Principal®
In alliance with CIMB

2 June 2023

Weekly Market Recap

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Market Data

Asset Class	1-wk	1-mth	YTD	2022
Equities				
MSCI World	1.6%	2.5%	10.4%	-19.5%
S&P 500	1.8%	4.0%	11.5%	-19.4%
Nasdaq	1.7%	10.9%	33.0%	-33.0%
Stoxx 600-Europe	0.2%	0.2%	8.8%	-12.9%
MSCI Asia Pac ex-Japan	1.2%	-0.2%	1.6%	-19.7%
ASEAN	-0.7%	-2.9%	-2.3%	2.4%
Shanghai Shenzhen CSI 300 Index	0.3%	-4.2%	-0.3%	-21.6%
Hang Seng Index	1.1%	-4.9%	-4.2%	-15.5%
Shanghai Stock Exchange Composite Index	0.5%	-2.8%	4.6%	-15.1%
FBMKLCI	-1.5%	-3.1%	-7.6%	-4.6%
Fixed Income				
Bberg Barclays Global Agg Index	1.1%	-1.6%	1.6%	-16.2%
JPM Asia Credit Index-Core	0.9%	0.0%	3.8%	-13.0%
Asia Dollar Index	0.2%	-1.1%	-1.7%	-6.9%
Malaysia Corporate Bond Index	0.41%	0.43%	4.29%	1.51%
Top Performing Principal Funds (Monthly)				
Equities				
Principal China Direct Opportunities MYR-CNY	0.4%	-1.1%	6.6%	-20.8%
Principal Malaysia Opportunities	-0.4%	-1.8%	-2.0%	-7.2%
Fixed Income				
Principal Institutional Bond 4	-0.2%	0.2%	1.2%	-0.4%

Source: Bloomberg, market data is as of 2 June 2023.
*As we emphasize 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 week.
*Past performance is not an indication of future performance.

Market Review[1]

1. The global financial markets recorded a solid performance over the week. Developed markets, in particular the United States (US), Europe, and Japan, recorded positive gains.
2. In Asia, the markets were mostly positive over the week, with China onshore and offshore markets closing positively, while Korea led with the largest gains.
3. In Malaysia, market performance was weak over the week, driven by selling pressure in blue chips. This weak performance was in contrast to the rising regional sentiment, which followed the passing of the US debt ceiling bill in the House of Representatives overnight. The bill would avert a government default.
4. The yield on the benchmark 10-year U.S. Treasury note decreased over the week in response to encouraging inflation signals and the finalisation of a debt ceiling agreement in the bond market. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. Reports emerged in the US that the White House and Republican congressional leaders had agreed to raise the federal debt limit and prevent a default on governmental obligations. Additionally, the Institute for Supply Management's May Purchasing Managers' Index showed a seventh consecutive monthly contraction in factory activity, which was a positive sign for interest rates and investors.[2]
2. In Europe, headline inflation slowed to an annual 6.1% in May from 7.0% in April, below a FactSet consensus estimate of 6.3%. The core rate, which excludes volatile food and fuel prices, also showed improvement from the prior month at 5.3%, below expectations.[3]
3. In China, the official manufacturing PMI fell to 48.8 in May from April's 49.2, marking a second straight month of contraction. The non-manufacturing PMI eased to 54.5 in May from 56.4 in April, but the private Caixin/S&P Global survey rose to 50.9 in May from April's 49.5 as output and new orders hit a nearly one-year high. Additionally, new home sales by China's top 100 developers rose 6.7% YoY in May, indicating a slow, albeit steady, post-pandemic recovery.[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, 2 June 2023
[2] Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 2 June 2023
[3] S&P Global Bank of England (ECB), 2 June 2023
[4] Bloomberg, National Bureau of Statistic China, 2 June 2023
[5] Principal view, 2 June 2023