

## Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
<b>Equities</b>					
MSCI World	USD	-1.0%	1.4%	20.5%	21.7%
S&P 500	USD	-0.6%	1.2%	26.9%	24.2%
Nasdaq	USD	0.7%	3.6%	29.5%	53.8%
Russell 2000	USD	-2.6%	-0.9%	15.8%	15.1%
Stoxx 600-Europe	EUR	-0.8%	3.0%	7.9%	12.7%
Nikkei 225	JPY	1.0%	1.9%	17.7%	28.3%
MSCI Asia Pac ex-Japan	USD	-0.2%	1.1%	10.6%	4.5%
ASEAN	USD	-0.9%	1.2%	10.7%	-3.1%
Shanghai Shenzhen CSI 300 Index	CNY	-1.0%	-4.4%	14.6%	-11.4%
Hang Seng Index	HKD	0.4%	0.7%	17.1%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-0.4%	-1.4%	14.0%	-3.7%
FBMKLCI	MYR	-0.3%	-0.2%	10.6%	-2.8%
<b>Fixed Income</b>					
Berg Barclays Global Agg Index	USD	-1.2%	0.5%	-0.5%	5.7%
JPM Asia Credit Index-Core	USD	-0.4%	0.5%	6.9%	9.9%
Asia Dollar Index	USD	-0.3%	-0.7%	-3.3%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.0%	0.7%	4.2%	6.4%
<b>Top Performing Principal Funds</b>					
		1-mth as of (30 November 2024)		YTD as of (30 November 2024)	
<b>Equities</b>					
Principal US High Conviction Equity USD			12.48		24.13
Principal Global Technology USD			5.68		24.91
Principal Islamic Small Cap Opportunities			4.32		34.37
<b>Balanced</b>					
Principal Global Multi Asset Income MYR			3.08		5.09
Principal Lifetime Balanced (70:30)			0.64		18.02
Principal Lifetime Balanced Income (60:40)			0.62		16.21
<b>Fixed Income</b>					
Principal Conservative Bond			0.36		3.90
Principal Islamic Lifetime Sukuk			0.33		4.03
Principal Lifetime Bond			0.32		3.85

Source: Bloomberg, market data is as of 13th December 2024.

\*As we emphasise a long-term focus, the top performing funds were selected based on 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 Review <sup>1</sup>

1. This week, the performance of the global financial markets was mixed. Among developed markets, Japan delivered positive gains, while the United States and Europe closed in the red.
2. Across Asia, markets displayed a mixed performance as well. South Korea experienced the largest gains, while Philippine and Thailand lagged the most. In Malaysia, the FBMKLCI closed slightly negative, with weakness observed in Energy, Healthcare, and Consumer sectors.
3. In the bond market, the US 10-year Treasury yield edged up closer to 4.4 range as investors look ahead to the Federal Reserve's final meeting of the year. (It's worth noting that bond prices move in the opposite direction of bond yields.)

## Macro Factors

1. In the U.S., the annual inflation rate rose for a second consecutive month to 2.7% in November 2024, up from 2.6% in October, in line with expectations. The increase is partly influenced by low base effects from the previous year. Energy costs declined less than before, primarily due to gasoline and fuel oil, while natural gas prices experienced a slight increase. Additionally, inflation for food accelerated, and the decrease in new vehicle prices was smaller than previously observed. Conversely, inflation for shelter and transportation slowed, and prices for used cars and trucks continued to decline. The core CPI rose 3.3% year-on-year and 0.3% month-on-month, the same as in October and in line with forecasts.<sup>2</sup>
2. In Europe, the central bank decided to cut its key interest rates for the fourth time this year by 25 basis points in December 2024, as expected. This move reflects a more favorable inflation outlook and improvements in monetary policy transmission.<sup>3</sup>
3. In China, a high-level policy meeting concluded with the government reaffirming a recent shift in economic strategy, highlighting plans to boost growth. At the annual economic planning conference, the government called for a proactive fiscal policy and a moderate loosening of monetary policy. However, the policy announcements failed to impress investors amid a lack of details on the size of potential stimulus, given persistent economic challenges and the ongoing threat of U.S. tariffs. The trade surplus surged to USD 97.44 billion in November 2024, up from USD 69.45 billion in the same period a year earlier, surpassing expectations as exports grew while imports fell. The annual inflation rate unexpectedly eased to 0.2% in November 2024, down from 0.3% in the previous month, falling short of market forecasts. This slowdown highlighted mounting deflation risks in the country.<sup>4</sup>
4. In Malaysia, the unemployment rate fell to 3.2% in October 2024, down from 3.4% in the same month of the previous year. Industrial production grew by 2.1% year-on-year in October 2024, slowing from a 2.3% gain in the previous month. This marked the tenth consecutive month of expansion. Retail sales accelerated by 7.1% year-on-year in October 2024, up from a 5.5% rise in the previous month. It was the strongest growth in retail sales since June.<sup>5</sup>

## Investment Strategy <sup>6</sup>

In the year ahead, leading into 2025, we analyse the next phase of the market, including political changes in the US, potential higher inflation, the changing narrative around interest rates, and the implication on trade tariff on Asia market. As specific policy plans emerge, investors should brace for market fluctuations and consider using significant changes to enhance their long-term portfolios. We slightly prefer equities over fixed income. Key themes for 2025 include: i) the impact of policy shifts on China's recovery; ii) the U.S. economic outlook regarding a soft landing; and iii) the influence of geopolitical risks on asset prices.

1. Equities: We favour quality, dividend-paying stocks for their defensive nature amid macroeconomic uncertainties. Our focus is on Asia, targeting: a) idiosyncratic ideas where company earnings are primarily influenced by domestic economic factors; b) Chinese domestic consumption; c) technology (beneficiaries of AI and internet platforms); d) industrial names with exposure to grid capex; e) strong consumer and banking franchises in Southeast Asia; and f) selective Indian companies that are reasonably valued with growth potential. Additionally, we note Malaysia's positive outlook due to political stability and initiatives like the New Energy Transition Roadmap.
2. Fixed Income: The recent correction in MGS/MGII has made government bonds more attractive, but caution is advised due to potential short-term volatility after the U.S. elections. We continue to prefer new corporate bond issuances, which offer better yield and valuations.
3. Diversification: We recommend a diversified approach to navigate volatility from geopolitical tensions, central bank rate cuts, and market adjustments following the U.S. election.

Sources:

- <sup>1</sup> Bloomberg, 13th December 2024
- <sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 13th December 2024
- <sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 13th December 2024
- <sup>4</sup> Bloomberg, National Bureau of Statistic China, CEWC, 13th December 2024
- <sup>5</sup> Department of Statistic Malaysia, S&P Global, 13th December 2024
- <sup>6</sup> Principal view, 13th December 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

FOMC: Federal Open Market Committee

\*y-o-y refers to year on year

\*m-o-m refers to month on month

\*UST refers to United States Treasury

\*BNM refers to Bank Negara Malaysia

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.