



Fed cuts rates by a quarter point

The US Federal Reserve (Fed) has lowered the benchmark federal funds rate by 25 basis points (bps). The move was largely expected by financial markets and is the third interest rate cut from the central bank for 2019. This is in line with our house view that the Fed would enact three interest rates reductions for the year. Benchmark federal funds rate are now in a range between 1.50-1.75%.

Compared to the previous Federal Open Market Committee (FOMC) statement, the language communicated has shifted slightly. With regard to future monetary policy, the Fed said it would monitor implications of incoming information, a change from “acting as appropriately to sustain the expansion”.

We are of the view that the overnight decision also implies there will be no more further cuts at the upcoming December meeting. This is because the FOMC has reached the historical threshold for a mid-cycle adjustment, as well as the typical time lag between policy adjustment and economic effects.

House view

We move to be less underweight on equities, (though not neutral) as global risks such as trade policy and Brexit uncertainties have eased. These developments reduce downside risks, although they continue to weigh on global activity. Hence, fixed income remains on an overweight position as uncertainties remain.

We would recommend moving duration closer to benchmarks, and continue to focus on good quality investment grade names over high yield.

Important Notice & Disclaimers

This publication shall not be copied or disseminated, or relied upon by any person for whatever purpose. The information herein is given on a general basis without obligation and is strictly for information only. This publication is not an offer, solicitation, recommendation or advice to buy or sell any investment product, including any collective investment schemes or shares of companies mentioned within. Although every reasonable care has been taken to ensure the accuracy and objectivity of the information contained in this publication, UOB Asset Management Ltd (“UOBAM”) and its employees shall not be held liable for any error, inaccuracy and/or omission, howsoever caused, or for any decision or action taken based on views expressed or information in this publication. The information contained in this publication, including any data, projections and underlying assumptions are based upon certain assumptions, management forecasts and analysis of information available and reflects prevailing conditions and our views as of the date of this publication, all of which are subject to change at any time without notice. Please note that the graphs, charts, formulae or other devices set out or referred to in this document cannot, in and of itself, be used to determine and will not assist any person in deciding which investment product to buy or sell, or when to buy or sell an investment product. UOBAM does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any error, inaccuracy or omission. Any opinion, projection and other forward-looking statement regarding future events or performance of, including but not limited to, countries, markets or companies is not necessarily indicative of, and may differ from actual events or results. Nothing in this publication constitutes accounting, legal, regulatory, tax or other advice. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. You may wish to seek advice from a professional or an independent financial adviser about the issues discussed herein or before investing in any investment or insurance product. Should you choose not to seek such advice, you should consider carefully whether the investment or insurance product in question is suitable for you.

UOB Asset Management Ltd Co. Reg. No. 198600120Z

To find out more,
please visit www.uobam.com.sg



RIGHT BY YOU