

17 March 2023  
Weekly Market Recap

## Market Data

Asset Class	1-wk	1-mth	YTD	2022
<b>Equities</b>				
MSCI World	0.0%	-4.4%	2.1%	-19.5%
S&P 500	1.4%	-4.0%	2.0%	-19.4%
Nasdaq	5.8%	1.3%	14.4%	-33.0%
Stoxx 600-Europe	-3.8%	-6.0%	2.7%	-12.9%
MSCI Asia Pac ex-Japan	0.6%	-4.5%	0.1%	-19.7%
ASEAN	0.4%	-4.6%	-3.3%	2.4%
Shanghai Shenzhen CSI 300 Index	-0.2%	-1.9%	2.3%	-21.6%
Hang Seng Index	1.0%	-5.8%	-1.3%	-15.5%
Shanghai Stock Exchange Composite Index	0.6%	0.8%	5.2%	-15.1%
FBMKLCI	-1.5%	-4.4%	-5.6%	-4.6%
<b>Fixed Income</b>				
Bberg Barclays Global Agg Index	1.6%	1.8%	2.6%	-16.2%
JPM Asia Credit Index-Core	0.7%	0.7%	2.6%	-13.0%
Asia Dollar Index	0.5%	-0.4%	-0.3%	-6.4%
Malaysia Corporate Bond Index	0.1%	0.4%	2.2%	1.5%
<b>Top Performing Principal Funds (1 week)</b>				
<b>Equities</b>				
Principal Global Technology USD	5.8%	-0.2%	13.6%	-46.1%
Principal Biotechnology Discovery USD	4.2%	-4.1%	-1.2%	-12.7%
<b>Fixed Income</b>				
Principal Asia Dynamic Bond MYR	0.6%	1.2%	0.8%	-4.7%

Source: Bloomberg, market data is as of 17 March 2023.

\*Top performing funds were based on weekly performance.

\*Past performance is not an indication of future performance.

## Market Review<sup>1</sup>

1. The global financial market weakened owing to pressures on the banking sector after the failure of Silicon Valley Bank (SVB) and Signature Bank, while First Republic Bank required a huge deposit injection before some form of stability emerged. Over in Europe, the Swiss National Bank (SNB) provided Credit Suisse with huge liquidity backstop to contain further market gyrations. In developed markets, the United States (US) closed marginally positive while Europe and Japan declined over the week.
2. In Asia, majority of the markets experienced weakness. Chinese stocks closed the week on a mixed note, following a volatile period as global banking concerns offset optimism about economic recovery and further monetary support from Beijing via a 0.25% cut in the Reserve Requirement Ratio (RRR).
3. In Malaysia, the FTSE Bursa Malaysia KLCI (FBM KLCI) recorded marginal decline for the week despite a price recovery in global bank counters as key central banks rolled out more decisive supports.
4. In the bond market, the value of global bonds gained marginally over the week, while the yield on the benchmark 10-year U.S. Treasury declined sharply due to lower growth expectation and risk aversion. (Note: Bond prices and yields generally move in opposite direction).

## Macro Factors

1. In the US, concerns grew after the failures of the Silicon Valley Bank and Signature Bank. Anxiety spread to other banks, including First Republic Bank and Credit Suisse in Europe. However, recent actions by the Federal Deposit Insurance Corporation and the U.S. Federal Reserve (Fed) have solved liquidity-related risks for US banks and US branches of foreign banks.<sup>2</sup>
2. In Europe, the banking sector experienced a sell-off, and UBS has agreed to a \$3.2 billion takeover of Credit Suisse. The European Central Bank stuck to a half-point rate hike to combat inflation, despite acknowledging that downside risks to the economy have increased. Future policy moves will depend on data.<sup>3</sup>
3. In China, the People's Bank of China announced a 25-basis point cut in the RRR for most banks. In addition, new home prices in China's largest cities rose by 0.3% in February, the fastest increase since July 2021.<sup>4</sup>

## Investment Strategy<sup>5</sup>

Due to the escalation of risk, diversification became even more crucial in order to reduce portfolio risk, in line with our house strategy for long-term investment success. Overall, the path ahead may still be volatile in the form of inflation and poorer economic prospect. However, we believe markets over time will stabilise and be positioned for a more sustainable recovery. Our broad strategy continues to be selective with focus on the themes of Quality, Income and Sustainability.

1. On equities, we prefer quality names as the macro and geopolitical backdrop remain uncertain. We are positive on Asia as sector earnings are poised to be rerated supported by China's rapid reopening.
2. On Fixed Income, our preference remains on investment grade and that of longer duration. As we foresee volatility to stay elevated, we are keeping a bias for higher quality credit. We like bonds with an investment grade rating, ideally in the AA or A, and which could operate in a business that is somewhat immune to the economic cycle.
3. For medium to long-term exposure, we prefer assets that offer structural opportunities. The shift towards energy, environmental, food, and technological security are likely to be among the key long-term growth drivers in the years to come.

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Sources:

<sup>1</sup> Bloomberg, 17 March 2023

<sup>2</sup> Bloomberg, US Federal Board, 17 March 2023

<sup>3</sup> Bloomberg, European Central Bank (ECB), 17 March 2023

<sup>4</sup> National People's Congress (NPC), 17 March 2023

<sup>5</sup> Principal view, 17 March 2023

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