

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	-2.2%	-2.5%	8.8%	21.7%
S&P 500	USD	-2.1%	-3.0%	12.1%	24.2%
Nasdaq	USD	-3.1%	-7.9%	9.6%	53.8%
Russell 2000	USD	-6.7%	3.6%	3.9%	15.1%
Stoxx 600-Europe	EUR	-2.9%	-2.7%	4.0%	12.7%
Nikkei 225	JPY	-4.8%	-10.5%	7.1%	28.3%
MSCI Asia Pac ex-Japan	USD	-1.0%	-1.9%	4.9%	4.5%
ASEAN	USD	1.1%	4.6%	2.4%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	-0.8%	-2.2%	-0.3%	-11.4%
Hang Seng Index	HKD	-0.6%	-4.5%	0.3%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	0.4%	-2.8%	-1.2%	-3.7%
FBMKLCI	MYR	-0.1%	0.6%	10.6%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	2.3%	4.6%	1.0%	5.7%
JPM Asia Credit Index-Core	USD	1.2%	2.5%	5.0%	9.9%
Asia Dollar Index	USD	1.1%	1.5%	-1.9%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.4%	1.2%	3.1%	6.4%
Top Performing Principal Funds					
		1-mth as of (31 July 2024)		YTD as of (31 July 2024)	
Equities					
Principal US High Conviction Equity USD		6.81		8.17	
Principal Biotechnology Discovery USD		6.04		15.19	
Principal Islamic Enhanced Opportunities		5.83		35.30	
Balanced					
Principal Lifetime Balanced		3.99		23.14	
Principal Islamic Lifetime Balanced Growth		3.92		19.50	
Principal Dynamic Enhanced Malaysia Income		3.44		20.51	
Fixed Income					
Principal Lifetime Enhanced Bond		1.01		4.28	
Principal Lifetime Bond		0.66		3.08	
Principal Conservative Bond		0.61		2.88	

Source: Bloomberg, market data is as of 2nd August 2024.

*As we emphasise a long-term focus, the top performing funds were selected based on 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 Review ¹

1. This week, global financial markets exhibited negative performances. In developed markets, Japan experienced the largest decline, followed by Europe and the United States.
2. Across Asia, the overall performance was weak. Negative performances were led by Taiwan and South Korea, while Thailand posted marginal gains. In Malaysia, the FBMKLCI closed lower, attributed to the weak sentiment in the regional market.
3. In the bond market, the US 10-year Treasury yield fell sharply to the 3.7% range after the release of a weaker-than-expected jobs report raised concerns about a slowing economy, with investors now expecting the Federal Reserve to lower its funds rate by 100bps this year. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the US, the central bank held the fed funds rate steady as expected and noted that despite remaining elevated, inflation has eased and is further progressing toward the target. Markets are fully priced for a 25-basis point rate cut in September, with over 70 bps in total easing seen this year. ²
2. In Europe, preliminary data shows the GDP expanded 0.6% year-on-year in the second quarter, the most in five quarters, following an upwardly revised 0.5% rise in Q1, and above forecasts of 0.5%. ³
3. In China, the NBS Composite PMI Output Index fell to 50.2 in July from 50.5 in June, marking the lowest figure since December 2022. This drop reflects a waning confidence in a strong economic recovery due to ongoing deflation risks, weak demand, and property challenges. The Caixin General Manufacturing PMI also declined to 49.8 in July from 51.8 in June. Factory activity contracted for the third consecutive month, while the service sector saw its slowest expansion in eight months. Foreign direct investment into China plummeted by 29.1% year-on-year to CNY 498.91 billion during January-June 2024, representing a record decline for the first half of the year. ⁴
4. In Malaysia, the S&P Global Manufacturing PMI decreased to 49.7 in July from 49.9 in June, signalling the sector's second consecutive contraction. New orders eased for the first time in three months due to weak demand. Producer prices rose by 1.6% year-on-year in June, up from a three-month low of 1.4% in the previous month. This increase was attributed to price hikes in agriculture, forestry, fishing, and manufacturing. ⁵

Investment Strategy ⁶

As markets continue to react to incoming data and headlines, we maintain the view that investors should ensure their portfolios are well diversified and focus on quality. We have a slight preference for equities over fixed income. The equities outlook in the second half will be supported by more confidence in bottom-up ideas. It is also notable that 2024 earnings forecasts have finally stabilized after persistent downgrades in the first half.

1. We find bonds appealing with the potential for capital gains as we perceive that the global rate-cutting cycle remain on track, despite the shift in timing and magnitude. 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, as provided in the Budget 2024, has 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 diversification approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and concerns of economic slowdown.

Glossary:

FBMKLCI = Kuala Lumpur Composite Index
GDP = Gross Domestic Product
NBS = National Bureau of Statistics
PMI = Purchasing Managers' Index
CNY = Chinese Yuan Renminbi (Currency)

Sources:

- ¹ Bloomberg, 2nd August 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 2nd August 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 2nd August 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 2nd August 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 2nd August 2024
- ⁶ Principal view, 2nd August 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

FOMC: Federal Open Market Committee

*y-o-y refers to year on year

*m-o-m refers to month on month

*UST refers to United States Treasury

*BNM refers to Bank Negara Malaysia

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