



Edward Iskandar Toh
Chief Investment Officer,
Fixed Income

US : Optimism in the economy is high. All boxes seem checked. Labour is at full employment, inflation has breached 2%, Consumer Confidence and Housing data on an uptick. With tax reforms approved, it is no wonder the Dow Jones hit yet another all time high on the second last day of the year with 24,837 pts. The market has steadily priced in **expectations of 2 to 3 hikes for 2018.**

Europe: Apart from low inflation, **Europe's** economy has shown signs of steady growth. As for now, accommodative monetary policy is still required but may be at its tail end. **Interest rates to remain unchanged for next quarter while accommodative monetary policy likely to last till 3Q 2018 at least.**

Japan : Similar optimistic vibes can be experienced in the **Japanese** economy. With the **US** and **China** at the early stages of a start of a boom, **Japan** is benefitting from increased global trade and economic recovery. However, they maintain that **negative interest rates and accommodative policies** are still necessary for a firmer grip on growth with an expectation of inflation to pick up in 2019.

Malaysia : Improved global economic outlook as outlined by the **IMF** and **World Bank** gives credence to favourable economic outlook for Malaysia as well. It is therefore prudent to begin rolling back ultra accommodative policy. **One 0.25% rate OPR hike by mid 2018** can be expected with a slim potential of a **second hike in 2nd half of this year.**