

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	-2.1%	-0.5%	17.1%	21.7%
S&P 500	USD	-2.1%	1.0%	23.1%	24.2%
Nasdaq	USD	-3.4%	1.2%	21.2%	53.8%
Russell 2000	USD	-4.0%	2.4%	13.6%	15.1%
Stoxx 600-Europe	EUR	-0.7%	-3.3%	5.1%	12.7%
Nikkei 225	JPY	-2.2%	-3.8%	15.3%	28.3%
MSCI Asia Pac ex -Japan	USD	-4.3%	-5.4%	8.8%	4.5%
ASEAN	USD	-1.4%	-3.4%	8.6%	-3.1%
Shanghai Shenzhen CSI 300 Index	CNY	-3.3%	3.0%	15.7%	-11.4%
Hang Seng Index	HKD	-6.2%	-4.3%	14.0%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-3.5%	4.0%	12.0%	-3.7%
FBMKLCI	MYR	-1.7%	-3.1%	9.5%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-1.3%	-2.6%	-1.2%	5.7%
JPM Asia Credit Index-Core	USD	-0.5%	-0.7%	6.2%	9.9%
Asia Dollar Index	USD	-0.8%	-1.8%	-2.7%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.2%	0.0%	3.5%	6.4%

Top Performing Principal Funds

	1-mth as of (31 October 2024)	YTD as of (31 October 2024)
Equities		
Principal China Direct Opportunities MYR	6.80	3.67
Principal Islamic Global Selection Aggressive MYR	5.20	4.50
Principal Global Titans	5.04	9.09
Balanced		
Principal Islamic Global Selection Moderate MYR	2.15	-1.46
Principal Asia Pacific Dynamic Mixed Asset MYR	1.96	5.13
Principal Islamic Lifetime Balanced Growth	0.65	14.68
Fixed Income		
Principal Islamic Deposit	0.30	2.98
Principal Deposit	0.29	3.00
Principal Money Market Income AI	0.29	3.07

Source: Bloomberg, market data is as of 15 November 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 ¹

1. This week, the global financial markets were largely in the red. Among developed markets, the United States led the largest decline, followed by Japan and Europe.
2. Across Asia, the majority of the markets were negative. China's onshore led the region in decline, followed by Korea and Philippine. In Malaysia, the FBMKLCI closed marginally negative, dragged down by negative sentiment in the regional market.
3. In the bond market, the US 10-year Treasury yield edged closer to the 4.4% range as investors digested the recent inflation data and comments from Federal Reserve Chair Jerome Powell suggesting the central bank may not be as aggressive in its rate-cutting campaign going forward. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the U.S., the NFIB Small Business Optimism Index rose to 93.7 in October 2024, its highest level in three months, up from 91.5 in September. With the election concluded, small business owners may have greater clarity regarding future business conditions. The Consumer Price Index increased by 2.6% year-over-year in October, with core inflation at 3.3%, both meeting forecasts. This bolstered the likelihood of a Federal Reserve rate cut in December, with CME FedWatch showing an 80% probability. Total household debt increased by \$147 billion from the previous quarter to a record high of \$17.94 trillion in Q3 2024, according to data from the Federal Reserve Bank of New York.²
2. In Europe, GDP expanded by 0.4% quarter-on-quarter in Q3 2024, the strongest growth rate in two years, following a 0.2% rise in Q2 and in line with the first estimate. The number of employed persons in the Euro Area rose by 0.2% from the previous quarter in the three months to September 2024, picking up from the downwardly revised 0.1% in the earlier period. Industrial production in the Euro Area dropped by 2% month-over-month in September 2024, marking the steepest decline since January and exceeding market expectations of a 1.4% decrease.³
3. In China, the latest data showed that Chinese banks extended 500 billion yuan in new loans for October, falling sharply from September and coming in well below forecasts of 700 billion yuan. Industrial production expanded by 5.3% year-over-year in October 2024, softer than forecasts of 5.6% and slowing from September's four-month high of 5.4%. Meanwhile, retail sales increased by 4.8% year-over-year in October 2024, accelerating from a 3.2% rise in the previous month and exceeding market consensus of 3.8%. This was boosted by a week-long holiday, a recent shopping festival, and a series of support measures from Beijing in late September to bolster demand. China's vehicle sales also surged by 7% year-on-year to 3.05 million units in October 2024, a significant rebound from the 1.7% drop in the previous month.⁴
4. In Malaysia, the economy expanded by 5.3% year-on-year in the third quarter of 2024, in line with preliminary estimates but easing from 5.9% growth in the previous quarter. Malaysia's current account surplus narrowed sharply to MYR 2.2 billion in the third quarter of 2024 from MYR 8.2 billion in the corresponding period of the previous year, as the goods account surplus plunged to MYR 23.1 billion from MYR 33.6 billion.⁵

Investment Strategy ⁶

Markets are reacting to Trump's victory, signalling expectations of stronger economic growth, higher inflation, slower interest rate cuts, and trade tariffs. 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 favor quality, dividend-paying stocks for their defensive nature amid macroeconomic uncertainties. Our focus is on Asia, targeting: a) idiosyncratic ideas where the return drivers are not major macro 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 from the U.S. elections. New corporate bond issuances offer better yields, making them appealing for investment.
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:

- ¹ Bloomberg, 15 November 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 15 November 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 15 November 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 15 November 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 15 November 2024
- ⁶ Principal view, 15 November 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

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