

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
<b>Equities</b>					
MSCI World	USD	0.4%	4.2%	9.6%	17.0%
S&P 500	USD	0.6%	5.2%	7.0%	23.3%
Nasdaq	USD	1.2%	6.2%	9.7%	24.9%
Russell 2000	USD	0.2%	6.0%	0.4%	10.0%
Stoxx 600-Europe	EUR	-0.1%	1.1%	7.8%	6.0%
Nikkei 225	JPY	0.6%	2.5%	-0.2%	19.1%
MSCI Asia Pac ex-Japan	USD	1.8%	4.6%	15.9%	7.6%
ASEAN	USD	2.6%	4.6%	6.9%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	1.2%	5.4%	4.1%	14.7%
Hang Seng Index	HKD	2.7%	4.1%	24.1%	17.5%
Shanghai Stock Exchange Composite Index	CNY	0.9%	5.0%	6.5%	12.7%
FBMKLCI	MYR	-0.7%	0.8%	-7.1%	12.8%
<b>Fixed Income</b>					
Bberg Barclays Global Agg Index	USD	-0.2%	0.0%	6.0%	-1.7%
JPM Asia Credit Index-Core	USD	0.0%	0.8%	4.1%	6.0%
Asia Dollar Index	USD	-0.3%	0.0%	3.5%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.1%	0.9%	4.5%	4.3%

Top Performing Principal Funds	1-mth as of (30 June 2025)	YTD as of (30 June 2025)
<b>Equities</b>		
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
<b>Balanced</b>		
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
<b>Fixed Income</b>		
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 18 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 <sup>1</sup>

1. This week, global financial markets exhibited mixed performance. Among developed markets, the United States and Japan recorded positive gains, while Europe posted negative returns.
2. Across Asia, the market showed mixed performances. Both on shore and offshore markets of China led with the largest gains, while the Indian market faced losses. Meanwhile, in Malaysia, the FBMKLCI ended the week with a negative return.
3. In the bond market, the yield on the 10-year US Treasury note dropped to 4.44% on Friday, despite strong economic data released overnight, which supported the view that the Federal Reserve can afford to wait a little longer before cutting interest rates again. (It’s worth noting that bond prices move inversely to bond yields.)

Macro Factors

1. In the U.S., the annual inflation rate in the US accelerated for the second consecutive month to 2.7% in June 2025, the highest level since February, up from 2.4% in May and in line with expectations. Annual core inflation went up to 2.9% from 2.8%, but below forecasts of 3%. Monthly core CPI also rose less than anticipated by 0.2%, compared to forecasts of 0.3% and 0.1% in May. On the other hand, retail sales rose more than expected in June, while weekly initial jobless claims unexpectedly fell to a three-month low. <sup>2</sup>
2. In Europe, markets remain focused on trade developments, with optimism persisting that a deal between the US and the EU could be reached before August 1st. President Trump announced a 30% tariff on European Union imports starting next month but later expressed willingness to negotiate. In response, the EU reaffirmed its commitment to securing a trade agreement. On the monetary policy front, investors broadly expect the ECB to hold interest rates steady at its meeting next week. However, markets are still pricing in one additional 25 basis point rate cut later this year. Eurozone inflation was confirmed at 2% year-on-year in June, with core inflation holding at 2.3%. <sup>3</sup>
3. In China, sentiment gradually improved as US President Trump softened his rhetoric toward China, boosting hopes for a potential trade deal. The economy expanded 5.2% year-on-year in the second quarter, slightly above market expectations of 5.1% but slower than the 5.4% growth recorded in the previous two quarters. Industrial production in June also beat forecasts, offering signs of resilience in the manufacturing sector. However, retail sales growth came in weaker than expected, raising concerns about consumer demand. Meanwhile, China’s youth jobless rate for 16- to 24-year-olds, excluding college students, fell to 14.5% in June 2025 from 14.9% in the previous month, marking the lowest reading since June 2024. <sup>4</sup>
4. In Malaysia, the latest data indicated the economy expanded by 4.5% year-on-year in the second quarter of 2025, slightly up from 4.4% growth in the previous period, preliminary estimates showed. The uptick was driven by a faster rise in agricultural activity, which grew by 2% compared to a 0.6% rise in Q1, supported by higher output in palm oil, other agriculture and livestock, and rubber sub-sectors. Growth in services also accelerated to 5.3% from 5%, underpinned by positive performance across all sub-sectors, with wholesale & retail trade, transportation & storage, and business services being the main contributors. On the other hand, growth moderated in manufacturing and construction, while mining and quarrying output contracted further due to lower production in natural gas and crude oil & condensate. On a quarterly basis, the economy contracted by 1%, following a 3.5% decline in the prior period. <sup>5</sup>

Investment Strategy <sup>6</sup>

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.

18 July 2025

# Weekly Market Recap

## Sources:

- <sup>1</sup> Bloomberg, 18 July 2025
- <sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 18 July 2025
- <sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 18 July 2025
- <sup>4</sup> Bloomberg, National Bureau of Statistic China, CEWC, 18 July 2025
- <sup>5</sup> Department of Statistic Malaysia, S&P Global, 18 July 2025
- <sup>6</sup> Principal view, 18 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

## Disclaimer:

We have based this document on information obtained from sources we believe to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness, or correctness. Expressions of opinion contained herein are those of Principal Asset Management Berhad only and are subject to change without notice. This document should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell Principal Asset Management Berhad's investment products. The data presented is for information purposes only and is not a recommendation to buy or sell any securities or adopt any investment strategy. This material is not intended to be relied upon as a forecast, research, or investment advice regarding a particular investment or the markets in general, nor is it intended to predict or depict performance of any investment. We recommend that investors read and understand the contents of the funds' prospectus and product highlights sheet available on the Principal website, which have been duly registered with the Securities Commission Malaysia (SC). Registration of these documents does not amount to nor indicate that the SC has recommended or endorsed the product or service. There are risks, fees and charges involved in investing in the funds. You should understand the risks involved, compare, and consider the fees, charges and costs involved, make your own risk assessment, and seek professional advice, where necessary. This article has not been reviewed by the SC.