lower for longer" theme. This due to some loss in growth momentum as Covid remains a threat. Therefore, Fed Fund Rate will stay at current levels till end of 2022 at least or when inflation holds above 2% for a sustained period of time.

**Malaysia :**Restrained optimism is how BNM Governor's statement following stay of OPR announcement comes off as. Despite worrying trajectory of Covid cases and the strain on our health care system, and the effect of prolonged movement control orders, there is an expectation of a better Q4 albeit a watered down growth expectation. The rapid rate of our vaccination is the reason for the optimism as we look towards other nations that have achieved a high rate of vaccinated population and their eventual reopening of economies. Interest rates are likely to remain at current levels until inflation is deemed a threat to long term growth.