

## Market Data

Asset Class	Curr	1-wk	1-mth	YTD	2022
<b>Equities</b>					
MSCI World	USD	0.5%	-4.4%	11.9%	-19.5%
S&P 500	USD	0.8%	-3.5%	14.7%	-19.4%
Nasdaq	USD	1.7%	-4.0%	36.6%	-33.0%
Stoxx 600-Europe	EUR	0.7%	-3.5%	6.2%	-12.9%
MSCI Asia Pac ex-Japan	USD	0.2%	-6.7%	-1.6%	-19.7%
ASEAN	USD	0.9%	-2.5%	-0.7%	2.4%
Shanghai Shenzhen CSI 300 Index	CNY	-2.0%	-5.3%	-4.2%	-21.6%
Hang Seng Index	HKD	0.0%	-7.6%	-9.2%	-15.5%
Shanghai Stock Exchange Composite Index	CNY	-2.2%	-5.2%	-0.8%	-15.1%
FBMKLCI	MYR	-0.12%	0.53%	-3.42%	-4.60%
<b>Fixed Income</b>					
Bberg Barclays Global Agg Index	USD	-0.1%	-2.6%	-0.3%	-16.2%
JPM Asia Credit Index-Core	USD	0.1%	-1.2%	3.4%	-13.0%
Asia Dollar Index	USD	0.2%	-2.2%	-3.7%	-6.9%
Malaysia Corporate Bond Index	MYR	0.06%	0.20%	4.75%	1.51%
<b>Top Performing Principal Funds</b> (1 month return as of 31 July 2023)					
<b>Equities</b>					
Principal Commodity USD		0.1%	6.9%	-3.1%	-
Principal ASEAN Dynamic USD		1.8%	5.7%	2.7%	-1.3%
Principal Next-G Connectivity USD		1.6%	5.6%	28.3%	-43.3%
<b>Fixed Income</b>					
Principal Islamic Lifetime Enhanced Sukuk		0.1%	0.6%	3.9%	-3.1%
Principal Lifetime Bond		0.1%	0.6%	4.4%	1.3%
Principal Islamic Lifetime Sukuk		0.1%	0.5%	4.3%	1.1%

Source: Bloomberg, market data is as of 25 August 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 period under review.

\*Past performance is not an indication of future performance.

## Market Review<sup>1</sup>

1. The global financial markets concluded the week on a mixed note, registering overall gains. Notably, the developed markets, including the United States (US), Europe, and Japan, exhibited positive rebounds following the decline observed in the previous week.
2. Across Asia, the majority of markets experienced negative returns during the week. Notably, China's onshore market recorded the largest drop, while Thailand emerged with the largest gain.
3. The FBMKLCI in Malaysia recorded a slight negative return for the week, influenced by regional sentiment weakness, uncertainties in the Chinese property sector, and concerns about future US rate hikes.
4. In the bond market, the price of the benchmark 10-year U.S. Treasury note exhibited positive trend with yield moving lower, driven by the mixed comments made by the US Federal Reserve ahead of the Jackson Hole symposium meeting. (Bond prices move in the opposite direction of bond yields)

## Macro Factors

1. In the US, the S&P Global's manufacturing activity index fell more than expected in August, reversing July's gains and moving further into contraction territory. In other news, remarks from Federal Chair Powell at Jackson Hole symposium meeting signal the Fed will remain a data dependent approach. Strong economic and inflation data could lead to further interest rate hikes, while softer data could prompt an extended pause in rate increases.<sup>2</sup>
2. In Europe, initial results from S&P Global's survey indicate that eurozone business activity likely contracted for the third consecutive month. The manufacturing Purchasing Managers' Index (PMI) improved slightly to 43.7 in August, but it remains below the contraction threshold of 50. Meanwhile, the PMI reading for the services sector dipped below 50.<sup>3</sup>
3. In China, concerns persist due to disappointing data including signs of deflation, record youth unemployment, and continued liquidity problems in the debt-laden property sector. In the latest measures, the Chinese government has proposed easing a rule that previously categorized first-time homebuyers in major cities to shore up the property sector.<sup>4</sup>

## Investment Strategy<sup>5</sup>

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.

25 August 2023

# Weekly Market Recap

Sources:

<sup>1</sup> Bloomberg, 25 August 2023

<sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), S&P Global, US Federal Board, 25 August 2023

<sup>3</sup> S&P Global, ECB, Bank of England (BoE), 25 August 2023

<sup>4</sup> Bloomberg, National Bureau of Statistic China, 25 August 2023

<sup>5</sup> Principal view, 25 August 2023

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