

Market Data

Source: Bloomberg, market data is as of 3rd May 2024.

*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.

* The fund performance was referenced from the daily performance report, data was extracted from Lipper.

* The performance figures are based on the fund's respective currency class.

*Past performance is not an indication of future performance.

Market Review¹

1. Global financial markets were mostly positive this week. In developed markets, the largest gains were led by the Japan and US, while Europe experienced a negative return.
2. Across Asia, performance was largely positive, with Hang Seng experiencing the largest gain, followed by China onshore and Indonesia markets. In Malaysia, the FBMKLCI also closed positively, supported by the positive sentiment in the regional market.
3. In the bond market, US 10-year Treasury yields dived below the 4.5% range as investors re-evaluate future interest rate trajectories post the weaker than expected job data in the US. The latest persistent inflation data suggests that fewer than two rate cuts are now anticipated. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the Federal Reserve kept the target range for the federal funds rate unchanged at 5.25%-5.50% during its May meeting for the sixth consecutive time, as sticky inflation and a resilient labor market indicate a potential delay in bringing inflation back down to its 2% target this year. Nevertheless, the committee downplays the possibility of a hike as they believe the current policy is sufficiently restrictive to achieve inflation target. The ISM Manufacturing PMI fell to 49.2 in April from 50.3 in the earlier month. The data reflected a contraction in the manufacturing sector, failing to maintain earlier traction.²
2. In Europe, the economy expanded by 0.3% in the first quarter, the fastest growth rate since the third quarter of 2022, beating the prior month's contraction of 0.1%. Year on year, the economy expanded by 0.4% from the corresponding quarter of the previous year, exceeding the growth of 0.1% in the prior two quarters. On inflation, preliminary estimates indicate that the annual figures in the economic bloc remained at 2.4 percent in April, aligning with market expectations.³
3. In China, the official NBS Manufacturing PMI was held at 50.4 in April, down from March's 50.8. It was the second straight month of expansion in factory activity, amid continued efforts from Beijing to spur an economic upswing. The official NBS Non-Manufacturing PMI fell to 51.2 in April, down from 53.0 in the previous month. It was the 16th consecutive month of expansion in services activity.⁴
4. In Malaysia, the S&P Global Manufacturing PMI accelerated slightly to 49.0 in April from March's 48.4. It was the 20th straight month of contraction in factory activity, as demand remained muted, with output and new orders remaining soft. Nevertheless, foreign sales improved for the first time in a year.⁵

Investment Strategy⁶

The recent rise in volatility, attributed to geopolitical risk and markets adjusting to a likely delay in the start of US rate cuts, highlights the importance of diversification and the need to focus on quality. We advocate for a balanced allocation in both equity and fixed income, with a preference for quality and income attributes to enhance portfolio resilience. We are exercising caution with USD assets and believe that Asian equities and fixed income offer more value in the short term.

1. We find bonds appealing as we perceive that the central bank's hiking cycle have reached its peak. 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 potential 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 favor an income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and concerns of economic slowdown.

Sources:

- ¹ Bloomberg, 3rd May 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 3rd May 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 3rd May 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 3rd May 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 3rd May 2024
- ⁶ Principal view, 3rd May 2024

*PMI refers to Purchasing Manufacturing Index

*HCOB refers to Hamburg Commercial Bank

*NBS PMI refers to official data released by National Bureau of Statistic in China

*Caixin PMI refers to data published by Caixin Media and ISH Markit. It provides alternative gauge focusing on smaller and medium-sized enterprises.

*ECB refers to European Central Bank

*PBOC refers to People's Bank of China

*PCE refers to Personal Consumption Expenditure

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