

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	1.5%	4.5%	5.2%	21.7%
S&P 500	USD	1.7%	4.7%	6.7%	24.2%
Nasdaq	USD	1.4%	3.1%	6.7%	53.8%
Stoxx 600-Europe	EUR	1.2%	5.5%	3.9%	12.7%
MSCI Asia Pac ex-Japan	USD	1.3%	6.0%	-0.1%	4.5%
ASEAN	USD	-0.2%	3.5%	-0.3%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	3.7%	8.0%	1.6%	-11.4%
Hang Seng Index	HKD	2.4%	8.9%	-2.0%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	4.9%	8.4%	0.9%	-3.7%
FBMKLCI	MYR	1.0%	3.6%	6.4%	-2.8%
Fixed Income					
Berg Barclays Global Agg Index	USD	0.4%	-0.2%	-2.7%	5.7%
JPM Asia Credit Index-Core	USD	0.2%	0.8%	0.2%	9.9%
Asia Dollar Index	USD	0.0%	-0.2%	-1.8%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	-0.1%	0.2%	0.5%	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)	
Equities					
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%	
Fixed Income					
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 23 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 Review¹

1. The global financial markets concluded the week with majority experiencing positive returns. In developed markets, Europe and the United States witnessed the largest gains, followed by Japan.
2. Across Asia, overall market performance was positive, with China onshore and offshore leading the gains, followed by Taiwan and India. In Malaysia, the FBMKLCI also recorded positive gains, driven by optimism in the regional market.
3. Turning to the bond market, the 10-year U.S. Treasury note had a relatively muted return, with yields stabilising around 4.2% range. This comes as investors assessed the future path of interest rates following recent comments from Federal Reserve speakers. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the initial jobless claims decreased by 12,000 to 201,000 for the week ending February 17th, well below market expectations of 218,000. The data, combined with a strong jobs report from January, gives the Federal Reserve more flexibility to hold rates higher if inflation remain high. The S&P Global Flash Manufacturing PMI* rose to 51.5 in February from 50.7 in January, indicating growth in factory output. Meanwhile, the services PMI* eased to 51.3 in February from 52.5 in the earlier month, missing market expectations of 52. ²
2. In Europe, headline inflation was confirmed at 2.8% in January, slightly lower from December's 2.9%. Core inflation, which excludes volatile energy and food prices, cooled for the sixth consecutive month to 3.3%, reaching its lowest point since March 2022. The HCOB manufacturing PMI decreased to 46.1 in February from 46.6 in January. Meanwhile, the services PMI increased to 50 in February, higher than January's 48.4. ³
3. In China, the PBOC* reduced its reference rate for mortgages, specifically the 5-year loan prime rate, by 25bps to 3.95% at the February fixing. It was the first rate cut since June 2023 and the largest since that rate was introduced in 2019. Meanwhile, the 1-year rate was maintained at 3.45%. ⁴
4. In Malaysia, the annual inflation stood at 1.5% in January, holding steady for the third straight month while staying at its lowest since February 2021. Trade surplus narrowed to MYR 10.1 billion in January from MYR 18.1 billion in the same month of the previous year, as imports surged due to higher purchases from all sectors.

Investment Strategy⁵

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 recessionary concerns.

23th February 2024

Weekly Market Recap

Sources:

¹ Bloomberg, 23 February 2024

² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 23 February 2024

³ S&P Global, ECB, Factset, Bank of England (BoE), 23 February 2024

⁴ Bloomberg, National Bureau of Statistic China, CEWC, 23 February 2024

⁵ Principal view, 23 February 2024

*PMI refers to Purchasing Manufacturing Index

*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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