

Market Data

Asset Class	Curr	1-wk	1-mth	YTD	2022
Equities					
MSCI World	USD	2.7%	-1.9%	14.9%	-19.5%
S&P 500	USD	2.5%	-1.3%	17.6%	-19.4%
Nasdaq	USD	3.7%	-1.4%	41.6%	-33.0%
Stoxx 600-Europe	EUR	1.5%	-1.9%	7.8%	-12.9%
MSCI Asia Pac ex-Japan	USD	2.3%	-5.7%	0.6%	-19.7%
ASEAN	USD	1.1%	-3.3%	0.4%	2.4%
Shanghai Shenzhen CSI 300 Index	CNY	2.2%	-5.2%	-2.1%	-21.6%
Hang Seng Index	HKD	2.4%	-8.1%	-7.1%	-15.5%
Shanghai Stock Exchange Composite Index	CNY	2.3%	-4.8%	1.4%	-15.1%
FBMKLCI	MYR	1.32%	0.84%	-2.14%	-4.60%
Fixed Income					
Berg Barclays Global Agg Index	USD	0.6%	-1.1%	0.3%	-16.2%
JPM Asia Credit Index-Core	USD	0.7%	-0.9%	4.1%	-13.0%
Asia Dollar Index	USD	0.3%	-1.4%	-3.5%	-6.9%
Malaysia Corporate Bond Index	MYR	0.15%	0.34%	4.91%	1.51%

Top Performing Principal Funds

(1 month return as of 31 August 2023)

Equities					
Principal Malaysia Enhanced Opportunities Fund		2.9%	4.5%	4.1%	-4.2%
Principal Malaysia Opportunities Fund		-2.0%	4.5%	3.7%	-3.9%
Principal Small Cap Opportunities Fund		2.0%	4.0%	6.6%	-13.3%
Fixed Income					
Principal Asia Dynamic Bond Fund - Class MYR		0.1%	1.1%	2.1%	-4.7%
Principal Islamic Lifetime Sukuk Fund		0.1%	0.4%	4.8%	1.1%
Principal Lifetime Bond Fund		0.1%	0.4%	4.8%	1.3%

Source: Bloomberg, market data is as of 1 September 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 Review¹

1. The global financial markets concluded the week on a positive note, registering overall gains. Notably, the developed markets, including the United States (US), Europe, and Japan, exhibited positive rebounds following the decline observed in the previous week.
2. Across Asia, the majority of markets experienced positive returns during the week. Notably, China's onshore and offshore market recorded the largest gain.
3. The FBMKLCI in Malaysia recorded a positive return for the week, in sync with the upbeat regional market performance ahead of a key US jobs report on Friday.
4. In the bond market, the price of the benchmark 10-year U.S. Treasury note exhibited positive trend with yield moving lower, driven by the positive tone from the US Federal Reserve committees regarding the narrative of interest rates. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the latest report with labour data shows mixed signals. The labour department reported employers added 187,000 jobs in August, surpassing expectations, but revisions lowered gains by 110,000 for the previous two months. Additionally, the unemployment rate climbed from 3.5% to 3.8% to reach its highest point since February 2022.²
2. In Europe, the annual inflation rate held steady at 5.3% in August, based on Eurostat's preliminary estimate. This slightly exceeded economists' expectations of 5.1%, as indicated by a FactSet poll. The core inflation rate, excluding volatile food and energy costs, met expectations with a reading of 5.3%—a 20-basis-point improvement from July.³
3. In China, sentiment recovered as the government implemented a series of stimulus measures aimed at revitalising the economy. The central bank of China reduced the foreign exchange reserve requirement ratio from 6.0% to 4.0%. These actions followed the announcement by China's financial regulator to decrease minimum down payments for homebuyers nationwide and encourage lenders to lower rates on existing mortgages.⁴

Investment Strategy⁵

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, particularly in the technology sector, and believe that Asian equities and fixed income present more value in the short term.

1. On Fixed Income, we find bonds appealing as we perceive a higher likelihood that central bank hiking cycles will end soon, despite recent guidance from the Fed. 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.
2. On equities, we favour quality and dividend-paying stocks for their defensive qualities that can help withstand the uncertain macroeconomic and geopolitical conditions. We are positive on Asia and positioned in the areas of a) bottoming of the tech hardware cycle; b) long term growth headroom from low penetration rates, e.g., India; c) ASEAN continue to provide a combination of recovery plays and long-term structural themes; and d) China's reopening, although we are judicious in which areas.
3. We also favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and recessionary concerns.

1 September 2023

Weekly Market Recap

Sources:

¹ Bloomberg, 1 September 2023

² Bloomberg, Bureau of Labor Statistics (BLS), S&P Global, US Federal Board, 1 September 2023

³ S&P Global, ECB, Factset, Bank of England (BoE), 1 September 2023

⁴ Bloomberg, National Bureau of Statistic China, 1 September 2023

⁵ Principal view, 1 September 2023

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