

Market Data

Asset Class	1-wk	1-mth	YTD	2022
Equities				
MSCI World	2.2%	5.0%	14.0%	-19.5%
S&P 500	2.3%	5.8%	15.9%	-19.4%
Nasdaq	1.9%	5.7%	38.8%	-33.0%
Stoxx 600-Europe	1.9%	1.2%	8.7%	-12.9%
MSCI Asia Pac ex-Japan	0.0%	1.2%	1.7%	-19.7%
ASEAN	-0.1%	-0.8%	-2.7%	2.4%
Shanghai Shenzhen CSI 300 Index	-0.6%	0.1%	-0.8%	-21.6%
Hang Seng Index	0.1%	1.7%	-4.4%	-15.5%
Shanghai Stock Exchange Composite Index	0.1%	-0.7%	3.7%	-15.1%
FBMKLCI	-1.0%	-1.4%	-7.9%	-4.6%
Fixed Income				
Bberg Barclays Global Agg Index	-0.3%	0.1%	1.4%	-16.2%
JPM Asia Credit Index-Core	0.0%	0.9%	4.3%	-13.0%
Asia Dollar Index	-0.7%	-1.3%	-3.2%	-6.9%
Malaysia Corporate Bond Index	0.20%	0.14%	4.20%	1.51%
Top Performing Principal Funds (monthly as of 31 May 2023)				
Equities				
Principal Global Technology	1.4%	4.5%	35.3%	-46.1%
Principal Next-G Connectivity	0.7%	1.8%	18.8%	-43.3%
Fixed Income				
Principal Asia Dynamic Bond MYR	0.0%	0.0%	1.5%	-0.4%

Source: Bloomberg, market data is as of 30 June 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 Review¹

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 experienced a mixed performance over the week, with China onshore and Taiwan markets experiencing losses, while Japan and India led the gains.
3. In Malaysia, market performance was weak over the week, primarily due to a combination of regional weakness on interest rate hike fears and China's disappointing economic data weighed on sentiment.
4. In the bond market, the yield on the benchmark 10-year U.S. Treasury note increased slightly over the week, possibly due to improvement in broad risk-on sentiment in the equity market. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the Commerce Department reported a slight increase in the PCE price index for May, bringing its year-over-year increase to its lowest level since April 2021 at 3.8%. The core PCE index, which the US Federal Reserve (Fed) considers its preferred inflation gauge and excludes food and energy, also showed a decrease from the previous month. This helped to calm fears of a reacceleration in prices, although it still remains above the Fed's target.²
2. In Europe, the annual inflation slowed for a third consecutive month in June, dropping to 5.5% from 6.1% in May, lower than the 5.6% forecast by economists polled by FactSet. The initial estimate from the EU's statistics office also showed that core inflation (excluding energy, food, alcohol, and tobacco prices) increased slightly from 5.3% to 5.4%.³
3. In China, report shows the official manufacturing PMI rose to 49.0 in June, an improvement from May's 48.8, while non-manufacturing PMI fell to 53.2 in June from May's 54.5. In other news, domestic consumption during the three-day Dragon Boat Festival holiday showed some improvement but fell short of pre-pandemic levels.⁴

Investment Strategy⁵

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.

30 June 2023

Weekly Market Recap



Sources:

¹ Bloomberg, 30 June 2023

² Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 30 June 2023

³ S&P Global Bank of England (ECB), 30 June 2023

⁴ Bloomberg, National Bureau of Statistic China, 30 June 2023

⁵ Principal view, 30 June 2023

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