

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	0.1%	3.5%	19.1%	17.0%
S&P 500	USD	0.1%	2.9%	16.2%	23.3%
Nasdaq	USD	0.6%	2.9%	20.6%	24.9%
Russell 2000	USD	-0.9%	7.8%	13.4%	10.0%
Stoxx 600-Europe	EUR	1.6%	4.6%	15.8%	6.0%
Nikkei 225	JPY	-2.6%	2.0%	23.9%	19.1%
KOSPI	KRW	-3.5%	2.3%	66.8%	-9.9%
MSCI Asia Pacex-Japan	USD	-1.6%	0.8%	23.5%	7.6%
ASEAN	USD	-0.4%	0.4%	10.3%	7.7%
Shanghai Shenzhen CSI 300	CNY	-0.2%	-0.4%	16.2%	14.7%
Hang Seng	HKD	-1.1%	-0.4%	28.5%	17.5%
Shanghai Stock Exchange Composite	CNY	0.2%	-1.3%	16.3%	12.7%
FBM Emas Shariah	MYR	1.0%	0.4%	-4.4%	14.6%
FBMKLCI	MYR	1.7%	2.8%	1.6%	12.8%
Fixed Income					
Berg Bardays Global Agg	USD	0.0%	0.5%	7.7%	-1.7%
JPM Asia Credit Index-Core	USD	0.2%	0.4%	8.8%	6.0%
Asia Dollar Index	USD	0.1%	0.5%	2.6%	-4.1%

Top Performing Principal Funds	(30 Nov 2025)	(30 Nov 2025)
Equities		
Principal Biotechnology Discovery USD	10.20	52.55
Principal Singapore Equity JPY H	1.80	18.63
Principal Commodity USD	1.76	17.42
Balanced		
Principal World Selection Conservative USD	0.06	6.93
Principal World Selection Moderate Conserv USD	0.01	10.11
Principal World Selection Moderate Aggressive USD	-0.06	15.98
Fixed Income		
Principal Lifetime Enhanced Bond	0.61	5.27
Principal Conservative Bond C	0.27	4.59
Principal Lifetime Bond MYR	0.26	4.89

Source: Bloomberg, market data is as of 19 December 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 Review¹

1. This week, global financial markets exhibited mixed performances. U.S. and Europe equity markets ended the week on a positive note, while Japan performed negatively.
2. Across Asia, markets showed mixed performance as regional sentiment was influenced by the BOJ rate decision and optimism over potential further U.S. interest rate cuts following cooling inflation data. The FBM KLCI maintained a stable to slightly positive trend during the week, anchored by a stable interest rate environment and robust corporate fundamentals.
3. In the bond market, the yield on the 10-year US Treasury moved higher to the 4.18% range (as of December 19th) as investors digested cooler inflation data. (It’s worth noting that bond prices move inversely to bond yields)

Macro Factors

1. In the United States, November’s CPI report showed headline inflation at 2.7%, the lowest since July and below market expectations of 3.1%, while core inflation eased to 2.6%. Meanwhile, data earlier this week indicated that the unemployment rate rose to 4.6% in November, the highest level since 2021. The combination of subdued inflation and signs of a cooling labor market provides the Fed with greater flexibility to reduce rates in 2026, although markets expect policy to remain on hold in January. Meanwhile, Trump said he will soon announce the next Fed chair, who he expects will implement substantial rate cuts, with economic adviser Hassett, former Fed Governor Warsh, and current Fed Governor Waller all viewed by markets as potential frontrunners.²
2. In Europe, the ECB left borrowing costs unchanged for a fourth consecutive meeting in December 2025, with the main refinancing rate remaining at 2.15% and the deposit facility rate holding at 2.0%. The decision came in line with expectations and policymakers reiterated they will continue to follow a data-dependent and meeting-by-meeting approach. During the regular press conference, President Lagarde noted that there had been no discussion of either rate hikes or cuts at this time. The President also emphasized that the ECB does not have a predetermined path for interest rates and, given the high degree of uncertainty, cannot provide forward guidance. Meanwhile, the central bank released new economic projections. Growth has been revised up to 1.4% in 2025, 1.2% in 2026 and 1.4% in 2027 and is expected to remain at 1.4% in 2028.³
3. In China, retail sales rose 1.3% year-on-year in November 2025, easing from October figures and market estimate of 2.9%. It marked the slowest yearly rise since December 2022 despite ongoing consumer subsidy programs from Beijing. industrial production expanded 4.8% year-on-year in November 2025, easing slightly from a 4.9% increase in the previous month. This marked the softest increase since August 2024, due to softer rises in manufacturing activity.⁴
4. In Malaysia, the unemployment rate held steady for the sixth consecutive month at 3.0% in October 2025, remaining its lowest level since April 2015. The number of unemployed persons inched up 0.1% month-on-month to 518.9 thousand, with 64.5% unemployed for less than three months and 5% jobless for over a year.⁵

Investment Strategy⁶

The market in 2026 is projected to continue its strong performance, driven by optimism in abundant liquidity, stable macroeconomics, and the ongoing growth in digital transformation. However, the forces shaping investment returns are evolving. Investors should note a crucial shift in focus:

- From Liquidity/Momentum Toward Fundamentals: The market is increasingly valuing intrinsic business health and core fundamentals over broad, liquidity-driven rallies.
- Emphasis on Earnings Visibility: Companies with clear, predictable future earnings will be prioritized.
- Adaptation to Policy Normalization: The market is adjusting to potential changes in economic and monetary policies.

Following a substantial market rally in 2025, maintaining discipline and awareness of these shifting dynamics is crucial for effectively positioning portfolios for the year ahead. 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.

19 December 2025

Weekly Market Recap



19 December 2025

Weekly Market Recap

Sources:

¹ Bloomberg, 19 December 2025

² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 19 December 2025

³ S&P Global, ECB, Factset, Bank of England (BoE), 19 December 2025

⁴ Bloomberg, National Bureau of Statistic China, CEWC, 19 December 2025

⁵ Department of Statistic Malaysia, S&P Global, 19 December 2025

⁶ Principal view, 19 December 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

* 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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