

Market Data

Asset Class	1-wk	1-mth	YTD	2022
Equities				
MSCI World	0.4%	3.4%	16.4%	-19.5%
S&P 500	0.7%	3.9%	18.1%	-19.4%
Nasdaq	-0.9%	3.8%	41.0%	-33.0%
Stoxx 600-Europe	1.0%	1.8%	9.5%	-12.9%
MSCI Asia Pac ex-Japan	-1.8%	0.4%	3.9%	-19.7%
ASEAN	0.4%	2.6%	1.4%	2.4%
Shanghai Shenzhen CSI 300 Index	-2.0%	-1.1%	-1.3%	-21.6%
Hang Seng Index	-1.7%	-0.7%	-3.6%	-15.5%
Shanghai Stock Exchange Composite Index	-2.2%	-0.9%	2.5%	-15.1%
FBMKLCI	0.1%	1.4%	-5.5%	-4.6%
Fixed Income				
Bberg Barclays Global Agg Index	-0.5%	0.5%	2.5%	-16.2%
JPM Asia Credit Index-Core	-0.2%	0.5%	4.9%	-13.0%
Asia Dollar Index	-0.7%	0.2%	-2.0%	-6.9%
Malaysia Corporate Bond Index	0.00%	0.50%	4.57%	1.51%
Top Performing Principal Funds (monthly as of 30 June 2023)				
Equities				
Principal Greater Bay SGD-H	-2.1%	-1.2%	-0.6%	-20.0%
Principal Greater China Equity	-3.2%	-2.8%	0.8%	-19.8%
Fixed Income				
Principal Lifetime Bond Fund	0.1%	-0.4%	1.2%	-2.7%
Principal Islamic Lifetime Sukuk Fund	0.1%	-0.5%	1.6%	-2.9%

Source: Bloomberg, market data is as of 21 July 2023.

*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 week.

*Past performance is not an indication of future performance.

Market Review¹

1. The global financial markets delivered a mixed performance over the week. Developed markets, in particular the United States (US) and Europe, returned positively, while Japan recorded negative returns.
2. In Asia, the markets experienced a weak performance over the week, with China onshore and offshore recording the largest drags.
3. In Malaysia, the market had a positive performance over the week mainly, despite a weaker sentiment in the regional market.
4. In bond market, the price of the benchmark 10-year U.S. Treasury note closed marginally higher with the long-term yield remained largely unchanged as investors appeared to price in a near certainty of another Federal Reserve rate hike at the central bank's July 25–26 policy meeting. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, reports emerged on the retail sales increased by 0.2% sequentially in June, slower than the 0.6% consensus estimate. May's growth rate was revised upward from 0.3% to 0.5%. Additionally, U.S. Treasury Secretary Janet Yellen expressed her confidence that the U.S. will not experience a recession, pointing to the resilience of the labor market and the deceleration of inflation.²
2. In Europe, UK's annual consumer price growth slowed to 7.9% in June from 8.7% in May due to lower gasoline prices, exceeding consensus estimates and matching the Bank of England's forecast. The eurozone economy avoided a recession in Q1 2023, with revised figures showing no contraction instead of previously estimated contraction.³
3. In China, the latest economic data indicated a slowdown in growth. Year-over-year, gross domestic product expanded by 6.3% in Q2, which was below expectations but faster than the 4.5% growth rate recorded in 1st quarter. However, the real estate sector has begun to show signs of weakness, likely due to poor consumer sentiment.⁴

Investment Strategy⁵

Our current stance is neutral on 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, particularly in the technology sector, and believe that Asian equities and fixed income present more value in the short term.

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 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 and positioned in the areas of a) bottoming of the tech hardware cycle; b) long term growth headroom from low penetration rates, e.g., India; c) ASEAN continue to provide a combination of recovery plays and long-term structural themes; and d) China's reopening, although we are judicious in which areas.
3. We also favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and recessionary concerns.

21 July 2023

Weekly Market Recap

Sources:

¹ Bloomberg, 21 July 2023

² Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 21 July 2023

³ S&P Global Bank of England (ECB), 21 July 2023

⁴ Bloomberg, National Bureau of Statistic China, 21 July 2023

⁵ Principal view, 21 July 2023

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.