

Market Data

Asset Class	1-wk	1-mth	YTD	2022
Equities				
MSCI World	-2.0%	3.0%	11.5%	-19.5%
S&P 500	-1.4%	4.9%	13.3%	-19.4%
Nasdaq	-1.3%	8.9%	36.1%	-33.0%
Stoxx 600-Europe	-2.9%	-2.8%	6.6%	-12.9%
MSCI Asia Pac ex-Japan	-4.2%	0.1%	1.7%	-19.7%
ASEAN	-2.5%	-1.4%	-2.6%	2.4%
Shanghai Shenzhen CSI 300 Index	-2.5%	-1.3%	-0.2%	-21.6%
Hang Seng Index	-5.7%	-2.8%	-4.5%	-15.5%
Shanghai Stock Exchange Composite Index	-2.3%	-1.5%	3.5%	-15.1%
FBMKLCI	0.2%	-1.5%	-7.0%	-4.6%
Fixed Income				
Berg Barclays Global Agg Index	-0.3%	0.3%	1.7%	-16.2%
JPM Asia Credit Index-Core	0.1%	1.3%	4.3%	-13.0%
Asia Dollar Index	-0.9%	-1.0%	-2.5%	-6.9%
Malaysia Corporate Bond Index	-0.21%	0.18%	3.99%	1.51%

Top Performing Principal Funds

(monthly as of 31 May 2023)

Equities	1-wk	1-mth	YTD	2022
Principal Global Technology	-1.0%	11.3%	35.0%	-46.1%
Principal Next-G Connectivity	-1.6%	9.6%	19.4%	-43.3%

Source: Bloomberg, market data is as of 23 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 Review¹

1. The global financial markets consolidated over the week. Developed markets in the United States (US), Europe, and Japan closed with negative returns.
2. In Asia, the markets had a generally negative performance throughout the week, with China onshore and offshore markets being the biggest drags.
3. In Malaysia, market performance was marginally positive over the week despite the weak sentiment in Asian markets following guidance from the US Federal Reserve (Fed) about more rate hikes over the remainder of the year.
4. In the bond market, the yield on the benchmark 10-year U.S. Treasury note increased slightly over the week, possibly due to strong demand for new issuances. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the Fed has indicated that one to two more rate hikes may be necessary by the end of the year. On Friday, S&P Global reported that its gauge of US manufacturing activity had fallen to its lowest level since December 2022, well below consensus estimates.²
2. In Europe, the Bank of England (BoE) surprised the market by raising its key interest rate by half a percentage point to reach 5.0%, the highest level since 2008. Meanwhile, Eurozone business output grew for a sixth consecutive month in June, but the rate of growth slowed, indicating renewed weakness in the economy after the early-year recovery.³
3. In China, banks lowered their one- and five-year loan prime rates by 10 basis points, following the People's Bank of China's (PBOC) cut to its lending facility rate. Additionally, Beijing announced a four-year tax break for consumers buying new electric vehicles to boost sales and production in one of the world's largest EV markets.⁴

Investment Strategy⁵

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 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.

23 June 2023

Weekly Market Recap



Sources:

¹ Bloomberg, 23 June 2023

² Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 23 June 2023

³ S&P Global Bank of England (ECB), 23 June 2023

⁴ Bloomberg, National Bureau of Statistic China, 23 June 2023

⁵ Principal view, 23 June 2023

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