

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	-1.6%	7.5%	2.7%	17.0%
S&P 500	USD	-2.6%	8.0%	-1.3%	23.3%
Nasdaq	USD	-2.4%	11.9%	-0.4%	24.9%
Russell 2000	USD	-3.5%	6.3%	-8.5%	10.0%
Stoxx 600-Europe	EUR	-0.7%	5.8%	8.5%	6.0%
Nikkei 225	JPY	-1.6%	5.6%	-7.0%	19.1%
MSCI Asia Pac ex-Japan	USD	0.2%	7.8%	8.1%	7.6%
ASEAN	USD	0.9%	8.7%	5.8%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	-0.2%	2.6%	-1.3%	14.7%
Hang Seng Index	HKD	1.1%	7.4%	18.3%	17.5%
Shanghai Stock Exchange Composite Index	CNY	-0.5%	1.7%	0.0%	12.7%
FBMKLCI	MYR	-2.3%	2.1%	-6.5%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.5%	0.0%	4.7%	-1.7%
JPM Asia Credit Index-Core	USD	-0.3%	0.7%	1.9%	6.0%
Asia Dollar Index	USD	0.9%	2.6%	3.7%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.2%	0.9%	3.3%	4.3%
Top Performing Principal Funds			1-mth as of	YTD as of	
			(30 April 2025)	(30 April 2025)	
Equities					
Principal Global Technology USD			2.08	-10.06	
Principal Islamic Global Technology USD			2.02	-0.45	
Principal Next-G Connectivity USD			1.34	-8.14	
Balanced					
Principal Islamic Lifetime Balanced Growth MYR			0.39	-7.05	
Principal Dynamic Enhanced Malaysia Income			-0.25	-7.51	
Principal Lifetime Balanced Income MYR			-0.25	-7.75	
Fixed Income					
Principal Islamic Lifetime Sukuk MYR			0.65	1.88	
Principal Lifetime Bond MYR			0.78	2.06	
Principal Conservative Bond C			0.77	1.99	

Source: Bloomberg, market data is as of 23 May 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 negative performance. Among developed markets, the United State experienced the largest decline, followed by Europe and Japan.
2. Across Asia, market performance was mixed. Hong Kong SAR experienced the largest gains, while Thailand experienced the largest declines. In Malaysia, the FBMKLCI closed the week in the red.
3. In the bond market, the US 10-year Treasury yield edged higher in the 4.5% range, driven by concerns over the US ramping up trade tensions with Europe. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the U.S., market sentiments turned cautious this week as investors weighed the impact of President Trump's newly passed tax-and-spending bill against rising concerns over the ballooning US deficit. The bill — featuring tax cuts and increased defense spending — now headed to the Senate and potentially adding trillions to the \$36 trillion national debt. The Congressional Budget Office pegs the cost at nearly \$4 trillion, stoking fears of fiscal instability. Bond markets reflected that anxiety, as the 30-year Treasury yield briefly touched 5.14%, its highest since 2023. ²
2. In Europe, market sentiment turned cautious as new data indicated that private sector activity in the Eurozone unexpectedly contracted in May, reflecting a sharper impact of uncertain economic conditions than feared. This occurred just before the ECB's latest meeting revealed that the Governing Council sees the disinflation process nearing its end, increasing the leeway for looser policy if necessary. ³
3. In China, industrial production grew by 6.1% year-on-year in April 2025, surpassing expectations. However, the latest figure eased from the 7.7% growth recorded in March. Retail sales increased by 5.1% yoy in April 2025, moderating from March's 5.9% and missing market estimates. The slowdown came amid weak domestic consumption, as households remained cautious due to economic uncertainty, sluggish income growth, and concerns over the impact of rising U.S. tariffs. ⁴
4. In Malaysia, annual inflation rate held steady at 1.4% in April 2025, unchanged from March and matching market expectations. It remained the lowest level since February 2021, with food prices rising the least in six months. Malaysia's trade surplus plunged to MYR 5.2 billion in April 2025, down from MYR 7.7 billion in the same month of 2024, far below market estimates for a gain of MYR 14.7 billion. It was the smallest trade surplus since January, as exports rose less than imports. ⁵

Investment Strategy ⁶

Risk sentiment has improved recently following the deescalation of the US-China trade war. With easing recession fears, markets have pared back their expectations for interest rate cuts despite softer-than-expected inflation data. Market volatility is likely to remain elevated in the weeks ahead as investors 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 emerge with countries beginning negotiation 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.

23 May 2025

Weekly Market Recap

¹ Bloomberg, 23 May 2025

² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 23 May 2025

³ S&P Global, ECB, Factset, Bank of England (BoE), 23 May 2025

⁴ Bloomberg, National Bureau of Statistic China, CEWC, 23 May 2025

⁵ Department of Statistic Malaysia, S&P Global, 23 May 2025

⁶ Principal view, 23 May 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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