

# 13 January 2023

## Weekly Market Recap

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## Market Data

Asset Class	Curr	1-wk	1-mth	YTD	2022
<b>Equities</b>					
MSCI World	USD	3.2%	0.7%	5.1%	-19.5%
S&P 500	USD	2.7%	-0.5%	4.2%	-19.4%
Nasdaq	USD	4.5%	-2.5%	5.5%	-33.0%
Stoxx 600-Europe	EUR	1.8%	2.2%	6.5%	-12.9%
MSCI Asia Pac ex-Japan	USD	4.2%	5.7%	7.6%	-19.7%
ASEAN	USD	2.5%	3.4%	2.3%	2.4%
FBMKLCI	MYR	1.0%	1.7%	0.0%	-4.6%
<b>Fixed Income</b>					
Bberg Barclays Global Agg Index	USD	1.9%	1.4%	3.3%	-16.2%
JPM Asia Credit Index-Core	USD	2.0%	2.5%	2.8%	-13.0%
Asia Dollar Index	USD	1.6%	2.9%	2.3%	-6.4%
Malaysia Corporate Bond Index	MYR	0.48%	1.22%	0.81%	1.51%
<b>Top Performing Principal Funds</b>					
<b>Equities</b>					
Principal Global Technology	USD	6.1%	-2.8%	5.1%	-46.1%
Principal Next-G Connectivity	USD	5.3%	-1.8%	6.0%	-43.3%
<b>Fixed Income</b>					
Principal Islamic Global Sukuk	USD	0.4%	0.1%	0.4%	-8.1%

Source: Bloomberg, market data is as of 13 January 2023  
\* Past performance is not an indication of future performance.

## Market Review<sup>1</sup>

1. Developed markets recorded a second consecutive week of gains with United States (U.S.), Europe, and Japan staying on the uptrend in 2023.
2. Asia Pacific markets gained modestly over the week. China stock market rose as a softer-than-expected U.S. inflation print and optimism about the post-pandemic reopening outlook boosted sentiment.
3. In Malaysia, FBMKLCI ended the week with modest gains as the market took cue from the improved performance of regional markets and optimism surrounding China's reopening as well as the weakening of the US dollar.
4. Global bonds were modestly positive with yields trending lower driven by cooling inflation data. The benchmark 10-year US-Treasury note fell on Friday to an intraday low of 3.43%. (Note: Bond prices and yields generally move in opposite directions)

## Macro Factors

1. The U.S. markets added positive gains over the week as the December 2022 inflation indicated consumer price gains continue to ease, driven by reducing food and energy prices. Its Headline Consumer Price Index (CPI) slowed to 6.5% from 7.1% while Core CPI (excluding food and energy) slowed to 5.7% from 6%.<sup>2</sup>
2. In Europe, economists have steadily upgraded their estimates for growth over recent months on the back of better-than-expected incoming data such as the United Kingdom Gross Domestic Product (GDP) growth and declining wholesale gas prices. Eurozone unemployment remained at a record low, while output from German factories rose in November 2022.<sup>3</sup>
3. In China, the mobility and spending data- from subway passenger traffic to flight volumes- show upticks since late December 2022. A number of key provinces and cities in China have also begun the annual legislative sessions laying out their respective growth target for the year. The meetings will culminate in the national parliamentary session to be held in March 2023, in which the premier is expected to disclose the nation's GDP growth target.<sup>1</sup>

## Investment Strategy<sup>4</sup>

In the near term, market may still face headwinds in the form of central bank tightening, economic slowdown, and geopolitical conflict. 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 rerate 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.

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## Sources:

<sup>1</sup> Bloomberg, 13 January 2023

<sup>2</sup> U.S. Bureau of Labor Statistics, 12 January 2023

<sup>3</sup> European Central Bank, 9 January 2023

<sup>4</sup> Principal view, 13 January 2023

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