

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	-2.0%	-5.9%	-1.1%	17.0%
S&P 500	USD	-2.3%	-7.7%	-4.1%	23.3%
Nasdaq	USD	-2.5%	-10.8%	-6.2%	24.9%
Russell 2000	USD	-1.5%	-10.3%	-8.3%	10.0%
Stoxx 600-Europe	EUR	-1.2%	-0.9%	7.9%	6.0%
Nikkei 225	JPY	0.4%	-5.3%	-7.2%	19.1%
MSCI Asia Pac ex-Japan	USD	-1.5%	-1.7%	2.3%	7.6%
ASEAN	USD	-2.8%	-3.5%	-3.1%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	1.6%	1.6%	1.7%	14.7%
Hang Seng Index	HKD	-1.1%	6.3%	19.9%	17.5%
Shanghai Stock Exchange Composite Index	CNY	1.4%	2.1%	1.9%	12.7%
FBMKLCI	MYR	-1.0%	-3.7%	-6.7%	12.8%
Fixed Income					
Berg Barclays Global Agg Index	USD	-0.2%	0.8%	2.3%	-1.7%
JPM Asia Credit Index-Core	USD	-0.2%	1.0%	2.2%	6.0%
Asia Dollar Index	USD	-0.2%	-0.1%	0.7%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.2%	0.6%	1.1%	4.3%
Top Performing Principal Funds					
		1-mth as of (28 February 2025)		YTD as of (28 February 2025)	
Equities					
Principal Greater Bay MYR Hedged		9.56		6.02	
Principal Greater China Equity		6.51		4.82	
Principal Asia Titans MYR		2.51		1.49	
Balanced					
Principal Asia Pacific Dynamic Mixed Asset MYR		2.21		2.17	
Principal Emerging Markets Multi Asset USD		1.01		2.94	
Principal Global Multi Asset Income MYR		0.64		1.83	
Fixed Income					
Principal Global Income USD		0.78		1.88	
Principal Lifetime Bond		0.48		0.83	
Principal Islamic Lifetime Sukuk		0.46		0.80	

Source: Bloomberg, market data is as of 14 March 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, the global financial markets exhibited mixed performance. Among developed markets, Japan experienced positive gains, while the United States and Europe showed negative return.
2. Across Asia, market performance was mixed. Both onshore and offshore markets in China experienced the largest gains, while Taiwan recorded the largest negative return. In Malaysia, the FBMKLCI closed lower, driven by the cautious sentiment in the regional market.
3. In the bond market, the US 10-year Treasury yield stabilized around 4.29%, as investors assessed trade uncertainties and economic data. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the U.S., there were several developments regarding trade uncertainty and tariff policy shifts from the Trump administration. President Donald Trump threatened to impose 200% tariffs on all alcoholic products from the European Union, retaliating against the bloc's 50% tariff on American whiskey and other US goods. He also reaffirmed his stance on implementing reciprocal tariffs on global trading partners, set to take effect on April 2. Meanwhile, recent data showed that US inflation figures for February came in below expectations, with both consumer and producer price growth slowing. The latest weekly jobless claims also stood at 220K, slightly below estimates but in line with recent trends. Looking ahead, investors are turning their attention to next week's Federal Reserve policy decision, where the central bank is widely expected to hold interest rates steady while providing updated economic projections. ²
2. In Europe, the market went through a volatile week as investors navigated escalating trade tensions, geopolitical uncertainties, and key corporate updates. European Union unveiled countermeasures against US steel and aluminium tariffs, announcing plans to impose retaliatory tariffs on €26 billion worth of US goods starting in April. Meanwhile, industrial output rebounded by 0.8% month-over-month in January 2025, surpassing market expectations of 0.6%. ³
3. In China, the stock market remained reacted positively on rising expectations of more policy support from Beijing. Top government officials are set to hold a press conference on Monday to discuss measures to boost consumption, fuelling optimism about potential economic stimulus. Meanwhile, investors continued to navigate escalating global trade tensions, with US President Donald Trump reaffirming plans to implement reciprocal tariffs on global trading partners, set to take effect on April 2. ⁴
4. In Malaysia, retail sales increased by 8.4% year-on-year in January 2025, accelerating from an eleven-month low of 5.4% in the previous month. Industrial production expanded by 2.1% year-on-year in January 2025, slowing from a 4.6% growth in December 2024 and below market expectations. The unemployment edged down to 3.1% in January 2025 from 3.3% in the corresponding month of the previous year, remaining at its lowest level since May 2015. ⁵

Investment Strategy ⁶

As the market continues to react to concerns of tariff threats and asset volatility, we believe markets are likely to refocus on fundamentals that should support the equity rally further. We reiterate the importance of **portfolio diversification** and the emphasis the need for **quality growth and income** to navigate volatility ahead. 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 favour quality, dividend-paying stocks for their defensive nature amid macroeconomic uncertainties. Our focus is on Asia, targeting: a) idiosyncratic ideas where company earnings are primarily influenced by domestic economic factors; b) selective Chinese domestic consumption which appeared deeply discounted; 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: We adopt active approach in anticipation of market volatility by targeting various maturities along the yield curve that could add value. We preferred quality corporate credits with disciplined profit taking activities once valuation turns expensive and replaced with new primary issuances or tactical position in government bonds. We maintain our overweight duration bias relative to the benchmark as the current market conditions still remains favourable.
3. Diversification: We recommend a diversified approach to navigate volatility from geopolitical tensions, central bank rate cuts, and tariff uncertainties.

Sources:

- ¹ Bloomberg, 14 March 2025
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 14 March 2025
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 14 March 2025
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 14 March 2025
- ⁵ Department of Statistic Malaysia, S&P Global, 14 March 2025
- ⁶ Principal view, 14 March 2025

*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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