

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2025
Equities					
MSCI World	USD	-0.2%	0.9%	1.7%	19.5%
S&P 500	USD	-0.3%	0.1%	1.0%	16.4%
Nasdaq	USD	0.3%	0.0%	1.4%	20.2%
Russell 2000	USD	-0.3%	5.0%	7.5%	11.3%
Stoxx 600-Europe	EUR	-1.0%	3.4%	2.7%	16.7%
Nikkei 225	JPY	-0.2%	6.9%	7.0%	26.2%
KOSPI	KRW	3.1%	21.2%	18.4%	74.8%
MSCI Asia Pac ex-Japan	USD	0.5%	6.8%	5.6%	26.9%
ASEAN	USD	1.4%	3.4%	3.5%	12.0%
Shanghai Shenzhen CSI 300	CNY	-0.7%	1.7%	1.5%	17.7%
Hang Seng	HKD	-0.4%	3.5%	41%	28.2%
Shanghai Stock Exchange Composite	CNY	0.8%	5.4%	40%	18.6%
FBM Emas Shariah	MYR	0.0%	1.4%	1.5%	-3.9%
FBMKLCI	MYR	0.4%	2.4%	2.2%	2.4%
Fixed Income					
Bberg Barclays Global Agg	USD	0.5%	0.3%	0.1%	8.2%
JPM Asia Credit Index-Core	USD	-0.1%	0.4%	0.2%	9.1%
Asia Dollar Index	USD	0.2%	0.4%	-0.2%	3.3%

Top Performing Principal Funds		(31 Dec 2025)	(31 Dec 2025)
Equities			
Principal China Direct Opportunities USD		5.91	35.60
Principal Malaysia Opportunities		4.97	1.14
Principal Malaysia Titans		4.35	2.03
Balanced			
Principal Lifetime Balanced		3.07	-0.39
Principal Lifetime Balanced Income		2.60	-0.16
Principal Dynamic Enhanced Malaysia Income		2.54	-0.43
Fixed Income			
Principal Conservative Bond		0.32	4.94
Principal Lifetime Bond		0.29	5.22
Principal Deposit		0.28	3.51

Market Review¹

1. This week saw a mixed performance across global financial markets, as most major U.S. indices, including the Dow Jones, S&P 500, and Nasdaq, closed in negative territory. Japanese and European markets also experienced declines.
2. Across Asia, market activity was similarly fragmented: South Korea and Taiwan region posted strong gains, while indices in India declined. In Malaysia, the FBM KLCI managed a slight gain.
3. In the bond market, the yield on the 10-year US Treasury moved higher to the 4.23% range (as of January 23rd) as investors monitored the economic outlook and fears eased around trade and geopolitics. (It's worth noting that bond prices move inversely to bond yields)

Macro Factors

1. In the United States, Trump administration initially threatened several European countries that opposed his plan to take over Greenland with new tariffs, before reversing course after securing a framework agreement with NATO for a potential future deal. While details of the agreement remain unclear, markets are speculating it could involve mineral rights and the installation of missile systems. On macro, annual PCE inflation accelerated to 2.8% from 2.7% as expected. Core PCE inflation also edged up to 2.8% from 2.7% in October and in line with expectations. The PCE index remains the Federal Reserve's preferred inflation gauge.²
2. In Europe, industrial production increased by 0.7% month-on-month in November 2025, matching October's pace and exceeding market expectations of 0.5% growth. Meanwhile, the Eurozone's trade surplus narrowed to €9.9 billion in November 2025 from €15.4 billion a year earlier, below market expectations of €15.2 billion, as exports fell 3.4% while imports decreased 1.3%. Key catalysts likely to support European equity performance in 2026 include a gradual economic recovery, significant fiscal spending on infrastructure and defence, and attractive relative valuations compared to U.S. markets.³
3. In China, the central bank signalled it will maintain a moderately loose monetary policy in 2026, using tools such as reserve requirement ratio cuts and interest rate reductions to ensure adequate liquidity. Markets are also watching for fiscal stimulus as Beijing contends with deflationary pressures, weak consumer demand, and a struggling property sector. The PBOC injected CNY 900 billion (USD 128.54 billion) into financial institutions on January 23 through its one-year Medium-Term Lending Facility (MLF), aiming to maintain ample liquidity in the banking system. With CNY 200 billion in MLF funds maturing this month, the operation resulted in a net liquidity injection of CNY 700 billion.⁴
4. In Malaysia, Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) unchanged at 2.75%, in line with market consensus. The MPC assessed that the current policy stance remains appropriate and supportive of economic activity, while ensuring price stability. Going forward, the Committee reiterated that it will closely monitor evolving domestic and external developments and continue to assess the balance of risks to the growth and inflation outlook.⁵

Investment Strategy⁶

Global markets staged a relief rally after US President Donald Trump dropped the threat to impose 10% tariffs on European countries after announcing he reached a "framework of a future deal" on Greenland with NATO Secretary General Mark Rutte. The latest stock rebound serves as a reminder that favorable fundamentals remain in the driver's seat. We maintain the view that staying invested via a diversified portfolio remains the most effective way to manage market uncertainty.

The market in 2026 is projected to continue its positive performance, driven by optimism in abundant liquidity, stable macroeconomics, and the ongoing growth in digital transformation. 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 23 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.

23 January 2026

Weekly Market Recap



Sources:

- ¹ Bloomberg, 23 January 2026
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 23 January 2026
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 23 January 2026
- ⁴ Bloomberg, National Bureau of Statistics China, CEWC, 23 January 2026
- ⁵ Department of Statistics Malaysia, S&P Global, 23 January 2026
- ⁶ Principal view, 23 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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