

## Market Data

Asset Class	Curr	1-wk	1-mth	YTD	2022
<b>Equities</b>					
MSCI World	USD	-2.3%	0.5%	14.7%	-19.5%
S&P 500	USD	-2.3%	0.5%	16.6%	-19.4%
Nasdaq	USD	-3.0%	0.4%	39.6%	-33.0%
Stoxx 600-Europe	EUR	-2.4%	-0.4%	8.1%	-12.9%
MSCI Asia Pac ex-Japan	USD	-2.3%	0.5%	4.1%	-19.7%
ASEAN	USD	-1.8%	3.3%	1.5%	2.4%
Shanghai Shenzhen CSI 300 Index	CNY	0.7%	3.1%	3.8%	-21.6%
Hang Seng Index	HKD	-1.9%	0.6%	-1.2%	-15.5%
Shanghai Stock Exchange Composite Index	CNY	0.4%	1.3%	6.4%	-15.1%
FBMKLCI	MYR	-0.4%	3.8%	-3.4%	-4.6%
<b>Fixed Income</b>					
Bberg Barclays Global Agg Index	USD	-0.8%	0.0%	1.4%	-16.2%
JPM Asia Credit Index-Core	USD	-0.7%	-0.4%	4.1%	-13.0%
Asia Dollar Index	USD	-0.7%	0.1%	-2.5%	-6.9%
Malaysia Corporate Bond Index	MYR	-0.10%	0.41%	4.44%	1.51%

### Top Performing Principal Funds

(1 month return as of 31 July 2023)

<b>Equities</b>					
Principal Commodity USD		0.1%	6.9%	-3.1%	-
Principal ASEAN Dynamic USD		1.8%	5.7%	2.7%	-1.3%
Principal Next-G Connectivity USD		1.6%	5.6%	28.3%	-43.3%
<b>Fixed Income</b>					
Principal Islamic Lifetime Enhanced Sukuk		0.1%	0.6%	3.9%	-3.1%
Principal Lifetime Bond		0.1%	0.6%	4.4%	1.3%
Principal Islamic Lifetime Sukuk		0.1%	0.5%	4.3%	1.1%

Source: Bloomberg, market data is as of 4 August 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 consolidated over the week. Developed markets in the United States (US), Europe, and Japan closed with negative returns.
2. In Asia, the markets experienced a mixed performance over the week, with China onshore recording the largest gains while Taiwan and Hang Seng being the biggest drags.
3. In Malaysia, the performance of FBMKLCI was flat over the week, primarily due to a combination of regional and domestic weakness.
4. In bond market, the price of the benchmark 10-year U.S. Treasury note closed marginally lower with the long-term yield rise higher driven by expectations for higher levels of issuance by the Treasury Department. (Bond prices move in the opposite direction of bond yields)

## Macro Factors

1. In the US, Fitch Ratings downgraded the credit rating of US government debt from AAA to AA+ due to a "deterioration in the standards of governance" and "repeated debt-limit political standoffs and last-minute resolutions". In other news, July's nonfarm payroll report indicated a slight increase of 187,000 jobs, similar to June's revised figure of 185,000. <sup>2</sup>
2. The Bank of England increased its key interest rate by 0.25%, reaching a 15-year high of 5.25%. This move indicates a commitment to keeping rates elevated for an extended period to bring inflation back to the 2% target. Meanwhile, annual inflation in the euro area decreased to 5.3% in July from 5.5% in June, although it still remains significantly above the European Central Bank's 2% target. <sup>3</sup>
3. In China, the State Council announced new measures to boost consumption in sectors such as autos, real estate, and services to revive the sluggish economic recovery post-lockdown. The People's Bank of China (PBOC) also pledged support for the development of the real estate market. China's official manufacturing Purchasing Managers' Index (PMI) increased to 49.3 in July, as anticipated, but remained below the 50-point threshold for the fourth consecutive month, indicating contraction. The nonmanufacturing PMI declined to 51.5 in July from 53.2 in June, falling short of expectations. <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, 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.

4 August 2023

# Weekly Market Recap



## Sources:

<sup>1</sup> Bloomberg, 4 August 2023

<sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 4 August 2023

<sup>3</sup> S&P Global Bank of England (ECB), 4 August 2023

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

<sup>5</sup> Principal view, 4 August 2023

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