Weekly Market Recap



Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
<u>Equities</u>					
MSCI World	USD	-0.3%	1.9%	12.7%	17.0%
S&P 500	USD	-0.1%	1.5%	9.9%	23.3%
Nasdaq	USD	-0.3%	0.5%	11.5%	24.9%
Russell 2000	USD	0.2%	5.5%	6.0%	10.0%
Stoxx 600-Europe	EUR	-2.0%	0.1%	8.6%	6.0%
Nikkei 225	JPY	0.3%	5.1%	7.0%	19.1%
MSCI Asia Pac ex-Japan	USD	-0.3%	0.4%	16.6%	7.6%
ASEAN	USD	-1.3%	2.4%	9.7%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	2.7%	7.8%	14.4%	14.7%
Hang Seng Index	HKD	-1.0%	-1.8%	25.2%	17.5%
Shanghai Stock Exchange Composite Index	CNY	0.8%	6.3%	15.2%	12.7%
FBMKLCI	MYR	-1.4%	3.4%	-4.1%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.2%	1.0%	7.2%	-1.7%
JPM Asia Credit Index-Core	USD	0.5%	1.5%	6.3%	6.0%
Asia Dollar Index	USD	0.0%	-0.1%	3.2%	-4.1%

Top Performing Principal Funds	1-mth as of YTD as of (31 July 2025)	
<u>Equities</u>		
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 29 August 2025.

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 showed mixed performance. Japan topped the list of developed markets with positive gains, while Europe and the United States closed in negative territory.
- 2. Across Asia, majority of the markets showed mixed performances. Both onshore and offshore markets in China led the way with the largest gains, while India posted the largest decline. Meanwhile, in Malaysia, the FBMKLCI ended the week with a slight loss.
- 3. In the bond market, the yield on the 10-year US Treasury note hovers in the 4.20% range, following the Federal Reserve's preferred inflation gauge came in as expected, while traders monitored President Trump's attempts to fire Fed Governor Lisa Cook. (It's worth noting that bond prices move inversely to bond yields.)

Macro Factors

- 1. In the United States, market shifted focus to key earnings results for the US tech sector, with Nvidia released earnings and revenues figures that were slightly ahead of expectations but noted that demand in the sector is slowing to consolidate concerns that the AI-led rally in global tech stocks is unsustainable. Gross domestic product rose at a 3.3% annualized pace in the April-through-June period, the Commerce Department reported. The reading was better than the initial 3.0% estimate as well as the 3.1% Dow Jones consensus forecast, as consumer spending helped push the number higher. ²
- 2. In Europe, the ECB's July meeting minutes showed policymakers split over the outlook for inflation. Some argued that risks were tilted to the downside over the next two years, pointing to weaker growth prospects and the impact of U.S. tariffs. Others warned that risks could still be to the upside, especially longer term, given uncertainties around energy and currency movements. While inflation was at target, officials noted this was partly driven by temporary factors that could reverse, underscoring the ongoing debate over whether the ECB should lean toward caution or vigilance in setting policy. The ECB kept interest rates unchanged in July, effectively marking the end of its current easing cycle after eight cuts over the past year. The main refinancing rate remains at 2.15%, while the deposit facility rate holds at 2.0%.³
- 3. In China, official report indicates The planned curbs align with Beijing's goal of peaking carbon emissions by 2030 and tackling chronic overcapacity that has long pressured global markets. Past attempts at production discipline have often faltered as local governments prioritized growth. At the same time, slowing demand from China's property sector has already curbed consumption, raising doubts on whether cuts reflect policy drive or weaker fundamentals. 4
- 4. In Malaysia, producer prices in Malaysia fell by 3.8% year-on-year in July 2025, easing from a 4.2% drop in the previous month. This marked the fifth consecutive month of decline, ⁵

Investment Strategy ⁶

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.

^{*}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.

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Sources:

- ¹Bloomberg, 29 August 2025
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 29 August 2025
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 29 August 2025
- ⁴Bloomberg, National Bureau of Statistic China, CEWC, 29 August 2025
- ⁵ Department of Statistic Malaysia, S&P Global, 29 August 2025
- ⁶ Principal view, 29 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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