

Market Data

| Asset Class | Currency | 1-wk | 1-mth | YTD | 2022 |
|--|----------|-------|-------|--------|--------|
| Equities | | | | | |
| MSCI World | USD | 0.2% | 5.5% | 17.1% | -19.5% |
| S&P 500 | USD | 0.2% | 5.1% | 19.9% | -19.4% |
| Nasdaq | USD | 0.5% | 5.0% | 47.0% | -33.0% |
| Stoxx 600-Europe | EUR | 1.3% | 6.3% | 11.1% | -12.9% |
| MSCI Asia Pac ex-Japan | USD | -0.4% | 1.8% | -0.9% | -19.7% |
| ASEAN | USD | -0.6% | -0.1% | -4.3% | 2.4% |
| Shanghai Shenzhen CSI 300 Index | CNY | -2.4% | -5.9% | -12.2% | -21.6% |
| Hang Seng Index | HKD | -2.9% | -7.0% | -17.4% | -15.5% |
| Shanghai Stock Exchange Composite Index | CNY | -2.0% | -2.7% | -3.9% | -15.1% |
| FBMKLCI | MYR | -1.0% | -1.1% | -3.6% | -4.6% |
| Fixed Income | | | | | |
| Bberg Barclays Global Agg Index | USD | 0.3% | 3.3% | 2.2% | -16.2% |
| JPM Asia Credit Index-Core | USD | 1.0% | 3.6% | 7.5% | -13.0% |
| Asia Dollar Index | USD | -0.2% | 1.2% | -2.6% | -6.9% |
| Top Performing Principal Funds | | | | | |
| (1 month return as of 30 November 2023) | | | | | |
| Equities | | | | | |
| Principal Islamic Global Technology Fund - Class USD | | 12.4% | 47.7% | 0.2% | |
| Principal Next-G Connectivity Fund - Class USD | | 16.0% | 29.3% | -43.3% | |
| Principal Global Technology Fund - Class USD | | 15.4% | 43.1% | -43.7% | |
| Fixed Income | | | | | |
| Principal Islamic Institutional Sukuk Fund | | 1.5% | 5.8% | 1.2% | |
| Principal Lifetime Bond Fund | | 1.5% | 6.0% | 1.3% | |
| Principal Islamic Lifetime Sukuk Fund | | 1.4% | 5.7% | 1.1% | |

Source: Bloomberg, market data is as of 8 December 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 with mostly positive performance. Developed markets like the United States (US) and Europe saw gains, while Japan saw negative performance.
2. In Asia, market performance was mixed. India and Indonesia had strong performance, while China's onshore and offshore markets declined the most.
3. In Malaysia, the FBMKLCI in Malaysia ended the week on a negative note, fuelled by the ongoing cautious sentiment in the regional market.
4. Turning to the bond market, the price of the 10-year U.S. Treasury note declined marginally, with yields increased slightly to the 4.20% range. This was driven by the resilience in labour market, with unemployment remain low. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the ISM Services PMI increased to 52.7 in November from 51.8 in October, driven by stronger business activity and production. Job openings data for October dipped to 8.733 million, lower than the previous month. The unemployment data for November showed continued resilience, as the rate declined to 3.7%, lower than the previous month. Meanwhile, the trade balance gap widened slightly to \$64.3 billion in October, driven by increased import.²
2. In Europe, the services PMI was revised higher to 48.7 in November, indicating a continuation of decline in service's activity that has been ongoing since August. Retail sales for October increased marginally by 0.1% month-over-month, as consumer demand remained subdued due to high inflation and elevated borrowing costs.³
3. In China, the rating agency Moody's announced a downgrade outlook on China's government rating to "negative" from "stable", citing concerns over the rising governments debts as Beijing resorts to fiscal stimulus to support local governments and address the property crisis. Meanwhile, the Caixin General Service PMI in November increased to 51.5, driven by resilience new orders and marks the 11th straight month of growth in services activity. China trade balance saw a surplus of USD 68.39 billion, up from USD 66.49 billion in the same period last year, driven by higher export.

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 and believe that Asian equities and fixed income present more value in the short term.

1. We find bonds appealing as we perceive a higher likelihood that central bank hiking cycle will end soon. 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. For Malaysia, the projected improvement to the budget deficit, provided in the Budget 2024, improved the outlook for domestic bonds.
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 potential gains from the New Energy Transition Roadmap, the New Industrial Master Plan 2030 and projected improvement to the budget deficit detailed in the Budget 2024.
3. We also favour income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and recessionary concerns.

8th December 2023

Weekly Market Recap



Sources:

¹ Bloomberg, 8 December 2023

² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 8 December 2023

³ S&P Global, ECB, Factset, Bank of England (BoE), 8 December 2023

⁴ Bloomberg, National Bureau of Statistic China, 8 December 2023

⁵ Principal view, 8 December 2023

*PMI stands for Purchasing Manufacturing Index

*ECB stands for European Central Bank

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