

Market Data

Asset Class	Curr	1-wk	1-mth	YTD	2022
Equities					
MSCI World	USD	0.4%	0.4%	13.8%	-19.5%
S&P 500	USD	-0.2%	0.3%	15.9%	-19.4%
Nasdaq	USD	-0.5%	1.1%	39.0%	-33.0%
Stoxx 600-Europe	EUR	1.6%	1.4%	8.7%	-12.9%
MSCI Asia Pac ex-Japan	USD	1.2%	0.2%	0.6%	-19.7%
ASEAN	USD	0.8%	-0.4%	-0.9%	2.4%
Shanghai Shenzhen CSI 300 Index	CNY	-0.8%	-3.6%	-4.2%	-21.6%
Hang Seng Index	HKD	-0.1%	-2.1%	-8.1%	-15.5%
Shanghai Stock Exchange Composite Index	CNY	0.0%	-1.8%	0.9%	-15.1%
FBMKLCI	MYR	0.28%	-0.09%	-2.44%	-4.60%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.3%	-0.9%	-0.8%	-16.2%
JPM Asia Credit Index-Core	USD	-0.2%	-0.2%	3.6%	-13.0%
Asia Dollar Index	USD	0.5%	0.0%	-3.9%	-6.9%
Malaysia Corporate Bond Index	MYR	-0.10%	0.15%	4.84%	1.51%

Top Performing Principal Funds (1 month return as of 31 August 2023)

Equities					
Principal Malaysia Enhanced Opportunities Fund		2.9%	4.5%	4.1%	-4.2%
Principal Malaysia Opportunities Fund		-2.0%	4.5%	3.7%	-3.9%
Principal Small Cap Opportunities Fund		2.0%	4.0%	6.6%	-13.3%
Fixed Income					
Principal Asia Dynamic Bond Fund - Class MYR		0.1%	1.1%	2.1%	-4.7%
Principal Islamic Lifetime Sukuk Fund		0.1%	0.4%	4.8%	1.1%
Principal Lifetime Bond Fund		0.1%	0.4%	4.8%	1.3%

Source: Bloomberg, market data is as of 15 September 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 Review¹

1. The global financial markets closed the week on a mixed note. In the developed markets, Japan and Europe experienced the largest gain, while United State (US) experience a slight negative return.
2. Across Asia, the majority of markets delivered mixed returns throughout the week. South Korea recorded the highest gain, while China's onshore market experienced the largest decline.
3. The FBMKLCI in Malaysia recorded a slight positive return for the week, despite the continuous cautious sentiment within the regional economy.
4. In the bond market, the price of the benchmark 10-year U.S. Treasury note closed slightly lower, influenced by positive economic signals and the anticipation of potential shift in the direction of upcoming rate hikes. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the consumer price index (CPI) for August rose 3.7% compared to the previous year, surpassing July's 3.2% increase due to higher gasoline prices. However, the core CPI moderated to 4.3% from the previous year's 4.7%, aligned with initial expectations.²
2. In Europe, the European Central Bank (ECB) raised interest rates for the 10th consecutive time, bringing the rate to 4%. The committee signalled the possibility of the ECB's monetary tightening campaign nearing its end. Latest macro data saw July's industrial output declined 2.2% from a year ago driven by sharp declines in the output of durable consumer and capital goods.³
3. In China, recent data indicates signs of economic stability. Industrial production and retail sales in August surpassed expectations, while unemployment unexpectedly decreased compared to July. However, fixed asset investment remains subdued and fell short of forecasts. On the inflation front, there was a rebound as it returned to growth after experiencing contraction in July. In terms of monetary policy, the People's Bank of China (PBOC) reduced its reserve ratio requirement by 25 basis points for the second time this year, aiming to inject more liquidity into the financial system.⁴

Investment Strategy⁵

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 US Federal Reserve (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 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 and the New Industrial Master Plan 2030.
3. We also favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and recessionary concerns.

15 September 2023

Weekly Market Recap

Sources:

¹ Bloomberg, 15 September 2023

² Bloomberg, Bureau of Labor Statistics (BLS), S&P Global, US Federal Board, 15 September 2023

³ S&P Global, ECB, Factset, Bank of England (BoE), 15 September 2023

⁴ Bloomberg, National Bureau of Statistic China, 15 September 2023

⁵ Principal view, 15 September 2023

Disclaimer:

We have based this document on information obtained from sources we believe to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness, or correctness. Expressions of opinion contained herein are those of Principal Asset Management Berhad only and are subject to change without notice. This document should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell Principal Asset Management Berhad's investment products. The data presented is for information purposes only and is not a recommendation to buy or sell any securities or adopt any investment strategy. This material is not intended to be relied upon as a forecast, research, or investment advice regarding a particular investment or the markets in general, nor is it intended to predict or depict performance of any investment. We recommend that investors read and understand the contents of the funds' prospectus and product highlights sheet available on the Principal website, which have been duly registered with the Securities Commission Malaysia (SC). Registration of these documents does not amount to nor indicate that the SC has recommended or endorsed the product or service. There are risks, fees and charges involved in investing in the funds. You should understand the risks involved, compare, and consider the fees, charges and costs involved, make your own risk assessment, and seek professional advice, where necessary. This article has not been reviewed by the SC.