

## Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
<b>Equities</b>					
MSCI World	USD	1.2%	2.8%	21.7%	21.7%
S&P 500	USD	1.0%	2.8%	27.7%	24.2%
Nasdaq	USD	3.3%	4.1%	28.6%	53.8%
Russell 2000	USD	-1.0%	0.8%	18.8%	15.1%
Stoxx 600-Europe	EUR	2.0%	2.8%	8.8%	12.7%
Nikkei 225	JPY	2.3%	-1.0%	16.6%	28.3%
MSCI Asia Pac ex-Japan	USD	1.7%	-1.6%	10.9%	4.5%
ASEAN	USD	2.3%	2.4%	11.7%	-3.1%
Shanghai Shenzhen CSI 300 Index	CNY	1.4%	-1.4%	15.8%	-11.4%
Hang Seng Index	HKD	2.3%	-3.1%	16.6%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	2.3%	0.5%	14.4%	-3.7%
FBMKLCI	MYR	1.2%	-1.2%	10.9%	-2.8%
<b>Fixed Income</b>					
Eberg Barclays Global Agg Index	USD	0.3%	1.4%	0.7%	5.7%
JPM Asia Credit Index-Core	USD	0.1%	1.3%	7.3%	9.9%
Asia Dollar Index	USD	-0.3%	-0.9%	-3.0%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.2%	1.1%	4.2%	6.4%
<b>Top Performing Principal Funds</b>					
		1-mth as of (30 November 2024)		YTD as of (30 November 2024)	
<b>Equities</b>					
Principal US High Conviction Equity USD		12.48		24.13	
Principal Global Technology USD		5.68		24.91	
Principal Islamic Small Cap Opportunities		4.32		34.37	
<b>Balanced</b>					
Principal Global Multi Asset Income MYR		3.08		5.09	
Principal Lifetime Balanced (70:30)		0.64		18.02	
Principal Lifetime Balanced Income (60:40)		0.62		16.21	
<b>Fixed Income</b>					
Principal Conservative Bond		0.36		3.90	
Principal Islamic Lifetime Sukuk		0.33		4.03	
Principal Lifetime Bond		0.32		3.85	

Source: Bloomberg, market data is as of 6th December 2024.

\*As we emphasise a long-term focus, the top performing funds were selected based on 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 Review <sup>1</sup>

1. This week, global financial markets were largely positive. Among developed markets, Europe saw the most significant gains, followed by Japan and the United States.
2. Across Asia, markets displayed a positive performance overall. The largest gains were seen in Taiwan and Indonesia, whereas South Korea experienced the largest declines. In Malaysia, the FBMKLCI closed slightly positive, with strong trading interest noted in the Technology, Industrial, and Consumer sectors.
3. In the bond market, the US 10-year Treasury yield hovered around the 4.1% range as investors digested key payroll data, which kept the door open for another rate cut from the Federal Reserve later this month. (It's worth noting that bond prices move in the opposite direction of bond yields.)

## Macro Factors

1. In the U.S., the ISM Manufacturing PMI increased to 48.4 in November 2024 from 46.5 in October, beating forecasts. The reading pointed to another, albeit softer, contraction in the manufacturing sector. Meanwhile, the ISM Services PMI declined to 52.1 in November 2024 from 56 in October, well below forecasts of 55.5. U.S. Initial jobless claims rose to 224,000 for the week ending November 30, from 213,000 in the previous week, and above the market expectations. The unemployment rate in November edged up slightly to 4.2% from 4.1% in the previous month, in line with market expectation<sup>2</sup>.
2. In Europe, retail sales declined 0.5% month-over-month in October 2024, reversing a 0.5% rise in September and worse than forecasts of a 0.3% fall. The HCOB Eurozone Composite PMI was revised slightly higher to 48.3 in November 2024 from a preliminary of 48.1, compared to 50 in October. Still, the reading showed private sector activity fell back into contraction. The services sector shrank for the first time in ten months (49.5 vs 51.6) and the manufacturing downturn deepened (45.2 vs 46).<sup>3</sup>
3. In China, the Caixin General Manufacturing PMI rose to 51.5 in November 2024 from 50.3 in October, surpassing market estimates and marking the second straight month of increases. The latest result indicated the 13th consecutive month of growth in private sector activity, with a faster rise in manufacturing offsetting a slight slowdown in the services sector.<sup>4</sup>
4. In Malaysia, the S&P Global Manufacturing PMI dipped to 49.2 in November 2024 from 49.5 in the prior two months. This was the lowest reading since June, marking the 6<sup>th</sup> consecutive month of contraction in the manufacturing sector. New orders shrank for the fourth time in five months, with their rate of decline the most pronounced since April. Meanwhile, a decline in output eased fractionally as firms scaled back employment amid a broad stabilization in backlogs of work.<sup>5</sup>

## Investment Strategy <sup>6</sup>

In the year ahead, leading into 2025, we analyse the next phase of the market, including political changes in the US, potential higher inflation, the changing narrative around interest rates, and the implication on trade tariff on Asia market. As specific policy plans emerge, investors should brace for market fluctuations and consider using significant changes to enhance their long-term portfolios. We slightly prefer equities over fixed income. Key themes for 2025 include: i) the impact of policy shifts on China's recovery; ii) the U.S. economic outlook regarding a soft landing; and iii) the influence of geopolitical risks on asset prices.

1. **Equities:** We favour quality, dividend-paying stocks for their defensive nature amid macroeconomic uncertainties. Our focus is on Asia, targeting: a) idiosyncratic ideas where company earnings are primarily influenced by domestic economic factors; b) Chinese domestic consumption; c) technology (beneficiaries of AI and internet platforms); d) industrial names with exposure to grid capex; e) strong consumer and banking franchises in Southeast Asia; and f) selective Indian companies that are reasonably valued with growth potential. Additionally, we note Malaysia's positive outlook due to political stability and initiatives like the New Energy Transition Roadmap.
2. **Fixed Income:** The recent correction in MGS/MGII has made government bonds more attractive, but caution is advised due to potential short-term volatility after the U.S. elections. We continue to prefer new corporate bond issuances, which offer better yield and valuations.
3. **Diversification:** We recommend a diversified approach to navigate volatility from geopolitical tensions, central bank rate cuts, and market adjustments following the U.S. election.

Sources:

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

\*PMI refers to Purchasing Manufacturing Index

\*HCOB refers to Hamburg Commercial Bank

\*NBS PMI refers to official data released by National Bureau of Statist 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

FOMC: Federal Open Market Committee

\*y-o-y refers to year on year

\*m-o-m refers to month on month

\*UST refers to United States Treasury

\*BNM refers to Bank Negara Malaysia

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