Principal®
In alliance with CIMB

10 February 2023

Weekly Market Recap

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Market Data

Asset Class	Curr	1-wk	1-mth	YTD	2022
Equities					
MSCI World	USD	-1.3%	4.2%	7.0%	-19.5%
S&P 500	USD	-1.1%	4.4%	6.5%	-19.4%
Nasdaq	USD	-2.1%	9.8%	12.5%	-33.0%
Stoxx 600-Europe	EUR	-0.6%	2.7%	7.8%	-12.9%
MSCI Asia Pac ex-Japan	USD	-2.2%	1.4%	7.1%	-19.7%
ASEAN	USD	-1.9%	2.5%	3.1%	2.4%
FBMKLCI	MYR	-1.1%	-0.7%	-1.4%	-4.6%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-1.6%	0.1%	1.8%	-16.2%
JPM Asia Credit Index-Core	USD	-1.3%	1.3%	3.1%	-13.0%
Asia Dollar Index	USD	-0.5%	-0.4%	1.0%	-6.4%
Malaysia Corporate Bond Index	MYR	-0.30%	1.43%	1.99%	1.51%

Top Performing Principal Funds					
Equities					
Principal Global Sustainable Growth MYR Hedged	MYR	1.3%	5.8%	7.9%	-18.8%
Principal Islamic Global Selection Moderate Conservative MYR	MYR	0.6%	0.8%	0.5%	-1.6%
Fixed Income					
Principal Asian Dynamic Bond MYR	MYR	0.3%	-1.2%	-1.2%	-4.7%

Source: Bloomberg, market data is as of 10 February 2023
*Top performing funds were based on weekly performance.
*Past performance is not an indication of future performance.

Market Review[1]

1. The market rally this year thus far has been impressive. However, last week uncertainty and volatility returned to the markets. In Developed Markets, the United States (U.S.) and Europe markets ended lower while Japan rose for the week.
2. Asian markets registered negative returns for the week, with China's onshore and offshore markets posting the largest drop.
3. The FTSE Bursa Malaysia KLCI (FBM KLCI) ended lower for the week, but sentiment rebounded on Friday as market participants cheered the better-than-expected 2022 GDP (gross domestic products) data.
4. Global bonds returned negatively for the week, with the yield on the benchmark 10-year U.S. Treasury note rising as investors digest the recent strong labour data that may suggest the resumption of aggressive interest rate policy (Note: Bond prices and yields generally move in opposite directions).

Macro Factors

1. In the U.S., the most significant stock-specific event was a plunge in Alphabet shares after its artificial intelligence (AI)-based chatbot made a mistake in its first public demo.[1] The upside surprise in the January payrolls report also prompted fears that the U.S. Federal Reserve (Fed) would need to push the economy into recession in order to tame inflation.[1]
2. In Europe, several European Central Bank (ECB) policymakers reasserted their hawkish stance in the wake of the most recent rate-setting meeting, warning against complacency in the fight against inflation.[2] The recent official data pointed out that the United Kingdom (U.K) narrowly avoided a recession in 2022, with GDP coming in flat in the final three months of last year (A recession is commonly defined as a general decline in economic activity).[2]
3. In China, the financial markets retreated sparked by the recent controversy around the spy balloon which added tensions with the U.S., raising the prospect of further sanctions on China from the U.S. after the Biden administration announced a sweeping ban on U.S. companies selling advanced semiconductors to China.[3]

Investment Strategy[4]

Overall, the path ahead may still be volatile in the form of central bank tightening, economic slowdown, and geopolitical conflicts. However, we believe markets over time will be stabilised and positioned for a more sustainable recovery. Our broad strategy continues to favour selective approaches, and focus on the themes of Quality Growth, Income and Sustainability.

1. On equities, we prefer quality factors as the macro and geopolitical backdrop remain uncertain. We are positive on Asia as sector earnings are poised to be rerated supported by China's rapid reopening.
2. On Fixed Income, our preference remains on investment grade and that of longer duration. As we foresee volatility to stay elevated, we are keeping a bias for higher quality credit. We like bonds with an investment grade rating, ideally in the AA or A, and which could operate in a business that is somewhat immune to the economic cycle.
3. For medium to long-term exposure, we prefer assets that offer structural opportunities. The shift towards energy, environmental, food, and technological security are likely to be among the key long-term growth drivers in the years to come.

Sources:
[1] Bloomberg, 10 February 2023
[2] European Central Bank (ECB), 10 February 2023
[3] Bloomberg, The Wall Street Journal, , 9 February 2023
[4] Principal view, 13 February 2023