

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	1.9%	3.0%	8.3%	21.7%
S&P 500	USD	2.3%	2.9%	9.8%	24.2%
Nasdaq	USD	3.0%	1.9%	9.0%	53.8%
Stoxx 600-Europe	EUR	1.1%	3.2%	6.8%	12.7%
MSCI Asia Pac ex-Japan	USD	0.3%	1.5%	1.3%	4.5%
ASEAN	USD	-0.5%	0.2%	0.8%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	-0.7%	1.7%	3.2%	-11.4%
Hang Seng Index	HKD	-1.3%	-1.0%	-2.9%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-0.2%	2.0%	2.4%	-3.7%
FBMKLCI	MYR	-0.5%	1.2%	7.4%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.1%	0.8%	-2.2%	5.7%
JPM Asia Credit Index-Core	USD	0.6%	1.4%	1.5%	9.9%
Asia Dollar Index	USD	-0.7%	-0.6%	-2.3%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.1%	0.5%	1.0%	6.4%
Top Performing Principal Funds (1 month return as of 29 February 2024)					
			1-mth as of (29 Feb 2024)	YTD as of (29 Feb 2024)	
Equities					
Principal China Direct Opportunities Fund - Class MYR			10.3%	-1.0%	
Principal Biotechnology Discovery Fund - Class USD			8.4%	13.6%	
Principal Global Millennial Equity Fund - Class MYR-Hedged			8.1%	11.0%	
Balanced					
Principal Asia Pacific Dynamic Mixed Asset Fund - Class MYR			3.0%	4.0%	
Principal Lifetime Balanced Fund			2.3%	4.0%	
Principal Dynamic Enhanced Malaysia Income Fund			2.3%	3.7%	
Fixed Income					
Principal Islamic Lifetime Sukuk Fund			0.5%	1.1%	
Principal Lifetime Bond Fund			0.5%	1.0%	
Principal Sustainable Dynamic Bond Fund - Class MYR			0.7%	1.4%	

Source: Bloomberg, market data is as of 22 March 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.

* The performance figures are based on the fund's respective currency class.

*Past performance is not an indication of future performance.

Market Review¹

1. The global financial markets wrapped up the week with most regions experiencing positive gains. In developed markets, Japan witnessed significant gains, closely followed by the United States and Europe.
2. Across Asia, overall market performance was mixed, with South Korea and Taiwan leading gains, while China onshore and offshore declined. In Malaysia, the FBMKLCI recorded a marginal decline following the cautious sentiment in the regional market, possibly driven by the sudden slide in China's stock market.
3. Turning to the bond market, the 10-year U.S. Treasury note experienced a positive return, with yields declining below the 4.3% range. This comes as investors assessed the future path of interest rates following the recent comments by US Federal Reserve (Fed) during the Federal Open Market Committee (FOMC meeting). (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the Fed left the interest rate steady at a 23-year high of 5.25%-5.5% for a fifth consecutive meeting in March. Policymakers reiterated a data dependent approach but maintained their forecast of three rate cuts this year.²
2. In Europe, the annual inflation rate was confirmed at 2.6% year-on-year in February, down from 3% in January but still exceeding the ECB's 2% target. The economic bloc posted a trade surplus of €11.4 billion in January, compared with a deficit of €32.6 billion in the same period last year. Exports rose 1.3% year-on-year, driven by shipments of miscellaneous manufactured articles. The HCOB* Composite PMI* rose to 49.9 in March, up from 49.2 in the previous month. The latest reading indicated a stabilization in the services sector, while the manufacturing sector continued to soften.³
3. In China, retail sales increased by 5.5% year-on-year for January-February 2024 combined, surpassing market consensus of 5.2% but lower than the 7.4% rise in December 2023. This marked the 13th straight month of retail sales expansion. Industrial production also increased by 7% during the combined period of January and February 2024, higher than 6.8% growth in December 2023. Fixed-asset investment grew by 4.2% year-on-year during the same period, beating market forecasts of 3.2%, primarily driven by the acceleration in the secondary sector, including construction and utilities.⁴
4. In Malaysia, trade balance narrowed sharply to MYR 10.9 billion in February from MYR 19.6 billion in the corresponding month of the previous year, driven by higher import of manufacturing components such as wood products and iron metals. Exports unexpectedly fell 0.8% year-on-year in February, reversing from an 8.7% growth in the previous month and missing market forecasts, attributed to lower sales in both the manufacturing and agriculture sectors.⁵

Investment Strategy⁶

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 that the central bank's hiking cycle may have reached its peak. 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 concerns of economic slowdown.

Sources:

¹ Bloomberg, 22 March 2024

² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 22 March 2024

³ S&P Global, ECB, Factset, Bank of England (BoE), 22 March 2024

⁴ Bloomberg, National Bureau of Statistic China, CEWC, 22 March 2024

⁵ Department of Statistic Malaysia, S&P Global, 22 March 2024

⁶ Principal view, 22 March 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

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