

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	1.2%	2.6%	20.3%	21.7%
S&P 500	USD	1.1%	3.5%	26.5%	24.2%
Nasdaq	USD	0.8%	1.9%	24.4%	53.8%
Russell 2000	USD	1.2%	8.9%	20.1%	15.1%
Stoxx 600-Europe	EUR	0.3%	-1.4%	6.7%	12.7%
Nikkei 225	JPY	-0.2%	-1.8%	14.0%	28.3%
MSCI Asia Pac ex-Japan	USD	-0.2%	-3.6%	9.0%	4.5%
ASEAN	USD	-0.2%	-0.8%	9.3%	-3.1%
Shanghai Shenzhen CSI 300 Index	CNY	1.3%	-0.2%	14.2%	-11.4%
Hang Seng Index	HKD	1.0%	-6.0%	14.0%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	1.8%	1.2%	11.8%	-3.7%
FBMKLCI	MYR	0.3%	-1.2%	9.6%	-2.8%
Fixed Income					
Bberg Bardays Global Agg Index	USD	1.8%	0.4%	0.5%	5.7%
JPM Asia Credit Index-Core	USD	0.8%	0.9%	7.2%	9.9%
Asia Dollar Index	USD	0.2%	-1.3%	-2.7%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.1%	0.8%	4.0%	6.4%
Top Performing Principal Funds					
			1-mth as of (31 October 2024)	YTD as of (31 October 2024)	
Equities					
Principal China Direct Opportunities MYR			6.80	3.67	
Principal Islamic Global Selection Aggressive MYR			5.20	4.50	
Principal Global Titans			5.04	9.09	
Balanced					
Principal Islamic Global Selection Moderate MYR			2.15	-1.46	
Principal Asia Pacific Dynamic Mixed Asset MYR			1.96	5.13	
Principal Islamic Lifetime Balanced Growth			0.65	14.68	
Fixed Income					
Principal Islamic Deposit			0.30	2.98	
Principal Deposit			0.29	3.00	
Principal Money Market Income AI			0.29	3.07	

Source: Bloomberg, market data is as of 29 November 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 were largely mixed. Among developed markets, the United States and Europe saw the most significant gains, while Japan closed in the red.
2. Across Asia, markets displayed a mixed performance overall. The largest gains were seen in both onshore and offshore markets in China, whereas Philippine and Taiwan experienced the largest declines. In Malaysia, the FBMKLCI closed slightly positive, with strong trading interest noted in the Utilities and Financials sectors.
3. In the bond market, the US 10-year Treasury yield edged closer to the 4.1% range as investors digested positive data on inflation and employment data. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the U.S., the latest data confirmed that the economy expanded at an annualized 2.8% in Q3 2024, the same as in the advance estimate, compared to 3% in Q2. The initial jobless claims held steady at 213,000 for the week ending November 23rd, slightly better than market initial expectations of 216,000. The personal consumption expenditure price index increased 0.2% month-over-month in October 2024, unchanged from September and in line with expectations. Service prices rose while goods prices decreased slightly during the month. The core PCE index, which excludes food and energy, rose 0.3%, unchanged from previous month and within expectation. ²
2. In Europe, the annual inflation rate accelerated for a second month to 2.3% in November 2024 from 2% in October, matching market expectations. Meanwhile, core inflation, which excludes volatile food and energy items, remained unchanged at 2.7%, better than forecast. ³
3. In China, markets are awaiting further details on Trump's policy plans after he threatened to impose additional tariffs on Chinese goods earlier this week. Industrial profit declined by 4.3% yoy in the first ten months of 2024, steeper than a 3.5% fall in the previous period. This reflects an economic downturn driven by persistently shaky demand, deflation risks, and property weakness. ⁴
4. In Malaysia, the producer prices fell 2.4% year-on-year in October 2024, following a 2.1% drop in the previous month. This marked the second straight of producer deflation and the steepest pace since June 2023. ⁵

Investment Strategy ⁶

Markets are readjusting after the US election, signalling expectations of stronger economic growth, higher inflation, slower interest rate cuts, and trade tariffs. As specific policy plans emerge, investors should brace for market fluctuations and consider using significant changes to enhance their long-term portfolios. We slightly prefer equities over fixed income. Key themes for 2025 include: i) the impact of policy shifts on China's recovery; ii) the U.S. economic outlook regarding a soft landing; and iii) the influence of geopolitical risks on asset prices.

1. **Equities:** We favour quality, dividend-paying stocks for their defensive nature amid macroeconomic uncertainties. Our focus is on Asia, targeting: a) idiosyncratic ideas where company earnings are primarily influenced by domestic economic factors; b) Chinese domestic consumption; c) technology (beneficiaries of AI and internet platforms); d) industrial names with exposure to grid capex; e) strong consumer and banking franchises in Southeast Asia; and f) selective Indian companies that are reasonably valued with growth potential. Additionally, we note Malaysia's positive outlook due to political stability and initiatives like the New Energy Transition Roadmap.
2. **Fixed Income:** The recent correction in MGS/MGII has made government bonds more attractive, but caution is advised due to potential short-term volatility after the U.S. elections. We continue to prefer new corporate bond issuances, which offer better yield and valuations.
3. **Diversification:** We recommend a diversified approach to navigate volatility from geopolitical tensions, central bank rate cuts, and market adjustments following the U.S. election.

Sources:

- ¹ Bloomberg, 29 November 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 29 November 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 29 November 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 29 November 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 29 November 2024
- ⁶ Principal view, 29 November 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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