




In alliance with  CIMB

12 May 2023

Weekly Market Recap

Market Data

Asset Class	1-wk	1-mth	YTD	2022
Equities				
MSCI World	-0.4%	0.5%	7.9%	-19.5%
S&P 500	-0.3%	0.8%	7.4%	-19.4%
Nasdaq	0.6%	3.8%	21.9%	-33.0%
Stoxx 600-Europe	0.0%	0.7%	9.6%	-12.9%
MSCI Asia Pac ex-Japan	-1.3%	-2.8%	0.9%	-19.7%
ASEAN	-1.6%	-1.6%	-0.8%	2.4%
Shanghai Shenzhen CSI 300 Index	-2.0%	-3.9%	1.7%	-21.6%
Hang Seng Index	-2.1%	-3.4%	-0.8%	-15.5%
Shanghai Stock Exchange Composite Index	-1.9%	-1.6%	5.9%	-15.1%
FBMKLCI	-0.6%	-0.8%	-4.9%	-4.6%
Fixed Income				
Berg Barclays Global Agg Index	-0.5%	-0.3%	3.1%	-16.2%
JPM Asia Credit Index-Core	-0.1%	0.6%	4.3%	-13.0%
Asia Dollar Index	-0.7%	-0.8%	-0.8%	-6.9%
Malaysia Corporate Bond Index	0.4%	1.3%	4.4%	1.5%
Top Performing Principal Funds (weekly)				
Equities				
Principal Global Technology USD	1.0%	2.1%	16.8%	-46.1%
Principal Commodity USD	0.2%	-5.0%	-8.2%	N.A.
Fixed Income				
Principal Asia Dynamic Bond MYR	0.2%	0.8%	1.0%	-4.7%

Source: Bloomberg, market data is as of 12 May 2023.

*Top performing funds were based on weekly performance.

*Past performance is not an indication of future performance.

Market Review¹

1. The global financial markets had a flat performance over the week. Developed markets in the United States and Europe closed with negative returns, while Japan recorded positive gains.
2. In Asia, the markets had a generally negative performance throughout the week, with China onshore and offshore being the biggest drags.
3. In Malaysia, market performance was generally weak over the week as the broader market remained downbeat due to concerns over inflation and the US debt ceiling.
4. In the bond market, concerns about inflation and the debt ceiling caused a modest rise in 10-year US Treasury yields in the bond market, while investment-grade corporate bonds received some support due to an uptick in demand from Asia. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, inflation has fallen to its lowest level since early in the pandemic. Core inflation, which excludes volatile food and energy prices, rose 5.5% over the period, in line with expectations. In other news, the US President held a meeting earlier this week with House and Senate leaders from both parties. However, the meeting yielded little progress in reaching a deal to extend the debt ceiling.²
2. In Europe, the Bank of England (BoE) raised its key interest rate by a quarter point to 4.25%. The central bank also raised its inflation forecast, acknowledging that it had underestimated the strength and persistence of food price increases. According to the updated projections, inflation is expected to slow to 5.1% by year-end, which is higher than the 3.9% forecasted in February.³
3. In China, in the first full week of trading after the five-day Labor Day holiday, the market retreated as investors grew concerned about the strength of the country's economic recovery. China's consumer price index (CPI) rose 0.1% YoY in April, down from 0.7% in March and lower than expected. Core inflation was unchanged from the previous month, indicating limited demand-driven inflation in the economy. On trade front, China's exports grew 8.5% YoY in April, down from 14.8% in March, while imports fell 7.9%, worse than expected. This reinforces growth concerns following weak manufacturing and services activity readings in the prior week.⁴

Investment Strategy⁵

Market narratives have been constantly changing as investors evaluate the latest economic developments. Despite persistent volatility, we believe that patience among investors could potentially pay off in the long run. To ride through the global uncertainties, investors are recommended to consider high-quality income focus investment products. Our broad strategy continues to be selective with focus on the themes of Quality, Income and Sustainability.

1. 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.
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 as sector earnings are poised to be rerated supported by China's rapid reopening.
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.

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Sources:

¹ Bloomberg, 12 May 2023

² Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 12 May 2023

³ Bank of England (BOE), 12 May 2023

⁴ Bloomberg, National Bureau of Statistic China, 12 May 2023

⁵ Principal view, 12 May 2023

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