Latest Market Focus – Government Bond Market Outlook Policy Meetings Preview

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CIO and Investment Advisory

- **The Fed's June policy meeting focus on framework reform.** Markets are watching whether Kevin Warsh will push for reforms to the Fed's policy framework, including removing forward guidance on interest rates and revising the data reference indicators used
- **The ECB's inflation concerns make further rate hikes hard to avoid.** Energy price shocks have pushed inflation of the region to its highest level in more than 2.5 years, reinforcing market expectations of a 25bps rate hike in June
- **The BoJ may consider hiking rates to defend the currency.** Continued yen weakness is importing inflation into Japan, and the BoJ may opt to raise rates to support the currency. In addition, Japan's real wage growth also providing support for a BoJ rate hike
- **Global sovereign bond markets are stabilising.** Progress in US–Iran talks could help steady sovereign bond market performance. Consider managing bond portfolio duration to reduce interest rate risk

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