

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	1.3%	3.1%	14.5%	21.7%
S&P 500	USD	0.9%	3.5%	17.7%	24.2%
Nasdaq	USD	-0.3%	4.4%	20.9%	53.8%
Stoxx 600-Europe	EUR	1.4%	-0.2%	9.5%	12.7%
Nikkei 225	JPY	0.7%	6.1%	23.0%	28.3%
MSCI Asia Pac ex-Japan	USD	1.8%	5.0%	11.4%	4.5%
ASEAN	USD	2.5%	6.4%	2.6%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	1.7%	-1.1%	2.4%	-11.4%
Hang Seng Index	HKD	2.7%	2.3%	8.6%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	1.0%	-1.4%	1.1%	-3.7%
FBMKLCI	MYR	0.5%	0.7%	11.3%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	1.1%	1.0%	-1.5%	5.7%
JPM Asia Credit Index-Core	USD	0.7%	1.3%	3.8%	9.9%
Asia Dollar Index	USD	0.3%	0.0%	-2.8%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.2%	0.5%	2.2%	6.4%

Top Performing Principal Funds (1 month return as of 30 June 2024)	1-mth as of (30 June 2024)	YTD as of (30 June 2024)
Equities		
Principal Islamic Global Technology USD	8.72	19.64
Principal Next-G Connectivity USD	7.61	28.37
Principal Islamic Asia Pacific Dynamic Equity	7.31	10.69
Balanced		
Principal Asia Pacific Dynamic Mixed Asset MYR	4.12	9.95
Principal Islamic Lifetime Balanced	3.83	11.31
Principal World Selection Moderate USD	1.59	5.61
Fixed Income		
Principal Islamic Lifetime Enhanced Sukuk	0.57	4.03
Principal Islamic Lifetime Sukuk	0.38	2.50
Principal Lifetime Bond	0.38	2.39

Source: Bloomberg, market data is as of 12 July 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 Review ¹

1. This week, global financial markets experienced positive performances. In developed markets, Europe led the gains, followed by United States and Japan.
2. Across Asia, the overall performance was largely positive, with Taiwan leading the gains, followed by the offshore and onshore market of China. In Malaysia, the FBMKLCI achieved positive gains, thanks to the positive sentiment in the regional market.
3. In the bond market, the US 10-year Treasury yield fell to the 4.1% range as fresh data showed both headline and core inflation rates fell more than expected to multi-year lows in June, prompting a higher bet on a Fed rate cut in September. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the US, Federal Reserve officials at their June meeting indicated that inflation is moving in the right direction but not quickly enough for them to lower interest rates. The annual inflation rate fell for a third straight month to 3% in June, compared to 3.3% in the previous month and below the forecasts of 3.1%. Energy costs rose at a slower pace while utility gas service accelerated. Meanwhile, core inflations, which excludes volatile items such as food and energy, fell further to an over three-year low of 3.3%, easing from 3.4% in the prior month and below market forecasts of 3.4%. ²
2. In Europe, it was a quiet week with no significant economic data releases. The stock market experienced volatility as investors in the region weighed political uncertainty in France following the recent election result. The left-wing New Popular Front (NFP) secured the largest number of seats but failed to achieve an absolute majority. ³
3. In China, annual inflation rate edged down to 0.2% in June from 0.3% in the previous two months, falling short of market estimates. This marks the fifth straight month of muted figure since March, indicating the economic recovery remains fragile. Food prices were the main dragging factor compared to non-food inflation. Producer price fell by 0.8% yoy in June, matching market forecasts and easing from May's figure of a 1.4% decline.
4. In Malaysia, the unemployment rate fell to 3.3% in May from 3.5% in the corresponding month of the previous year, holding steady for the seventh consecutive month. BNM held its overnight policy rate steady at 3% for the seventh consecutive meeting in June, aligning with market expectations. Retail sale grew by 8.7% year-on-year in May, accelerating from a 5.5% rise in the previous month. Meanwhile, Industrial production grew 2.4% year-on-year, easing from a 6.1% growth in the previous month. ⁵

Investment Strategy ⁶

As markets continue to react to incoming data and headlines, we maintain the view that investors should ensure their portfolios are well diversified and focus on quality. We believe China/HK has bottomed as policy towards the residential property market has turned to one of clear support. While the quantum and scope is arguably insufficient, the change in direction is more important at this stage. We now have a slight preference for equities over fixed income. The equities outlook in the second half will be supported by a moderation in the trend of earnings downgrades in Asia.

1. We find bonds appealing with the potential for capital gains as we perceive that the global rate-cutting cycle remain on track, despite the shift in timing and magnitude. 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 diversification and income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and concerns of economic slowdown.

12th July 2024

Weekly Market Recap

Sources:

- ¹ Bloomberg, 12th July 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 12th July 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 12th July 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 12th July 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 12th July 2024
- ⁶ Principal view, 12th July 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

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