10 November 2023

Weekly Market Recap

Principal®
In alliance with CIMB

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2022
Equities					
MSCI World	USD	0.6%	0.4%	11.5%	-19.5%
S&P 500	USD	1.3%	1.3%	15.0%	-19.4%
Nasdaq	USD	2.8%	2.6%	42.0%	-33.0%
Stoxx 600-Europe	EUR	-0.2%	-2.0%	4.3%	-12.9%
MSCI Asia Pac ex-Japan	USD	-0.5%	-0.6%	-3.8%	-19.7%
ASEAN	USD	-0.9%	-1.0%	-5.4%	2.4%
Shanghai Shenzhen CSI 300 Index	CNY	0.1%	-1.9%	-7.4%	-21.6%
Hang Seng Index	HKD	-2.6%	-2.6%	-13.0%	-15.5%
Shanghai Stock Exchange Composite Index	CNY	0.3%	-1.2%	-1.6%	-15.1%
FBMKLCI	MYR	-0.3%	0.7%	-3.4%	-4.6%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.4%	0.7%	-1.7%	-16.2%
JPM Asia Credit Index-Core	USD	0.3%	1.3%	3.5%	-13.0%
Asia Dollar Index	USD	0.0%	0.4%	-4.1%	-6.9%

Top Performing Principal Funds
(1 month return as of 31 October 2023)

Equities				
Principal Global Multi Asset Income Fund - Class MYR		-0.6%	2.3%	-11.8%
Principal DALI Equity Growth Fund		-0.8%	-0.3%	-9.5%
Principal Commodity Fund - Class USD		-0.9%	-5.0%	
Fixed Income				
Principal Asia Dynamic Bond Fund - Class MYR		0.5%	2.9%	-4.7%
Principal Money Market Income Fund - Class AI		0.3%	0.2%	0.9%
Principal Islamic Deposit Fund - Class AI		0.3%	3.0%	2.2%

Source: Bloomberg, market data is as of 10 November 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 Review[1]

1. The global financial markets wrapped up the week on a mixed note. In developed markets, Japan experienced positive gains, while the United States (US) and Europe emerged as the largest drags.

2. Across Asia, the markets delivered mixed returns throughout the week, with Korea and Taiwan experiencing the largest gain, while Thailand and China offshore declined.

3. In Malaysia, the FBMKLCI ended the week on a slightly negative note, driven by the cautious sentiment in the regional market after the latest comment from the US Federal Reserve (Fed).

4. Turning to bond market, the price of the 10-year U.S. Treasury note closed lower over the week, with yields once again rising higher after stabilising around 4.5% earlier. The shift was driven by the recent hawkish comment from the Fed regarding their latest views on inflation and interest rate. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, market caution returned as the latest comment from the Fed expressed uncertainty in their battle against inflation and signalled a potential further tightening of policy. The comments undermined expectations of a peak in interest rate. On macro front, the trade deficit widened to $61.5 billion in September, while the number of Americans filing for unemployment benefits in October eased to 217,000 compared to the previous month's 220,000.[2]

2. In Europe, The HCOB Eurozone Composite PMI was confirmed at 46.5 in October 2023, down from September's 47.2 and the lowest since November 2020. The HCOB Eurozone Services PMI was unrevised at 47.8 in October 2023, marking the third consecutive month of falling services sector activity and the deepest contraction since February 2021. [3]

3. In China, trade surplus in October significantly narrowed to USD 56.53 billion, with exports falling more than expected due to persistent weak demand from abroad while imports unexpectedly grew. China consumer price index also dropped by 0.2% in October compared to last year, driven by ample agricultural supply and a reduced consumption after the Golden Week holiday. [4]

Investment Strategy[5]

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 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.

Sources:
[1] Bloomberg, 10 November 2023
[2] Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 10 November 2023
[3] S&P Global, ECB, Factset, Bank of England (BoE), 10 November 2023
[4] Bloomberg, National Bureau of Statistic China, 10 November 2023
[5] Principal view, 10 November 2023