11 July 2025

Weekly Market Recap

Principal® In alliance with CIMB

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	-0.4%	2.9%	9.2%	17.0%
S&P 500	USD	-0.3%	3.9%	6.4%	23.3%
Nasdaq	USD	-0.4%	4.2%	8.4%	24.9%
Russell 2000	USD	-0.6%	4.0%	0.2%	10.0%
Stoxx 600-Europe	EUR	1.1%	-1.3%	7.9%	6.0%
Nikkei 225	JPY	-0.6%	3.1%	-0.8%	19.1%
MSCI Asia Pac ex-Japan	USD	0.2%	1.7%	13.9%	7.6%
ASEAN	USD	0.7%	0.5%	4.2%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	0.9%	3.8%	2.9%	14.7%
Hang Seng Index	HKD	0.6%	-1.3%	20.9%	17.5%
Shanghai Stock Exchange Composite Index	CNY	1.2%	3.8%	5.5%	12.7%
FBMKLCI	MYR	-1.0%	0.8%	-6.5%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.9%	0.4%	6.3%	-1.7%
JPM Asia Credit Index-Core	USD	-0.3%	1.1%	4.1%	6.0%
Asia Dollar Index	USD	-0.4%	0.3%	3.9%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.3%	0.8%	4.4%	4.3%

Top Performing Principal Funds	1-mth as of (30 June 2025)	YTD as of (30 June 2025)
Equities		
Principal Next-G Connectivity USD	13.07	15.65
Principal Islamic Global Technology USD	10.62	6.76
Principal US High Conviction Equity USD	9.76	-0.34
Balanced		
Principal Heritage Balanced MYR Hedged	3.46	1.70
Principal Islamic Global Selection Mdt Csv USD	3.19	6.78
Principal Islamic Global Selection Moderate MYR	2.38	-0.08
Fixed Income		
Principal Sustainable Dynamic Bond MYR	0.33	2.93
Principal Islamic Lifetime Sukuk	0.32	2.93
Principal Conservative Bond	0.32	3.04

Source: Bloomberg, market data is as of 11 July 2025.
*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 exhibited mixed performance. Among developed markets, Europe recorded positive gains, while the United States and Japan posted negative returns.

2. Across Asia, the market showed mixed performances. South Korea led with the largest gains, while losses were driven by India market. Meanwhile, in Malaysia, the FBMKLCI ended the week with a negative return.

3. In the bond market, the yield on the US 10-year Treasury note rose nearly 4 basis points to around 4.39% on Friday, following a volatile week marked by heightened trade tensions and shifting policy expectations. (It's worth noting that bond prices move inversely to bond yields.)

Macro Factors

1. In the U.S., it was reported that the Trump administration will impose a 35% tariff on imports from Canada starting August 1, and warned it could rise further if Canada retaliates. Trump also signalled plans to apply blanket tariffs of 15% to 20% on most other trade partners. The move is part of a broader escalation in his trade war, with new tariffs already targeting allies such as Japan and South Korea, as well as a 50% levy on copper. In corporate news, Nvidia added gains after becoming the first public company to surpass a $4 trillion valuation, further fueling the AI-driven tech rally.[2]

2. In Europe, markets appeared to shrug off the latest trade measures announced by US President Trump. EU trade chief Sefcovic said that good progress had been made on a framework trade agreement, with a deal potentially achievable within days. [3]

3. In China, the Finance Ministry is expected to issue CNY 6 billion in sovereign bonds in the Macau Special Administrative Region (SAR) on July 16, marking the fourth consecutive year of such issuance, Xinhua News reported Wednesday. In a joint statement, the Ministry and the SAR said the move underscores Beijing's support for Macau in developing its bond market and promoting economic diversification. Consumer prices rose 0.1% year-over-year in June, the first positive reading in five months and a tentative sign of stabilizing demand. However, producer prices tumbled 3.6%, the sharpest decline since July 2023, as mounting price competition and subdued domestic consumption continued to pressure the industrial sector. [4]

4. In Malaysia, BNM lowered its benchmark interest rate by 25 basis points to 2.75% during its July 2025 policy meeting, in line with market expectations. This marked the first rate cut in five years, underscoring the central bank's commitment to supporting domestic economic momentum amid a weaker growth outlook and rising global trade uncertainties. Headline and core inflation averaged 1.4% and 1.9%, respectively, in the first five months of the year. For the full year, inflation is expected to remain moderate, supported by subdued global cost pressures and the absence of significant domestic demand-driven inflation. On tariff front, the government officials reaffirmed its commitment to a "balanced" and "mutually beneficial" trade relationship with the U.S. despite President Trump's announcement of a 25% tariff on Malaysian goods starting August 1.The unemployment rate dropped to 3.0% in May 2025 from 3.3% in the same month a year earlier, marking its lowest level since April 2015 for the second consecutive month. [5]

Investment Strategy [6]

Global equities have returned to all-time highs as markets enter the second half of 2025. Over the past six months, investors have contended with shifting policy, swings in sentiment, and geopolitical events. However, beneath the surface, the foundations of a more positive environment are beginning to take shape.

We reiterate the importance of to keeping sight of longer-term investing principles that can boost risk-adjusted rates of return **through *portfolio diversification*** and an emphasis on ***quality growth and income*** to navigate the volatility ahead. Our strategy has also emphasized focusing on companies that demonstrate the attributes of **large-cap defensiveness, with earnings that are more domestically focused.** Additionally**, quality bonds have historically offered portfolio stability,** especially in times of uncertainty.

We remain a slight preference for 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; and iii) the influence of tariffs and geopolitical risks on asset prices.

Sources:
[1] Bloomberg, 11 July 2025
[2] Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 11 July 2025
[3] S&P Global, ECB, Factset, Bank of England (BoE), 11 July 2025
[4] Bloomberg, National Bureau of Statistic China, CEWC, 11 July 2025
[5] Department of Statistic Malaysia, S&P Global, 11 July 2025
[6] Principal view, 11 July 2025

*SEZ refers to Special Economic Zone
*PMI refers to Purchasing Manufacturing Index
*HCOB refers to Hamburg Commercial Bank
*NBS PMI refers to official data released by National Bureau of Statis 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