

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	1.3%	1.7%	1.5%	21.7%
S&P 500	USD	1.1%	2.4%	2.5%	24.2%
Nasdaq	USD	0.6%	3.2%	3.5%	53.8%
Stoxx 600-Europe	EUR	3.1%	1.3%	1.0%	12.7%
MSCI Asia Pac ex-Japan	USD	1.5%	-1.7%	-4.3%	4.5%
ASEAN	USD	-1.1%	-2.1%	-4.0%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	1.9%	0.2%	-2.9%	-11.4%
Hang Seng Index	HKD	4.1%	-2.5%	-6.5%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	2.7%	0.3%	-2.2%	-3.7%
FBMKLCI	MYR	1.3%	3.7%	3.4%	-2.8%
Fixed Income					
Berg Barclays Global Agg Index	USD	0.1%	-2.0%	-2.3%	5.7%
JPM Asia Credit Index-Core	USD	0.5%	-0.1%	-0.3%	9.9%
Asia Dollar Index	USD	0.1%	-1.1%	-1.6%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.2%	0.5%	0.4%	6.4%

Top Performing Principal Funds (1 month return as of 31 December 2023)	1-mth	31 Dec 2022 to 31 Dec 2023
Equities		
Principal Biotechnology Discovery Fund - Class USD	19.3%	16.7%
Principal US High Conviction Equity Fund - Class USD	8.6%	9.8%
Principal Next-G Connectivity Fund - Class USD	6.2%	37.3%
Fixed Income		
Principal Islamic Lifetime Sukuk Fund	0.9%	6.7%
Principal Lifetime Bond Fund	0.9%	6.8%
Principal Conservative Bond Fund - Class A	0.7%	5.1%

Source: Bloomberg, market data is as of 26 January 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 United States (US) witnessed the largest gains, while Japan experienced a marginal drop.
2. In Asia, market performance was also largely positive. China, both offshore and onshore, experienced the largest gains, while India and Indonesia saw a marginal drop.
3. In Malaysia, the FBMKLCI experienced positive performance driven by optimism in the regional market.
4. Turning to the bond market, the 10-year U.S. Treasury note saw little change in return, with yields stabilizing around the 4.1% range, as investors assessed yet another resilient inflation data in the US. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the economy expanded an annualized 3.3% in Q4 2023, surpassing the expectations of a 2% increase and following a 4.9% rate in Q3. The S&P Global US Composite PMI surged to 52.3 in January, higher than the previous month's 50.9. Service sector expanded the most in seven months, while manufacturing firms continued to experience a moderate drop in output. The PCE* inflation increased 0.2% month over month in December, higher than 0.1% in November, while the core PCE inflation which excludes food and energy and is preferred Fed inflation measure, edged higher to 0.2% from 0.1%.²
2. In Europe, the S&P Global US Services PMI reached a seven-month high of 52.9 in January, signalling expansion. Meanwhile, the manufacturing PMI rose to 46.6 in January 2024, the highest in ten months, but still indicating contraction.³
3. In China, the government recently sent a clear signal that more efforts will be made to stabilize the capital market and improve investor confidence. The PBOC* maintained its lending rates at the January fixing, with one and five-year loan prime rates (LPR) kept unchanged at a record low of 3.45% and 4.2%, respectively. Additionally, the PBOC announced a further 50 bps cut in the reserve requirement ratio, effective from February, as the central bank continued its attempt to support an economic revival.⁴

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 a higher likelihood that central bank hiking cycle will end soon. 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.

26th January 2024

Weekly Market Recap

Sources:

¹ Bloomberg, 26 January 2024

² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 26 January 2024

³ S&P Global, ECB, Factset, Bank of England (BoE), 26 January 2024

⁴ Bloomberg, National Bureau of Statistic China, CEWC, 26 January 2024

⁵ Principal view, 26 January 2024

*PMI refers to Purchasing Manufacturing Index

*ECB refers to European Central Bank

*PBOC refers to People's Bank of China

*PCE refers to Personal Consumption Expenditure

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