

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	0.5%	2.9%	13.1%	17.0%
S&P 500	USD	0.3%	2.5%	10.0%	23.3%
Nasdaq	USD	-0.9%	1.9%	11.8%	24.9%
Russell 2000	USD	3.3%	5.1%	5.9%	10.0%
Stoxx 600-Europe	EUR	1.4%	3.3%	10.8%	6.0%
Nikkei 225	JPY	-1.7%	7.1%	6.7%	19.1%
MSCI Asia Pac ex-Japan	USD	-0.5%	1.1%	17.0%	7.6%
ASEAN	USD	0.6%	4.7%	11.1%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	4.0%	5.5%	11.4%	14.7%
Hang Seng Index	HKD	0.3%	0.6%	26.4%	17.5%
Shanghai Stock Exchange Composite Index	CNY	3.3%	6.0%	14.2%	12.7%
FBMKLCI	MYR	1.3%	5.1%	-2.8%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.2%	0.2%	7.0%	-1.7%
JPM Asia Credit Index-Core	USD	-0.1%	1.3%	5.8%	6.0%
Asia Dollar Index	USD	0.0%	-0.5%	3.2%	-4.1%
Top Performing Principal Funds					
		1-mth as of		YTD as of	
		(31 July 2025)		(31 July 2025)	
Equities					
Principal China Direct Opportunities SGD			8.82		10.34
Principal Biotechnology Discovery USD			8.71		3.57
Principal Islamic Greater China Growth MYR			6.72		3.89
Balanced					
Principal Asia Pacific Dynamic Mixed Asset MYR			3.01		4.24
Principal Global Multi Asset Income MYR			2.74		-0.14
Principal Islamic Global Selection Moderate MYR			2.50		2.42
Fixed Income					
Principal Lifetime Enhanced Bond			0.77		3.26
Principal Islamic Lifetime Sukuk			0.59		3.54
Principal Lifetime Bond			0.57		3.76

Source: Bloomberg, market data is as of 22 August 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, the global financial markets showed mixed performance. The US and Europe topped the list of developed markets with positive gains, while Japan closed in negative territory.
2. Across Asia, majority of the markets showed positive performances. Both onshore and offshore markets in China led the way with the largest gains, while South Korea posted a decline. Meanwhile, in Malaysia, the FBMKLCI ended the week with a slight gain.
3. In the bond market, the yield on the 10-year US Treasury note fell to the 4.20% range, after Federal Reserve Chairman Jerome Powell signalled that interest rate cuts could be on the horizon. (It’s worth noting that bond prices move inversely to bond yields.)

Macro Factors

1. In the United States, market sentiment shifted to an optimistic outlook following Fed Chair Powell's indication of a potential rate cut in September during his address at Jackson Hole, which ignited the most robust cross-asset rally since April. This development also stood in stark contrast to the context provided by the Fed's minutes from July. This concerns gained traction after Labor Department data revealed weaker-than-expected July hiring, a higher unemployment rate, and sharp downward revisions to prior job gains. <sup>2</sup>
2. In Europe, the headline annual inflation rate was unchanged from the prior month at 2% in July of 2025, aligned with the flash estimate to remain slightly above the initial market expectations of 1.9%. This marks the second consecutive month that inflation has aligned with the European Central Bank's official target. Meanwhile, UK inflation surprised to the upside at 3.8% in July, while broader global markets paused after a record-breaking run. The GDP in the Euro Area expanded 1.4% year-on-year in the second quarter of 2025, slightly lower than 1.5% in Q1, and in line with the first estimate.<sup>3</sup>
3. In China, the People’s Bank of China left key rates unchanged in line with expectations. The central bank held its one- and five-year loan prime rates at 3% and 3.5%, respectively, at the August fixing. The decision came amid recent economic data suggesting a potential slowdown in domestic activity, reinforcing expectations that monetary policy will remain accommodative. The latest data indicates China's economy still faces numerous vulnerabilities, with surveyed jobless rate climbed to a four-month high of 5.2%, and the property slump persisted with prices and investment continuing to fall. Meanwhile, a temporary U.S.-China trade truce, extended by 90 days, has averted tariff hikes, but manufacturers’ profits remain under pressure from weak demand and factory-gate deflation.<sup>4</sup>
4. In Malaysia, unemployment rate declined to 3.0% in June 2025 from 3.3% in the same month a year earlier, marking its lowest level since April 2015 for the third consecutive month. Meanwhile, the labor force participation rate climbed to an all-time high of 70.8% in June, up from 70.6% a year earlier, marking the third consecutive month at this record level. Retail sales also climbed by 5.4% year-on-year in June 2025, accelerating from a 4.9% increase in the previous month.<sup>5</sup>

Investment Strategy <sup>6</sup>

We maintain the rational for investing in both Equity and Fixed Income remains strong, and we still foresee additional growth in the coming years. Our base case remains that the US Central Bank will cut rates, and rate cuts have typically been supportive for stock markets during non-recession periods, as well as further benefits for fixed income.

Investors are advised to keep 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.

22 August 2025

# Weekly Market Recap

## Sources:

- <sup>1</sup> Bloomberg, 22 August 2025
- <sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 22 August 2025
- <sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 22 August 2025
- <sup>4</sup> Bloomberg, National Bureau of Statistic China, CEWC, 22 August 2025
- <sup>5</sup> Department of Statistic Malaysia, S&P Global, 22 August 2025
- <sup>6</sup> Principal view, 22 August 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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