

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	0.2%	0.7%	0.2%	21.7%
S&P 500	USD	1.2%	1.5%	1.5%	24.2%
Nasdaq	USD	2.8%	2.9%	2.9%	53.8%
Stoxx 600-Europe	EUR	-1.6%	-1.6%	-2.0%	12.7%
MSCI Asia Pac ex-Japan	USD	-2.7%	-3.1%	-5.8%	4.5%
ASEAN	USD	-2.0%	0.3%	-2.9%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	-0.4%	-1.9%	-4.7%	-11.4%
Hang Seng Index	HKD	-5.8%	-7.2%	-10.2%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-1.7%	-3.4%	-4.8%	-3.7%
FBMKLCI	MYR	-0.1%	1.2%	2.0%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-1.4%	-1.5%	-2.4%	5.7%
JPM Asia Credit Index-Core	USD	-0.5%	-0.3%	-0.7%	9.9%
Asia Dollar Index	USD	-0.7%	-1.0%	-1.7%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.0%	0.4%	0.1%	6.4%

Top Performing Principal Funds

(1 month return as of 31 December 2023)

Equities

	1-mth	31 Dec 2022 to 31 Dec 2023
Principal Biotechnology Discovery Fund - Class USD	19.3%	16.7%
Principal US High Conviction Equity Fund - Class USD	8.6%	9.8%
Principal Next-G Connectivity Fund - Class USD	6.2%	37.3%

Fixed Income

	1-mth	31 Dec 2022 to 31 Dec 2023
Principal Islamic Lifetime Sukuk Fund	0.9%	6.7%
Principal Lifetime Bond Fund	0.9%	6.8%
Principal Conservative Bond Fund - Class A	0.7%	5.1%

Source: Bloomberg, market data is as of 19 January 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.

*Past performance is not an indication of future performance.

Market Review¹

1. The global financial markets concluded the week with majority experiencing negative returns. In developed markets, Japan and United States (US) witnessed the largest gains, while Europe experienced a drop.
2. In Asia, market performance was also largely negative. China, both offshore and onshore, experienced the largest decline, with South Korea and Thailand following suit.
3. In Malaysia, the FBMKLCI experienced negative performance as the sell-down extended from last week.
4. Turning to the bond market, the 10-year U.S. Treasury note had a marginally negative return, with yields rising above the 4% range, as investors assessed the recent resilient economic data in the US. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, December retail sales grew by 0.6%, higher than the 0.3% increase in November, indicating resilient consumer spending. Unemployment filing benefits fell by 16,000 to 187,000 in the week ending 18 January, the least since September 2022, and well below market expectations of 207,000. Expectations for rate cuts in 2024 fell sharply over the week in part due to comments by Federal Reserve Governor Christopher Waller highlighting the robust state of the economy.²
2. In Europe, the trade balance recorded a surplus of EUR 20.3 billion in November, surpassing figures from the same month in the previous year. The strong figures are supported by a 0.9% increase in exports and a 0.6% decrease in imports. On monetary policy, the ECB's policymakers reaffirmed their data dependent stance in the recent meeting, considering of the uncertainties in the economy and inflation.³
3. In China, the economy expanded 5.2% in 4th quarter of 2023, exceeding the 4.9% growth in the previous quarter. For the full year, the economy grew by 5.2%, exceeding the official target of around 5.0%. Additionally, December's industrial production showed the highest increase in almost two years, while retail sales experienced the smallest growth in three months. The surveyed jobless edged up to 5.1% from 5% in the previous three months. Foreign direct investment (FDI) into China fell by 8% year-on-year to CNY 1.13 trillion, signalling weak confidence from foreign investors.⁴

Investment Strategy⁵

We advocate a balanced allocation in 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 and believe that Asian equities and fixed income present more value in the short term.

1. We find bonds appealing as we perceive a higher likelihood that central bank hiking cycle will end soon. 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 favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and recessionary concerns.

19th January 2024

Weekly Market Recap

Sources:

¹ Bloomberg, 19 January 2024

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

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

⁴ Bloomberg, National Bureau of Statistic China, CEWC, 19 January 2024

⁵ Principal view, 19 January 2024

*PMI stands for Purchasing Manufacturing Index

*ECB stands for European Central Bank

*PBOC stands for People's Bank of China

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.