

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	1.4%	2.2%	17.7%	21.7%
S&P 500	USD	0.6%	2.0%	20.3%	24.2%
Nasdaq	USD	1.1%	2.2%	19.0%	53.8%
Russell 2000	USD	-0.2%	1.0%	9.7%	15.1%
Stoxx 600-Europe	EUR	2.7%	1.7%	10.3%	12.7%
Nikkei 225	JPY	6.2%	4.7%	19.6%	28.3%
MSCI Asia Pac ex-Japan	USD	6.1%	7.8%	17.4%	4.5%
ASEAN	USD	0.8%	7.1%	15.9%	-3.1%
Shanghai Shenzhen CSI 300 Index	CNY	15.7%	12.0%	8.0%	-11.4%
Hang Seng Index	HKD	13.0%	16.1%	21.8%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	12.8%	8.4%	3.9%	-3.7%
FBMKLCI	MYR	-0.3%	2.1%	15.8%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.5%	1.4%	3.8%	5.7%
JPM Asia Credit Index-Core	USD	0.1%	1.3%	7.5%	9.9%
Asia Dollar Index	USD	0.9%	1.7%	1.1%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.0%	0.3%	3.6%	6.4%

Top Performing Principal Funds

	1-mth as of (31 August 2024)	YTD as of (31 August 2024)
Equities		
Principal ASEAN Dynamic USD	3.36	16.62
Principal Asia Pacific Renewables MYR	3.18	12.95
Principal Global Millennial Equity Class USD	2.38	10.76
Balanced		
Principal Islamic Global Selection Moderate USD	5.16	3.39
Principal Islamic Global Selection Mdt Csv USD	5.11	3.49
Principal China Multi Asset Income USD	1.48	5.83
Fixed Income		
Principal Islamic Global Sukuk USD	2.41	-0.09
Principal Asia Dynamic Bond MYR	2.08	1.03
Principal Global Income USD	1.22	4.94

Source: Bloomberg, market data is as of 27 Sep 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 positive returns. Among developed markets, Japan recorded the most significant gains, followed by Europe and the United States.
2. Across Asia, overall performance was positive. China's onshore and offshore markets led the region in gains, while Indonesia experienced marginal declines. In Malaysia, the FBMKLCI closed slightly negative despite a recovery of sentiment in regional market.
3. In the bond market, the US 10-year Treasury yield edged closer to the 3.7% range following the release of key inflation data that showed the rate of price increases is close to the Federal Reserve's target. (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 Flash Composite PMI edged lower to 54.4 in September 2024 from 54.6 in August, beating market forecasts of 54.3. The reading showed business activity remained robust in US private sector, led by the services sector although it slowed slightly (55.4 vs 55.7), while the manufacturing contraction deepened (47 vs 47.9). Meanwhile, new Home Sales MoM decreased to -4.70 % in August from 10.60 % in July of 2024. Annual PCE inflation rate fell to 2.2% in August from 2.5% in the previous month, while the core rate edged up to 2.7% from 2.6%, matching forecasts. ²
2. In Europe, the HCOB Flash Composite PMI fell for a fourth consecutive month to 48.9 in September 2024, the lowest since January, compared to 51 in August and lower than the forecast consensus. The downturn in manufacturing output extending to an 18th consecutive month (44.5 vs 45.8), while services remain in expansion although the momentum slightly decelerated compared to previous month (50.5 vs 52.9).³
3. In China, the PBOC lowered its one-year medium-term lending facility (MLF) rate by 30 bps to 2%. In addition, the central bank injected CNY 300 billion into the financial system. This policy move marked one of the PBoC's most extensive packages of economic stimulus measures announced during a rare briefing the previous day, underscoring Beijing's commitment to achieving its 5% GDP target for 2024. Other significant stimulus measures included a 50 bps cut in the reserve requirement ratio, a 20 bps reduction in the seven-day reverse repo rate, and a 20-25 bps cut in benchmark loan prime rates. Additionally, the PBoC is expected to lower existing mortgage rates by around 50 bps and reduce down-payment requirements for second homes to 15%.⁴
4. In Malaysia, the annual inflation rate unexpectedly stood at 1.9% in August 2024, compared to market estimates of 2.0%, which had been consistent for the previous three months. This rate marked the lowest reading since April, with prices slowing in various sectors such as housing, furnishing, household maintenance, health, recreation, education, and restaurants.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 look favourable with earnings growth of approximately 10% in 2025 and valuation still attractive, trading below historical average.

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:

- ¹ Bloomberg, 27 Sep 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 27 Sep 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 27 Sep 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 27 Sep 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 27 Sep 2024
- ⁶ Principal view, 27 Sep 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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