

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	-2.1%	0.8%	12.1%	21.7%
S&P 500	USD	-2.0%	0.3%	15.4%	24.2%
Nasdaq	USD	-4.0%	-2.0%	16.0%	53.8%
Stoxx 600-Europe	EUR	-2.7%	-1.0%	6.5%	12.7%
Nikkei 225	JPY	-2.7%	4.0%	19.6%	28.3%
MSCI Asia Pac ex-Japan	USD	-3.1%	-0.5%	7.9%	4.5%
ASEAN	USD	-0.8%	6.6%	1.8%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	1.8%	0.9%	4.3%	-11.4%
Hang Seng Index	HKD	-4.9%	-5.4%	3.3%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	0.6%	-0.5%	1.6%	-3.7%
FBMKLCI	MYR	1.0%	2.3%	12.4%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.2%	0.7%	-1.6%	5.7%
JPM Asia Credit Index-Core	USD	0.1%	1.0%	4.0%	9.9%
Asia Dollar Index	USD	-0.4%	-0.1%	-3.2%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.2%	0.6%	2.5%	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 19th 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 exhibited mixed performances due to concerns about potential trade barriers and restrictions in the global chip sector, which affected sentiment across different regions. In developed markets, Europe experienced the largest decline, followed by United States and Japan.
2. Across Asia, the overall performance was mixed. The Philippines experienced the largest gains, while China offshore faced the largest decline. In Malaysia, the FBMKLCI managed to achieve positive gains despite the cautious sentiment in the regional market.
3. In the bond market, the US 10-year Treasury yield remained in the 4.2% range as market reassessed the path ahead for interest rates after the latest comments from Federal Reserve officials. (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, the ECB kept interest rates unchanged in July, as current data supports their previous inflation outlook. The economic bloc posted a trade surplus of EUR 13.9 billion in May, below market expectations of EUR 18 billion and compared with a EUR 0.4 billion gap last year. Imports tumbled by 6.4%, while exports decreased at a much softer 0.5%. The annual inflation rate was confirmed at 2.5% in June, lower than 2.6% in May and 5.5% a year earlier. ³
3. In China, the market assessed the Third Plenum outcomes while awaiting the policy directions press conference for the next five years. The economy expanded 4.7% YoY in Q2, missing forecasts of 5.1% and slowing from the prior period's 5.3% growth. New home prices in 70 cities fell 4.5% YoY in June, marking a 12th consecutive month of decline. Retail sales rose 2% YoY in June, below forecasts and notably slower than the previous month's 3.7% gain. Industrial production increased 5.3% YoY in June, beating expectations but lower than the prior month's 5.6%. China's fixed-asset investment rose 3.9% YoY from January to June, following a 4% growth in the previous month. ⁴
4. In Malaysia, the trade surplus slumped to MYR 14.3 billion in June from MYR 29.1 billion in the corresponding month of the previous year, primarily due to a jump in imports. Imports surged by 17.8% YoY to MYR 111.76 billion in June, surpassing market estimates and accelerating from the 13.4% growth in May. Exports, on the other hand, experienced a modest 1.7% YoY increase in June, marking a significant slowdown from the 7.1% rise 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 have a slight preference for equities over fixed income. The equities outlook in the second half will be supported by more confidence in bottom-up ideas. It is also notable that 2024 earnings forecasts have finally stabilized after persistent downgrades in the first half.

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, 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 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 approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and concerns of economic slowdown.

Sources:

- ¹ Bloomberg, 19th July 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 19th July 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 19th July 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 19th July 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 19th July 2024
- ⁶ Principal view, 19th 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 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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