In alliance with CIMB

26 May 2023

Weekly Market Recap

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Market Data

Asset Class	1-wk	1-mth	YTD	2022
Equities				
MSCI World	-0.5%	1.7%	8.7%	-19.5%
S&P 500	0.3%	3.7%	9.5%	-19.4%
Nasdaq	3.6%	11.6%	30.7%	-33.0%
Stoxx 600-Europe	-1.6%	-0.4%	8.6%	-12.9%
MSCI Asia Pac ex-Japan	-1.1%	-0.6%	0.4%	-19.7%
ASEAN	0.0%	-2.1%	-1.6%	2.4%
Shanghai Shenzhen CSI 300 Index	-2.4%	-2.7%	-0.5%	-21.6%
Hang Seng Index	-3.6%	-5.1%	-5.2%	-15.5%
Shanghai Stock Exchange Composite Index	-2.2%	-1.6%	4.0%	-15.1%
FBMKLCI	-1.8%	-0.8%	-6.2%	-4.6%
Fixed Income				
Bberg Barclays Global Agg Index	-1.1%	-2.9%	0.5%	-16.2%
JPM Asia Credit Index-Core	-0.5%	-1.3%	2.8%	-13.0%
Asia Dollar Index	-0.4%	-1.3%	-1.8%	-6.9%
Malaysia Corporate Bond Index	-0.16%	0.27%	3.86%	1.51%

Top Performing Principal Funds (monthly)

Equities				
Principal Global Technology USD	2.0%	10.1%	24.6%	-46.1%
Principal Islamic Asia Pacific Dynamic Equity	1.6%	5.6%	7.0%	-23.6%
Fixed Income				
Principal Islamic Lifetime Sukuk	0.1%	0.5%	1.9%	-2.9%

Source: Bloomberg, market data is as of 26 May 2023.
*As we emphasize a long-term focus, the top performing funds were selected based on their monthly performance.
*Past performance is not an indication of future performance.

Market Review[1]

1. The global financial markets recorded a flattish performance over the week. Developed markets in particular the United States (US) and Europe closed with negative returns, while Japan recorded positive gains.
2. In Asia, the markets experienced a mixed performance over the week, with China onshore and offshore markets experiencing losses, while Korea and Thailand led the gains.
3. In Malaysia, market performance was weak over the week, primarily due to broader market uncertainties and concerns about a possible US government debt default.
4. In the bond market, the yield on the benchmark 10-year U.S. Treasury note increased slightly over the week, possibly in response to indications of a resilient consumer market and persistent inflationary pressures. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. Debt ceiling negotiations resumed in the US after President Biden's return from Japan, but little progress was made, causing market decline. Meanwhile, the recent core personal consumption expenditures (PCE) price index - a key inflation metric favoured by the Federal Reserve (Fed)- rose to 4.7% year-over-year (Y-o-Y), indicating the tightening measures implemented so far do not seem to have added sufficient pressure.[2]
2. In Europe, a survey by S&P Global indicates business output grew for the fifth consecutive month in May, although the pace slowed due to weaker manufacturing. Meanwhile, European Central Bank (ECB) policymakers reiterated that interest rates must rise and remain high to control medium-term inflation.[3]
3. In China, there were no major indicators during the week. However, the country's slowing post-pandemic recovery has raised concerns about the economic outlook. Additionally, geopolitical risks affected risk appetite when Beijing announced a ban on Chinese companies buying products from Micron Technology, citing security risks. The ban would apply to domestic telecom firms, state-owned banks, and other companies behind China's information infrastructure.[4]

Investment Strategy[5]

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 US Federal Reserve (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.

Sources:
[1] Bloomberg, 26 May 2023
[2] Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 26 May 2023
[3] S&P Global Bank of England (ECB), 26 May 2023
[4] Bloomberg, National Bureau of Statistic China, 26 May 2023
[5] Principal view, 26 May 2023