

**For Immediate Release**

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**Asian fixed-income on positive trend  
Low-growth in developed world will attract investors to higher-yield assets**

**Singapore – 23 November 2010** – The longer-term outlook for the Asian fixed-income asset class remains positive in Western Asset’s opinion. Many Asian nations have strong balance sheets, characterised by low, decreasing headline fiscal deficits and stable, low consolidated debt ratios. With the ongoing recovery, monetary policy normalisation can support continued growth. Moreover, Asia should benefit as investors look for higher-yield assets amid a continuing low-growth environment in the developed world and a possible increase in global liquidity due to QE2.

Asian policy-makers, however, face a difficult balancing act of trying to mitigate possible distortions created by free capital flows while establishing the appropriate short-term levels of domestic interest rates and exchange rates. Despite the ongoing discussions about a global coordinated currency policy, Asian countries will observe continued currency appreciation pressures because of their positive growth and interest rate differentials relative to the developed world. Therefore, individual countries may find it difficult to avoid implementing capital controls as they see their domestic inflation inch up and exports slow down.

“Another uncertainty is the potential market volatility related to the European banking system and worsening sovereign credit quality in peripheral Europe,” said Rajeev De Mello, Head of Asian Investments at Western Asset.

The global fixed income manager maintains a positive long-term outlook for economic growth in Asia, and is looking to tactically manage the portfolio in the near term. “We still favor Asian currencies, but the likelihood of capital controls will further temper currency appreciation. On currencies, we are overweight in China, Korea and Singapore. We look to participate actively in the rapidly developing offshore market for Chinese yuan, beginning with our purchase of the 10-year Asian Development Bank bond denominated in Chinese yuan,” said De Mello. Western Asset has a slightly bearish view on currencies in Hong Kong, Taiwan, Thailand and Indonesia.

Western Asset will increase shorter maturity bonds in countries where yields have shown sufficient policy normalisation. An overweight exposure to corporate bonds will be maintained, exposure trimmed to take profits and it will be more selective on adding, in light of recent tight valuations and increased new issuance.

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**Notes to Editors**

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Western Asset is one of the world's leading fixed income managers with over US\$469.4 billion (September 30, 2010) under management. With offices in the United States, London, Tokyo, Singapore, Hong Kong, Melbourne and Sao Paulo, the company offers clients a full range of local and cross-border fixed income products. By devoting all of its resources to fixed income, Western Asset can provide a full commitment to clients in every area. This focused approach has generated positive long-term returns in a variety of products with varying risk disciplines. Western Asset's long performance track record and global presence has positioned the company to continue its commitment to excellence in fixed income investment management and client service.

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