

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	1.6%	5.9%	9.8%	21.7%
S&P 500	USD	1.6%	5.6%	11.2%	24.2%
Nasdaq	USD	2.2%	6.1%	10.3%	53.8%
Stoxx 600-Europe	EUR	0.5%	5.6%	10.3%	12.7%
MSCI Asia Pac ex-Japan	USD	3.0%	9.9%	7.9%	4.5%
ASEAN	USD	2.3%	4.6%	0.5%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	0.4%	3.4%	7.3%	-11.4%
Hang Seng Index	HKD	3.2%	20.8%	15.0%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	0.0%	2.8%	6.0%	-3.7%
FBMKLCI	MYR	1.0%	4.7%	11.1%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.7%	1.7%	-2.7%	5.7%
JPM Asia Credit Index-Core	USD	0.6%	2.1%	2.1%	9.9%
Asia Dollar Index	USD	0.4%	0.8%	-2.4%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.3%	0.7%	1.4%	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 17th 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 the United States, followed by Japan and Europe.
2. Across Asia, performance was largely positive, with Indonesia and Hang Seng experiencing the largest gain, while China onshore and South Korea experienced marginal declines. In Malaysia, the FBMKLCI also experienced marginal gains, supported by the positive sentiment in the regional market.
3. In the bond market, US 10-year Treasury yields declined to the 4.40% 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 annual inflation rate eased to 3.4% in April from March's 3.5%, in line with market forecasts. Prices remained stable for food and shelters, while new vehicles and used cars continued to experience decline. Meanwhile, core inflations, which excludes volatile items such as food and energy, eased to a three-year low of 3.6% from the prior month's 3.8%, matching market forecasts. ²
2. In Europe, the economy expanded by 0.4% from the corresponding quarter of the previous year, in line with preliminary estimates, and gaining traction following two quarters of 0.1% growth. Industrial production in the economic bloc rose by 0.6% month-over-month in March, following an upwardly revised 1% increase in the previous month. This marks the second consecutive month of growth in the bloc's industrial activity, albeit slower than in the previous month, as output increased for capital goods. ³
3. In China, retail sales rose by 2.3% year-on-year in April, missing market forecasts of 3.8% and moderating from a 3.1% growth in the prior period. The figures indicate some softness still persists in the sequence, highlighting the challenges facing by the central government in reviving weak consumption despite various stimulus measures. Meanwhile, industrial production expanded by 6.7% year-on-year in April, above market forecasts and above the prior month's 4.5%. Activities in manufacturing, utilities, and mining, all accelerated amid continued support measures from the government. ⁴
4. In Malaysia, the economy grew 4.2% year-on-year in the first quarter, above the market estimates and accelerating from 2.9% rise in the previous three-month period. The expansions were primarily attributed to positive contributions from almost all sectors, mainly led by the construction, mining, and services sectors. Construction activity in Q1 2024 was reported increased by 14.2% from a year earlier, picking up from a 6.8% growth in the previous quarter and marking the eighth consecutive period of rise. The positive figures were attributed to robust output in residential buildings, civil engineering, and special trade activities. ⁵

Investment Strategy⁶

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 now have a slight preference for equities over fixed income vs a balanced view in April. The equities outlook in the second half will be supported by a healthier China/HK market and a moderation in the trend of earnings downgrades in Asia.

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, 17th May 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 17th May 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 17th May 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 17th May 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 17th May 2024
- ⁶ Principal view, 17th 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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