

Market Data

Asset Class	1-wk	1-mth	YTD	2022
Equities				
MSCI World	-1.4%	2.0%	12.4%	-19.5%
S&P 500	-1.2%	3.1%	14.6%	-19.4%
Nasdaq	-0.9%	5.1%	37.5%	-33.0%
Stoxx 600-Europe	-3.1%	-2.9%	5.4%	-12.9%
MSCI Asia Pac ex-Japan	-1.5%	-2.1%	0.2%	-19.7%
ASEAN	-1.0%	-1.7%	-3.7%	2.4%
Shanghai Shenzhen CSI 300 Index	-0.4%	1.0%	-1.2%	-21.6%
Hang Seng Index	-2.9%	-4.6%	-7.2%	-15.5%
Shanghai Stock Exchange Composite Index	-0.2%	0.0%	3.5%	-15.1%
FBMKLCI	0.1%	-0.1%	-7.9%	-4.6%
Fixed Income				
Bberg Barclays Global Agg Index	-0.7%	-0.4%	0.8%	-16.2%
JPM Asia Credit Index-Core	-0.7%	-0.3%	3.6%	-13.0%
Asia Dollar Index	0.3%	-0.9%	-2.9%	-6.9%
Malaysia Corporate Bond Index	-0.21%	-0.33%	3.98%	1.51%
Top Performing Principal Funds (monthly as of 30 June 2023)				
Equities				
Principal Greater Bay SGD-H	-0.6%	1.9%	-0.3%	-20.0%
Principal Greater China Equity	-1.7%	0.3%	0.9%	-19.8%
Fixed Income				
Principal Asia Dynamic Bond MYR	0.0%	0.1%	1.5%	-0.4%

Source: Bloomberg, market data is as of 7 July 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 consolidated over the week. Developed markets in the United States (US), Europe, and Japan closed with negative returns.
2. In Asia, the markets had a generally negative performance throughout the week, with Hang Seng and Japan being the biggest drags.
3. In Malaysia, market performance was flat over the week, primarily due to a combination of regional weakness and changes in interest rate expectations following the release of the minutes from the US Federal Reserve (Fed)'s last policy meeting.
4. The yield on the benchmark 10-year U.S. Treasury note closed the week above 4%, its highest level in eight months, possibly attributed to the release of Friday's payroll report in the US. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the minutes from the Fed revealed expectations for interest rates to stay higher for longer, with indications of two more rate increases in the remainder of the year. The latest job data was particularly strong, with the unemployment rate edging down from 3.7% in May to 3.6% in June. In other news, the manufacturing sector weakened further, while the services sector remained resilient, showing mixed results.²
2. In Europe, the economy experienced a decline in factory gate prices in May, mainly due to a drop in energy costs. Additionally, retail sales volumes remained flat for a second month, as increased spending on non-food items offset declines in food and automotive fuel sales. Meanwhile, the European Central Bank's monthly survey showed a moderation in consumer inflation expectations for the next 12 months. The survey participants now see inflation at 3.9% in a year's time, which is slightly lower than the 4.1% recorded in April.³
3. In China, report shows services activity fell to a lower-than-expected 53.9 in June from 57.1 in May. Though this marks the sixth successive monthly expansion, it's the lowest reading since January. In other news, China's leadership appointed Pan Gongsheng, deputy governor of the People's Bank of China, as the top Communist Party official at the central bank.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.

7 July 2023

Weekly Market Recap

Sources:

¹ Bloomberg, 7 June 2023

² Bloomberg, Bureau of Labor Statistics (BLS), US Federal Board, 7 June 2023

³ S&P Global Bank of England (ECB), 7 June 2023

⁴ Bloomberg, National Bureau of Statistic China, 7 June 2023

⁵ Principal view, 7 June 2023

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