

## Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2022
<b>Equities</b>					
MSCI World	USD	5.6%	3.0%	10.8%	-19.5%
S&P 500	USD	5.9%	3.0%	13.5%	-19.4%
Nasdaq	USD	6.5%	3.7%	38.0%	-33.0%
Stoxx 600-Europe	EUR	3.4%	0.8%	4.6%	-12.9%
MSCI Asia Pac ex-Japan	USD	2.8%	0.9%	-3.3%	-19.7%
ASEAN	USD	2.9%	0.0%	-4.5%	2.4%
Shanghai Shenzhen CSI 300 Index	CNY	0.6%	-2.9%	-7.4%	-21.6%
Hang Seng Index	HKD	1.5%	1.9%	-10.7%	-15.5%
Shanghai Stock Exchange Composite Index	CNY	0.4%	-2.6%	-1.9%	-15.1%
FBMKLCI	MYR	0.6%	2.1%	-3.0%	-4.6%
<b>Fixed Income</b>					
Berg Barclays Global Agg Index	USD	1.9%	2.3%	-1.2%	-16.2%
JPM Asia Credit Index-Core	USD	1.3%	1.0%	3.2%	-13.0%
Asia Dollar Index	USD	0.7%	0.6%	-4.1%	-6.9%
Malaysia Corporate Bond Index	MYR	-0.9%	0.7%	-4.1%	37.2%
<b>Top Performing Principal Funds</b> (1 month return as of 31 October 2023)					
<b>Equities</b>					
Principal Global Multi Asset Income Fund - Class MYR			-0.6%	2.3%	-11.8%
Principal DALI Equity Growth Fund			-0.8%	-0.3%	-9.5%
Principal Commodity Fund - Class USD			-0.9%	-5.0%	nil
<b>Fixed Income</b>					
Principal Asia Dynamic Bond Fund - Class MYR			0.5%	2.9%	-4.7%
Principal Money Market Income Fund - Class AI			0.3%	0.2%	0.9%
Principal Islamic Deposit Fund - Class AI			0.3%	3.0%	2.2%

Source: Bloomberg, market data is as of 3 November 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 period under review.

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

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

1. The global financial markets wrapped up the week on a positive note, with the United State (US) leading the gains among the developed markets, followed by Europe and Japan.
2. Across Asia, the majority of the markets delivered positive returns throughout the week, with Taiwan and Korea leading the way, closely followed by China onshore and offshore.
3. In Malaysia, the FBMKLCI in Malaysia ended the week on a positive note, fuelled by optimism in the regional market.
4. Turning to bond market, the price of the 10-year U.S. Treasury note closed on a positive note, with yields stabilising around 4.5% after briefly reaching 5% earlier. The shift was driven by the recent unchanged interest rate and slight moderation in the recent US' job and economic data. (Bond prices move in the opposite direction of bond yields)

## Macro Factors

1. In the US, the market welcomed the US Federal's decision to keep the interest rate unchanged at 5.25% - 5.5%. The Federal committee reaffirms its commitment to the inflation target and a data-dependent approach. On macro, the October Institute for Supply Management (ISM) indicators show a weakening trend in manufacturing and services compared to the previous month. Job data also shows slight signs of cooling, with a small increase in unemployment and non-farm payroll slightly below consensus. <sup>2</sup>
2. In Europe, the consumer price index (CPI) sharply declined to 2.9% compared to last year and 0.1% from last month. The gross domestic product (GDP) in the Euro Zone saw a modest increase of 0.1% from last year but contracted by 0.1% from last month. <sup>3</sup>
3. In China, factory activities returned to contraction in October, with the official manufacturing Purchasing Manager's Index (PMI) fell to 49.5. The non-manufacturing PMI remained in expansion at 50.6, but lower than last month. On property, new home sales by the country's top 100 developers fell 27.5% in October from a year earlier, easing from the 29.2% drop in September. <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 and believe that Asian equities and fixed income present more value in the short term.

1. We find bonds appealing as we perceive a higher likelihood that central bank hiking cycle will end soon. 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 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 favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and recessionary concerns.

3 November 2023

# Weekly Market Recap

Sources:

<sup>1</sup> Bloomberg, 3 November 2023

<sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 3 November 2023

<sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 3 November 2023

<sup>4</sup> Bloomberg, National Bureau of Statistic China, 3 November 2023

<sup>5</sup> Principal view, 3 November 2023

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