31 March 2023

Weekly Market Recap

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Principal® In alliance with CIMB

Market Data

Asset Class	1-wk	1-mth	YTD	2022
Equities				
MSCI World	3.7%	2.8%	7.3%	-19.5%
S&P 500	3.5%	3.5%	7.0%	-19.4%
Nasdaq	3.2%	9.5%	20.5%	-33.0%
Stoxx 600-Europe	4.0%	-0.7%	7.8%	-12.9%
MSCI Asia Pac ex-Japan	1.9%	2.5%	3.6%	-19.7%
ASEAN	0.9%	1.9%	-0.3%	2.4%
Shanghai Shenzhen CSI 300 Index	0.6%	-0.5%	4.6%	-21.6%
Hang Seng Index	2.4%	3.1%	3.1%	-15.5%
Shanghai Stock Exchange Composite Index	0.2%	-0.2%	5.9%	-15.1%
FBMKLCI	1.6%	-2.2%	-4.9%	-4.6%
Fixed Income				
Bberg Barclays Global Agg Index	-0.4%	3.2%	3.0%	-16.2%
JPM Asia Credit Index-Core	-0.7%	1.0%	2.8%	-13.0%
Asia Dollar Index	-0.1%	1.1%	0.2%	-6.9%
Malaysia Corporate Bond Index	-0.1%	0.5%	2.5%	1.5%

Top Performing Principal Funds (Weekly)

Equities				
Principal Global Sustainable Growth MYR H	2.7%	3.5%	6.0%	-18.8%
Principal Biotechnology Discovery USD	1.9%	-0.2%	-0.3%	-12.7%
Fixed Income				
Principal Institutional Bond 4	0.1%	0.1%	0.9%	-0.4%

Source: Bloomberg, market data is as of 31 March 2023.
*Top performing funds were based on weekly performance.
*Past performance is not an indication of future performance.

Market Review[1]

1. The global financial market posted solids gain over the week, led by receding concerns over the recent banking sector turmoil and increase in confidence that the peak in bond yields has passed and won't rise much more. In developed markets, the United States (US), Europe, and Japan closed marginally higher over the week.
2. In Asia, majority of the markets rallied over the week. China stocks gained ground as robust economic data, along with supportive comments from Beijing, bolstered confidence in the country's growth outlook.
3. In Malaysia, the FTSE Bursa Malaysia KLCI (FBM KLCI) made marginal gains for the week, supported by easing concerns over the global uncertainties and US Federal monetary policy.
4. In the bond market, performance was flat over the week as US Treasury yields took a breather from the worst of the elevated volatility. The benchmark 10-year U.S. Treasury saw a small rise in yield. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, bank stocks rebounded after the decline caused by the collapses of Silicon Valley Bank and Signature Bank, with the KBW Bank Index outpacing the broad market's gains. The US core personal consumption expenditure (PCE) price index data (excluding food and energy) for February was positive, coming in below the expected 4.7%.[2]
2. In Europe, the annual consumer price growth slowed to 6.9% in March from 8.5% in February, lower than the consensus forecast of 7.1%, due to a decrease in energy costs.[3]
3. In China, Premier Li Qiang, who recently became the country's second-ranking official, reiterated China's dedication to opening its economy and implementing reforms that promote international business and stimulate consumption. China's official manufacturing Purchasing Managers' Index (PMI) for March came in at 51.9, surpassing expectations, while the nonmanufacturing PMI reached 58.2, the highest since May 2011.[1]

Investment Strategy[4]

The equity and fixed-income markets completed a volatile but positive first quarter, and while the coast is not yet clear, it is likely that investors' patience will be rewarded. In the wake of recent global uncertainties, investors may also consider focusing on high-quality income to weather these uncertain times. Our broad strategy continues to be selective with focus on the themes of Quality, Income and Sustainability.

1. On equities, we prefer quality names 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, 31 March 2023
[2] Bloomberg, US Federal Board, 31 March 2023
[3] Bloomberg, FactSet, 31 March 2023
[4] Principal view, 31 March 2023