

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	-0.8%	3.3%	16.8%	21.7%
S&P 500	USD	0.2%	4.2%	20.6%	24.2%
Nasdaq	USD	0.1%	5.9%	19.1%	53.8%
Russell 2000	USD	-0.5%	3.2%	9.1%	15.1%
Stoxx 600-Europe	EUR	-1.8%	0.6%	8.3%	12.7%
Nikkei 225	JPY	-3.1%	4.8%	15.9%	28.3%
MSCI Asia Pac ex-Japan	USD	0.6%	11.1%	18.1%	4.5%
ASEAN	USD	-2.7%	4.0%	12.8%	-3.1%
Shanghai Shenzhen CSI 300 Index	CNY	8.4%	23.3%	17.1%	-11.4%
Hang Seng Index	HKD	9.8%	30.1%	33.7%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	8.1%	19.8%	12.3%	-3.7%
FBMKLCI	MYR	-1.9%	-1.1%	13.6%	-2.8%
Fixed Income					
Berg Barclays Global Agg Index	USD	-1.8%	-0.6%	2.0%	5.7%
JPM Asia Credit Index-Core	USD	0.0%	1.3%	7.5%	9.9%
Asia Dollar Index	USD	-1.0%	0.7%	0.0%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.0%	0.4%	3.6%	6.4%
Top Performing Principal Funds					
			1-mth as of (30 September 2024)	YTD as of (30 September 2024)	
Equities					
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	
Balanced					
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	
Fixed Income					
Principal Asia Dynamic Bond MYR			2.22	3.26	
Principal Lifetime Bond			0.39	3.77	
Principal Lifetime Enhanced Bond			0.38	4.44	

Source: Bloomberg, market data is as of 4 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 ¹

1. This week, global financial markets experienced mixed returns. Among developed markets, Japan recorded the most significant decline, followed by Europe, while the United States saw marginal gains.
2. Across Asia, overall performance was mix. China's onshore led the region in gains, while Korea and India experienced the largest declines. In Malaysia, the FBMKLCI closed slightly negative, driven by the cautious sentiment in regional market.
3. In the bond market, the US 10-year Treasury yield edged closer to the 3.9% range following the release of a better-than-expected September jobs report (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the United States, the ISM Manufacturing PMI was at 47.2 in September 2024, the same as in August and slightly below forecasts of 47.5. Data showed higher-than-expected hiring in the private sector in September, supporting the favorable results from job openings and suggesting that the labor market is in better shape than feared at the start of the third quarter. September jobs report showed labor market added 254K jobs, surpassing expectations of 150K. Additionally, the unemployment rate decreased to 4.1%, down from 4.2% in August.²
2. In Europe, the unemployment rate was unchanged from the prior month at 6.4% in August 2024, holding at its lowest level on record and in line with market expectations. The annual inflation rate fell to 1.8% in September 2024, the lowest since April 2021, compared to 2.2% in August and forecasts of 1.9%, preliminary estimates showed. Inflation is now below the ECB's target of 2%.³
3. In China, official data released ahead of the National Holidays showed a modest improvement in manufacturing activity for September 2024, up from August's six-month low and beating market expectations. However, services activity slowed, missing forecasts and hitting its weakest level since January 2023. Meanwhile, the People's Bank of China stepped in with a significant policy move, announcing that homeowners would be allowed to renegotiate their mortgage terms starting November 1. This decision is part of Beijing's broader effort to combat the economic slowdown, following the country's largest stimulus package since the pandemic.⁴
4. In Malaysia, the S&P Global Manufacturing PMI fell to 49.5 in September 2024 from 49.7 in the previous two months, marking the lowest figure since April. This also represented the fourth month of contraction in the manufacturing sector, with output levels being scaled back for four months, although the rate of reduction was modest.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, 4 October 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 4 October 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 4 October 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 4 October 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 4 October 2024
- ⁶ Principal view, 4 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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