



Asian central banks consider further easing

Asia

- Asian central banks continue to engage in easing measures. The past month has seen the Reserve Bank of Australia, Reserve Bank of New Zealand and Bank Negara Malaysia cutting their policy rates to multi-year lows.
- Other major Asian central banks may follow this trend. We believe that the People's Bank of China, Bank of Japan and Reserve Bank of India could further ease monetary policy in the coming months. Low inflation – helped by stable food and energy prices – could provide some room for central banks to do so. This should continue to keep short-end rates low.
- However, there may be a hiatus in the current month. Many Asian central banks are assessing whether their policy tools are working. As interest rates are already so low, central banks also have limited conventional policy ammunition and could want to use this to its full effect.
- A case in point has been Japan this year. Despite cutting policy rates into negative territory and increasing quantitative easing measures, the JPY has strengthened while economic growth and inflation have slowed further.
- At the longer end of the curve, long-end yields have come off as the market expects world growth to remain sluggish, inflation to remain low and central banks to keep policy rates low.

Fixed income

China and Japan's 10Y bond yields are heading towards multi-year lows in line with global trends

— Focus of the Week

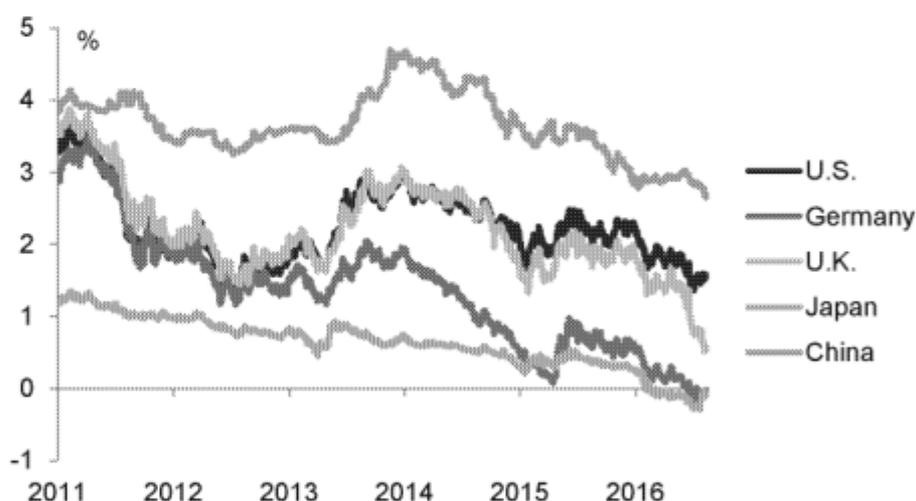


Figure 2: 10Y government bond yields compared

Source: Bloomberg Finance L.P., Deutsche Bank Wealth Management. Data as of August 17, 2016.

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p.6