

## Market Data

Asset Class	1-wk	1-mth	YTD	2022
<b>Equities</b>				
MSCI World	3.2%	2.7%	16.0%	-19.5%
S&P 500	2.4%	3.0%	17.3%	-19.4%
Nasdaq	3.5%	3.7%	42.3%	-33.0%
Stoxx 600-Europe	2.9%	-0.9%	8.5%	-12.9%
MSCI Asia Pac ex-Japan	5.6%	1.4%	5.8%	-19.7%
ASEAN	4.8%	2.0%	1.0%	2.4%
Shanghai Shenzhen CSI 300 Index	1.9%	0.9%	0.7%	-21.6%
Hang Seng Index	5.7%	0.0%	-1.9%	-15.5%
Shanghai Stock Exchange Composite Index	1.3%	0.3%	4.8%	-15.1%
FBMKLCI	2.5%	1.9%	-5.6%	-4.6%
<b>Fixed Income</b>				
Bberg Barclays Global Agg Index	2.3%	1.4%	3.1%	-16.2%
JPM Asia Credit Index-Core	1.5%	1.2%	5.1%	-13.0%
Asia Dollar Index	1.5%	0.4%	-1.4%	-6.9%
Malaysia Corporate Bond Index	0.57%	0.33%	4.57%	1.51%
<b>Top Performing Principal Funds</b>				
<b>(monthly as of 30 June 2023)</b>				
<b>Equities</b>				
Principal Greater Bay SGD-H	2.4%	1.3%	1.3%	-20.0%
Principal Greater China Equity	3.6%	0.9%	4.5%	-19.8%
<b>Fixed Income</b>				
Principal Asia Dynamic Bond MYR	0.2%	0.3%	1.7%	-0.4%

Source: Bloomberg, market data is as of 14 July 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 week.

\*Past performance is not an indication of future performance.

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

1. The global financial markets recorded a solid performance over the week. Developed markets, in particular the United States (US), Europe, and Japan, recorded healthy gains.
2. In Asia, the markets experienced a mixed performance over the week, with China offshore and South Korea markets recording the largest gains.
3. In Malaysia, the market had a positive performance over the week mainly due to a combination of regional sentiment recovery and changes in interest rate expectations following encouraging US inflation data.
4. In bond market, the price of the benchmark 10-year U.S. Treasury note jumped as long-term yield retreated on the positive inflation data in the US. (Bond prices move in the opposite direction of bond yields)

## Macro Factors

1. In the US, reports emerged on the release of consumer price index (CPI) inflation data. Both headline and core inflation (excluding food and energy prices) rose 0.2% in June. The annual increase in headline inflation slowed to 3.0%, its slowest pace since March 2021, while core inflation slowed to 4.8%, the slowest since October 2020.<sup>2</sup>
2. In Europe, the minutes of the European Central Bank's (ECB) June meeting revealed support for further rate increases amid concerns about persistently high inflation. However, there were debates among some policymakers that future hikes should follow a "meeting-by-meeting approach," particularly as rates were moving closer to a possible peak level.<sup>3</sup>
3. In China, the government announced measures to support the country's economy, which includes extending two of the 16-point stimulus guidelines rolled out last November to support the ailing property sector. Additionally, China's financial regulators imposed a fine of more than USD 1 billion on technology giants Ant Group and Tencent Holdings, marking the end of a two-year probe into China's biggest internet company. In other news, China's CPI remained unchanged from a year earlier, marking the weakest reading since February 2021.<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, particularly in the technology sector, and believe that Asian equities and fixed income present more value in the short term.

1. On Fixed Income, we find bonds appealing as we perceive a higher likelihood that central bank hiking cycles will end soon, despite recent guidance from the Fed. 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.
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 and positioned in the areas of a) bottoming of the tech hardware cycle; b) long term growth headroom from low penetration rates, e.g., India; c) ASEAN continue to provide a combination of recovery plays and long-term structural themes; and d) China's reopening, although we are judicious in which areas.
3. We also favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and recessionary concerns.

14 July 2023

# Weekly Market Recap

Sources:

<sup>1</sup> Bloomberg, 14 July 2023

<sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 14 July 2023

<sup>3</sup> S&P Global Bank of England (ECB), 14 July 2023

<sup>4</sup> Bloomberg, National Bureau of Statistic China, 14 July 2023

<sup>5</sup> Principal view, 14 July 2023

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