

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	-2.9%	-4.0%	2.8%	21.7%
S&P 500	USD	-3.1%	-4.1%	4.1%	24.2%
Nasdaq	USD	-5.4%	-5.5%	1.3%	53.8%
Stoxx 600-Europe	EUR	-1.2%	-1.0%	4.7%	12.7%
MSCI Asia Pac ex-Japan	USD	-3.8%	-3.1%	-2.7%	4.5%
ASEAN	USD	-3.7%	-4.6%	-4.0%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	1.9%	-1.0%	3.1%	-11.4%
Hang Seng Index	HKD	-3.0%	-2.2%	-4.9%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	1.5%	0.1%	3.0%	-3.7%
FBMKLCI	MYR	-1.2%	-0.7%	6.7%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.6%	-1.9%	-4.3%	5.7%
JPM Asia Credit Index-Core	USD	-0.4%	-0.6%	0.2%	9.9%
Asia Dollar Index	USD	-0.3%	-1.3%	-3.1%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	-0.2%	-0.2%	0.7%	6.4%
Top Performing Principal Funds (1 month return as of 31 March 2024)					
			1-mth as of (31 March 2024)	YTD as of (31 March 2024)	
Equities					
Principal Islamic Malaysia Opportunities Fund			8.7%	14.8%	
Principal Islamic Small Cap Opportunities Fund			8.2%	15.9%	
Principal Islamic Enhanced Opportunities Fund			8.0%	13.6%	
Balanced					
Principal Islamic Lifetime Balanced Growth Fund			4.0%	8.2%	
Principal Lifetime Balanced Fund			3.9%	8.0%	
Principal Lifetime Balanced Income Fund			3.5%	7.9%	
Fixed Income					
Principal Islamic Lifetime Sukuk Fund			0.4%	1.5%	
Principal Lifetime Bond Fund			0.4%	1.4%	
Principal Islamic Lifetime Enhanced Sukuk Fund			0.4%	1.3%	

Source: Bloomberg, market data is as of 19th April 2024.

*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.

* 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 Review¹

1. Global financial markets were mostly in the red this week. In developed market, the United States, Europe, and Japan experienced negative returns.
2. Across Asia, performance was largely negative, with Taiwan and Thailand leading the decline, while China's onshore market experience positive gains. In Malaysia, the FBMKLCI performed negatively, driven by the cautious sentiment in the regional market.
3. In bond market, US 10-year Treasury yields surpassed the 4.50% mark as investors re-evaluate future interest rate trajectories. The latest persistent inflation data suggests that fewer than two rate cuts are now anticipated.

Macro Factors

1. In the US, the federal policymakers have recently provided new guidance regarding the direction of interest rate cuts, indicating that the current economic data does not warrant sufficient confidence for an immediate change in policy. Meanwhile, retail sales rose 0.7% month-over-month in March, surpassing forecast of 0.3% and following an upwardly revised 0.9% gain in February, suggesting consumer spending remains robust. ²
2. In Europe, the annual inflation figure was confirmed at 2.4% year-on-year in March, matching November's 28-month low and slightly exceeding the European Central Bank's target of 2%. On trade, the trade surplus significantly widened to €23.6 billion in February from €3.6 billion in the same period last year, attributed to substantial growth in exports of food and raw materials. Furthermore, industrial production rebounded by 0.8% month-over-month in February, higher than the 3.0% downturn in January. ³
3. In China, the economy advanced 5.3% year-on-year in first quarter of 2024, exceeding market forecasts following a 5.2% growth in the prior period. It was the steepest yearly expansion since 2nd quarter of 2023, lifted by continued support measures from Beijing and spending related to the Lunar New Year festival. Meanwhile, industrial production grew by 4.5% year-on-year in March, softer than the 7% growth in January-February combined, attributed to the weaker growth across all activities. Additionally, retail sales rose by 3.1% year-on-year, falling short of market forecasts and notably decelerating from the 5.5% growth observed in the previous period. ⁴
4. In Malaysia, the economy expanded 3.9% year-on-year in the first quarter of 2024, accelerating from a 3.0% growth in the previous period. This marked the fastest economic expansion in exactly a year, driven by positive contributions from all sectors, with services sector leading the way. On trade, trade surplus narrowed sharply in March as exports decline while imports surged. Imports increased to 12.5% year-on-year, driven by higher purchases of intermediate goods, capital goods, and consumption goods. ⁵

Investment Strategy⁶

The recent rise in volatility, attributed to elevated geopolitical risk and markets adjusting to a likely delay in the start of US rate cuts, highlights the importance of diversification and the need to focus on quality. We advocate for a balanced allocation in both equity and fixed income, with a preference for quality and income attributes to enhance portfolio resilience. We are exercising caution with USD assets and believe that Asian equities and fixed income offer more value in the short term.

1. We find bonds appealing as we perceive that the central bank's hiking cycle have reached its peak. 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. For Malaysia, the projected improvement to the budget deficit, provided in the Budget 2024, improved the outlook for domestic bonds.
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 potential gains from the New Energy Transition Roadmap, the New Industrial Master Plan 2030 and projected improvement to the budget deficit detailed in the Budget 2024.
3. We also favor income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and concerns of economic slowdown.

Sources:

¹ Bloomberg, 19th April 2024

² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 19th April 2024

³ S&P Global, ECB, Factset, Bank of England (BoE), 19th April 2024

⁴ Bloomberg, National Bureau of Statistic China, CEWC, 19th April 2024

⁵ Department of Statistic Malaysia, S&P Global, 19th April 2024

⁶ Principal view, 19th April 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

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