

Market Data

Equities

MSCI World	2.7%	5.7%	13.8%	-19.5%
S&P 500	2.6%	7.3%	14.8%	-19.4%
Nasdaq	3.8%	12.3%	37.9%	-33.0%
Stoxx 600-Europe	1.5%	0.5%	9.9%	-12.9%
MSCI Asia Pac ex-Japan	3.0%	4.4%	6.1%	-19.7%
ASEAN	1.1%	1.0%	-0.2%	2.4%
Shanghai Shenzhen CSI 300 Index	3.3%	-0.4%	2.4%	-21.6%
Hang Seng Index	3.4%	0.3%	1.3%	-15.5%
Shanghai Stock Exchange Composite Index	1.3%	-0.5%	6.0%	-15.1%
FBMKLCI	0.9%	-2.5%	-7.1%	-4.6%

Fixed Income

Bberg Barclays Global Agg Index	0.4%	-0.7%	2.0%	-16.2%
JPM Asia Credit Index-Core	0.4%	0.1%	4.2%	-13.0%
Asia Dollar Index	0.3%	-0.5%	-1.6%	-6.9%
Malaysia Corporate Bond Index	0.02%	-0.13%	4.20%	1.51%

Top Performing Principal Funds

(Monthly as of 31 May 2023)

Equities

Principal Next-G Connectivity	5.0%	14.9%	22.3%	-43.3%
Principal Global Technology USD	4.8%	17.1%	37.7%	-46.1%

Fixed Income

Principal Asia Dynamic Bond MYR	0.1%	0.1%	1.4%	-0.4%
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Source: Bloomberg, market data is as of 16 June 2023.

*As we emphasize 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 Review¹

1. The global financial markets recorded a solid performance over the week. Developed markets, in particular the United States (US), Europe, and Japan, recorded positive gains.
2. In Asia, the markets were mostly positive over the week, with Japan chalking up the most significant gains, followed by China's onshore and offshore markets.
3. In Malaysia, the performance of FBMKLCI closed positively, supported by improving regional sentiment as well as favourable inflation and growth signals from the US.
4. The yield on the benchmark 10-year U.S. Treasury note rose modestly over the week despite the US Federal Reserve's (Fed) policy announcement. The fixed income markets were calm with limited issuance and credit spread movements across most sectors. This could be indicative of low activity in anticipation of the upcoming holidays.

Macro Factors

1. In the US, the Labour Department reported a decrease in the consumer price index from 4.9% to 4.0% year-over-year, the slowest pace since March 2021. The Fed kept the federal funds target rate steady at 5.00% to 5.25%, but policymakers indicated a temporary pause in rate hikes with two more quarter-point hikes projected by year-end, according to the 'dot plot'.²
2. Over in Europe, the ECB raised its key deposit rate to 3.5%, the highest level in 22 years. Policymakers announced their plan to tighten borrowing costs in July unless there was a shift in the baseline outlook. On a more positive note, industrial production in the Eurozone exceeded expectations with a rebound of 1.0% in April.³
3. In China, its central bank cut several interest rates, raising hopes for more stimulus to industries that are slowing amid the fading post-pandemic recovery. The People's Bank of China (PBOC) reduced its medium-term lending facility rate by 10 basis points to 2.65%. Earlier in the week, the bank had also lowered the seven-day reverse repurchase rate.⁴

Investment Strategy⁵

Market narratives have been constantly changing as investors evaluate the latest economic developments. Despite persistent volatility, we believe that patience among investors could potentially 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 remains focused on selectivity, prioritising the characteristics of quality, growth, and income.

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 as sector earnings are poised to be rerated supported by China's rapid reopening.
3. We also favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and recessionary concerns.

16 June 2023

Weekly Market Recap

Sources:

¹ Bloomberg, 16 June 2023

² Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 16 June 2023

³ S&P Global Bank of England (ECB), 16 June 2023

⁴ Bloomberg, National Bureau of Statistic China, 16 June 2023

⁵ Principal view, 16 June 2023

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