

## Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2022
<b>Equities</b>					
MSCI World	USD	0.6%	-3.2%	10.0%	-19.5%
S&P 500	USD	0.4%	-3.1%	12.7%	-19.4%
Nasdaq	USD	0.1%	-2.3%	37.1%	-33.0%
Stoxx 600-Europe	EUR	1.0%	-1.0%	5.7%	-12.9%
MSCI Asia Pac ex-Japan	USD	1.2%	-2.0%	-2.7%	-19.7%
ASEAN	USD	1.1%	-2.0%	-3.8%	2.4%
Shanghai Shenzhen CSI 300 Index	CNY	-0.7%	-2.0%	-5.4%	-21.6%
Hang Seng Index	HKD	1.9%	-1.1%	-9.9%	-15.5%
Shanghai Stock Exchange Composite Index	CNY	-0.7%	-1.1%	0.0%	-15.1%
FBMKLCI	MYR	1.9%	-0.6%	-3.4%	-4.6%
<b>Fixed Income</b>					
Bberg Barclays Global Agg Index	USD	0.7%	-2.1%	-2.5%	-16.2%
JPM Asia Credit Index-Core	USD	0.6%	-1.0%	2.4%	-13.0%
Asia Dollar Index	USD	0.0%	-0.7%	-4.5%	-6.9%

### Top Performing Principal Funds (1 month return as of 30 September 2023)

Asset Class	1-wk	1-mth	YTD	2022
<b>Equities</b>				
Principal Islamic Enhanced Opportunities Fund	-0.8%	0.9%	4.8%	-15.8%
Principal DALI Equity Growth fund	-0.8%	0.3%	0.6%	-9.5%
Principal Small Cap Opportunities Fund	-0.8%	0.6%	7.3%	-13.3%
<b>Fixed Income</b>				
Principal Islamic Money Market Fund - Class AI	-0.1%	0.1%	0.8%	0.1%
Principal Money Market Income Fund - Class AI	0.0%	0.3%	0.6%	0.9%
Principal Islamic Lifetime Enhanced Sukuk Fund	0.2%	0.4%	1.7%	-6.4%

Source: Bloomberg, market data is as of 13 October 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 ended the week with mixed results. In developed market, the United States (US) and Japan saw positive gains, while European markets retreated. The prospect of a widening war in the Middle East also boosted energy shares and defence stocks.
2. Across Asia, the majority of markets delivered mixed returns throughout the week. China's onshore market experienced the largest decline, while Korea and Taiwan emerged as the top gainers in the region.
3. In Malaysia, the FBMKLCI in Malaysia ended the week on a positive note as the government unveiled its highly anticipated budget for 2024, amounting to RM 393.8 billion.
4. In the bond market, the price of the 10-year U.S. Treasury note closed positively, by both the US Federal Reserve (Fed) comments and a flight to quality following the outbreak of war in the Middle East. (Bond prices move in the opposite direction of bond yields)

## Macro Factors

1. In the US, the release of the September Fed minutes confirmed expectations of a prolonged period of higher interest rates to combat inflation. Additionally, September's inflation data revealed that headline prices rose by 0.4% month-on-month and 3.7% year-on-year. The core rate, which excludes food and energy, stood at 0.3% month-on-month and 4.1% compared to the previous year.<sup>2</sup>
2. In Europe, the minutes of the European Central Bank's (ECB) September meeting revealed that the majority of policymakers voted in favour of raising the key deposit rate to a record high of 4.0%. Meanwhile, despite weakness in construction and production, the United Kingdom's gross domestic product (GDP) showed sequential expansion of 0.2% after contracting by 0.6% in July.<sup>3</sup>
3. In China, there are renewed concerns about the economy slipping back into deflation arose due to softer inflation and trade data. In September, China's inflation remained unchanged, but producer prices fell more than expected. Additionally, both imports and exports saw a decline of 6.2% compared to the previous year. On the lending front, new bank loans in September rose to RMB 2.31 trillion, which was lower than anticipated but higher than August's 1.36 trillion.<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 and believe that Asian equities and fixed income present more value in the short term.

1. We find bonds appealing as we perceive a higher likelihood that central bank hiking cycle will end soon. 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.
2. 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 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.
3. We also favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and recessionary concerns.

13 October 2023

# Weekly Market Recap

Sources:

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

<sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), S&P Global, US Federal Board, 14 October 2023

<sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 13 October 2023

<sup>4</sup> Bloomberg, National Bureau of Statistic China, 13 October 2023

<sup>5</sup> Principal view, 13 October 2023

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