

## Market Data

Asset Class	Curr	1-wk	1-mth	YTD	2022
<b>Equities</b>					
MSCI World	USD	-0.5%	0.7%	14.2%	-19.5%
S&P 500	USD	-0.3%	0.6%	16.3%	-19.4%
Nasdaq	USD	-1.6%	-0.6%	37.4%	-33.0%
Stoxx 600-Europe	EUR	0.0%	1.6%	8.1%	-12.9%
MSCI Asia Pac ex-Japan	USD	-2.0%	0.4%	2.0%	-19.7%
ASEAN	USD	-0.1%	3.9%	1.4%	2.4%
Shanghai Shenzhen CSI 300 Index	CNY	-3.4%	0.4%	0.3%	-21.6%
Hang Seng Index	HKD	-2.4%	2.2%	-3.6%	-15.5%
Shanghai Stock Exchange Composite Index	CNY	-3.0%	-1.0%	3.2%	-15.1%
FBMKLCI	MYR	-0.10%	0.41%	4.44%	1.51%
<b>Fixed Income</b>					
Bberg Barclays Global Agg Index	USD	-0.8%	-0.6%	0.6%	-16.2%
JPM Asia Credit Index-Core	USD	0.5%	0.6%	4.7%	-13.0%
Asia Dollar Index	USD	-0.7%	-0.7%	-3.3%	-6.9%
Malaysia Corporate Bond Index	MYR	0.24%	0.58%	4.44%	1.51%
<b>Top Performing Principal Funds (1 month return as of 31 July 2023)</b>					
<b>Equities</b>					
Principal Commodity USD		0.1%	6.9%	-3.1%	-
Principal ASEAN Dynamic USD		1.8%	5.7%	2.7%	-1.3%
Principal Next-G Connectivity USD		1.6%	5.6%	28.3%	-43.3%
<b>Fixed Income</b>					
Principal Islamic Lifetime Enhanced Sukuk		0.1%	0.6%	3.9%	-3.1%
Principal Lifetime Bond		0.1%	0.6%	4.4%	1.3%
Principal Islamic Lifetime Sukuk		0.1%	0.5%	4.3%	1.1%

Source: Bloomberg, market data is as of 11 August 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 put on a mixed performance throughout the week, where among the developed markets, the United States (US) and Europe closed lower, while Japan closed higher.
2. In Asia, majority of the markets delivered negative returns over the week, with China onshore and offshore recording the largest declines.
3. In Malaysia, the FBMKLCI returned marginally positive over the week, despite the weakness in regional sentiments and uncertainties surrounding the upcoming state elections.
4. In bond market, the price of the benchmark 10-year U.S. Treasury note closed marginally lower, driven by a mixed inflation report and expectations for higher levels of issuance by the Treasury Department. (Bond prices move in the opposite direction of bond yields)

## Macro Factors

1. In the US, the consumer price index (CPI) rose slightly to 3.2% from a year ago in July, slightly up from June's 3.0% pace. Month on month, the consumer price index rose 0.2 per cent, matching the gain observed in June. Shelter accounted for more than 90% of the increase in the CPI.<sup>2</sup>
2. In Europe, the United Kingdom (UK) demonstrated a remarkable sequential growth of 0.5% in its gross domestic product (GDP) for June, surpassing the consensus forecast of a 0.2% expansion. Strong increases in manufacturing and construction were important drivers. Meanwhile, annual inflation in the euro area decreased to 5.3% in July from 5.5% in June, although it remains significantly above the European Central Bank's 2% target.<sup>3</sup>
3. In China, the latest inflation data revealed that consumer and producer prices fell in tandem for the first time since November 2020, underscoring the weak demand throughout the economy. Additionally, the trade data for July fell short of expectations, with exports posting a larger-than-expected decline of 14.5% compared to the same period last year, while imports contracted by 12.4%, nearly double the decrease observed in the previous month. In another development, Country Garden, one of China's largest property developers, encountered liquidity challenges and failed to make interest payments on two dollar-denominated bonds.<sup>4</sup>

## 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, 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.

11 August 2023

# Weekly Market Recap

Sources:

<sup>1</sup> Bloomberg, 11 August 2023

<sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 11 August 2023

<sup>3</sup> S&P Global Bank of England (BoE), 11 August 2023

<sup>4</sup> Bloomberg, National Bureau of Statistic China, 11 August 2023

<sup>5</sup> Principal view, 11 August 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.