

## Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
<b>Equities</b>					
MSCI World	USD	-0.8%	0.1%	11.2%	21.7%
S&P 500	USD	-0.8%	-0.4%	14.4%	24.2%
Nasdaq	USD	-2.6%	-3.7%	13.0%	53.8%
Russell 2000	USD	3.5%	12.0%	11.4%	15.1%
Stoxx 600-Europe	EUR	0.6%	-0.5%	7.1%	12.7%
Nikkei 225	JPY	-6.0%	-5.0%	12.5%	28.3%
MSCI Asia Pac ex-Japan	USD	-1.9%	-1.5%	5.9%	4.5%
ASEAN	USD	-0.5%	5.0%	1.3%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	-3.6%	-1.5%	0.5%	-11.4%
Hang Seng Index	HKD	-2.3%	-5.7%	0.9%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-3.2%	-2.3%	-1.6%	-3.7%
FBMKLCI	MYR	-1.5%	1.2%	10.7%	-2.8%
<b>Fixed Income</b>					
Bberg Barclays Global Agg Index	USD	0.3%	1.9%	-1.3%	5.7%
JPM Asia Credit Index-Core	USD	-0.2%	0.7%	3.8%	9.9%
Asia Dollar Index	USD	0.2%	0.4%	-3.0%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.2%	0.8%	2.7%	6.4%
<b>Top Performing Principal Funds</b>					
<b>(1 month return as of 30 June 2024)</b>		<b>1-mth as of</b>		<b>YTD as of</b>	
		<b>(30 June 2024)</b>		<b>(30 June 2024)</b>	
<b>Equities</b>					
Principal Islamic Global Technology USD			8.72		19.64
Principal Next-G Connectivity USD			7.61		28.37
Principal Islamic Asia Pacific Dynamic Equity			7.31		10.69
<b>Balanced</b>					
Principal Asia Pacific Dynamic Mixed Asset MYR			4.12		9.95
Principal Islamic Lifetime Balanced			3.83		11.31
Principal World Selection Moderate USD			1.59		5.61
<b>Fixed Income</b>					
Principal Islamic Lifetime Enhanced Sukuk			0.57		4.03
Principal Islamic Lifetime Sukuk			0.38		2.50
Principal Lifetime Bond			0.38		2.39

Source: Bloomberg, market data is as of 26<sup>th</sup> July 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.

\*The performance figures are based on the fund's respective currency class.

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

Market Review <sup>1</sup>

1. This week, global financial markets exhibited mixed performances. In developed markets, the United States and European bourses posted positive gains, while Japan experienced the largest decline.
2. Across Asia, the overall performance was mixed. Negative performances were led by China both onshore and offshore, while India posted marginal gains. In Malaysia, the FBMKLCI closed lower, attributed to the cautious sentiment in the regional market.
3. In the bond market, the US 10-year Treasury yield briefly fell below the 4.2% range after the Federal Reserve's preferred inflation gauge met expectations ahead of the central bank's monetary policy meeting next week. (It's worth noting that bond prices move in the opposite direction of bond yields.)

## Macro Factors

1. In the US, the economy expanded at an annualized rate of 2.8% in the second quarter, up from 1.4% in Q1, according to the advance estimate. The S&P Global Composite PMI increased to 55.0 in July from 54.8 in June, with the services sector leading the way while the manufacturing sector slowed down, as shown in flash estimates. The PCE reading, the Federal Reserve's preferred inflation measure, met expectations, though the core rate rose 0.2%, slightly above the forecast of 0.1%.<sup>2</sup>
2. In Europe, the HCOB Flash Composite PMI dropped to 50.1 in July, marking a five-month low from 50.9 in June. This reading indicated a near-stagnation in the Eurozone private sector as the region's economic recovery showed signs of weakening, with ongoing manufacturing fragility and a slowdown in the service sectors.<sup>3</sup>
3. In China, the PBOC lowered key lending rates to new historic lows at the July fixing to support a fragile economic recovery. The one-year loan prime rate (LPR), the primary benchmark for most corporate and household loans, was reduced by 10 basis points to 3.35%. Similarly, the five-year rate, used as a reference for property mortgages, was also trimmed by the same margin to 3.85%. Additionally, early on Monday, China's short-term interest rate, the seven-day reverse repo rate, was decreased from 1.8% to 1.7%, marking the first such cut in nearly a year. These moves are part of efforts to optimize open market operations and enhance financial support.<sup>4</sup>
4. In Malaysia, the economy advanced 5.8% year-on-year in Q2, much steeper than a 4.2% expansion in Q1, preliminary data showed. The annual inflation rate held steady at 2.0% in June, falling below market expectations of 2.2%. Prices accelerated for food, alcoholic beverages, tobacco, and household maintenance. Additionally, core consumer prices, which exclude volatile fresh food items and administered costs, rose by 1.9% year-on-year in June, maintaining this rate for the third consecutive month and marking the strongest increase since December 2023.<sup>5</sup>

Investment Strategy <sup>6</sup>

As markets continue to react to incoming data and headlines, we maintain the view that investors should ensure their portfolios are well diversified and focus on quality. We have a slight preference for equities over fixed income. The equities outlook in the second half will be supported by more confidence in bottom-up ideas. It is also notable that 2024 earnings forecasts have finally stabilized after persistent downgrades in the first half.

1. We find bonds appealing with the potential for capital gains as we perceive that the global rate-cutting cycle remain on track, despite the shift in timing and magnitude. 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, as provided in the Budget 2024, has 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 diversification approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and concerns of economic slowdown.

Sources:

- <sup>1</sup> Bloomberg, 26<sup>th</sup> July 2024
- <sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 26<sup>th</sup> July 2024
- <sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 26<sup>th</sup> July 2024
- <sup>4</sup> Bloomberg, National Bureau of Statistic China, CEWC, 26<sup>th</sup> July 2024
- <sup>5</sup> Department of Statistic Malaysia, S&P Global, 26<sup>th</sup> July 2024
- <sup>6</sup> Principal view, 26<sup>th</sup> July 2024

\*PMI refers to Purchasing Manufacturing Index

\*HCOB refers to Hamburg Commercial Bank

\*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

FOMC: Federal Open Market Committee

\*y-o-y refers to year on year

\*m-o-m refers to month on month

\*UST refers to United States Treasury

\*BNM refers to Bank Negara Malaysia

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