Principal®

In alliance with CIMB

19 May 2023

Weekly Market Recap

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Market Data

Asset Class	1-wk	1-mth	YTD	2022
Equities				
MSCI World	1.2%	0.3%	9.2%	-19.5%
S&P 500	1.6%	0.9%	9.2%	-19.4%
Nasdaq	3.5%	5.5%	26.2%	-33.0%
Stoxx 600-Europe	0.7%	0.2%	10.3%	-12.9%
MSCI Asia Pac ex-Japan	0.6%	-2.0%	1.5%	-19.7%
ASEAN	-0.8%	-2.4%	-1.6%	2.4%
Shanghai Shenzhen CSI 300 Index	0.2%	-4.4%	1.9%	-21.6%
Hang Seng Index	-0.9%	-4.5%	-1.7%	-15.5%
Shanghai Stock Exchange Composite Index	0.3%	-2.6%	6.3%	-15.1%
FBMKLCI	0.4%	0.2%	-4.5%	-4.6%
Fixed Income				
Bberg Barclays Global Agg Index	-1.5%	-0.9%	1.6%	-16.2%
JPM Asia Credit Index-Core	-0.9%	0.0%	3.3%	-13.0%
Asia Dollar Index	-0.6%	-1.1%	-1.4%	-6.9%
Malaysia Corporate Bond Index	-0.3%	0.8%	4.0%	1.5%

Top Performing Principal Funds (Monthly)

Equities			
Principal Global Technology USD	5.8%	23.1%	-46.1%
Principal DALI Equity Growth	2.0%	0.1%	-9.5%
Fixed Income			
Principal Asia Dynamic Bond MYR	1.1%	1.3%	-4.7%

Source: Bloomberg, market data is as of 19 May 2023.
*As we emphasize a long-term focus, the top performing funds were selected based on their monthly performance.
*Past performance is not an indication of future performance.

Market Review[1]

1. The global financial markets ended the week with mostly positive returns. In developed markets, the United States (US), Europe, and Japan recorded positive gains over the week.

2. In Asia, the markets were generally positive over the week too, with Japan and Korea leading the gains, while the offshore market in China experienced marginal negative returns.

3. In Malaysia, the FTSE Bursa Malaysia KLCI (FBM KLCI) recorded a marginal gain over the week, thanks to diminishing global uncertainties and optimism over the US debt ceiling.

4. In the bond market, the yield on the benchmark 10-year U.S. Treasury note rose sharply over the week, possibly due to positive economic surprises in jobs and manufacturing data. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, market was primarily driven by the outperformance of mega-cap technology-related stocks, chipmakers, and regional bank shares, with Google's parent company Alphabet and Facebook's parent company Meta Platforms recording strong gains, along with solid gains from chipmakers such as NVIDIA and Advanced Micro Devices (AMD). Additionally, there has been a positive and notable shift in tone around debt ceiling negotiations.[2]

2. In Europe, the Eurozone industrial production declined by 4.1% sequentially in March, after a 1.5% increase in February, signaling a potential recession. Similarly, year-over-year, industrial output fell by 1.4%, following a 2.0% increase in the previous month. The Bank of England (BoE), meanwhile, reiterated in a speech that monetary policy would have to tighten further in the event of more persistent inflationary pressures.[3]

3. In China, report shows sentiment remain muted amid concerns that the country's post-COVID recovery is losing steam. Official data revealed weaker-than-expected growth in industrial output, retail sales, and fixed asset investment in April compared to the previous year. The PBOC injected RMB125 billion to the banking system through its medium-term lending facility, keeping the lending rate unchanged. The quarterly monetary policy report promised adequate credit growth and liquidity, suggesting upcoming easing measures. [4]

Investment Strategy[5]

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 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 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.

Sources:
[1] Bloomberg, 19 May 2023
[2] Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 19 May 2023
[3] Bank of England (BOE), 19 May 2023
[4] Bloomberg, National Bureau of Statistic China, 19 May 2023
[5] Principal view, 19 May 2023