

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2022
Equities					
MSCI World	USD	-0.3%	-3.7%	9.3%	-19.5%
S&P 500	USD	0.5%	-3.5%	12.2%	-19.4%
Nasdaq	USD	1.8%	-2.6%	36.9%	-33.0%
Stoxx 600-Europe	EUR	-1.2%	-2.1%	4.7%	-12.9%
MSCI Asia Pac ex-Japan	USD	-1.2%	-4.2%	-3.9%	-19.7%
ASEAN	USD	-1.3%	-4.2%	-4.8%	2.4%
Shanghai Shenzhen CSI 300 Index	CNY	0.0%	-3.2%	-4.7%	-21.6%
Hang Seng Index	HKD	-1.8%	-5.2%	-11.6%	-15.5%
Shanghai Stock Exchange Composite Index	CNY	0.0%	-1.5%	0.7%	-15.1%
FBMKLCI	MYR	-0.5%	-3.0%	-5.3%	-4.6%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-1.0%	-2.5%	-3.2%	-16.2%
JPM Asia Credit Index-Core	USD	-1.0%	-1.8%	1.8%	-13.0%
Asia Dollar Index	USD	-0.1%	-0.4%	-4.5%	-6.9%
Malaysia Corporate Bond Index	MYR	-0.71%	-1.12%	3.70%	1.51%
Top Performing Principal Funds (1 month return as of 30 September 2023)					
Equities					
Principal Islamic Enhanced Opportunities Fund		-0.8%	0.9%	4.8%	-15.8%
Principal DALI Equity Growth fund		-0.8%	0.3%	0.6%	-9.5%
Principal Small Cap Opportunities Fund		-0.8%	0.6%	7.3%	-13.3%
Fixed Income					
Principal Islamic Money Market Fund - Class AI		-0.1%	0.1%	0.8%	0.1%
Principal Money Market Income Fund - Class AI		0.0%	0.3%	0.6%	0.9%
Principal Islamic Lifetime Enhanced Sukuk Fund		0.2%	0.4%	1.7%	-6.4%

Source: Bloomberg, market data is as of 6 October 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 Review¹

1. The global financial markets closed the week on a mixed note, with the majority of the markets in the red. Among the developed markets, the United States (US) experienced a positive gain, while Europe and Japan emerged as the largest drags.
2. Across Asia, the majority of markets delivered negative returns throughout the week, with Korea and Thailand posting the largest decline. China's markets were closed last week for the Mid-Autumn Festival and National Day holiday.
3. The FBMKLCI in Malaysia recorded a slight negative return for the week, driven by ongoing cautious sentiment within the regional economy.
4. In the bond market, the price of the 10-year U.S. Treasury note closed negatively due to a recent selloff driven by expectations of the US Federal Reserve (Fed) maintaining high interest rates and increasing supply amid mounting deficits. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, reports emerged about the stronger-than-expected jobs data, showing an increase of 336,000 for the month, surpassing the Dow Jones consensus estimate of 170,000. However, wage increases were slightly lower than expected, with average hourly earnings up 0.2% for the month and 4.2% from a year ago, compared to estimates of 0.3% and 4.3% respectively.²
2. In Europe, the final manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global, dipped to 43.4 in September from August's 43.5, matching a preliminary estimate. This marks a fourth consecutive monthly contraction. (PMI readings less than 50 correspond with shrinking business output.³
3. In China, the financial markets were closed last week for the Mid-Autumn celebration and national day holiday. Meanwhile, China's factory activity rebounded, indicating a potential economic turnaround. The official manufacturing PMI increased to 50.2 in September (above consensus) from 49.7 in August, while the nonmanufacturing PMI improved to 51.7 (better than expected) from 51.0 in August.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 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 and the New Industrial Master Plan 2030.
3. We also favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and recessionary concerns.

6 October 2023

Weekly Market Recap



Sources:

¹ Bloomberg, 6 October 2023

² Bloomberg, Bureau of Labor Statistics (BLS), S&P Global, US Federal Board, 6 October 2023

³ S&P Global, ECB, Factset, Bank of England (BoE), 6 October 2023

⁴ Bloomberg, National Bureau of Statistic China, 6 October 2023

⁵ Principal view, 6 October 2023

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