

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	0.3%	3.1%	8.6%	21.7%
S&P 500	USD	0.4%	3.0%	10.2%	24.2%
Nasdaq	USD	-0.5%	1.1%	8.5%	53.8%
Stoxx 600-Europe	EUR	0.7%	4.0%	7.5%	12.7%
MSCI Asia Pac ex-Japan	USD	0.4%	2.4%	1.7%	4.5%
ASEAN	USD	-0.2%	1.9%	0.6%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	-0.2%	0.6%	3.0%	-11.4%
Hang Seng Index	HKD	0.3%	0.6%	-2.7%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-0.2%	0.9%	2.1%	-3.7%
FBMKLCI	MYR	-0.2%	0.6%	7.2%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.2%	0.6%	-2.1%	5.7%
JPM Asia Credit Index-Core	USD	0.2%	1.4%	1.7%	9.9%
Asia Dollar Index	USD	0.0%	-0.6%	-2.3%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.1%	0.4%	1.1%	6.4%
Top Performing Principal Funds (1 month return as of 31 March 2024)					
Equities					
Principal Islamic Malaysia Opportunities Fund			8.7%	14.8%	
Principal Islamic Small Cap Opportunities Fund			8.2%	15.9%	
Principal Islamic Enhanced Opportunities Fund			8.0%	13.6%	
Balanced					
Principal Islamic Lifetime Balanced Growth Fund			4.0%	8.2%	
Principal Lifetime Balanced Fund			3.9%	8.0%	
Principal Lifetime Balanced Income Fund			3.5%	7.9%	
Fixed Income					
Principal Islamic Lifetime Sukuk Fund			0.4%	1.5%	
Principal Lifetime Bond Fund			0.4%	1.4%	
Principal Islamic Lifetime Enhanced Sukuk Fund			0.4%	1.3%	

Source: Bloomberg, market data is as of 5th April 2024.

*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.

* The fund performance was referenced from the daily performance report, data was extracted from Lipper.

* The performance figures are based on the fund's respective currency class.

*Past performance is not an indication of future performance.

Market Review¹

- Throughout the week, global financial markets presented a mixed bag of performances, with Japan showing positive gains in the developed market, while both US and Europe saw declines.
- Across Asia, performance was uneven, with Taiwan and Thailand emerging as leaders in gains, contrasting with notable downturns experiences in both onshore and offshore markets in China. Despite prevailing caution with the regional market, Malaysia's FBM KLCI managed to achieve modest growth.
- US 10-year Treasury yields surpassed the 4.30% mark as investors re-evaluate future interest rate trajectories. The latest persistent inflation data suggests that fewer than two rate cuts are now anticipated.

Macro Factors

- In the US, the annual inflation rate rose for the second consecutive month to 3.5% in March, the highest since September 2023, attributed to increased prices in gasoline and transportation. Core inflation remained steady at 3.8%, excluding volatile food and energy prices. Meanwhile, producer prices saw a modest 0.2% month-over-month increase in March, the smallest rise in three months.²
- In Europe, the European Central Bank (ECB) opted to keep its interest rates unchanged for the fifth consecutive time during its April meeting, with the main refinancing rate holding steady at 4.5%, and the deposit facility rate at a record high of 4%. The ECB hinted at the possibility of policy adjustment should inflation demonstrate steady progress towards the 2% target.³
- In China, consumer prices inched up by 0.1% year-over-year in March, marking a notable slowdown from the previous month. This deceleration was attributed to the impact of the Lunar New Year festivities, particularly affecting non-food inflation, notably in education and transportation costs. Core consumer prices, excluding food and energy prices, also experienced a slowdown, rising by 0.6% year-over-year in March compared to the previous month's 1.2% increase. Additionally, China's trade surplus narrowed to USD 58.55 billion in March, with exports declining more than imports.⁴
- In Malaysia, industrial production expanded by 3.1% year-over-year in February, marking the second consecutive month of growth, albeit at a slightly slower pace. Retail sales surged to a five-month high of 5.8% year-over-year in February, while the unemployment rate decreased to 3.3%, maintaining its pre-pandemic level for the fourth consecutive month.⁵

Investment Strategy⁶

We advocate a balanced allocation in 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.

- We find bonds appealing as we perceive that the central bank's hiking cycle may have reached its peak. 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.
- 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.
- We also favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and concerns of economic slowdown.

15th April 2024

Weekly Market Recap

Sources:

¹ Bloomberg, 15th April 2024

² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 15th April 2024

³ S&P Global, ECB, Factset, Bank of England (BoE), 15th April 2024

⁴ Bloomberg, National Bureau of Statistic China, CEWC, 15th April 2024

⁵ Department of Statistic Malaysia, S&P Global, 15th April 2024

⁶ Principal view, 15th April 2024

*PMI refers to Purchasing Manufacturing Index

*HCOB refers to Hamburg Commercial Bank

*NBS PMI refers to official data released by National Bureau of Statistic in China

*Caixin PMI refers to data published by Caixin Media and ISH Markit. It provides alternative gauge focusing on smaller and medium-sized enterprises.

*ECB refers to European Central Bank

*PBOC refers to People's Bank of China

*PCE refers to Personal Consumption Expenditure

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.