

## Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2025
<b>Equities</b>					
MSCI World	USD	0.1%	2.8%	1.9%	19.5%
S&P 500	USD	-0.4%	2.0%	1.4%	16.4%
Nasdaq	USD	-0.9%	1.5%	1.1%	20.2%
Russell 2000	USD	2.0%	6.3%	7.9%	11.3%
Stoxx 600-Europe	EUR	0.8%	5.9%	3.8%	16.7%
Nikkei 225	JPY	3.8%	9.3%	7.1%	26.2%
KOSPI	KRW	5.5%	21.0%	14.9%	74.8%
MSCI Asia Pac ex-Japan	USD	2.1%	9.1%	5.1%	26.9%
ASEAN	USD	1.0%	3.0%	2.0%	12.0%
Shanghai Shenzhen CSI 300	CNY	-0.5%	5.3%	2.2%	17.7%
Hang Seng	HKD	2.4%	6.1%	4.4%	28.2%
Shanghai Stock Exchange Composite	CNY	-0.6%	7.2%	3.2%	18.6%
FBM Emas Shariah	MYR	0.3%	3.0%	1.5%	-3.9%
FBMKLCI	MYR	1.5%	3.7%	1.8%	2.4%
<b>Fixed Income</b>					
Bberg Bardays Global Agg	USD	-0.2%	-0.2%	-0.3%	8.2%
JPM Asia Credit Index-Core	USD	0.2%	0.7%	0.2%	9.1%
Asia Dollar Index	USD	-0.2%	0.4%	-0.4%	3.3%

## Top Performing Principal Funds

	(31 Dec 2025)	(31 Dec 2025)
<b>Equities</b>		
Principal China Direct Opportunities USD	5.91	35.60
Principal Malaysia Opportunities	4.97	11.4
Principal Malaysia Titans	4.35	203
<b>Balanced</b>		
Principal Lifetime Balanced	3.07	-0.39
Principal Lifetime Balanced Income	2.60	-0.16
Principal Dynamic Enhanced Malaysia Income	2.54	-0.43
<b>Fixed Income</b>		
Principal Conservative Bond	0.32	4.94
Principal Lifetime Bond	0.29	5.22
Principal Deposit	0.28	3.51

\*Source: Bloomberg, market data is as of 16 January 2026.

\*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<sup>1</sup>

1. This week, global financial markets exhibited mixed performance, with most major U.S. indices closing in the red. Japan led the positive gains followed by Europe.
2. Across Asia, markets exhibited mixed performance. There were strong gains in South Korea and Taiwan region, while China's onshore market was largely negative. India closed flat to slightly in the red. In Malaysia, the FBM KLCI experienced a slight gain.
3. In the bond market, the yield on the 10-year US Treasury moved higher to the 4.22% range (as of January 16<sup>th</sup>) as investors monitored the economic outlook and geopolitical concerns. (It's worth noting that bond prices move inversely to bond yields)

## Macro Factors

1. In the United States, recent data indicate strong US economic data may temper expectations for additional Federal Reserve interest rate cuts. Weekly jobless claims came in well below forecasts, signalling a resilient labour market, while some manufacturing surveys also exceeded expectations. The annual inflation rate remained at 2.7% in December 2025, the same as in November and in line with market expectations. Markets widely anticipate that the Fed will keep rates unchanged later this month, with forecasts for the next rate cut now pushed back to June or later. On the trade front, the US agreed to lower tariffs on Taiwanese goods from 20% to 15%, while Taiwanese companies committed to investing at least \$250 billion to expand chip manufacturing capacity in the US. Elsewhere, President Trump indicated he may delay action in Iran but reiterated his intention to pursue the acquisition of Greenland.<sup>2</sup>
2. In Europe, industrial production increased by 0.7% month-on-month in November 2025, matching October's pace and exceeding market expectations of 0.5% growth. Meanwhile, the Eurozone's trade surplus narrowed to €9.9 billion in November 2025 from €15.4 billion a year earlier, below market expectations of €15.2 billion, as exports fell 3.4% while imports decreased 1.3%. Key catalysts likely to support European equity performance in 2026 include a gradual economic recovery, significant fiscal spending on infrastructure and defence, and attractive relative valuations compared to U.S. markets.<sup>3</sup>
3. In China, the central bank announced cuts to sector-specific interest rates to provide an early boost to the economy, and signalled that it has room this year for further reductions in banks' cash reserve requirements and broader rate cuts. The one-year relending rate will be reduced from 1.5% to 1.25%, with rates for other maturities adjusted accordingly. Structural monetary policy tools are central bank instruments designed to target specific sectors or areas of the economy, such as small firms, tech innovation, and green development. Chinese banks extended CNY 910 billion in new yuan loans in December 2025, sharply higher than CNY 390 billion in November. Although lending remained below the CNY 990 billion recorded a year earlier. Meanwhile, exports rose by 6.6% yoy to a record peak of USD 357.8 billion in December 2025, surpassing expectations and accelerating from a 5.9% gain in November.<sup>4</sup>
4. In Malaysia, the economy advanced 5.7% yoy in Q4 2025, accelerating from a 5.2% rise in Q3 and marking the strongest growth since Q2 2024, flash data showed. For the full year, the economy grew 4.9%, slightly slowing from 5.1% in 2024. On macro, industrial production increased by 4.3% year-on-year in November 2025, below market expectations and slowing from a 6% growth in the previous month. Retail sales rose by 6.4% year-on-year in November 2025, slowing from a 6.8% increase in the previous month.<sup>5</sup>

## Investment Strategy<sup>6</sup>

The market in 2026 is projected to continue its positive performance, driven by optimism in abundant liquidity, stable macroeconomics, and the ongoing growth in digital transformation. Investors are advised to adhere to long-term principles—using diversification and a phased-in strategy—to manage timing risk, reduce emotion, and benefit from market fluctuations. Our strategy focuses on quality growth companies with domestic earnings, supplemented by quality bonds for portfolio stability during uncertainty.

16 January 2026

## Weekly Market Recap



## Sources:

- <sup>1</sup> Bloomberg, 16 January 2026
- <sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 16 January 2026
- <sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 16 January 2026
- <sup>4</sup> Bloomberg, National Bureau of Statistics China, CEWC, 16 January 2026
- <sup>5</sup> Department of Statistics Malaysia, S&P Global, 16 January 2026
- <sup>6</sup> Principal view, 16 January 2026

\*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 Statistics in China

\*Caixin PMI refers to data published by Caixin Media and ISH Markit. It provides an 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

\* Caixin decided to end its title sponsorship of the S&P Global China Purchasing Managers' Index (PMI) as of July 2025. This decision was part of a "strategic adjustment" for Caixin, aligning with its long-term development needs. Caixin had been the title sponsor since 2015, using it as a way to expand into the data sector and analyze China's economic transformation. Following Caixin's departure, RatingDog (Shenzhen) Information Technology Co., Ltd., a Chinese credit research and bond rating company, successfully acquired the exclusive naming rights for the "S&P Global China PMI". Starting with the August 2025 data release, the index was officially renamed the "RatingDog China PMI". S&P Global continues to be responsible for compiling and releasing the monthly report.

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