

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2025
Equities					
MSCI World	USD	-0.6%	1.3%	0.3%	19.5%
S&P 500	USD	-1.0%	0.4%	0.2%	16.4%
Nasdaq	USD	-1.7%	-1.4%	-0.2%	20.2%
Russell 2000	USD	-1.0%	1.8%	1.1%	11.3%
Stoxx 600-Europe	EUR	1.3%	3.4%	0.7%	16.7%
Nikkei 225	JPY	-0.7%	2.2%	0.0%	26.2%
KOSPI	KRW	4.4%	7.8%	2.3%	74.8%
MSCI Asia Pac ex-Japan	USD	2.2%	4.0%	1.8%	26.9%
ASEAN	USD	0.1%	1.2%	0.3%	12.0%
Shanghai Shenzhen CSI 300	CNY	-0.6%	1.8%	0.0%	17.7%
Hang Seng	HKD	1.9%	1.0%	2.7%	28.2%
Shanghai Stock Exchange Composite	CNY	0.1%	2.0%	0.0%	18.6%
FBM Emas Shariah	MYR	-0.4%	2.0%	-0.3%	-3.9%
FBMKLCI	MYR	-0.5%	2.5%	-0.6%	2.4%
Fixed Income					
Bberg Barclays Global Agg	USD	-0.2%	0.4%	-0.1%	8.2%
JPM Asia Credit Index-Core	USD	0.1%	0.5%	-0.1%	9.1%
Asia Dollar Index	USD	0.0%	0.9%	0.0%	3.3%

Top Performing Principal Funds*	(23 Dec 2025)	(23 Dec 2025)
Equities		
Principal Malaysia Opportunities	4.77	0.95
Principal Malaysia Titans	4.20	1.88
Principal Malaysia Enhanced Opportunities	3.94	-0.13
Balanced		
Principal Lifetime Balanced Income	2.54	-0.22
Principal Islamic Lifetime Balanced Growth (60:40)	1.45	-0.36
Principal Islamic Global Selection Mdt Csv USD	1.22	14.08
Fixed Income		
Principal Islamic Deposit	0.20	3.38
Principal Deposit	0.20	3.43
Principal Islamic Money Market A1	0.20	3.37

Market Review¹

1. This week, global financial markets exhibited mixed performances. European equity markets ended the week on a positive note, while the U.S. and Japan performed negatively.
2. Across Asia, markets exhibited mixed performance, with strong gains in South Korea and Hong Kong's region driven by tech stocks, while China saw a minor uptick due to holiday-thinned trading volumes. In Malaysia, the FBM KLCI experienced a slight decline.
3. In the bond market, the yield on the 10-year US Treasury moved higher to the 4.19% range (as of January 2nd) as investors weighed the economic outlook and the prospects for further rate cuts. (It's worth noting that bond prices move inversely to bond yields)

Macro Factors

1. In the United States, sentiment pullback from recent record highs on the first trading day of the year as concerns over exaggerated pledges of capital expenditure in AI infrastructure continued to scrutinize tech giants. The S&P Global US Manufacturing PMI was confirmed at 51.8 in December 2025, down from 52.2 in November, marking the weakest expansion in the current five-month growth phase. New orders declined for the first time in a year, while exports fell for a seventh consecutive month, weighed down by tariffs and trade frictions.²
2. In Europe, stocks closed sharply higher at new records on the first session of the year, supported by the tech and industrial sectors as markets assessed how the macroeconomic backdrop will impact corporate conditions this year. The spotlight will be on inflation rates for the Eurozone and its largest economies, in addition to their unemployment rates and major manufacturing gauges from Germany and Switzerland. Looking ahead, European equities are expected to maintain momentum into the new year as investors seek value and diversification beyond US markets, amid a weaker dollar, persistent geopolitical tensions, and growing concerns over an AI-driven market bubble.³
3. In China, Beijing unveiled early investment plans for 2026, signalling a renewed push to bolster China's economic growth through infrastructure spending. The National Development and Reform Commission (NDRC) announced on Wednesday two major construction projects backed by about CNY 295 billion in central budget funding, alongside approvals for several large-scale initiatives, including Guangzhou's new airport, water resource facilities, and scientific research platforms, with total planned investment exceeding CNY 400 billion. President Xi Jinping recently reiterated China's economy is on track to meet its 2025 growth target, with gross domestic product expected to expand by about 5% this year. Meanwhile, news also emerged regarding China's decision to tighten silver export controls from January 1st, widening restrictions on a commodity now seen as vital to U.S. manufacturing and defence supply chains.⁴
4. In Malaysia, S&P Global Manufacturing PMI held at 50.1 in December 2025, unchanged from November but still at its highest level since May 2024. The latest reading signalled a second straight month of factory activity growth after earlier periods of decline. Employment rose for a second month, marking the third-fastest gain since records began in 2012 and the strongest in over seven years. Producer prices fell 1.8% year-on-year in November 2025, accelerating from a 0.1% decline in the previous month and marking the steepest drop since August.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.

*Source: Bloomberg, market data is as of 2 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.

2 January 2026

Weekly Market Recap



Sources:

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