

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	0.5%	3.6%	6.7%	21.7%
S&P 500	USD	-0.2%	2.6%	7.5%	24.2%
Nasdaq	USD	-1.5%	1.4%	7.2%	53.8%
Stoxx 600-Europe	EUR	1.3%	3.9%	5.3%	12.7%
MSCI Asia Pac ex-Japan	USD	2.0%	5.1%	1.7%	4.5%
ASEAN	USD	2.5%	3.1%	0.9%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	0.2%	5.3%	3.2%	-11.4%
Hang Seng Index	HKD	-1.0%	3.4%	-3.8%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	0.6%	6.3%	2.3%	-3.7%
FBMKLCI	MYR	0.2%	1.9%	5.8%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	1.4%	1.7%	-1.1%	5.7%
JPM Asia Credit Index-Core	USD	0.9%	1.3%	1.5%	9.9%
Asia Dollar Index	USD	0.5%	0.4%	-1.3%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.3%	0.3%	1.0%	6.4%

Top Performing Principal Funds (based on 1 month's performance)	1-mth as of (29 Feb 2024)	YTD as of (29 Feb 2024)
Equities		
Principal China Direct Opportunities Fund - Class MYR	10.30	-0.99
Principal Biotechnology Discovery Fund - Class USD	8.39	13.57
Principal Global Millennial Equity Fund - Class USD	8.35	11.65
Fixed Income		
Principal Islamic Lifetime Sukuk Fund	0.52	1.08
Principal Lifetime Bond Fund	0.45	0.97
Principal Sustainable Dynamic Bond Fund - Class MYR	0.41	0.82

Note: Feeder fund's data has been updated. Fund ranking has been adjusted accordingly.

Source: Bloomberg, market data is as of 8 March 2024.

*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.

* 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 Review¹

1. The global financial markets concluded the week with majority experiencing positive returns. In developed markets, Europe witnessed significant gains, while the United States and Japan saw declines.
2. Across Asia, overall market performance was positive, with Taiwan leading gains, followed by Korea and Thailand. In Malaysia, the FBMKLCI had a marginal gain, driven by the positive sentiment for equities.
3. Turning to the bond market, the 10-year U.S. Treasury note experienced a marginal gain, with yields stabilizing in the 4.1% range. This comes as investors assessed the future path of interest rates following the recent tick up in unemployment rate in February jobs report. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the ISM Services PMI fell to 52.6 in February from a four-month high of 53.4 in January. The decline was driven by lower growth in the services sector amid faster supplier deliveries. During the week, the central bank chair made a new remark regarding the monetary policy, indicating that the policy rate has reached the peak of the cycle, but reinforced that the Fed is not ready to begin reducing rates.²
2. In Europe, the HCOB* services PMI* was revised higher to 50.2 in February from a preliminary estimate of 50. This points to the first, albeit small expansion in the services sector in seven months. Retail sales rose by 0.1% month-over-month in January, following a revised 0.6% contraction in December and in line with market expectations. The improvements were driven by increased sales of food, drinks, and tobacco. The European Central Bank maintain interest rates at 4.5% during its March meeting, as policymakers balanced concerns over a looming recession with persistently elevated underlying inflationary pressures.³
3. In China, the recently concluded National People's Congress meeting set a 5% GDP growth target for 2024 and reiterated ongoing supports for the economy. The meeting also outlined key priorities, including 1) Promoting new consumption in digital, green, and healthy sectors; 2) Integrating digital technology with the real economy; 3) Emphasising affordable housing and optimizing supply demand balance; and 4) maintaining focus on green and low carbon development. Exports surged 7.1% year-on-year in the combined period of January-February, following a 2.3% gain in December 2023, signalling a positive start of global trade.⁴
4. In Malaysia, Bank Negara kept its overnight policy rate steady at 3% for the fifth consecutive meeting in March, matching market expectations. The board noted that the current monetary policy stance remains supportive of the economy and is consistent with the current assessment of the inflation and growth prospects.⁵

Investment Strategy⁶

We advocate a balanced allocation in 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 that the central bank's hiking cycle may have reached its peak. 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 concerns of economic slowdown.

Sources:

¹ Bloomberg, 8 March 2024

² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 8 March 2024

³ S&P Global, ECB, Factset, Bank of England (BoE), 8 March 2024

⁴ Bloomberg, National Bureau of Statistic China, CEWC, 8 March 2024

⁵ Department of Statistic Malaysia, S&P Global, 8 March 2024

⁶ Principal view, 8 March 2024

*PMI refers to Purchasing Manufacturing Index

*HCOB refers to Hamburg Commercial Bank

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

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