

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	-1.4%	0.7%	3.7%	17.0%
S&P 500	USD	-1.6%	-0.6%	2.3%	23.3%
Nasdaq	USD	-2.2%	0.3%	2.9%	24.9%
Russell 2000	USD	-3.7%	-5.3%	-1.6%	10.0%
Stoxx 600-Europe	EUR	0.3%	5.4%	9.2%	6.0%
Nikkei 225	JPY	-1.0%	-0.8%	-2.9%	19.1%
MSCI Asia Pac ex-Japan	USD	1.5%	5.2%	5.7%	7.6%
ASEAN	USD	-0.1%	0.7%	0.4%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	1.0%	3.8%	1.1%	14.7%
Hang Seng Index	HKD	3.8%	16.3%	17.0%	17.5%
Shanghai Stock Exchange Composite Index	CNY	1.0%	4.1%	0.8%	12.7%
FBMKLCI	MYR	0.0%	0.8%	-3.1%	12.8%
Fixed Income					
Berg Barclays Global Agg Index	USD	0.1%	1.3%	1.6%	-1.7%
JPM Asia Credit Index-Core	USD	0.4%	1.3%	1.5%	6.0%
Asia Dollar Index	USD	0.1%	0.4%	0.9%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.1%	0.4%	0.7%	4.3%
Top Performing Principal Funds					
		1-mth as of		YTD as of	
		(31 January 2025)		(31 January 2025)	
Equities					
Principal Next-G Connectivity		3.11		3.11	
Principal Global Titans		3.07		3.07	
Principal Biotechnology Discovery USD		2.79		2.79	
Balanced					
Principal Heritage Balanced SGD		0.98		0.98	
Principal Heritage Balanced MYR Hedged		0.96		0.96	
Principal Islamic Global Selection Moderate USD		0.87		0.87	
Fixed Income					
Principal Sustainable Dynamic Bond MYR		0.42		0.42	
Principal Conservative Bond		0.35		0.35	
Principal Lifetime Bond		0.35		0.35	

Source: Bloomberg, market data is as of 21 February 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, the global financial markets exhibited mixed performance. Among developed markets, the United States experienced the largest decline, followed by Europe and Japan.
2. Across Asia, market performance was mixed. South Korea and Indonesia posted the largest gains, while Thailand experienced the largest decline. In Malaysia, the FBMKLCI closed slightly negative, driven by the volatile sentiment in the regional market.
3. In the bond market, the US 10-year Treasury yield edged lower in the 4.4% range as investors reacted to the market sell off, and concerns over health of the economy grew. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the U.S., recent Federal minutes show that most Fed policymakers recognized the high uncertainty, advocating a cautious approach to monetary policy adjustments. Many suggested maintaining a restrictive policy rate if the economy remains strong and inflation high. The S&P Global US Composite PMI was 52.7 in January 2025, slightly above the preliminary estimate of 52.4 but well below December's 55.4.²
2. In Europe, the HCOB Eurozone Composite PMI rose to 50.2 in January of 2025 from 49.6 in the previous month, supported by the ongoing expansion in the services sector while manufacturing sectors saw a slower contraction. The figure aligns with the preliminary estimate and ahead of the initial market expectations of 49.7 to mark the first expansion in the Eurozone's private sector activity since August 2024.³
3. In China, foreign direct investment (FDI) sank by 13.4% from the previous year to about CNY 98 billion in January of 2025, the weakest start of the year in four. The result followed the 27.1% slump in 2024. The People's Bank of China (PBoC) kept its key lending rates unchanged for the fourth consecutive month in February, aligning with market expectations. The one-year loan prime rate (LPR), a benchmark for most corporate and household loans, was maintained at 3.1%, while the five-year LPR, a reference for property mortgages, remained at 3.6%.⁴
4. In Malaysia, trade surplus plunged to MYR 3.6 billion in January 2025 from MYR 10.2 billion in the same month of 2023, far below market estimates for a gain of MYR 14.1 billion. It was the smallest trade surplus since April 2020 when the trade balance posted a deficit, mainly due to a surge in imports.⁵

Investment Strategy ⁶

The market continues to react to concerns of tariff threats and asset volatility. Still, recent data highlight ongoing economic growth, bolstered by continued Federal Reserve rate cuts and a positive US macro backdrop. As specific policy plans emerge, investors should brace for market fluctuations and consider using significant changes to enhance their long-term portfolios. We slightly prefer 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 regarding a soft landing; and iii) the influence of geopolitical risks on asset prices.

1. **Equities:** We favour quality, dividend-paying stocks for their defensive nature amid macroeconomic uncertainties. Our focus is on Asia, targeting: a) idiosyncratic ideas where company earnings are primarily influenced by domestic economic factors; b) selective Chinese domestic consumption which appeared deeply discounted; c) technology (beneficiaries of AI and internet platforms); d) industrial names with exposure to grid capex; e) strong consumer and banking franchises in Southeast Asia; and f) selective Indian companies that are reasonably valued with growth potential. Additionally, we note Malaysia's positive outlook due to political stability and initiatives like the New Energy Transition Roadmap.
2. **Fixed Income:** We adopt active approach in anticipation of market volatility by targeting various maturities along the yield curve that could add value. Maintain preference on credit with disciplined profit taking activities once valuation turns expensive and replaced with new primary issuances or tactical position in government bonds. We maintain our overweight duration bias relative to the benchmark as the current market conditions still remains favorable.
3. **Diversification:** We recommend a diversified approach to navigate volatility from geopolitical tensions, central bank rate cuts, and market adjustments following the U.S. election.

Sources:

- ¹ Bloomberg, 21 February 2025
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 21 February 2025
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 21 February 2025
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 21 February 2025
- ⁵ Department of Statistic Malaysia, S&P Global, 21 February 2025
- ⁶ Principal view, 21 February 2025

*PMI refers to Purchasing Manufacturing Index

*HCOB refers to Hamburg Commercial Bank

*NBS PMI refers to official data released by National Bureau of Statistic 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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