

## Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
<b>Equities</b>					
MSCI World	USD	0.9%	4.3%	17.8%	21.7%
S&P 500	USD	1.1%	4.7%	21.9%	24.2%
Nasdaq	USD	1.2%	5.4%	20.5%	53.8%
Russell 2000	USD	1.0%	6.2%	10.2%	15.1%
Stoxx 600-Europe	EUR	0.7%	2.7%	9.0%	12.7%
Nikkei 225	JPY	2.5%	11.8%	18.8%	28.3%
MSCI Asia Pac ex-Japan	USD	-1.8%	10.0%	16.0%	4.5%
ASEAN	USD	-0.6%	1.5%	12.1%	-3.1%
Shanghai Shenzhen CSI 300 Index	CNY	-3.3%	21.8%	13.3%	-11.4%
Hang Seng Index	HKD	-6.7%	23.6%	24.7%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-3.6%	18.2%	8.3%	-3.7%
FBMKLCI	MYR	-0.6%	-0.6%	12.9%	-2.8%
<b>Fixed Income</b>					
Bberg Barclays Global Agg Index	USD	-0.6%	-1.8%	1.3%	5.7%
JPM Asia Credit Index-Core	USD	-0.7%	-0.1%	6.8%	9.9%
Asia Dollar Index	USD	-0.5%	0.2%	-0.4%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	-0.1%	0.1%	3.5%	6.4%
<b>Top Performing Principal Funds</b>					
		1-mth as of		YTD as of	
		(30 September 2024)		(30 September 2024)	
<b>Equities</b>					
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
<b>Balanced</b>					
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
<b>Fixed Income</b>					
Principal Conservative Bond (TJM)			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 11 October 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 <sup>1</sup>

1. This week, global financial markets experienced mixed returns. Among developed markets, Japan recorded the most significant gains, followed by Europe and the United States.
2. Across Asia, overall performance was mix. Thailand led the region in gains, while China offshore experienced the largest declines. In Malaysia, the FBMKLCI closed with marginal decline, driven by the cautious sentiment in regional market.
3. In the bond market, the US 10-year Treasury yield edged closer to the 4% range following the release of inflation data that came in cooler than expected. (It's worth noting that bond prices move in the opposite direction of bond yields.)

## Macro Factors

1. In the United States, the annual inflation rate slowed for a sixth consecutive month to 2.4% in September 2024, down from 2.5% in August. Meanwhile, annual core inflation rate unexpectedly edged up to 3.3%, compared to 3.2% in the previous two months. Producer prices were unchanged in September from August 2024, below the previous month's 0.2% uptick and lower than forecasts of a 0.1% rise. Despite the inflation data, Fed officials remain divided on whether to continue cutting rates, with some favouring a pause. The trade balance in the US narrowed to \$70.4 billion in August 2024, down from \$78.9 billion in July. Exports increased by 2% while imports dropped by 0.9%. <sup>2</sup>
2. In Europe, retail sales experienced a modest increase from the previous month in August 2024, following a steady reading in July, aligning with market forecasts. Sales saw a resurgence in automotive fuel at specialized stores (compared to a decline in July) and in non-food products. Additionally, retail volumes showed an uptick for food, drink, and tobacco products. <sup>3</sup>
3. In China, the PBOC announced a new funding scheme, a swap facility worth CNY 500 billion, allowing eligible financial institutions to use assets as collateral to secure liquidity, as stated in a released statement. This initiative, named the Securities, Funds, and Insurance Companies Swap Facility (SFISF), is part of the central bank's efforts to develop a new structural monetary policy tool to support the stock market. The facility enables securities, fund, and insurance companies to obtain liquid assets for stock purchases by leveraging their holdings of bonds, ETFs, and CSI 300 Index constituent stocks as guarantees. The facility's size may be expanded based on market conditions. <sup>4</sup>
4. In Malaysia, the unemployment rate inched down to 3.2% in August 2024 from 3.4% in the same month of the previous year, marking the lowest level since January 2020. Industrial production increased by 4.1% year-on-year in August 2024, slower than a 5.3% growth in the previous. Retail sales increased by 5.9% year-on-year in August 2024, down from a 6.4% gain in the previous month. <sup>5</sup>

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

The markets are approaching the final quarter, with the Fed recently initiating 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. Earnings growth for the broader Asian region excluding Japan is anticipated to reach 15% in 2025 according to our projections.

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:

<sup>1</sup> Bloomberg, 11 October 2024

<sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 11 October 2024

<sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 11 October 2024

<sup>4</sup> Bloomberg, National Bureau of Statistic China, CEWC, 11 October 2024

<sup>5</sup> Department of Statistic Malaysia, S&P Global, 11 October 2024

<sup>6</sup> Principal view, 11 October 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

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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