

## Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
<b>Equities</b>					
MSCI World	USD	-1.6%	-3.7%	-0.8%	17.0%
S&P 500	USD	-2.0%	-3.5%	-0.9%	23.3%
Nasdaq	USD	-2.3%	-2.5%	-0.8%	24.9%
Russell 2000	USD	-3.5%	-8.1%	-1.8%	10.0%
Stoxx 600-Europe	EUR	0.6%	-1.5%	0.8%	6.0%
Nikkei 225	JPY	-1.8%	-0.4%	-1.8%	19.1%
MSCI Asia Pac ex-Japan	USD	-1.6%	-4.9%	-1.7%	7.6%
ASEAN	USD	-0.8%	-5.2%	-1.3%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	-1.0%	-6.5%	-5.1%	14.7%
Hang Seng Index	HKD	-3.5%	-5.9%	-4.7%	17.5%
Shanghai Stock Exchange Composite Index	CNY	-1.1%	-7.2%	-5.3%	12.7%
FBMKLCI	MYR	-1.7%	-0.5%	-2.5%	12.8%
<b>Fixed Income</b>					
Berg Barclays Global Agg Index	USD	-1.0%	-3.3%	-1.3%	-1.7%
JPM Asia Credit Index-Core	USD	-0.2%	-1.4%	-0.3%	6.0%
Asia Dollar Index	USD	-0.1%	-1.6%	-0.4%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.1%	0.2%	0.2%	4.3%
<b>Top Performing Principal Funds</b>					
			1-mth as of (31 December 2024)	YTD as of (31 December 2024)	
<b>Equities</b>					
Principal DALI Equity Growth			7.04	30.44	
Principal Islamic Small Cap Opportunities			6.21	42.71	
Principal Malaysia Titans Plus			5.50	27.41	
<b>Balanced</b>					
Principal Lifetime Balanced			4.10	22.86	
Principal Lifetime Balanced Income			3.73	20.54	
Principal Islamic Lifetime Balanced Growth			3.68	20.72	
<b>Fixed Income</b>					
Principal Islamic Lifetime Enhanced Sukuk			2.60	10.07	
Principal Lifetime Enhanced Bond			0.41	5.10	
Principal Money Market Income			0.31	3.69	

Source: Bloomberg, market data is as of 10th January 2025.

\*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 <sup>1</sup>

1. This week, the performance of the global financial markets was mixed. Among developed markets, Europe experienced the largest gains, while Japan and the United States saw declines.
2. Across Asia, markets performance was largely mixed. South Korea experienced the largest gains, while India and both onshore and offshore markets in China faced the largest decline. In Malaysia, the FBMKLCI closed marginally negative, dragged down by the cautious sentiment in the regional market.
3. In the bond market, the US 10-year Treasury yield edged up closer to 4.7 range as investors reacted to the recent job numbers, which came in hotter than economists had forecast. (It's worth noting that bond prices move in the opposite direction of bond yields.)

## Macro Factors

1. In the U.S., the December Fed minutes that published recently indicated that upside risks to the inflation outlook had increased, due to recent stronger-than-expected readings on inflation and the likely effects of potential changes in trade and immigration policy. The projection now sees inflation would continue moving toward 2% but acknowledged that the process could take longer than previously expected. The ISM Services PMI rose to 54.1 in December 2024 from 52.1 in November, above market expectations. The reading marked the 10th time in expansion territory this year. <sup>2</sup>
2. In Europe, preliminary data shows the annual inflation rate accelerated for a third straight month to 2.4% in December 2024, the highest rate since July, compared to 2.2% in November and in line with expectations. Meanwhile, the unemployment remained unchanged at 6.30 percent in November. <sup>3</sup>
3. In China, the annual inflation rate edged down to 0.1% in December 2024 from 0.2% in the previous month, aligning with market estimates and marking the lowest point since March. The latest result underscored mounting deflation risks in the country, despite government stimulus measures and the central bank's supportive monetary policy stance. <sup>4</sup>
4. In Malaysia, industrial production expanded by 3.6% year-on-year in November 2024, accelerating from a 2.0% increase in the previous month and exceeding market forecasts. The unemployment rate edged lower to 3.2% in November 2024 from 3.3% in the same month of the previous year, staying at its lowest level since January 2020 for the fourth consecutive month. <sup>5</sup>

## Investment Strategy <sup>6</sup>

In 2025, we analyse the next phase of the market, including political changes in the US, potential higher inflation, the changing narrative around interest rates, and the implication on trade tariff on Asia market. As specific policy plans emerge, investors should brace for market fluctuations and consider using significant changes to enhance their long-term portfolios. We slightly prefer equities over fixed income. Key themes for 2025 include: i) the impact of policy shifts on China's recovery; ii) the U.S. economic outlook regarding a soft landing; and iii) the influence of geopolitical risks on asset prices.

1. **Equities:** We favour quality, dividend-paying stocks for their defensive nature amid macroeconomic uncertainties. Our focus is on Asia, targeting: a) idiosyncratic ideas where company earnings are primarily influenced by domestic economic factors; b) selective Chinese domestic consumption which appeared deeply discounted; c) technology (beneficiaries of AI and internet platforms); d) industrial names with exposure to grid capex; e) strong consumer and banking franchises in Southeast Asia; and f) selective Indian companies that are reasonably valued with growth potential. Additionally, we note Malaysia's positive outlook due to political stability and initiatives like the New Energy Transition Roadmap.
2. **Fixed Income:** We adopt active approach in anticipation of market volatility by targeting various maturities along the yield curve that could add value. Maintain preference on credit with disciplined profit taking activities once valuation turns expensive and replaced with new primary issuances or tactical position in government bonds. We maintain our overweight duration bias relative to the benchmark as the current market conditions still remains favorable.
3. **Diversification:** We recommend a diversified approach to navigate volatility from geopolitical tensions, central bank rate cuts, and market adjustments following the U.S. election.

10<sup>th</sup> January 2025

# Weekly Market Recap

Sources:

- <sup>1</sup> Bloomberg, 10th January 2025
- <sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 10th January 2025
- <sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 10th January 2025
- <sup>4</sup> Bloomberg, National Bureau of Statistic China, CEWC, 10th January 2025
- <sup>5</sup> Department of Statistic Malaysia, S&P Global, 10th January 2025
- <sup>6</sup> Principal view, 10th January 2025

\*PMI refers to Purchasing Manufacturing Index

\*HCOB refers to Hamburg Commercial Bank

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

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