

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	1.2%	3.6%	12.6%	17.0%
S&P 500	USD	1.0%	3.3%	9.7%	23.3%
Nasdaq	USD	0.4%	3.6%	12.8%	24.9%
Russell 2000	USD	3.1%	3.7%	2.5%	10.0%
Stoxx 600-Europe	EUR	1.3%	1.7%	9.2%	6.0%
Nikkei 225	JPY	3.7%	9.2%	8.6%	19.1%
MSCI Asia Pac ex-Japan	USD	1.7%	2.3%	17.5%	7.6%
ASEAN	USD	3.1%	5.2%	10.4%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	2.1%	4.1%	7.1%	14.7%
Hang Seng Index	HKD	1.7%	2.5%	26.1%	17.5%
Shanghai Stock Exchange Composite Index	CNY	1.4%	5.0%	10.6%	12.7%
FBMKLCI	MYR	1.3%	3.3%	-4.1%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.0%	1.1%	6.9%	-1.7%
JPM Asia Credit Index-Core	USD	0.4%	1.8%	5.9%	6.0%
Asia Dollar Index	USD	0.1%	-0.4%	3.2%	-4.1%
Top Performing Principal Funds					
		1-mth as of		YTD as of	
		(31 July 2025)		(31 July 2025)	
Equities					
Principal China Direct Opportunities SGD			8.82		10.34
Principal Biotechnology Discovery USD			8.71		3.57
Principal Islamic Greater China Growth MYR			6.72		3.89
Balanced					
Principal Asia Pacific Dynamic Mixed Asset MYR			3.01		4.24
Principal Global Multi Asset Income MYR			2.74		-0.14
Principal Islamic Global Selection Moderate MYR			2.50		2.42
Fixed Income					
Principal Lifetime Enhanced Bond			0.77		3.26
Principal Islamic Lifetime Sukuk			0.59		3.54
Principal Lifetime Bond			0.57		3.76

Source: Bloomberg, market data is as of 15 August 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 showed a positive trend. Japan topped the list of developed markets with the highest gains, followed closely by Europe and the United States.
2. Across Asia, majority of the markets showed positive performances. Both onshore and offshore markets in China led the way with the largest gains, while India saw modest increase. Meanwhile, in Malaysia, the FBMKLCI ended the week with a slight gain.
3. In the bond market, the yield on the 10-year US Treasury note increase to the 4.30% range, following July’s retail sales and consumer sentiment data provided two contrasting looks at the U.S. consumer. (It’s worth noting that bond prices move inversely to bond yields.)

Macro Factors

1. In the U.S., the annual inflation rate remained at 2.7% in in July 2025, the same as in June and below forecasts of 2.8% Meanwhile, core inflation, which excludes food and energy, accelerated to a five-month high of 3.1%, compared to 2.9% in June and above forecasts of 3%. Meanwhile, US producer prices rose 0.9% mom in July 2025, rebounding from a flat reading in June and much higher than expectations of 0.2%. It is the biggest increase in producer prices since June 2022.²
2. In Europe, the market sentiment turned positive with continued support from its main sectors amid optimism that tariffs from the United States will remain below the levels that were previously threatened. The EU Commission noted it is likely to finalize parts of the trade agreements with the US, holding tariffs on most goods at 15% instead of the steeper threats by US President Trump.³
3. In China, the extension of a tariff truce between the US and China continued to bolster sentiment. US Treasury Secretary Scott Bessent said on Tuesday that officials from both nations will meet again within the next two to three months to discuss the future of their economic relationship. Additionally, China earmarked CNY 188 billion (USD 25.9 billion) from its 2025 ultra-long special treasury bond funds to back equipment upgrades across major sectors. The funding will cover about 8,400 projects spanning industry, energy equipment, power, transport, logistics, environmental infrastructure, education, healthcare, and more. The plan, part of the “two new” policy, aims to leverage over CNY 1 trillion in total investment, with tighter vetting to accelerate modernization in key sectors. On macro, retail sales increased by 3.7% year-on-year in July 2025, slowing from 4.8% in June and missing market expectations of a 4.6% gain. ⁴
4. In Malaysia, unemployment rate declined to 3.0% in June 2025 from 3.3% in the same month a year earlier, marking its lowest level since April 2015 for the third consecutive month. Meanwhile, the labor force participation rate climbed to an all-time high of 70.8% in June, up from 70.6% a year earlier, marking the third consecutive month at this record level. Retail sales also climbed by 5.4% year-on-year in June 2025, accelerating from a 4.9% increase in the previous month. ⁵

Investment Strategy ⁶

US wholesale prices in July jumped more than expected, rekindling concerns that rising inflation remains a risk in the Federal Reserve’s path toward further easing. However, fed funds futures still indicate a more than 90% probability of a Fed cut next month, and growing price pressures are expected as US tariffs feed through into the economy.

We maintain the rational for investing in both Equity and Fixed Income remains strong, and we still foresee additional growth in the coming years. Our base case remains that the US Central Bank will cut rates, and rate cuts have typically been supportive for stock markets during non-recession periods, as well as further benefits for fixed income.

Investors are advised to keep 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.

15 August 2025

Weekly Market Recap

Sources:

- ¹ Bloomberg, 15 August 2025
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 15 August 2025
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 15 August 2025
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 15 August 2025
- ⁵ Department of Statistic Malaysia, S&P Global, 15 August 2025
- ⁶ Principal view, 15 August 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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