

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	-0.6%	0.2%	4.7%	17.0%
S&P 500	USD	-0.2%	0.5%	1.5%	23.3%
Nasdaq	USD	0.0%	1.2%	2.9%	24.9%
Russell 2000	USD	0.4%	0.2%	-5.4%	10.0%
Stoxx 600-Europe	EUR	-1.8%	-3.9%	5.9%	6.0%
Nikkei 225	JPY	1.5%	2.3%	-3.9%	19.1%
MSCI Asia Pac ex-Japan	USD	-0.1%	2.7%	10.3%	7.6%
ASEAN	USD	-2.7%	-3.9%	0.4%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	-0.4%	-1.0%	-1.9%	14.7%
Hang Seng Index	HKD	-1.6%	-0.2%	18.3%	17.5%
Shanghai Stock Exchange Composite Index	CNY	-0.4%	-0.3%	0.6%	12.7%
FBMKLCI	MYR	-1.0%	-2.9%	-8.4%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.1%	1.5%	6.0%	-1.7%
JPM Asia Credit Index-Core	USD	-0.1%	1.0%	3.1%	6.0%
Asia Dollar Index	USD	-0.2%	0.6%	3.5%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	-0.1%	0.4%	3.6%	4.3%
Top Performing Principal Funds					
			1-mth as of (31 May 2025)	YTD as of (31 May 2025)	
Equities					
Principal Next-G Connectivity USD			11.35	2.29	
Principal Global Technology USD			11.11	-0.58	
Principal Islamic Global Technology USD			10.89	-3.48	
Balanced					
Principal Islamic Global Selection Moderate USD			4.63	2.58	
Principal World Selection Moderate Aggressive USD			4.34	4.00	
Principal World Selection Moderate USD			3.12	3.71	
Fixed Income					
Principal Lifetime Bond			0.77	2.84	
Principal Conservative Bond			0.70	2.70	
Principal Islamic Lifetime Sukuk			0.69	2.58	

Source: Bloomberg, market data is as of 20 June 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, global financial markets exhibited mixed performance. Among developed markets, Japan posted gains, while Europe and the United States experienced declines.
2. Across Asia, most market struggled. South Korea recorded the largest gains, whereas Thailand posted the largest decline. 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 held around 4.39%, staying within a narrow range as investors weighed rising geopolitical risks and an uncertain economic outlook. Demand for safe-haven assets kept yields under pressure this week, driven by escalating tensions between Israel and Iran and the possibility of US involvement. (It’s worth noting that bond prices move inversely to bond yields.)

Macro Factors

1. In the U.S., market sentiments remained cautious. President Donald Trump reportedly offered Iran a final opportunity to abandon its nuclear program, delaying a decision on potential military action for up to two weeks. On the monetary policy front, the Federal Reserve kept interest rates unchanged earlier this week and reaffirmed its cautious, data-dependent stance. Chair Jerome Powell warned that inflation could rise in the coming months due to the impact of new tariffs, while the Fed’s updated projections included two 25 basis point rate cuts in 2025, alongside weaker growth forecasts. Retail sales declined 0.9% month-over-month in May 2025, following a downwardly revised 0.1% drop in April. ²
2. In Europe, investor sentiment was weighed down by escalating tensions in the Middle East. On the monetary policy front, the Bank of England held interest rates steady as they continue to navigate persistent inflation and global uncertainty. In contrast, central banks in Norway and Switzerland moved to cut borrowing costs in a bid to support their economies. Eurozone consumer price inflation was confirmed at 1.9% year-on-year in May 2025, down from 2.2% in April and dipping below the European Central Bank’s 2.0% target he annual core inflation rate in the Euro Area, which excludes prices for energy, food, alcohol and tobacco, fell to 2.3% in May 2025 from 2.7% in the previous month, aligned with preliminary estimates. ³
3. In China, as widely anticipated, the central bank kept its key lending rates at historic lows during the June rate-setting. The one-year loan prime rate was left unchanged at 3.0%, while the five-year LPR remained steady at 3.5%, following last month’s 10 bps rate cut and deposit rate reductions by major state-owned banks. Industrial production rose by 5.8% yoy in May 2025, easing from April's 6.1% growth. Retail sales increased by 6.4% yoy in May 2025, accelerating from 5.1% in the previous month. ⁴
4. In Malaysia, retail sales increased by 4.7% year-on-year in April 2025, easing from 6.6% in the previous month. ⁵

Investment Strategy ⁶

Market volatility is likely to remain elevated in the weeks ahead as the escalating conflict between Israel and Iran poses the risk of renewed cross-asset volatility. Investors also assess rapidly shifting tariff developments and consider the potential implications for growth, inflation, central bank policy, and financial markets. Nevertheless, we believe incremental news flow could become more supportive as we approach the second half of the year, as clarity emerges with more countries progressing towards resolutions and offering concessions.

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.

20 June 2025

Weekly Market Recap

Sources:

- ¹ Bloomberg, 20 June 2025
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 20 June 2025
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 20 June 2025
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 20 June 2025
- ⁵ Department of Statistic Malaysia, S&P Global, 20 June 2025
- ⁶ Principal view, 20 June 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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