

## Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
<b>Equities</b>					
MSCI World	USD	-1.3%	0.3%	16.9%	21.7%
S&P 500	USD	-1.0%	1.5%	21.7%	24.2%
Nasdaq	USD	0.1%	1.8%	20.9%	53.8%
Russell 2000	USD	-3.0%	0.5%	8.9%	15.1%
Stoxx 600-Europe	EUR	-1.2%	-0.1%	8.3%	12.7%
Nikkei 225	JPY	-2.7%	0.7%	13.8%	28.3%
MSCI Asia Pac ex-Japan	USD	-1.9%	0.0%	13.2%	4.5%
ASEAN	USD	-2.3%	-4.3%	11.4%	-3.1%
Shanghai Shenzhen CSI 300 Index	CNY	0.8%	16.3%	15.4%	-11.4%
Hang Seng Index	HKD	-1.0%	6.8%	20.6%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	1.1%	13.8%	10.9%	-3.7%
FBMKLCI	MYR	-1.7%	-4.4%	11.4%	-2.8%
<b>Fixed Income</b>					
Bberg Barclays Global Agg Index	USD	-0.9%	-3.0%	0.4%	5.7%
JPM Asia Credit Index-Core	USD	-0.4%	-0.8%	6.6%	9.9%
Asia Dollar Index	USD	-0.5%	-1.9%	-1.4%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	-0.3%	-0.4%	3.2%	6.4%
<b>Top Performing Principal Funds</b>					
		1-mth as of (30 September 2024)		YTD as of (30 September 2024)	
<b>Equities</b>					
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	
<b>Balanced</b>					
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	
<b>Fixed Income</b>					
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 25 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 <sup>1</sup>

1. This week, global financial markets closed in the red. Among developed markets, Japan led the decline, followed by the United States and Europe.
2. Across Asia, overall performance was mix. China onshore led the region in gains, while India and Philippines experienced the largest declines. In Malaysia, the FBMKLCI closed slightly down, driven by the cautious sentiment in regional market.
3. In the bond market, the US 10-year Treasury yield edged closer to the 4.2% 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 S&P Global US Composite PMI rose to 54.3 in October, indicating solid business activity growth at the start of the fourth quarter. The service sector drove this expansion, while manufacturing output contracted for the third consecutive month. Employment declined slightly due to uncertainty before the Presidential Election. Inflation for input costs and prices charged slowed, particularly in the service sector. The sales of new single-family homes in the United States increased by 4.1% in September, following a downward revision from August and surpassing expectations.<sup>2</sup>
2. In Europe, the HCOB Flash Eurozone Composite PMI rose to 49.7 in October from a seven-month low of 49.6 in September, indicating ongoing business activity contraction. Both services and manufacturing sectors experienced some decline, with companies reducing output in response to weakened demand. Input costs rose at a slower pace, and output charge inflation eased to a multi-year low. Germany and France were highlighted as regions with notable business activity reductions, contributing to the overall economic weakness in the Eurozone.<sup>3</sup>
3. In China, the PBOC slashed key lending rates to new lows at the October fixing, intensifying efforts to support a weakening economy. The one-year loan prime rate (LPR), the benchmark for most corporate and household loans, was cut by 25bps to 3.1%, and the five-year rate, a reference for property mortgages, was reduced by the same margin to 3.6%. The lending rates were last cut in July.<sup>4</sup>
4. In Malaysia, the economy experienced a moderate economic growth rate of 5.3% year-on-year in 3<sup>rd</sup> quarter, showing a slight slowdown from the previous quarter's 5.9% increase. The services sector expanded by 5.1%, with positive growth across all sub-groups. Agricultural output saw a notable slowdown, primarily stemming from a contraction in the fishing sub-sector. Mining and quarrying activities also declined, particularly in natural gas and crude oil & condensate. Conversely, manufacturing output accelerated, driven by the production of electrical, electronic, and optical products. Construction activity remained robust, supported by specialized construction activities and non-residential buildings.<sup>5</sup>

## Investment Strategy <sup>6</sup>

The markets are approaching the final quarter, with the Fed recently embarking on 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.

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.

Sources:

- <sup>1</sup> Bloomberg, 25 October 2024
- <sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 25 October 2024
- <sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 25 October 2024
- <sup>4</sup> Bloomberg, National Bureau of Statistic China, CEWC, 25 October 2024
- <sup>5</sup> Department of Statistic Malaysia, S&P Global, 25 October 2024
- <sup>6</sup> Principal view, 25 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 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

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

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