



In alliance with  CIMB

24 March 2023

Weekly Market Recap

Market Data

Asset Class	1-wk	1-mth	YTD	2022
Equities				
MSCI World	1.4%	-0.5%	3.5%	-19.5%
S&P 500	1.4%	0.0%	3.4%	-19.4%
Nasdaq	2.0%	6.7%	16.7%	-33.0%
Stoxx 600-Europe	0.9%	-3.8%	3.6%	-12.9%
MSCI Asia Pac ex-Japan	1.6%	-0.3%	1.7%	-19.7%
ASEAN	2.3%	-0.3%	-1.2%	2.4%
Shanghai Shenzhen CSI 300 Index	1.7%	-0.8%	4.0%	-21.6%
Hang Seng Index	2.0%	-0.5%	0.7%	-15.5%
Shanghai Stock Exchange Composite Index	0.5%	0.0%	5.7%	-15.1%
FBMKLCI	-0.9%	-3.9%	-6.4%	-4.6%
Fixed Income				
Bberg Barclays Global Agg Index	0.8%	3.8%	3.4%	-16.2%
JPM Asia Credit Index-Core	0.8%	1.7%	3.5%	-13.0%
Asia Dollar Index	0.5%	1.1%	0.2%	-6.4%
Malaysia Corporate Bond Index	0.3%	0.6%	2.5%	1.5%
Top Performing Principal Funds (weekly, data as of 22nd March)				
Equities				
Principal Next-G Connectivity USD	2.8%	3.4%	10.7%	-43.3%
Principal Global Titans	0.7%	-0.4%	4.4%	-17.3%
Fixed Income				
Principal Islamic Malaysia Government Sukuk C	0.2%	0.5%	1.4%	1.0%

Source: Bloomberg, market data is as of 24 March 2023.

*Top performing funds were based on weekly performance.

*Past performance is not an indication of future performance.

Market Review¹

1. The global financial market made a modest come back over the week, led by early signs of stability after the recent banking turmoil. UBS taking over Credit Suisse has provided some relief and US deposit outflows have stabilised. In developed markets, the United States (US) and Japan closed marginally higher while Europe declined over the week.
2. In Asia, majority of the markets bounced back slightly. Chinese stocks rose on hopes that the country's central bank will maintain an accommodative stance amid the global banking turmoil.
3. In Malaysia, the FTSE Bursa Malaysia KLCI (FBM KLCI) recorded marginal decline for the week amid uncertainties in the global market due to lingering banking stability concerns.
4. In the bond market, the performance was mixed over the course of the week. The benchmark 10-year U.S. Treasury note experienced some volatility, with yields rising on Friday morning due to positive data surprises, but still finishing the week slightly lower. (bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the recent worries weighed on value stocks and small-caps, while large-cap growth stocks benefited from falling interest rates. The US Federal Reserve raised short-term rates by 25 basis points as expected. The "dot plot" showed policymakers expect to stop raising rates after one more hike in May, and references to ongoing rate increases were removed from the official statement.²
2. In Europe, the performance of the banking sector fell sharply despite news that the UBS Group agreed to buy Credit Suisse in a deal brokered by Swiss authorities. The Bank of England raised interest rates for the 11th consecutive time, to 4.25% from 4.00%, indicating that the UK banking system will maintain its robust capital and strong liquidity positions.³
3. In China, the People's Bank of China (PBOC) left its benchmark one-year and five-year loan prime rates (LPR) at 3.65% and 4.3%, respectively, for the seventh consecutive month. China's economic indicators have picked up in recent months as consumption and infrastructure investment rebounded from pandemic lockdowns.⁴

Investment Strategy⁵

Due to the escalation of risk, diversification became even more crucial in order to reduce portfolio risk, in line with our house strategy for long-term investment success. Overall, the path ahead may still be volatile in the form of inflation and declining economic prospects. Our broad strategy continues to be selective with focus on the themes of Quality, Income and Sustainability.

1. On equities, we prefer quality names as the macro and geopolitical backdrop remain uncertain. We are positive on Asia as sector earnings are poised to be rerated supported by China's rapid reopening.
2. On Fixed Income, our preference remains on investment grade and that of longer duration. As we foresee volatility to stay elevated, we are keeping a bias for higher quality credit. We like bonds with an investment grade rating, ideally in the AA or A, and which could operate in a business that is somewhat immune to the economic cycle.
3. For medium to long-term exposure, we prefer assets that offer structural opportunities. The shift towards energy, environmental, food, and technological security are likely to be among the key long-term growth drivers in the years to come.

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Sources:

¹ Bloomberg, 24 March 2023

² Bloomberg, US Federal Board, 24 March 2023

³ Bloomberg, European Central Bank (ECB), 24 March 2023

⁴ National People's Congress (NPC), 24 March 2023

⁵ Principal view, 24 March 2023

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