

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	0.1%	1.3%	10.9%	21.7%
S&P 500	USD	-0.1%	2.9%	14.5%	24.2%
Nasdaq	USD	-0.1%	4.3%	17.0%	53.8%
Stoxx 600-Europe	EUR	-0.8%	-2.1%	6.9%	12.7%
Nikkei 225	JPY	2.7%	2.0%	18.2%	28.3%
MSCI Asia Pac ex-Japan	USD	-0.1%	0.2%	7.4%	4.5%
ASEAN	USD	1.6%	-1.1%	-2.6%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	-0.8%	-3.5%	1.6%	-11.4%
Hang Seng Index	HKD	-1.7%	-5.4%	4.9%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-0.8%	-3.7%	0.7%	-3.7%
FBMKLCI	MYR	0.0%	-1.4%	9.4%	-2.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.4%	0.1%	-3.2%	5.7%
JPM Asia Credit Index-Core	USD	-0.2%	1.0%	3.0%	9.9%
Asia Dollar Index	USD	0.1%	-0.6%	-3.2%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.1%	0.5%	1.9%	6.4%
Top Performing Principal Funds (1 month return as of 31 May 2024)					
			1-mth as of (31 May 2024)	YTD as of (31 May 2024)	
Equities					
Principal Islamic Small Cap Opportunities			10.50	33.01	
Principal Next-G Connectivity USD			6.61	19.29	
Principal Islamic Malaysia Opportunities			5.40	26.13	
Balanced					
Principal Lifetime Balanced			4.87	16.79	
Principal Dynamic Enhanced Malaysia Income			4.61	15.07	
Principal Lifetime Balanced Income			3.94	14.95	
Fixed Income					
Principal Islamic Global Sukuk USD			0.70	-0.98	
Principal Islamic Lifetime Sukuk			0.61	2.12	
Principal Lifetime Bond			0.59	2.00	

Source: Bloomberg, market data is as of 28th June 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 experienced mix performances. In developed markets, Japan led the gains, while the United States and Europe faced negative returns.
2. Across Asia, performance varied. The bourses in Philippine and Indonesia saw increases, while both the on-shore and off-shore markets in China experienced declines. In Malaysia, the FBMKLCI had negative returns attributed to the cautious sentiment in the regional market.
3. In the bond market, the US 10-year Treasury yield rose above the 4.3% range as markets continued to digest the economic data following the release of fresh inflation and consumer data. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the US, the economy expanded at an annualized rate of 1.4% in Q1 2024, slightly higher than the second estimate of 1.3%. However, this still indicates the lowest growth since the contractions in the first half of 2022. ²
2. In Europe, the industry confidence indicator worsened slightly to -10.1 in June from -9.9 in May. Additionally, the services sentiment indicator edged down to 6.5 in June from the upwardly revised 6.8 in the previous month, narrowly surpassing market expectations of 6.4. ³
3. In China, industrial profit rose by 3.4% year over year, in the first five months of 2024, softer than a 4.3% growth in the prior period. The latest result came amid a fragile economic recovery in the face of weak domestic demand, deflation risks, and a property downturn. Profits in state-owned firms also fell further by -2.4% vs -2.8% in Jan-April, despite rising profits in the private sector (7.6% vs 6.4%). ⁴
4. In Malaysia, the annual inflation rate rose to 2.0% in May from 1.8% in the prior three months, exceeding market forecasts of 1.9% and marking the highest level since August 2023. The acceleration in figures was attributed to food, alcoholic beverages, housing, and communication. Producer prices eased to a 1.4% year-on-year gain in May from a 1.9% gain 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 believe China/HK has bottomed as policy towards the residential property market has turned to one of clear support. While the quantum and scope is arguably insufficient, the change in direction is more important at this stage. We now have a slight preference for equities over fixed income. The equities outlook in the second half will be supported by 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, 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, 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 diversification and income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and concerns of economic slowdown.

¹ Bloomberg, 28th June 2024

² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 28th June 2024

³ S&P Global, ECB, Factset, Bank of England (BoE), 28th June 2024

⁴ Bloomberg, National Bureau of Statistic China, CEWC, 28th June 2024

⁵ Department of Statistic Malaysia, S&P Global, 28th June 2024

⁶ Principal view, 28th June 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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