

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2022
Equities					
MSCI World	USD	-2.1%	-3.8%	5.0%	-19.5%
S&P 500	USD	-2.5%	-3.7%	7.2%	-19.4%
Nasdaq	USD	-2.6%	-2.7%	29.6%	-33.0%
Stoxx 600-Europe	EUR	-1.0%	-3.9%	1.1%	-12.9%
MSCI Asia Pac ex-Japan	USD	-0.7%	-2.8%	-6.0%	-19.7%
ASEAN	USD	-0.6%	-3.7%	-7.2%	2.4%
Shanghai Shenzhen CSI 300 Index	CNY	1.5%	-3.7%	-8.0%	-21.6%
Hang Seng Index	HKD	1.3%	-1.2%	-12.0%	-15.5%
Shanghai Stock Exchange Composite Index	CNY	1.2%	-2.9%	-2.3%	-15.1%
FBMKLCI	MYR	0.1%	0.1%	-3.6%	-4.6%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.4%	-0.6%	-3.1%	-16.2%
JPM Asia Credit Index-Core	USD	0.6%	-1.0%	1.9%	-13.0%
Asia Dollar Index	USD	0.0%	-0.2%	-4.8%	-6.9%

Top Performing Principal Funds

(1 month return as of 30 September 2023)

Equities					
Principal Islamic Enhanced Opportunities Fund		0.9%	4.8%	-15.8%	
Principal DALI Equity Growth fund		0.3%	0.6%	-9.5%	
Principal Small Cap Opportunities Fund		0.6%	7.3%	-13.3%	
Fixed Income					
Principal Islamic Money Market Fund - Class AI		0.1%	0.8%	0.1%	
Principal Money Market Income Fund - Class AI		0.3%	0.6%	0.9%	
Principal Islamic Lifetime Enhanced Sukuk Fund		0.4%	1.7%	-6.4%	

Source: Bloomberg, market data is as of 27 October 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 Review¹

1. The global financial markets closed the week on a weak note, with the majority of the markets in the red. Among the developed markets, the United State (US) and Japan experienced the largest decline, followed by Europe.
2. Across Asia, the markets delivered mixed returns throughout the week. China's onshore and offshore market experienced the largest gains, while Korea and India experienced the largest decline.
3. In Malaysia, the FBMKLCI in Malaysia ended the week on a subdued note, driven by ongoing cautious sentiment within the regional economy.
4. In the bond market, the price of the 10-year U.S. Treasury note closed on a slightly positive note, with yields stabilising around 4.8% after briefly reaching 5% earlier. The shift was driven by lower issuance and strong subscription. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the market is gearing up for quarterly earnings results. Among those that reported, Amazon's earnings have garnered the most positive reaction. US economy grew at an annualised pace of 4.9% in the third quarter, led by strong consumer spending. Other data also paints a favourable picture, as home sales remained resilient and S&P Global's flash U.S. Composite Purchasing Managers' Index (PMI) saw a slight uptick from September. The core personal consumption expenditure (PCE) shows mixed results, with slight monthly upticks but overall moderation.²
2. In Europe, the European Central Bank maintained a 4.0% key deposit rate, emphasising the need to maintain higher rate to bring inflation closer to its medium-term target of 2%. Business activities continue to show sign of deterioration, with the HCOB Eurozone Composite Purchasing Managers' Index (PMI), which includes both the manufacturing and services sectors, falling to 46.5 from 47.2 in September.³
3. In China, September's industry profit surged by 11.9% from the previous year, indicating potential economic stabilisation. On policy front, the Chinese government announced the issuance of RMB 1 trillion in additional sovereign debt for disaster relief and construction. They also approved a higher fiscal deficit ratio of about 3.8% of gross domestic product for 2023, exceeding the 3% limit set in March. On property development, Country Garden Holdings defaulted on its offshore debt payments for the first time after failing to meet interest payments within the 30-day grace period.⁴

Investment Strategy⁵

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 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 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.

27 October 2023

Weekly Market Recap

Sources:

¹ Bloomberg, 27 October 2023

² Bloomberg, Bureau of Labor Statistics (BLS), S&P Global, US Federal Board, 27 October 2023

³ S&P Global, ECB, Factset, Bank of England (BoE), 27 October 2023

⁴ Bloomberg, National Bureau of Statistic China, 27 October 2023

⁵ Principal view, 27 October 2023

Disclaimer:

We have based this document on information obtained from sources we believe to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness, or correctness. Expressions of opinion contained herein are those of Principal Asset Management Berhad only and are subject to change without notice. This document should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell Principal Asset Management Berhad's investment products. The data presented is for information purposes only and is not a recommendation to buy or sell any securities or adopt any investment strategy. This material is not intended to be relied upon as a forecast, research, or investment advice regarding a particular investment or the markets in general, nor is it intended to predict or depict performance of any investment. We recommend that investors read and understand the contents of the funds' prospectus and product highlights sheet available on the Principal website, which have been duly registered with the Securities Commission Malaysia (SC). Registration of these documents does not amount to nor indicate that the SC has recommended or endorsed the product or service. There are risks, fees and charges involved in investing in the funds. You should understand the risks involved, compare, and consider the fees, charges and costs involved, make your own risk assessment, and seek professional advice, where necessary. This article has not been reviewed by the SC.