FUND MANAGER'S INSIGHTS

FIXED INCOME - SEPTEMBER

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US : Expectations of hikes have begun to wane. Although the FOMC maintains that rates normalisation is on track, inability of inflation to sustain above target have recently cast doubts and resulted in dissenting voices in the committee. Risk of war has also added to increased demand for safe haven US Treasuries. The expected release of schedule for balance sheet scale back may give more hints if third rate hike will occur this year. For now, we are still penned down for **one more rate hike for this year**.

Europe: Surging strength of Euro has added another factor to equation. It is still within **expectation of a QE pull back** in the coming months but rate hike may still be some distance away. Besides inflation remain below target. Hence, **policy interest rates should remain at current levels.**

Japan : Despite strong showing in domestic demand and GDP growth, inflation is still far from 2% target. Recent tensions in region only serves to cement the belief of the need for continued **Negative rates and accommodative interest rates policies.**

Malaysia : Improved economic data and inflation remaining elevated (although cost push) may lead many to expect tightening to occur soon. This argument is mitigated by high household debts, narrower disposable income and the imminent general elections. Therefore, with the latter being the bigger influence, **interest rates should remain unchanged for the rest of the year.**