

## Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2022
<b>Equities</b>					
MSCI World	USD	0.8%	8.7%	16.8%	-19.5%
S&P 500	USD	0.8%	8.4%	19.7%	-19.4%
Nasdaq	USD	0.1%	9.1%	46.2%	-33.0%
Stoxx 600-Europe	EUR	1.4%	6.8%	9.7%	-12.9%
MSCI Asia Pac ex-Japan	USD	-0.1%	6.5%	-0.5%	-19.7%
ASEAN	USD	0.5%	4.1%	-3.7%	2.4%
Shanghai Shenzhen CSI 300 Index	CNY	-1.6%	-2.5%	-10.0%	-21.6%
Hang Seng Index	HKD	-4.2%	-1.6%	-14.9%	-15.5%
Shanghai Stock Exchange Composite Index	CNY	-0.3%	0.3%	-1.9%	-15.1%
FBMKLCI	MYR	0.2%	1.5%	-2.6%	-4.6%
<b>Fixed Income</b>					
Bberg Barclays Global Agg Index	USD	1.5%	4.9%	1.9%	-16.2%
JPM Asia Credit Index-Core	USD	1.1%	4.5%	6.4%	-13.0%
Asia Dollar Index	USD	0.2%	2.5%	-2.4%	-6.9%
<b>Top Performing Principal Funds</b>					
<b>(1 month return as of 30 November 2023)</b>					
<b>Equities</b>					
Principal Islamic Global Technology Fund - Class USD		12.4%	47.7%	0.2%	
Principal Next-G Connectivity Fund - Class USD		16.0%	29.3%	-43.3%	
Principal Global Technology Fund - Class USD		15.4%	43.1%	-43.7%	
<b>Fixed Income</b>					
Principal Islamic Institutional Sukuk Fund		1.5%	5.8%	1.2%	
Principal Lifetime Bond Fund		1.5%	6.0%	1.3%	
Principal Islamic Lifetime Sukuk Fund		1.4%	5.7%	1.1%	

Source: Bloomberg, market data is as of 1 December 2023.

\*As we emphasise a long-term focus, the top performing funds were selected based on their monthly performance.

\*The numbers may show as negative if there is no positive return for the period under review.

\*Past performance is not an indication of future performance.

## Market Review<sup>1</sup>

1. The global financial markets concluded the week with a majority of positive performance, with the United States (US) and Europe experienced gains among the developed markets, while Japan saw negative performance.
2. Across Asia, the performances were mixed across the markets, with India and Indonesia leading the way, while China onshore and offshore declined the most.
3. In Malaysia, the FBMKLCI in Malaysia ended the week on a slightly positive note, fuelled by the ongoing cautious sentiment in the regional market.
4. Turning to the bond market, the price of the 10-year U.S. Treasury note closed on a positive note, with yields stabilising around the 4.20% range. This was supported by healthy demand on issuance and the recent comments from the US Federal committee. (Bond prices move in the opposite direction of bond yields)

## Macro Factors

1. In the US, the annual personal consumption expenditure index (PCE), the US Federal's preferred inflation metrics, cooled to 3% in October from 3.4% in the previous month. Additionally, the core PCE inflation, which excludes food and energy, also slowed to 3.5% from 3.7% previously. Meanwhile, the ISM Manufacturing PMI was unchanged at 46.7 in November, indicating continued contraction in the manufacturing sector due to slower demand and higher borrowing cost.<sup>2</sup>
2. In Europe, the annual headline inflation declined to 2.4% in November, compared to 2.9% previously. Meanwhile, the core rate, which excludes volatile food and energy prices, also decreased to 3.6%, marking its lowest point since April 2022. Despite the encouraging inflation data, the recent comment by the European Central Bank reaffirms their commitment to a tightening stance.<sup>3</sup>
3. In China, the Caixin General Manufacturing PMI rose to 50.7 in November, compared to 49.5 in the prior month. Both output and buying levels returned to growth, supported by recent efforts from Beijing. Meanwhile, the official NBS Manufacturing and Services PMI edged down to 49.4 and 50.2, respectively, in November, lower than the figures in the previous month. The mixed factory activity data for China in November suggests more stimulus will be needed to support economic growth.

## Investment Strategy<sup>5</sup>

Our current stance is neutral on both equity and fixed income, with a preference for income-focused funds. Our strategy emphasises quality, growth, and income in stocks and credits. We are exercising caution with USD assets and believe that Asian equities and fixed income present more value in the short term.

1. We find bonds appealing as we perceive a higher likelihood that central bank hiking cycle will end soon. We also see potential for capital gains in the event of weaker economic growth. Therefore, we maintain our preference for investment grade bonds with longer durations as our preferred investment choice. For Malaysia, the projected improvement to the budget deficit, provided in the Budget 2024, improved the outlook for domestic bonds.
2. On equities, we prefer quality and dividend-paying stocks for their defensive characteristics, which can provide resilience in the face of uncertain macroeconomic and geopolitical conditions. Our positive outlook is focused on Asia and includes strategic positions in various areas: a) the bottoming tech hardware cycle, b) long-term growth potential driven by low penetration rates (such as India), c) recovery plays and structural themes in ASEAN, d) selective sectors benefiting from China's reopening, and e) Malaysia's growing optimism due to political stability and potential gains from the New Energy Transition Roadmap, the New Industrial Master Plan 2030 and projected improvement to the budget deficit detailed in the Budget 2024.
3. We also favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and recessionary concerns.

1<sup>st</sup> December 2023

# Weekly Market Recap

Sources:

<sup>1</sup> Bloomberg, 1 December 2023

<sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 1 December 2023

<sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 1 December 2023

<sup>4</sup> Bloomberg, National Bureau of Statistic China, 1 December 2023

<sup>5</sup> Principal view, 1 December 2023

Disclaimer:

We have based this document on information obtained from sources we believe to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness, or correctness. Expressions of opinion contained herein are those of Principal Asset Management Berhad only and are subject to change without notice. This document should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell Principal Asset Management Berhad's investment products. The data presented is for information purposes only and is not a recommendation to buy or sell any securities or adopt any investment strategy. This material is not intended to be relied upon as a forecast, research, or investment advice regarding a particular investment or the markets in general, nor is it intended to predict or depict performance of any investment. We recommend that investors read and understand the contents of the funds' prospectus and product highlights sheet available on the Principal website, which have been duly registered with the Securities Commission Malaysia (SC). Registration of these documents does not amount to nor indicate that the SC has recommended or endorsed the product or service. There are risks, fees and charges involved in investing in the funds. You should understand the risks involved, compare, and consider the fees, charges and costs involved, make your own risk assessment, and seek professional advice, where necessary. This article has not been reviewed by the SC.