

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	1.5%	4.5%	11.3%	17.0%
S&P 500	USD	1.5%	4.8%	8.6%	23.3%
Nasdaq	USD	0.9%	4.6%	10.7%	24.9%
Russell 2000	USD	0.9%	5.8%	1.3%	10.0%
Stoxx 600-Europe	EUR	0.5%	2.3%	8.4%	6.0%
Nikkei 225	JPY	4.1%	6.6%	3.9%	19.1%
MSCI Asia Pac ex-Japan	USD	0.5%	2.9%	16.5%	7.6%
ASEAN	USD	0.6%	5.3%	7.6%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	1.6%	4.6%	5.7%	14.7%
Hang Seng Index	HKD	2.3%	3.3%	26.9%	17.5%
Shanghai Stock Exchange Composite Index	CNY	1.5%	4.3%	8.0%	12.7%
FBMKLCI	MYR	0.5%	0.8%	-6.7%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.4%	-0.2%	6.5%	-1.7%
JPM Asia Credit Index-Core	USD	0.5%	0.8%	4.6%	6.0%
Asia Dollar Index	USD	0.1%	-0.2%	3.6%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.2%	0.9%	4.7%	4.3%
Top Performing Principal Funds					
			1-mth as of (30 June 2025)	YTD as of (30 June 2025)	
Equities					
Principal Next-G Connectivity USD			13.07	15.65	
Principal Islamic Global Technology USD			10.62	6.76	
Principal US High Conviction Equity USD			9.76	-0.34	
Balanced					
Principal Heritage Balanced MYR Hedged			3.46	1.70	
Principal Islamic Global Selection Mdt Csv USD			3.19	6.78	
Principal Islamic Global Selection Moderate MYR			2.38	-0.08	
Fixed Income					
Principal Sustainable Dynamic Bond MYR			0.33	2.93	
Principal Islamic Lifetime Sukuk			0.32	2.93	
Principal Conservative Bond			0.32	3.04	

Source: Bloomberg, market data is as of 25 July 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, the United States and Japan recorded positive gains, while Europe posted negative returns.
2. Across Asia, the market showed mixed performances. Indonesia led with the largest gains, while India faced losses. Meanwhile, in Malaysia, the FBMKLCI ended the week with a muted return.
3. In the bond market, the yield on the 10-year US Treasury note moved lower to the 4.30% range, as markets assessed the outlook of US employment, trade flows, and how they may impact policy rates. (It's worth noting that bond prices move inversely to bond yields.)

Macro Factors

1. In the U.S., market attention was also drawn to President Trump's unexpected visit to the Federal Reserve, as he escalated pressure on Chair Jerome Powell over interest rates. Trade developments remained in focus, with reported progress in talks with the EU, Japan, and South Korea—though Trump signalled tariffs wouldn't drop below 15%. The S&P Global US Composite PMI rose to 54.6 in July 2025 from 52.9 in June, marking the fastest pace of growth in 2025 and the 30th consecutive month of expansion. The upturn was driven by strong services and manufacturing activity, ²
2. In Europe, the ECB held its interest rates unchanged and noted that disinflation has developed in line with its earlier forecasts. The central bank also noted that more insights on economic developments will be necessary before further clarity on the policy outlook can be signaled, including a potential trade deal with the US, and how a strong euro will move in the coming months. In the meantime, reports indicated that the US is likely to accept lowering tariffs against the EU to 15%, the bottom threshold of tariffs on other countries, amid the trade deal that EU diplomats were closer to agreeing to. ³
3. In China, optimism grew over US-China trade relations following confirmation from US Treasury Secretary Scott Bessent that top American and Chinese officials will convene in Stockholm next week for a third round of high-level negotiations. On macro, the People's Bank of China kept key lending rates at record lows during the July fixing, in line with expectations. The decision came amid mounting signs of slowing growth momentum, weighed down by sweeping US tariffs, sluggish domestic demand, and a prolonged property slump. On policies, Beijing will roll out action plans to stabilize growth in the machinery, auto, and electrical equipment sectors, according to spokesperson for China's Ministry of Industry and Information Technology. The initiative aims to "improve premium supply capacity" and promote both qualitative upgrades and steady quantitative growth.⁴
4. In Malaysia, Prime Minister Anwar Ibrahim on Wednesday announced new measures to ease public concerns over rising living costs, including a MYR 100 one-off cash handout for all citizens aged 18 and above, to be distributed starting August 31. The government has revised its 2025 cash aid allocation to MYR 15 billion, up from MYR 13 billion. Anwar also pledged to unveil details of long-anticipated reforms to blanket subsidies on RON95 fuel by end-September. Under the plan, domestic fuel prices will fall slightly to MYR 1.99 per liter from MYR 2.05, while foreign nationals will pay market rates. On tariffs, Malaysia is reportedly in talks with the U.S. to reduce proposed tariffs to around 20%, aiming to finalize a deal before the 25% tariffs take effect on August 1. On macro, the annual inflation rate stood at 1.1% in June 2025, slightly below market consensus and May's reading of 1.2%. ⁵

Investment Strategy ⁶

Global equities have returned to all-time highs as markets enter the second half of 2025. Over the past six months, investors have contended with shifting policy, swings in sentiment, and geopolitical events. However, beneath the surface, the foundations of a more positive environment are beginning to take shape.

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.

25 July 2025

Weekly Market Recap

Sources:

- ¹ Bloomberg, 25 July 2025
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 25 July 2025
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 25 July 2025
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 25 July 2025
- ⁵ Department of Statistic Malaysia, S&P Global, 25 July 2025
- ⁶ Principal view, 25 July 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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