1st November 2024

Weekly Market Recap

Principal® In alliance with CIMB

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	-1.3%	-1.0%	15.4%	21.7%
S&P 500	USD	-1.4%	0.3%	20.1%	24.2%
Nasdaq	USD	-1.6%	1.3%	19.0%	53.8%
Russell 2000	USD	0.0%	0.5%	8.9%	15.1%
Stoxx 600-Europe	EUR	-1.5%	-1.9%	6.7%	12.7%
Nikkei 225	JPY	-0.3%	-2.2%	13.5%	28.3%
MSCI Asia Pac ex-Japan	USD	-1.2%	-4.8%	11.8%	4.5%
ASEAN	USD	-2.1%	-5.4%	9.1%	-3.1%
Shanghai Shenzhen CSI 300 Index	CNY	-1.7%	-3.1%	13.4%	-11.4%
Hang Seng Index	HKD	-0.4%	-3.5%	20.2%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-0.8%	-2.0%	10.0%	-3.7%
FBMKLCI	MYR	-1.0%	-4.5%	10.2%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.5%	-3.6%	-0.1%	5.7%
JPM Asia Credit Index-Core	USD	-0.2%	-1.3%	6.4%	9.9%
Asia Dollar Index	USD	0.0%	-2.0%	-1.4%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	-0.1%	-0.6%	3.1%	6.4%

Top Performing Principal Funds	1-mth as of (30 September 2024)	YTD as of (30 September 2024)
Equities		
Principal China Direct Opportunities MYR	21.49	7.01
Principal Greater Bay MYR Hedged	18.33	14.68
Principal Greater China Equity	11.12	5.41
Balanced		
Principal Islamic Lifetime Balanced Growth	0.39	13.93
Principal Asia Pacific Dynamic Mixed Asset MYR	0.21	3.10
Principal Lifetime Balanced	0.12	17.08
Fixed Income		
Principal Conservative Bond (TJY)	0.37	3.62
Principal Lifetime Bond	0.39	3.77
Principal Lifetime Enhanced Bond	0.38	4.44

Source: Bloomberg, market data is as of 1 November 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 [1]

1. This week, global financial markets closed in the red. Among developed markets, the United States led the decline, followed by Europe and Japan.
2. Across Asia, overall performance was mix. India led the region in gains, while both onshore and offshore markets in China experienced the largest declines. In Malaysia, the FBMKLCI closed slightly down, driven by the cautious sentiment in regional market.
3. In the bond market, the US 10-year Treasury yield edged closer to the 4.3% range as investors continued to assess the outlook for Federal Reserve monetary policy following the latest job data releases. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In Q3 2024, the US economy expanded at a rate of 2.8%, slightly below Q2's 3%, according to the BEA's advance estimate. Personal spending surged by 3.7%, the fastest since Q1 2023, driven by a 6% increase in goods consumption and strong service spending. The unemployment rate was at 4.1% in October, remaining unchanged from the three-month low in the prior month. Moreover, the personal consumption expenditure price index in the US saw expected monthly changes, with service prices rising and goods prices slightly decreasing. The core PCE index, excluding food and energy, notably increased, marking the largest gain in several months.
2. In Europe, the GDP grew by 0.4% in the third quarter of 2024, marking the strongest growth rate in two years. This growth surpassed expectations of a 0.2% increase and followed a 0.2% rise in the previous quarter, according to preliminary estimates. The annual inflation rose to 2% in October, up from 1.7% in September and slightly exceeding forecasts. This increase was anticipated due to base effects, with last year's energy price drops no longer impacting yearly rates. Inflation has now met the European Central Bank's target.[3]
3. In China, the NBS Composite PMI Output Index rose to 50.8 in October 2024, up from 50.4 in September, marking the highest figure since May as recent stimulus efforts from Beijing may have started to spur growth momentum. Factory activity grew for the first time in six months while growth in the service sector sustained.[4]
4. In Malaysia, producer prices experienced a notable decline of 2.1% yoy in September, marking the first deflation since January. Prices fell across various sectors, including manufacturing and mining, while prices for agriculture, forestry, and fishing saw a significant acceleration. On a monthly basis, producer prices continued to decrease, with a sharper drop compared to the previous month.[5]

Investment Strategy [6]

The markets are approaching the final quarter, with the Fed recently embarking on a rate-cutting cycle while reassuring investors that the US economy appears headed for a soft landing. Meanwhile, upcoming US elections and ongoing geopolitical conflict may introduce seasonal volatility. As markets continue to react to incoming data and headlines, we maintain the view that investors should remain invested and use any near-term selloff to build a diversified portfolio focusing on quality. We have a slight preference for equities over fixed income. Fixed income has outperformed equities since mid-June. Asian equities show promise, particularly with China no longer exerting a negative influence.

1. We find bonds appealing with the potential for capital gains as the rate-cutting cycle has begun. 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, as provided in the Budget 2024, has 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 with high dividends in China, 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,SEZ, and projected improvement to the budget deficit detailed in the Budget 2024.
3. We also favour diversification approach to ride out volatilities arising from geopolitical tensions, central bank rate cuts, and concerns of economic slowdown.

Sources:
[1] Bloomberg, 1 November 2024
[2] Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 1 November 2024
[3] S&P Global, ECB, Factset, Bank of England (BoE), 1 November 2024
[4] Bloomberg, National Bureau of Statistic China, CEWC, 1 November 2024
[5] Department of Statistic Malaysia, S&P Global, 1 November 2024
[6] Principal view, 1 November 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
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