

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	-0.3%	4.2%	9.4%	21.7%
S&P 500	USD	0.0%	4.7%	11.3%	24.2%
Nasdaq	USD	1.4%	7.4%	11.8%	53.8%
Stoxx 600-Europe	EUR	-0.5%	3.4%	9.7%	12.7%
MSCI Asia Pac ex-Japan	USD	-1.5%	5.3%	6.3%	4.5%
ASEAN	USD	-1.4%	0.8%	-0.9%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	-2.1%	2.5%	5.1%	-11.4%
Hang Seng Index	HKD	-4.8%	8.7%	9.6%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-2.0%	1.5%	3.9%	-3.7%
FBMKLCI	MYR	0.1%	2.8%	11.2%	-2.8%
Fixed Income					
Berg Barclays Global Agg Index	USD	-0.5%	1.2%	-3.2%	5.7%
JPM Asia Credit Index-Core	USD	-0.2%	1.8%	1.9%	9.9%
Asia Dollar Index	USD	-0.4%	0.3%	-2.8%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.0%	0.6%	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 24th 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 negative this week. In developed markets, the largest decline were led by Europe and Japan, while the United States experienced marginal gains.
2. Across Asia, performance was largely negative, with Hang Seng experiencing the largest decline, followed by China onshore market. In Malaysia, the FBMKLCI experienced marginal gains, contrary to the cautious sentiment in the regional market.
3. In the bond market, US 10-year Treasury yields remained little change within the 4.40% range as investors re-evaluate future interest rate trajectories following better-than-expected economic data. (Bond prices move in the opposite direction of bond yields)

Macro Factors

1. In the US, the latest FOMC minutes indicated worries over the lack of progress on inflation. The meeting followed a slew of readings that showed inflation was more stubborn than officials had expected to start 2024. The Fed targets a 2% inflation rate, and all of the indicators showed price increases running well ahead of that mark. Existing Home Sales in the United States, a measure of completed transactions, decreased 1.9% month-over-month, improved marginally from the 3.7% drop in March. ²
2. In Europe, the HCOB Composite PMI rose to 52.3 in May, higher than the April's 51.7. The reading showed the economic recovery in the Eurozone gained momentum, amid faster increases in business activity, new orders and employment while business confidence hit a 27-month high. On trade, the economic bloc posted a trade surplus of €24.1 billion in March, wider than €19.1 billion in the same month of the previous year. ³
3. In China, the People's Bank of China kept key lending rates unchanged at the May fixing, matching market expectations. The 1-year loan prime rate (LPR), the benchmark for most corporate and household loans, was held unchanged at 3.45%. Meanwhile, the 5-year rate, a reference for property mortgages, was maintained at 3.95% following a significant reduction of 25 bps in February. These rates are currently at historically low level as part of Beijing's attempts to stimulate economic recover. Foreign direct investment (FDI) into China fell by 27.1% year-on-year in January to April, a record decline for the first four months of the year. ⁴
4. In Malaysia, export advanced 9.1% year-on-year to MYR 114.72 billion in April, rebounding from a 0.9% fall in the previous month but coming less than market expectations of a 13.4% growth. Imports accelerated 15.6% year-on-year to MYR 107.0 billion in April, following a 12.5% increase in March but less than market forecasts. The annual inflation rate was at 1.8% in April, holding steady for the third straight month and matching market forecasts. 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 with the potential for capital gains as we perceive that the global rate-cutting cycle remain on track. 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, 24th May 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 24th May 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 24th May 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 24th May 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 24th May 2024
- ⁶ Principal view, 24th 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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