FUND MANAGER'S INSIGHTS

FIXED INCOME - JANUARY

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US : Rising inflation and full employment appear to support the current hawkish views on interest rates. However, the dot plot's suggestion of 3 rate hikes seem to overshoot. It is yet to be seen if Trump's policies can push through the bullishness. Meantime, a gradual and measured rate of interest rates hikes is most logical and appropriate considering the rest of the world being less than supremely optimistic. **Two (0.25%) hikes in 2017 is a growing probability.**

Europe and Japan : The **EU,** being the largest trading bloc to the US and **Japan,** Asia' largest trading partner may benefit from direct trade agreements with the US. As there is slight uptick in optimism, monetary policies continue to be led by **Quantitative Easing** leanings. As such, **interest rates will likely remain low** until policies can influence economic data.

China : Stands on uncharted unpredictable waters for now. Ironical switch of protectionist vs globalisation roles between **China** and **the US** is glaring. Looking inward, **competitive devaluations by weakening the Yuan** and potential to **easing interest rates and/or decreasing Statutory rates remain on the cards.**

Malaysia : If we were to ignore undue external rate hike pressures; lower disposable income (due to higher inflation/cost of living) and possibility of elections; **maintaining easy monetary policy with a small likelihood of an interest rate cut** is a likely scenario.

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