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FURTHER interest rate hikes by the US central bank this year should not be projected as a given, and that any decisions on policy should depend on incoming data, said St Louis Federal Reserve Bank President James Bullard in Singapore on Monday.

Mr Bullard said that the jump in the 10-year yield, or the steepening of the yield curve, is "comforting" as it means that the US is moving further away from a yield curve inversion. PHOTO: REUTERS

While he acknowledged that US economic indicators are "looking good" so far, his recommendation is not to "prejudge" the outcome of the upcoming central bank policy meeting in December.

Mr Bullard, a non-voting member of the US Fed's monetary policy committee who is known to lean towards the dovish end of the spectrum, was speaking to the media on the sidelines of a lecture at the Singapore Management University.

The US Federal Reserve recently raised interest rates a quarter of a percentage point on Sept 26 to a range of 2 per cent to 2.25 per cent – its third time this year and the eighth since it started raising rates in 2015. It is forecasted to raise rates again in December, followed by three more hikes in 2019.

This has been buoyed by strong economic data, where US growth is on track to exceed forecasts and the unemployment rate at its lowest level since 1969.

This has led the benchmark US 10-year Treasury note yield to reach a seven-year high last Friday, which Mr Bullard said was a "welcome development".

It was earlier feared that there could be a possibility of an inverted yield curve, which occurs when the nominal interest rates on shorter-term government debt are higher than those on longer-term government debt. An inverted yield curve has historically been linked to a bearish US economy and a signal for recession.

Mr Bullard said that the jump in the 10-year yield, or the steepening of the yield curve, is "comforting" as it means that the US is moving further away from a yield curve inversion.

It also means that the views of the Fed and the markets are "becoming more in line", he added.

While the US economy continues to exceed expectations, the impact of the trade war between the US and China is one factor that could slow down global growth.

Mr Bullard acknowledged that the conflict has been a "major issue" since the Trump Administration came to power.

"Unfortunately, between the US and China, both sides seem to be digging in instead of negotiating to come to an agreement . . . I don't see it happening. I would like to see both sides come to the table," he noted.

But on that note, he said that a positive development that took place recently was the multilateral free trade deal made between the US, Canada and Mexico – described as Nafta 2.0 (North American Free Trade Agreement) on Sept 30.

"I think that it sends a great message around the world that other agreements can be reached, and we can then end the trade war . . . Businesses will like that a lot," he said.

"Mexican and Canadians have shown the way on how it's done and how to get an agreement that's satisfactory to their economies as well to the US."

But even without the uncertainty of the trade war thrown into the mix, Mr Bullard said in his speech that the surprisingly strong growth rates seen in the US of late are unlikely to be maintained in the next two years, unless it is accompanied by faster productivity growth.

"This is a possibility if US investment improves and technological diffusion begins to improve business processes at a faster pace," he said.

If productivity is accelerated, it could lift the US potential growth rate to a stunning 3.4 per cent, up from private-sector long-run forecasts of 1.8 per cent currently. But this has yet to be materialised so far, he added.

The event which Mr Bullard spoke at is organised in partnership with the Official Monetary and Financial Institutions Forum Foundation.