



27 January 2023
Weekly Market Recap

Market Data

Asset Class	Curr	1-wk	1-mth	YTD	2022
Equities					
MSCI World	USD	2.2%	7.1%	7.0%	-19.5%
S&P 500	USD	2.5%	6.3%	6.0%	-19.4%
Nasdaq	USD	4.7%	12.4%	11.2%	-33.0%
Stoxx 600-Europe	EUR	0.7%	6.3%	7.1%	-12.9%
MSCI Asia Pac ex-Japan	USD	1.7%	10.2%	10.7%	-19.7%
ASEAN	USD	2.0%	6.1%	5.4%	2.4%
FBMKLCI	MYR	-0.2%	1.6%	0.1%	-4.6%
Fixed Income					
Berg Barclays Global Agg Index	USD	0.0%	3.3%	3.3%	-16.2%
JPM Asia Credit Index-Core	USD	-0.3%	3.2%	3.4%	-13.0%
Asia Dollar Index	USD	0.0%	2.5%	1.9%	-6.4%
Malaysia Corporate Bond Index	MYR	0.07%	2.08%	1.99%	1.51%

Top Performing Principal Funds

Equities					
Principal Global Technology USD	USD	4.4%	13.9%	12.0%	-46.1%
Principal Next G Connectivity USD	USD	3.4%	13.9%	12.9%	-43.3%
Fixed Income					
Principal Islamic Institutional Sukuk	MYR	0.1%	1.4%	1.3%	1.2%

Source: Bloomberg, market data is as of 27 January 2023

*Top performing funds were based on weekly performance.

*Past performance is not an indication of future performance.

Market Review¹

1. Developed markets rose for the week, where the United States (U.S.), Europe, and Japan welcomed some positive signals that the global economy may achieve a soft landing (soft landing refers to an effort on the part of the central bank to slow the economy and bring down inflation, while preventing the country from entering a recession).
2. Asia markets were broadly higher for the week, with Hong Kong's Hang Seng Index adding gains on the first trading session following the New Year holidays.
3. The FTSE Bursa Malaysia KLCI (FBM KLCI) ended lower for the week driven by muted trading activities after the Chinese New Year holiday-shortened trading week.
4. Global bond performances were mixed for the week with the yield on the benchmark 10-year U.S. Treasury note increased moderately as a key inflation report watched by the U.S. Federal Reserve (Fed) indicated a sizable increase in prices. (Note: Bond prices and yields generally move in opposite directions)

Macro Factors

1. In the U.S., a better-than-expected fourth-quarter gross domestic product report last week (quarter on quarter: actual 2.9% vs consensus 2.6%) helped to ignite hopes that the Fed may manage a soft landing.²
2. In Europe, the European Central Bank (ECB) policymakers once again signalled that they would maintain the current course of rate hikes. United Kingdom's (U.K.) inflation slowed for a second consecutive month in December 2022 driven by lower gasoline prices.³
3. Financial markets in mainland China were closed for the Lunar New Year holiday, which started on 21 January 2023, and will reopen on Monday, 30 January 2023. China's gross domestic product rose by 2.9% in the fourth quarter of 2022 and expanded by 3.0% for the full year. The annual growth pace, despite missing the official target of around 5.5% set in March 2022, surpassed the initial forecasts by economists.⁴

Investment Strategy⁵

In the near term, market may still face headwinds in the form of central bank tightening, economic slowdown, and geopolitical conflict. Our broad strategy continues to favour selective approaches, and focus on the themes of Quality Growth, Income and Sustainability.

1. On equities, we prefer quality factors as the macro and geopolitical backdrop remain uncertain. We are positive on Asia as sector earnings are poised to rerate 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, 27 January 2023

² U.S. Bureau of Labor Statistics, 26 January 2023

³ Bloomberg, 26 January 2023

⁴ People's Bank of China (PBOC), 16 January 2023

⁵ Principal view, 30 January 2023

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