

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	-0.4%	2.0%	5.3%	17.0%
S&P 500	USD	-0.4%	1.6%	1.7%	23.3%
Nasdaq	USD	-0.6%	2.1%	3.0%	24.9%
Russell 2000	USD	-1.5%	0.0%	-5.8%	10.0%
Stoxx 600-Europe	EUR	-1.8%	-0.4%	7.9%	6.0%
Nikkei 225	JPY	0.2%	-0.9%	-5.3%	19.1%
MSCI Asia Pac ex-Japan	USD	0.8%	3.9%	10.5%	7.6%
ASEAN	USD	-1.0%	-0.3%	3.1%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	-0.1%	-0.6%	-1.5%	14.7%
Hang Seng Index	HKD	0.7%	4.1%	20.3%	17.5%
Shanghai Stock Exchange Composite Index	CNY	-0.1%	0.3%	1.0%	12.7%
FBMKLCI	MYR	0.1%	-4.0%	-7.5%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.8%	2.1%	6.1%	-1.7%
JPM Asia Credit Index-Core	USD	0.3%	1.3%	3.2%	6.0%
Asia Dollar Index	USD	0.1%	1.2%	3.7%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.0%	0.6%	3.7%	4.3%

Top Performing Principal Funds	1-mth as of (31 May 2025)	YTD as of (31 May 2025)
Equities		
Principal Next-G Connectivity USD	11.35	2.29
Principal Global Technology USD	11.11	-0.58
Principal Islamic Global Technology USD	10.89	-3.48
Balanced		
Principal Islamic Global Selection Moderate USD	4.63	2.58
Principal World Selection Moderate Aggressive USD	4.34	4.00
Principal World Selection Moderate USD	3.12	3.71
Fixed Income		
Principal Lifetime Bond	0.77	2.84
Principal Conservative Bond	0.70	2.70
Principal Islamic Lifetime Sukuk	0.69	2.58

Source: Bloomberg, market data is as of 13 June 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, Japan posted gains, while Europe and the United States experience declines.
2. Across Asia, most market struggled. South Korea recorded the largest gains, whereas India posted the largest decline. In Malaysia, the FBMKLCI ended the week in the green.
3. In the bond market, the U.S. 10-year Treasury yield dropped to around 4.34% on Friday, marking its lowest level in five weeks, as investors flocked to safe-haven assets following a sharp escalation in Middle East tensions. (It’s worth noting that bond prices move inversely to bond yields.)

Macro Factors

1. In the U.S., market sentiments turned cautious amid a flight to safe-haven assets driven by escalating tensions in the Middle East. The annual inflation rate in the US rose for the first time in four months to 2.4% in May 2025 from April’s 2.3%. The annual core inflation which excludes volatile food and energy prices, remained at 2.8%. ²
2. In Europe, the trade surplus narrowed to €9.9 billion in April 2025, down from €13.6 billion a year earlier and below market expectations. Export declined 1.4% year-on-year to €242.98 billion in April 2025, and fell 13.3% from March’s all-time high of €280.21 billion. Meanwhile, import inched up just 0.1% year-on-year to €233.07 billion in April 2025, a sharp slowdown from the 7.7% surge recorded in March, reflecting stagnating domestic demand amid heightened trade war uncertainty following the implementation of new US tariffs. Industrial production also fell by 2.4% month-over-month in April 2025, reversing a downwardly revised 2.4% gain in March. ³
3. In China, US and Chinese negotiators reached a preliminary trade agreement in London that includes the removal of Chinese export restrictions on rare earth minerals and the reinstatement of access for Chinese students to US universities. Chinese banks extended CNY 620 billion in new yuan loans in May 2025, up from CNY 280 billion in April, which was the lowest level for that month since 2005, when trade tensions with the US escalated. China's consumer prices dropped by 0.1% yoy in May 2025, matching the declines seen in the previous two months and slightly outperforming expectations. China's trade surplus widened sharply to USD 103.22 billion in May 2025, up from USD 81.74 billion in the same period a year earlier. The figures were driven by higher export while imports dropped more than anticipated. ⁴
4. In Malaysia, retail sales increased by 4.7% year-on-year in April 2025, easing from 6.6% in the previous month. Meanwhile, the unemployment rate dropped to 3.0% in April 2025 from 3.3% in the same month of the previous year, marking the lowest level since April 2015. ⁵

Investment Strategy ⁶

Market volatility is likely to remain elevated in the weeks ahead as the escalating conflict between Israel and Iran poses the risk of renewed cross-asset volatility. Investors also assess rapidly shifting tariff developments and consider the potential implications for growth, inflation, central bank policy, and financial markets. Nevertheless, we believe incremental news flow could become more supportive as we approach the second half of the year, as clarity emerges with more countries progressing towards resolutions and offering concessions.

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.

13 June 2025

Weekly Market Recap

Sources:

- ¹ Bloomberg, 13 June 2025
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 13 June 2025
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 13 June 2025
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 13 June 2025
- ⁵ Department of Statistic Malaysia, S&P Global, 13 June 2025
- ⁶ Principal view, 13 June 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

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