18th October 2024

Weekly Market Recap

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Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	0.5%	3.4%	18.4%	21.7%
S&P 500	USD	0.8%	4.3%	22.9%	24.2%
Nasdaq	USD	0.2%	5.0%	20.8%	53.8%
Russell 2000	USD	1.8%	3.1%	12.2%	15.1%
Stoxx 600-Europe	EUR	0.6%	2.1%	9.7%	12.7%
Nikkei 225	JPY	-1.6%	7.7%	17.0%	28.3%
MSCI Asia Pac ex-Japan	USD	-0.5%	6.4%	15.4%	4.5%
ASEAN	USD	1.8%	0.6%	14.1%	-3.1%
Shanghai Shenzhen CSI 300 Index	CNY	1.0%	23.7%	14.5%	-11.4%
Hang Seng Index	HKD	-2.3%	17.0%	21.9%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	1.4%	20.1%	9.7%	-3.7%
FBMKLCI	MYR	0.3%	-2.0%	13.3%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.0%	-2.0%	1.3%	5.7%
JPM Asia Credit Index-Core	USD	0.2%	-0.3%	7.0%	9.9%
Asia Dollar Index	USD	-0.4%	-0.8%	-0.8%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.0%	-0.1%	3.5%	6.4%

Top Performing Principal Funds	1-mth as of (30 September 2024)	YTD as of (30 September 2024)
Equities		
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
Balanced		
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
Fixed Income		
Principal Conservative Bond (TJY)	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 18 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 [1]

1. This week, global financial markets experienced mixed returns. Among developed markets, the United States witnessed the most significant gains, while Japan and Europe closed in the red.

2. Across Asia, overall performance was mix. Indonesia and China onshore led the region in gains, while China offshore experienced the largest declines. In Malaysia, the FBMKLCI closed with marginal gains, 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 as investors continued to assess the outlook for Federal Reserve monetary policy. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the United States, the Q3 earnings season kicked off with 6% of the S&P 500 companies reporting actual results. Recent data indicated 79% of S&P 500 companies have reported a positive EPS surprise, and 60% of S&P 500 companies have reported a positive revenue. Meanwhile, export prices fell by 0.7 percent month-over-month in September 2024, exceeding market expectations and lower than the 0.9% decrease in August. [2]

2. In Europe, Industrial production rose in August 2024, marking the largest increase since February 2023 and recovering from a decline in July. Output rebounded for energy, capital goods, and durable consumer goods, while production fell more moderately for intermediate goods and continued to rise for non-durable consumer goods.[3]

3. In China, trade surplus widened to USD 81.71 billion in September 2024 from USD 75.5 billion in the same period a year earlier. Sales rose 2.4% yoy, below forecasts and slowing from an 8.7% gain in August. Meanwhile, imports rose 0.3%, slowing from a 0.5% growth in August, due to fragile domestic demand. Data on Friday showed that China' economy grew more than expected in the 3rd quarter, but at the slowest pace since the first quarter of 2023. The country also reported better-than-expected retail sales, industrial production and fixed asset investments in September, while new home prices fell the most since 2015.[4]

4. In Malaysia, the government recently tabled the Budget for 2025 totalling RM421 billion, reflecting a 6.9% increase from the previous year's budget of RM393.8 billion. On economic data, the trade surplus narrowed in September 2024 compared to the same month last year, although it exceeded market estimates. Year-on-year, exports fell slightly to a five-month low, primarily due to lower sales in manufacturing, mining, and other sectors, while agricultural sales saw an increase. Imports rose significantly, driven by higher purchases of various goods.[5]

Investment Strategy [6]

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.

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Sources:
[1] Bloomberg, 18 October 2024
[2] Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 18 October 2024
[3] S&P Global, ECB, Factset, Bank of England (BoE), 18 October 2024
[4] Bloomberg, National Bureau of Statistic China, CEWC, 18 October 2024
[5] Department of Statistic Malaysia, S&P Global, 18 October 2024
[6] Principal view, 18 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 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
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