

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	-1.0%	-0.8%	2.7%	17.0%
S&P 500	USD	-1.0%	-1.8%	1.3%	23.3%
Nasdaq	USD	-3.4%	-2.6%	-0.6%	24.9%
Russell 2000	USD	-1.4%	-5.5%	-3.0%	10.0%
Stoxx 600-Europe	EUR	0.6%	4.9%	9.9%	6.0%
Nikkei 225	JPY	-4.1%	-4.7%	-6.9%	19.1%
MSCI Asia Pac ex-Japan	USD	-4.1%	0.6%	1.4%	7.6%
ASEAN	USD	-3.5%	-2.8%	-3.2%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	-2.3%	1.7%	-1.3%	14.7%
Hang Seng Index	HKD	-2.3%	13.0%	14.4%	17.5%
Shanghai Stock Exchange Composite Index	CNY	-1.8%	1.8%	-1.0%	12.7%
FBMKLCI	MYR	-1.1%	1.4%	-4.2%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.4%	1.5%	2.0%	-1.7%
JPM Asia Credit Index-Core	USD	0.9%	1.9%	2.4%	6.0%
Asia Dollar Index	USD	-0.8%	-0.6%	0.0%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.1%	0.4%	0.8%	4.3%
Top Performing Principal Funds					
		1-mth as of (31January 2025)		YTD as of (31January 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 28 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 <sup>1</sup>

1. This week, the global financial markets exhibited mixed performance. Among developed markets, Japan experienced the largest decline, followed by the United States, while Japan showed marginal gains.
2. Across Asia, market performance was largely negative. Indonesia posted the largest decline, followed by South Korea and Thailand. In Malaysia, the FBMKLCI closed negatively, driven by the sell-off in the regional market.
3. In the bond market, the US 10-year Treasury yield edged lower in the 4.2% range as investors reacted to rising concern over growing geopolitical tensions and the market sell off. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the U.S., market volatility emerged after President Trump confirmed that 25% tariffs on European autos, as well as levies on Mexico and Canada, will take effect on March 4. Meanwhile, economic data showed GDP grew at an annualized 2.3% in the fourth quarter, while jobless claims unexpectedly rose to 242,000, signalling potential labor market softening. <sup>2</sup>
2. In Europe, sentiments turned negative as investors assessed the escalation of trade tensions and its potential impact on the European economy. The consumer price inflation rate was confirmed at 2.5% in January 2025, the highest rate since July 2024, driven primarily by a sharp acceleration in energy costs. <sup>3</sup>
3. In China, the market remained cautious ahead of next week's "Two Sessions," where the Chinese government will outline its policy plans for the year ahead. Key attention will be on the details of fiscal stimulus measures aimed at boosting economic growth. Despite this, sentiment remained cautious due to ongoing economic uncertainties, the lack of aggressive stimulus, and escalating geopolitical and trade tensions with the US. <sup>4</sup>
4. In Malaysia, the annual inflation rate was at 1.7% in January 2025, holding steady for the second straight month and matching market forecasts. Producer prices increased by 0.8% year-on-year in January 2025, accelerating from a 0.5% rise in the previous month. This marked the second consecutive month of producer inflation and the highest reading since last July, mainly due to a faster rise in the prices of water supply. <sup>5</sup>

Investment Strategy <sup>6</sup>

As the market continues to react to concerns of tariff threats and asset volatility, we believe markets are likely to refocus on fundamentals that should support the equity rally further. We reiterate the importance of portfolio diversification and hedging to navigate volatility ahead. 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.

28<sup>th</sup> February 2025

# Weekly Market Recap

## Sources:

- <sup>1</sup> Bloomberg, 28 February 2025
- <sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 28 February 2025
- <sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 28 February 2025
- <sup>4</sup> Bloomberg, National Bureau of Statistic China, CEWC, 28 February 2025
- <sup>5</sup> Department of Statistic Malaysia, S&P Global, 28 February 2025
- <sup>6</sup> Principal view, 28 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 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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