

## Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
<b>Equities</b>					
MSCI World	USD	0.9%	3.2%	2.4%	21.7%
S&P 500	USD	1.4%	4.5%	3.9%	24.2%
Nasdaq	USD	1.3%	6.6%	4.8%	53.8%
Stoxx 600-Europe	EUR	0.0%	1.1%	1.0%	12.7%
MSCI Asia Pac ex-Japan	USD	0.4%	-3.2%	-4.0%	4.5%
ASEAN	USD	2.7%	-1.4%	-1.4%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	-4.6%	-6.2%	-7.4%	-11.4%
Hang Seng Index	HKD	-2.6%	-7.6%	-9.0%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-6.2%	-7.9%	-8.3%	-3.7%
FBMKLCI	MYR	0.7%	4.3%	4.1%	-2.8%
<b>Fixed Income</b>					
Berg Barclays Global Agg Index	USD	0.4%	-1.2%	-2.0%	5.7%
JPM Asia Credit Index-Core	USD	1.1%	0.8%	0.8%	9.9%
Asia Dollar Index	USD	0.1%	-0.9%	-1.5%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.4%	0.7%	0.7%	6.4%

  

Top Performing Principal Funds (1 month return as of 31 January 2024)	1-mth as of (31 Jan 2024)	YTD as of (31 Jan 2024)
<b>Equities</b>		
Principal Next-G Connectivity Fund - Class USD	7.6%	7.6%
Principal Malaysia Titans Plus Fund - Class MYR	7.0%	7.0%
Principal Malaysia Titans Fund	7.0%	7.0%
<b>Fixed Income</b>		
Principal Islamic Lifetime Sukuk Fund	0.6%	0.6%
Principal Lifetime Bond Fund	0.5%	0.5%
Principal Conservative Bond Fund - Class A	0.5%	0.5%

Source: Bloomberg, market data is as of 2 February 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 Review<sup>1</sup>

1. The global financial markets concluded the week with majority experiencing mixed returns. In developed markets, the United States (US) and Japan witnessed the largest gains, followed by Europe.
2. In Asia, market performance was mixed. China, both offshore and onshore, experienced the largest decline, while Korea and India had the largest gain.
3. In Malaysia, the FBMKLCI experienced a marginally positive return despite the cautious sentiment in the regional market.
4. Turning to the bond market, the 10-year U.S. Treasury note saw little change in return, with yields stabilizing around the 4% range, as investors assessed yet another resilient job report in the US. (Bond prices move in the opposite direction of bond yields)

## Macro Factors

1. In the US, the Federal Reserve kept the Fed funds rate unchanged at a 23-year high of 5.25%-5.5% for a fourth consecutive meeting in January 2024, in line with expectations. The policymakers reiterated their data-dependent approach and the goal of sustainable inflation towards the 2% target. The ISM Manufacturing PMI in the US improved to 49.1 in January from 47.1 in December, still indicating contraction. Meanwhile, the unemployment rate for January showed continued strength in the economy, holding steady at 3.7% unchanged from the previous month <sup>2</sup>
2. In Europe, the economy expanded 0.1% year-on-year in the fourth quarter of 2023, surpassing the forecasts of no growth after a flat reading in the previous period. The inflation rate in the Euro Area went down to 2.8% year-on-year in January from 2.9% in the previous month, aligning with market expectations. Meanwhile, the core inflation, which excludes volatile food and energy prices, continued to ease to 3.3%, above forecasts of 3.2%. <sup>3</sup>
3. In China, the government recently sent a clear signal that more efforts will be made to stabilize the capital market and improve investor confidence. The official NBS\* Manufacturing PMI was at 49.2 in January, matching market forecasts while edging higher from December's figures. The Caixin\* Manufacturing PMI remained unchanged at 50.8 compared to December's figure, but above market forecasts of 50.6. <sup>4</sup>

## Investment Strategy<sup>5</sup>

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.

Sources:

<sup>1</sup> Bloomberg, 2 February 2024

<sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 2 February 2024

<sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 2 February 2024

<sup>4</sup> Bloomberg, National Bureau of Statistic China, CEWC, 2 February 2024

<sup>5</sup> Principal view, 2 February 2024

\*PMI refers to Purchasing Manufacturing Index

\*NBS PMI refers to official data released by National Bureau of Statis 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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