

Market Data

Asset Class	Curr	1-wk	1-mth	YTD	2022
Equities					
MSCI World	USD	-2.5%	-4.8%	11.3%	-19.5%
S&P 500	USD	-2.1%	-4.1%	13.8%	-19.4%
Nasdaq	USD	-2.2%	-7.2%	34.3%	-33.0%
Stoxx 600-Europe	EUR	-2.3%	-2.7%	5.5%	-12.9%
MSCI Asia Pac ex-Japan	USD	-3.8%	-6.3%	-1.9%	-19.7%
ASEAN	USD	-3.0%	-3.0%	-1.6%	2.4%
Shanghai Shenzhen CSI 300 Index	CNY	-2.6%	-1.8%	-2.3%	-21.6%
Hang Seng Index	HKD	-5.9%	-5.6%	-9.3%	-15.5%
Shanghai Stock Exchange Composite Index	CNY	-1.8%	-2.1%	1.4%	-15.1%
FBMKLCI	MYR	-0.76%	3.07%	-3.30%	-4.60%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.8%	-3.4%	-0.2%	-16.2%
JPM Asia Credit Index-Core	USD	-1.3%	-1.8%	3.3%	-13.0%
Asia Dollar Index	USD	-0.6%	-2.4%	-3.9%	-6.9%
Malaysia Corporate Bond Index	MYR	-0.01%	0.10%	4.69%	1.51%

Top Performing Principal Funds

(1 month return as of 31 July 2023)

Equities					
Principal Commodity USD		0.1%	6.9%	-3.1%	-
Principal ASEAN Dynamic USD		1.8%	5.7%	2.7%	-1.3%
Principal Next-G Connectivity USD		1.6%	5.6%	28.3%	-43.3%
Fixed Income					
Principal Islamic Lifetime Enhanced Sukuk		0.1%	0.6%	3.9%	-3.1%
Principal Lifetime Bond		0.1%	0.6%	4.4%	1.3%
Principal Islamic Lifetime Sukuk		0.1%	0.5%	4.3%	1.1%

Source: Bloomberg, market data is as of 18 August 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 on a negative note for the week. In the developed markets, Japan experienced the largest decline, followed by Europe and the United States (US).
2. In Asia, majority of the markets delivered negative returns over the week, with Hang Seng recording the largest drop followed by Korea and China onshore.
3. In Malaysia, the FBMKLCI returned marginally negative over the week, mainly due to the impact of regional sentiment weakness, uncertainties surrounding the property sector in China, and concerns about future rate hikes in the US.
4. In the bond market, the price of the benchmark 10-year U.S. Treasury note closed lower, influenced by a mixed inflation report and the release of the US Federal Reserve (Fed) minutes indicating the possibility of additional rate hikes. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, July retail sales reported a significant 0.7% increase, double the consensus estimates. Excluding autos, sales rose 1.0%, resulting in a 3.2% year-over-year gain. The Fed minutes indicated that they are open to further rate hikes, as most economic data show resilience.²
2. In Europe, recent labour data showed mixed signals. Average weekly earnings (excluding bonuses) rose by 7.8% in the three months through June, up from 7.4% in the previous three months. However, the unemployment rate increased to 4.2% from 3.9% in the previous three months, surpassing expectations.³
3. In China, concerns persist as industrial output and retail sales experienced slower-than-expected growth compared to the previous year. Fixed asset investment growth in the first seven months of 2023 also fell short of forecasts. In the property market, Country Garden, a major Chinese developer, suspended trading of onshore bonds after missing interest payments. China Evergrande, another prominent developer, filed for bankruptcy protection in New York to shield itself from U.S. creditors while working on debt restructuring in Hong Kong and the Cayman Islands. The People's Bank of China unexpectedly cut its medium-term lending facility rate by 15 basis points to 2.5%, the largest reduction since 2020.⁴

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 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.

18 August 2023

Weekly Market Recap



Sources:

¹ Bloomberg, 18 August 2023

² Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 18 August 2023

³ S&P Global, ECB, Bank of England (BoE), 18 August 2023

⁴ Bloomberg, National Bureau of Statistic China, 18 August 2023

⁵ Principal view, 18 August 2023

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