

## Market Data

Source: Bloomberg, market data is as of 30 August 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 extended their rally. In developed markets, US experienced the largest gains, followed by the Europe and Japan.
2. Across Asia, the overall performance was mix. The largest gains were led by onshore and offshore markets in China, while South Korea experienced the largest decline. In Malaysia, the FBMKLCI achieved modest gains amid the return of positive sentiment in the regional market.
3. In the bond market, the US 10-year Treasury yield edged closer to the 3.9% range as markets digested the latest batch of inflation data. (It's worth noting that bond prices move in the opposite direction of bond yields.)

## Macro Factors

1. In the United States, the Personal Consumption Expenditures (PCE) price index, the Fed's preferred inflation gauge, increased 0.2% month-on-month and 2.5% year-on-year, matching expectations. This data bolstered hopes for Fed rate cuts later this year, as the economy showed resilience while keeping the door open for potential easing. <sup>2</sup>
2. In Europe, annual inflation fell to 2.2% in August from 2.6% in the previous month, consistent with market expectations, marking the softest increase in consumer prices since July 2021, according to a flash estimate. Excluding energy and unprocessed food, price growth remained unchanged at 2.8%. Bank lending to households in the Eurozone rose by 0.5% year-on-year in July, accelerating from a 0.3% increase in the previous month. This was the fastest pace of credit growth since November 2023. Meanwhile, lending to companies rose by 0.6%, easing from a 0.7% advance in June. Overall private sector credit growth, encompassing both households and non-financial corporations, increased to 1.3% from 1.1%. <sup>3</sup>
3. In China, the official NBS Manufacturing PMI fell to 49.1 in August from 49.4 in the preceding month, missing market estimates of 49.5. This marked the fourth straight month of contraction in factory activity and the steepest decline since February. Profits from industrial firms grew by 3.6% year-on-year to CNY 4,099.17 billion in the first 7 months of 2024, following a 3.5% gain in the previous period. These latest figures come as Beijing continues efforts to support a fragile recovery due to shaky domestic demand, disinflation risks, and prolonged property weakness. The PBOC launched a CNY 300 billion via a one-year medium-term lending facility (MLF) to financial institutions on August 26 while keeping the interest rate unchanged at 2.3% after reducing it by 20bps in July. <sup>4</sup>
4. In Malaysia, producer prices rose by 1.3% year-on-year in July, slowing from a 1.6% growth in the previous month. This marks the sixth straight month of producer inflation but the lowest since February, attributed to moderation in the costs of manufacturing, mining, and electricity & gas supply. <sup>5</sup>

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

The recent rebound in markets underlines the views that investors should avoid overreacting to bouts of volatility. Our base case remains for an economic soft landing in the US, with the Federal Reserve starting to ease policy at its September meeting. 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 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 ~10% in 2025 and a PE of 13x.

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, 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 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, inflationary issues, and concerns of economic slowdown.

Sources:

- <sup>1</sup> Bloomberg, 30 August 2024
- <sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 30 August 2024
- <sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 30 August 2024
- <sup>4</sup> Bloomberg, National Bureau of Statistic China, CEWC, 30 August 2024
- <sup>5</sup> Department of Statistic Malaysia, S&P Global, 30 August 2024
- <sup>6</sup> Principal view, 30 August 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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