14 April 2023

Weekly Market Recap

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Principal
In alliance with CIMB

Market Data

Asset Class	1-wk	1-mth	YTD	2022
Equities				
MSCI World	1.3%	5.7%	8.6%	-19.5%
S&P 500	0.8%	5.6%	7.8%	-19.4%
Nasdaq	0.1%	7.2%	19.6%	-33.0%
Stoxx 600-Europe	1.7%	3.9%	9.9%	-12.9%
MSCI Asia Pac ex-Japan	1.1%	5.6%	4.5%	-19.7%
ASEAN	1.6%	8.1%	2.0%	2.4%
Shanghai Shenzhen CSI 300 Index	-0.8%	2.7%	5.7%	-21.6%
Hang Seng Index	0.5%	6.2%	3.3%	-15.5%
Shanghai Stock Exchange Composite Index	0.3%	2.9%	8.1%	-15.1%
FBMKLCI	0.6%	3.0%	-4.0%	-4.6%
Fixed Income				
Bberg Barclays Global Agg Index	-0.5%	1.6%	3.2%	-16.2%
JPM Asia Credit Index-Core	0.1%	1.9%	4.2%	-13.0%
Asia Dollar Index	0.1%	0.5%	0.3%	-6.9%
Malaysia Corporate Bond Index	0.4%	0.7%	3.2%	1.5%

Top Performing Principal Funds (weekly)

Equities				
Principal Malaysia Opportunities	2.3%	5.7%	2.0%	-7.2%
Principal Islamic Small Cap Opportunities	2.1%	7.3%	9.0%	-14.5%
Fixed Income				
Principal Institutional Bond Fund 3	0.2%	0.5%	2.3%	1.5%

Source: Bloomberg, market data is as of 14 April 2023.
*Top performing funds were based on weekly performance.
*Past performance is not an indication of future performance.

Market Review[1]

1. The global financial markets ended the week with mostly positive returns. In developed markets, the United States (US), Europe, and Japan recorded positive gains over the week.
2. In Asia, the markets had a mixed performance over the week, with Korea leading the gains while China onshore experienced negative returns.
3. In Malaysia, the FTSE Bursa Malaysia KLCI (FBM KLCI) experienced a marginal gain over the week, thanks to diminishing global uncertainties and better-than-expected US inflation data.
4. In the bond market, the US Treasury yields rose over the week as market seemed to interpret Friday's inflation data as giving the US Federal Reserve (Fed) room to lift rates further. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the latest consumer price index (CPI) for March slowed to 5% from a year earlier, the lowest since May 2021 and down from the peak of 9.1% last June. Core CPI, which excludes food and energy prices, increased 0.4%. Both bond and equity markets rallied after the release of the CPI. [2]
2. In Europe, the eurozone's industrial production in February saw a stronger-than-expected rise of 1.5% sequentially and 2.0% year over year. This news led to an increase in European government bond yields as investors weighed the possibility of more policy tightening by the European Central Bank. [3]
3. In China, inflation eased for the second consecutive month in March, with China's Consumer Price Index rising only 0.7% YoY, down from the previous month's 1% rise. Core inflation, which excludes volatile food and energy prices, increased to 0.7% in March from 0.6% in February. On the trade front, China's exports unexpectedly rose by 14.8% YoY in March, surprising analysts who had predicted a decline. This marked the first increase since September, while imports fell less than expected, at 1.4%. [4]

Investment Strategy[5]

Market narratives have been constantly changing as investors evaluate the latest economic developments. Despite persistent volatility, we believe that patience among investors could likely 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.

Sources:
[1] Bloomberg, 14 April 2023
[2] Bloomberg, US Federal Board, 14 April 2023
[3] European Central Bank (ECB), 14 April 2023
[4] Bloomberg, Factset, 14 April 2023
[5] Principal view, 14 April 2023