

## Market Data

Asset Class	1-wk	1-mth	YTD	2022
<b>Equities</b>				
MSCI World	1.0%	4.5%	17.5%	-19.5%
S&P 500	1.0%	4.7%	19.3%	-19.4%
Nasdaq	2.1%	5.3%	44.0%	-33.0%
Stoxx 600-Europe	1.2%	3.2%	10.8%	-12.9%
MSCI Asia Pac ex-Japan	2.5%	4.5%	6.5%	-19.7%
ASEAN	1.9%	6.6%	3.3%	2.4%
Shanghai Shenzhen CSI 300 Index	4.5%	4.0%	3.1%	-21.6%
Hang Seng Index	4.4%	3.9%	0.7%	-15.5%
Shanghai Stock Exchange Composite Index	3.4%	2.7%	6.0%	-15.1%
FBMKLCI	2.6%	4.5%	-3.0%	-4.6%
<b>Fixed Income</b>				
Bberg Barclays Global Agg Index	-0.3%	0.5%	2.2%	-16.2%
JPM Asia Credit Index-Core	0.0%	0.3%	4.8%	-13.0%
Asia Dollar Index	0.2%	1.3%	-1.8%	-6.9%
Malaysia Corporate Bond Index	-0.02%	0.32%	4.54%	1.51%
<b>Top Performing Principal Funds</b> (monthly as of 30 June 2023)				
<b>Equities</b>				
Principal Greater Bay SGD-H	1.8%	1.4%	1.3%	-20.0%
Principal Greater China Equity	1.3%	-0.4%	2.5%	-19.8%
<b>Fixed Income</b>				
Principal Lifetime Bond Fund	0.1%	-0.4%	1.3%	-2.7%
Principal Islamic Lifetime Sukuk Fund	0.1%	-0.5%	1.8%	-2.9%

Source: Bloomberg, market data is as of 28 July 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 week.

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

## Market Review<sup>1</sup>

1. The global financial markets recorded a solid performance over the week. Developed markets, in particular the United States (US), Europe, and Japan, recorded positive gains.
2. In Asia, the markets were mostly positive over the week, with China onshore and Hang Seng Index chalking up the most significant gains, while South Korea showed a marginal negative return.
3. In Malaysia, the performance of FBMKLCI closed positively, supported by improving regional sentiment as well as favourable inflation and hope for a soft landing.
4. In bond market, the price of the benchmark 10-year U.S. Treasury note closed marginally lower with the long-term yield rise higher on the strong growth signals, despite the initially reassuring inflation data that had helped push down U.S. Treasury yields at the start of the week. (Bond prices move in the opposite direction of bond yields)

## Macro Factors

1. In the US, reports emerged with recent data suggesting that the economy might manage a soft landing even as borrowing costs increased. The Fed announced a 0.25% rate hike following the conclusion of its two-day policy meeting on Wednesday, a move that was widely expected.<sup>2</sup>
2. The European Central Bank (ECB) raised interest rates to their highest level in years, reaching 3.75% due to euro area inflation staying high for too long, as expected. However, the ECB also signaled a willingness to remain flexible about future rate decisions, suggesting that a pause in monetary tightening could be on the horizon.<sup>3</sup>
3. In China, amidst a sluggish economic recovery post-lockdown, the recent July Politburo meeting saw the government pledge to provide stimulus to boost domestic consumption. Officials also vowed to enhance support for the ailing real estate sector following the Politburo's latest meeting. In other news, China's industrial profits showed a slower decline in June, falling by 8.3% Y-o-Y compared to May's 12.6% drop. Despite improving manufacturing activity, profits remain under pressure due to the risk of deflation.<sup>4</sup>

## Investment Strategy<sup>5</sup>

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, particularly in the technology sector, and believe that Asian equities and fixed income present more value in the short term.

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 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 and positioned in the areas of a) bottoming of the tech hardware cycle; b) long term growth headroom from low penetration rates, e.g., India; c) ASEAN continue to provide a combination of recovery plays and long-term structural themes; and d) China's reopening, although we are judicious in which areas.
3. We also favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and recessionary concerns.

28 July 2023

# Weekly Market Recap



## Sources:

<sup>1</sup> Bloomberg, 28 July 2023

<sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 28 July 2023

<sup>3</sup> S&P Global Bank of England (ECB), 28 July 2023

<sup>4</sup> Bloomberg, National Bureau of Statistic China, 28 July 2023

<sup>5</sup> Principal view, 28 July 2023

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