Principal®

In alliance with CIMB

24 February 2023

Weekly Market Recap

3 March 2023

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Market Data

Asset Class	1-wk	1-mth	YTD	2022
Equities				
MSCI World	1.9%	-2.2%	6.0%	-19.5%
S&P 500	1.9%	-2.2%	5.4%	-19.4%
Nasdaq	2.7%	-2.2%	12.3%	-33.0%
Stoxx 600-Europe	1.4%	0.8%	9.3%	-12.9%
MSCI Asia Pac ex-Japan	1.5%	-5.5%	3.5%	-19.7%
ASEAN	-1.4%	-7.0%	-2.2%	2.4%
Shanghai Shenzhen CSI 300 Index	1.7%	-0.3%	6.7%	-21.6%
Hang Seng Index	2.8%	-5.0%	4.0%	-15.5%
Shanghai Stock Exchange Composite Index	1.9%	2.0%	7.7%	-15.1%
FBMKLCI	-0.2%	-2.5%	-2.8%	-4.6%
Fixed Income				
Bberg Barclays Global Agg Index	0.0%	-3.7%	-0.3%	-16.2%
JPM Asia Credit Index-Core	-0.2%	-2.8%	1.5%	-13.0%
Asia Dollar Index	0.7%	-1.7%	-0.2%	-6.4%
Malaysia Corporate Bond Index	-0.5%	-0.7%	2.0%	1.5%

Top Performing Principal Funds (weekly)

Equities				
Principal Greater China Equity	3.5%	-1.7%	7.6%	-19.8%
Principal China Multi Asset Income USD	2.0%	-5.6%	1.5%	-29.7%
Fixed Income				
Principal Institutional Bond 7	0.2%	0.2%	1.5%	1.6%

Source: Bloomberg, market data is as of 3 March 2023.
*Top performing funds were based on weekly performance.
*Past performance is not an indication of future performance.

Market Review[1]

1. Global financial markets regained some ground over the week as investors looked pass concerns on interest rates and focused on signs of improving economic outlook. In Developed Markets, the United States (U.S.), Europe, and Japan markets gained over the week.

2. In Asia, majority of the stock market rose for the week, with Chinese stocks rose for the second week ahead of the National People Congress (NPC) meeting as investors anticipate new catalysts from the government.

3. The FTSE Bursa Malaysia KLCI (FBM KLCI) closed marginally even for the week driven by ongoing uncertainty over global interest rate hikes and economic outlook.

4. In bond market, the value of global bonds closed marginally lower over the week, with the yield on the benchmark 10-year U.S. Treasury rising around the 4.00% range as expectation for more interest rate hikes lingers. (Note: Bond prices and yields generally move in opposite direction).

Macro Factors

1. In U.S., the manufacturing sector was contracting at a slower rate. The Institute for Supply Management's manufacturing Purchasing Managers' Index (PMI) ticked higher in February for the first time since May 2022, although it remained in contraction territory at 47.7. The services PMI fell slightly but still indicated moderate expansion (55.1). (levels below 50 indicate slowing activity).[2]

2. In Europe, inflation eased in February to an annual rate of 8.5% from 8.6% the previous month. However, core inflation (excluding volatile food and energy costs) ticked up to 5.6% from 5.3%. The European Central Bank indicated that a further half-point interest rate increase would likely be forthcoming at the 16 March 2023 meeting.[3]

3. In China, the NPC meeting will take place on Sunday, 5 March 2023, and is expected to last about one week. The meeting occurs every five years and is closely watched for signals about economic policy shifts and any senior leadership changes. China's official manufacturing PMI data rose to 52.6 in February from January's 50.1. The non-manufacturing PMI increased to 56.3 from 54.4 the previous month.[1]

Investment Strategy[4]

Overall, the path ahead may still be volatile in the form of central bank tightening, persistent inflation, and economic slowdown. However, we believe markets over time will be stabilised and positioned for a more sustainable recovery. 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 be rerated 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.

Sources:
[1] Bloomberg, 3 March 2023
[2] US Department of Commerce, 3 March 2023
[3] European Central Bank (ECB), 3 March 2023
[4] Principal view, 3 March 2023