



In alliance with  CIMB

3 February 2023

Weekly Market Recap



Market Data

| Asset Class | | Curr | 1-wk | 1-mth | YTD | 2022 |
|--|----------------------|------|-------|--------|-------|--------|
| Equities | | | | | | |
| MSCI World | MXWO Index | USD | 1.3% | -13.0% | 8.4% | -19.5% |
| S&P 500 | SPX Index | USD | 1.6% | -13.8% | 7.7% | -19.4% |
| Nasdaq | NDX Index | USD | 3.3% | -23.8% | 14.9% | -33.0% |
| Stoxx 600-Europe | SXXP Index | EUR | 1.2% | -6.0% | 8.4% | -12.9% |
| MSCI Asia Pac ex-Japan | MXAPJ Index | USD | -1.1% | -12.0% | 9.5% | -19.7% |
| ASEAN | ASEAN40 Index | USD | -0.3% | 7.6% | 5.1% | 2.4% |
| FBMKLCI | FBMKLCI Index | MYR | -0.5% | -3.8% | -0.3% | -4.6% |
| Fixed Income | | | | | | |
| Berg Barclays Global Agg Index | LEGATRUU Index | USD | 0.2% | -12.7% | 3.5% | -16.2% |
| JPM Asia Credit Index-Core | JPEIJACC Index | USD | 1.0% | -9.3% | 4.5% | -13.0% |
| Asia Dollar Index | ADXY Index | USD | -0.4% | -4.9% | 1.5% | -6.4% |
| Malaysia Corporate Bond Index | BPAM Corps All Index | MYR | 0.27% | 2.06% | 1.99% | 1.51% |
| Top Performing Principal Funds | | | | | | |
| Equities | | | | | | |
| Principal Small Cap Opportunities | CTHDTRE MK Equity | MYR | 1.7% | -6.8% | 8.6% | -13.3% |
| Principal China Direct Opportunities USD | CPCDUSD MK Equity | USD | 2.6% | -16.1% | 11.6% | -25.1% |
| Fixed Income | | | | | | |
| Principal Institutional Bond 7 | CIMP1B7 MK Equity | MYR | 1.3% | 2.9% | 1.3% | 1.6% |

Source: Bloomberg, market data is as of 3 February 2023

*Top performing funds were based on weekly performance.

*Past performance is not an indication of future performance.

Market Review¹

1. The stock markets continued to perform favourably last week, with Developed Markets including United States (U.S.), Europe, and Japan extending their positive gains into February.
2. Asian markets registered mixed performance for the week, with broad markets including China returned negatively while Taiwan and Thailand added positive gains.
3. The FTSE Bursa Malaysia KLCI (FBM KLCI) ended lower for the week but sentiment turned positive on Friday supported by Wall Street's relief rally after encouraging signals from the U.S. Federal Reserve (Fed). (A relief rally is a respite from a broader market sell-off that results in temporarily higher securities prices).
4. Global bond performances were positive for the week with the yield on the benchmark 10-year U.S. Treasury note falling as low as 3.33% in intraday trading on Thursday before turning higher to end Friday at 3.53%. (Note: Bond prices and yields generally move in opposite directions)

Macro Factors

1. In the U.S., stocks rallied following the Fed's latest meeting where it announced a 25-basis-point (0.25%) rate hike alongside some upside surprises in economic data and fourth-quarter earnings reports, which helped to ignite hopes that the Fed may manage 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
2. In Europe, the European Central Bank (ECB) raised its key interest rates by half a percentage point, taking the deposit rate to 2.5%. The central bank said headline inflations has begun to edge back but it still sees the need to raise rates by the same amount in March.³
3. In China, the equities fell in the first full week of trading as investors pocketed gains from a recent rally and turned cautious on the strength of the country's recovery. China's official manufacturing Purchasing Managers' Index (PMI) rose to 50.1 in January 2023 from December 2022's 47.0. This marked a return to growth for the first time since September as domestic activity improved.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, 3 February 2023

² Federal Reserve Board, 1 February 2023

³ European Central Bank (ECB), 2 February 2023

⁴ National Bureau of Statistic of China, 31 January 2023

⁵ Principal view, 7 February 2023

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