Principal®

In alliance with CIMB

28 April 2023

Weekly Market Recap

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Market Data

Asset Class	1-wk	1-mth	YTD	2022
Equities				
MSCI World	0.5%	4.8%	9.0%	-19.5%
S&P 500	0.9%	5.0%	8.6%	-19.4%
Nasdaq	1.9%	5.0%	21.1%	-33.0%
Stoxx 600-Europe	-0.5%	5.0%	9.8%	-12.9%
MSCI Asia Pac ex-Japan	-0.7%	0.2%	1.8%	-19.7%
ASEAN	-0.3%	0.9%	0.2%	2.4%
Shanghai Shenzhen CSI 300 Index	-0.1%	0.7%	4.1%	-21.6%
Hang Seng Index	-0.9%	0.6%	0.6%	-15.5%
Shanghai Stock Exchange Composite Index	0.7%	2.4%	7.6%	-15.1%
FBMKLCI	-0.4%	0.5%	-5.3%	-4.6%
Fixed Income				
Bberg Barclays Global Agg Index	0.7%	0.7%	3.5%	-16.2%
JPM Asia Credit Index-Core	0.2%	1.6%	4.1%	-13.0%
Asia Dollar Index	-0.2%	-0.7%	-0.5%	-6.9%
Malaysia Corporate Bond Index	0.4%	1.2%	3.8%	1.5%

Top Performing Principal Funds (weekly)				
Equities				
Principal Global Multi Asset Income MYR	0.3%	3.5%	2.8%	-11.8%
Principal Islamic Global Selection Mdt Csv MYR	0.4%	0.2%	1.8%	-1.6%
Fixed Income				
Principal Islamic Global Sukuk USD	0.5%	0.9%	1.8%	-8.1%

Source: Bloomberg, market data is as of 28 April 2023.
*Top performing funds were based on weekly performance.
*Past performance is not an indication of future performance.

Market Review[1]

1. The global financial markets largely had a mixed performance over the week. In developed markets, Europe closed with a negative return, while United States (US) and Japan recorded positive gains.
2. In Asia, most Asian markets experienced modest fluctuations throughout the week, with Taiwan and South Korean shares seeing the largest drop in value.
3. Malaysia's trading volumes were muted for the week due to a public holiday on Monday for the Hari Raya Aidilfitri celebration, resulting in a shortened trading week.
4. In the bond market, the US Treasury yields modestly decreased amid volatility ahead of the following week's Federal Reserve policy meeting, where an additional quarter-point rate hike is widely expected. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, more than 50% of the companies in the S&P 500 have reported their Q1 2023 earnings, with 80% of those beating EPS expectations, according to data from FactSet. However, other market data has been concerning. On Thursday, the US Commerce Department announced that GDP growth in the first quarter of 2023 slowed to an annualised and seasonally adjusted rate of 1.1%, which was nearly half of what was expected.[2]
2. In Europe, preliminary data released on Friday showed that the eurozone economy expanded less than expected in the first quarter of 2023, indicating a sluggish start to the year. According to the data, gross domestic product (GDP) in the region ticked up by just 0.1%, which fell short of the projected growth rate.[3]
3. In China, stocks ended with a mixed performance ahead of a five-day holiday, with Beijing's reaffirmation of its supportive policy stance easing concerns about an uneven economic recovery. Meanwhile, the People's Bank of China (PBOC) extended its streak of seven-day reverse repurchase agreements for the 11th consecutive day, injecting a net total of RMB 637 billion to ensure sufficient liquidity at month-end. In other news, profits at industrial firms in China fell 21.4% from January to March from a year earlier, slightly better than the 22.9% drop recorded in the first two months of 2023.[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 continues to be selective with focus on the themes of Quality, Income and Sustainability.

1. 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.
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. 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.

Sources:
[1] Bloomberg, 28 April 2023
[2] Bloomberg, US Federal Board, 28 April 2023
[3] European Central Bank (ECB), 28 April 2023
[4] Bloomberg, National Bureau of Statistic China, 28 April 2023
[5] Principal view, 28 April 2023