FUND MANAGER'S INSIGHTS

FIXED INCOME – SEPTEMBER 2021

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US : In their clearest yet, Federal Reserve Chairman in their annual Jackson Hole Symposium, indicated their likelihood of reducing their rate of quantitative easing through their monthly US$120bil asset purchase program before the year is up highlighting that their twin objectives of inflation and full employment have been or close to being achieved. If inflation does not overshoot and sustained at an elevated level, we can then take their rhetoric of delayed reaction to raising rates. Barring any emergence of a deadlier and vaccine resistant variant of Covid, the gradual reopening of global economies would lead us to expect **Fed Fund Rate to stay at current levels till end of 2022 before economic data will point to the need for normalization of interest rates.**

Malaysia : Being one of the highest daily rate of administration of vaccines in the world, we are statistically expected to attain herd immunity (70%) by early October. The recently guided reopening of some parts of the economy is equally critical to that of keeping the number of hospitalization low. Shifting focus to 2022 as recovery year pushes the need for rate hikes no earlier than Q3 next year for now. This is supported by BNM's comfort with inflation remaining subdued. Our growth remains dependent global recovery as well as our ability to contain the spread of Covid in order to not endanger our healthcare system. **Interest rates will remain at current levels till mid next year.**