

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	1.8%	1.2%	8.0%	21.7%
S&P 500	USD	1.9%	1.2%	9.5%	24.2%
Nasdaq	USD	1.5%	0.8%	7.9%	53.8%
Stoxx 600-Europe	EUR	3.2%	3.4%	9.7%	12.7%
MSCI Asia Pac ex-Japan	USD	1.2%	1.9%	4.8%	4.5%
ASEAN	USD	-0.2%	-2.1%	-1.8%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	1.7%	4.7%	6.9%	-11.4%
Hang Seng Index	HKD	2.9%	10.8%	11.4%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	1.6%	4.2%	6.0%	-3.7%
FBMKLCI	MYR	0.7%	1.6%	10.0%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.1%	0.0%	-3.4%	5.7%
JPM Asia Credit Index-Core	USD	0.8%	0.1%	1.5%	9.9%
Asia Dollar Index	USD	0.0%	-0.3%	-2.8%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.3%	0.0%	1.1%	6.4%
Top Performing Principal Funds (1 month return as of 30 April 2024)					
			1-mth as of (30 April 2024)	YTD as of (30 April 2024)	
Equities					
Principal China Direct Opportunities Fund - Class MYR			4.7%	3.4%	
Principal Greater China Equity Fund - Class MYR			4.5%	5.5%	
Principal Commodity Fund - Class MYR-Hedged			4.4%	3.2%	
Balanced					
Principal Dynamic Enhanced Malaysia Income Fund			2.6%	10.0%	
Principal Lifetime Balanced Fund			3.1%	11.4%	
Principal Lifetime Balanced Income Fund			2.5%	10.6%	
Fixed Income					
Principal Lifetime Enhanced Bond			0.2%	1.4%	
Principal Conservative Bond			0.0%	0.9%	
Principal Lifetime Bond			0.0%	1.6%	

Source: Bloomberg, market data is as of 10th May 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. Global financial markets were mostly positive this week. In developed markets, the largest gains were led by Europe, followed by the United States and Japan.
2. Across Asia, performance was largely positive, with Hang Seng experiencing the largest gain, followed by China onshore and South Korea. In Malaysia, the FBMKLCI also closed higher, supported by the positive sentiment in the regional market.
3. In the bond market, US 10-year Treasury yields stabilised in the 4.5% range as investors re-evaluate future interest rate trajectories following the recent weaker than expected economic releases in the US. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the comments from the Federal Reserve officials this week have broadly echoed the views of holding rates steady for some time until the disinflation picture becomes clearer. The number of people claiming unemployment benefits surged by 22,000 to 231,000 on the week ending May 4th, the highest since August 2023, and sharply above market expectations of 210,000. ²
2. In Europe, the HCOB Services PMI increased to 53.3 in April, surpassing the initial estimate and up from 51.5 in March. Increased demand was a primary factor in the higher output, with new business volumes expanding at the fastest rate since May of the previous year. Additionally, retail sales jumped by 0.8% from the previous month in March, rebounding from the March's 0.3% decline and ahead of market expectations. ³
3. In China, the Caixin General Services PMI stood at 52.5 in April, slightly lower than the March's 52.7, matching forecasts. It was the 16th straight month of growth in services activity, with new business growing the most in nearly a year, boosted by the latest rise in activity and an improvement in confidence. Exports advanced 1.5% year-on-year in April, rebounding from a 7.5% drop in the earlier month, reflecting an improvement in global demand. The trade surplus with the United States increased to USD 27.2 billion in April from USD 22.94 billion in the previous month. ⁴
4. In Malaysia, the central bank kept its overnight policy rate steady at 3% for the sixth consecutive meeting in May, in line with market forecasts. Policymakers indicated 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

The recent rise in volatility, attributed to geopolitical risk and markets adjusting to a likely delay in the start of US rate cuts, highlights the importance of diversification and the need to focus on quality. We advocate for a balanced allocation in both equity and fixed income, with a preference for quality and income attributes to enhance portfolio resilience. We are exercising caution with USD assets and believe that Asian equities and fixed income offer more value in the short term.

1. We find bonds appealing as we perceive that the central bank's hiking cycle 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, 10th May 2024

² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 10th May 2024

³ S&P Global, ECB, Factset, Bank of England (BoE), 10th May 2024

⁴ Bloomberg, National Bureau of Statistic China, CEWC, 10th May 2024

⁵ Department of Statistic Malaysia, S&P Global, 10th May 2024

⁶ Principal view, 10th May 2024

*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

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