

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	3.6%	2.6%	19.6%	21.7%
S&P 500	USD	4.7%	4.2%	25.7%	24.2%
Nasdaq	USD	5.4%	5.0%	25.5%	53.8%
Russell 2000	USD	8.6%	9.3%	18.3%	15.1%
Stoxx 600-Europe	EUR	-0.8%	-1.9%	5.8%	12.7%
Nikkei 225	JPY	3.8%	0.8%	17.8%	28.3%
MSCI Asia Pac ex -Japan	USD	1.6%	-1.6%	13.6%	4.5%
ASEAN	USD	1.0%	-1.8%	10.2%	-3.1%
Shanghai Shenzhen CSI 300 Index	CNY	5.5%	-3.5%	19.7%	-11.4%
Hang Seng Index	HKD	1.2%	-1.1%	21.6%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	5.5%	-1.1%	16.1%	-3.7%
FBMKLCI	MYR	1.0%	-2.1%	11.4%	-2.8%
Fixed Income					
Bberg Bardays Global Agg Index	USD	0.2%	-1.5%	0.1%	5.7%
JPM Asia Credit Index-Core	USD	0.4%	0.0%	6.8%	9.9%
Asia Dollar Index	USD	-0.6%	-1.6%	-2.0%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.2%	-0.3%	3.3%	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 8 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 mixed. Among developed markets, the United States and Nikkei experienced the largest gains, while Europe lagged.
2. Across Asia, both onshore and offshore markets in Chinas saw gains, while Indonesia experienced the largest declines. In Malaysia, the FBMKLCI closed positively, driven by the optimism in regional market.
3. In the bond market, the US 10-year Treasury yield edged closer to the 4.3% range as investors digest Donald Trump's presidential win and believe his pro-business policies including tax cuts could spark economic growth. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In US, major indices closed at record highs on Wednesday after Donald Trump won the 2024 presidential election. Investor optimism is fuelled by expectations that a second Trump administration will bring pro-business policies such as tax cuts, deregulation, and tariffs, which are expected to boost economic growth and corporate earnings. The ISM Services PMI unexpectedly jumped to 56 in October 2024, from 54.9 in September and beating forecasts. Fed lowered the federal funds target range by 25 basis points to 4.5%-4.75% at its November 2024 meeting, following a jumbo 50 basis point cut in September, in line with expectations. Policymakers reiterated to carefully assess incoming data, the evolving outlook, and the balance of risks when considering additional adjustments to borrowing costs. Fed Chair also left the door open for a pause in December as policymakers will have to see where the data leads. ²
2. In Europe, the HCOB Eurozone Composite PMI was revised higher to 50 in October 2024 from a preliminary of 49.7 and compared to 49.6 in September. The reading point to stagnation in private business in the Eurozone, as manufacturing continued to contract while services growth improved. ³
3. In China, the Caixin General Composite PMI rose to 51.9 in October 2024 from 50.3 in the prior month, marking the highest reading since June amid a rebound in factory activity and faster growth in the service sector after Beijing rolled out a series of policy measures in late September to bolster an economic turnaround. ⁴
4. In Malaysia, BNM held its overnight policy rate steady at 3% for the ninth consecutive meeting in October 2024, aligning with market expectations. The board remains supportive of the economy and consistent with the current assessment of inflation and growth prospects. Recent indicators reflect sustained economic growth, primarily driven by resilient domestic spending and robust export activity. However, the growth outlook faces potential risks, particularly from weaker-than-expected external demand and fluctuations in commodity production. Meanwhile, headline and core inflation have remained modest, averaging 1.8% year-to-date. Looking ahead to 2025, inflation is expected to stay manageable due to easing global costs and the absence of significant domestic demand pressures. ⁵

Investment Strategy ⁶

Markets are reacting to Trump's victory, 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 favor quality, dividend-paying stocks for their defensive nature amid macroeconomic uncertainties. Our focus is on Asia, targeting: a) idiosyncratic ideas where the return drivers are not major macro 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 from the U.S. elections. New corporate bond issuances offer better yields, making them appealing for investment.
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, 8 November 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 8 November 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 8 November 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 8 November 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 8 November 2024
- ⁶ Principal view, 8 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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