3 October 2025

Weekly Market Recap

Principal® In alliance with CIMB

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	1.5%	4.3%	17.0%	17.0%
S&P 500	USD	1.1%	4.1%	14.2%	23.3%
Nasdaq	USD	1.2%	5.9%	18.0%	24.9%
Russell 2000	USD	1.7%	5.4%	11.0%	10.0%
Stoxx 600-Europe	EUR	2.9%	4.2%	12.4%	6.0%
Nikkei 225	JPY	1.5%	9.7%	15.3%	19.1%
MSCI Asia Pac ex-Japan	USD	3.9%	7.6%	25.8%	7.6%
ASEAN	USD	1.9%	1.5%	11.3%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	2.0%	4.0%	17.9%	14.7%
Hang Seng Index	HKD	3.7%	7.1%	35.7%	17.5%
Shanghai Stock Exchange Composite Index	CNY	1.4%	1.9%	15.9%	12.7%
FBMKLCI	MYR	1.9%	5.1%	1.0%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.6%	1.0%	8.0%	-1.7%
JPM Asia Credit Index-Core	USD	0.5%	1.8%	7.9%	6.0%
Asia Dollar Index	USD	0.2%	-0.1%	3.0%	-4.1%

Top Performing Principal Funds	1-mth as of (30 September 2025)	YTD as of (30 September 2025)
Equities		
Principal Biotechnology Discovery USD	10.88	22.30
Principal Next-G Connectivity USD	10.43	33.83
Principal Greater China Equity	9.86	27.71
Balanced		
Principal Emerging Markets Multi Asset USD	4.24	17.89
Principal Heritage Balanced SGD	3.07	9.14
Principal World Selection Moderate Aggressive USD	2.84	13.75
Fixed Income		
Principal Conservative Bond	0.07	4.17
Principal Islamic Malaysia Government Sukuk C	0.05	3.27
Principal Lifetime Bond	0.01	4.27

Source: Bloomberg, market data is as of 3 October 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 showed positive performance. Europe led with the largest positive gains, followed by the United States and Japan.

2. Across Asia, most markets exhibited positive performances. South Korea led the way with the largest gains, followed by the onshore and offshore markets in China. In Malaysia, the FBMKLCI ended the week with a marginal decline.

3. In the bond market, the yield on the 10-year US Treasury hovered in the 4.10% range, despite the ongoing government shutdown and latest services data missing Wall Street's expectations. (It's worth noting that bond prices move inversely to bond yields)

Macro Factors

1. In the United States, optimism recovered fuelled by OpenAI's $6.6 billion share sale, which valued the firm at $500 billion, alongside news of a landmark partnership with South Korean chipmakers. Meanwhile, investors tracked political developments in Washington, where President Trump threatened mass federal job cuts to pressure Democrats as the government shutdown continues. The closure has also triggered a data blackout, forcing the Labor Department to delay Friday's September nonfarm payrolls release. [2]

2. In Europe, consumer price inflation rose to 2.2% in September 2025, up from 2.0% in the previous three months, moving slightly above the European Central Bank's 2.0% mid-point target, according to preliminary data. The increase was driven mainly by a smaller decline in energy costs. Meanwhile, core inflation was stable at 2.3%, holding at its lowest level since January 2022.[3]

3. In China, markets remain closed from today until October 8 for the Golden Week holiday. China's NBS Composite PMI Output Index edged up to 50.6 in September 2025 from 50.5 in the previous month, marking the highest reading since June, as factory activity contracted at the slowest pace in six months amid hopes of fresh support measures from Beijing ahead of the October plenum. Meanwhile, the service sector stagnated, with its index falling to the lowest level in ten months. Earlier, the regulators announced to open its stock option market to foreign investors, in a bid to boost the appeal of yuan-denominated assets. Qualified foreign institutional investors can now apply to trade options for hedging purposes, giving access to a CNY 100 trillion market. Currently, five ETF-based option products are listed. The move follows recent steps to expand foreign participation in China's bond market and promote international use of the yuan.[4]

4. In Malaysia, the S&P Global Malaysia Manufacturing PMI stood at 49.8 in September, little changed from August's 14-month high of 49.9, signalling a mild downturn in factory activity. Producer prices dropped 2.8% year-on-year in August 2025, marking the sixth consecutive month of decline, though easing from a 3.8% drop in July. The slowdown was driven by a sharp moderation in mining activity, largely due to a fall in crude petroleum extraction.[5]

Investment Strategy [6]

Markets are entering the fourth quarter of 2025 with uncertainty. The US government has shut down after the final vote on a stopgap spending bill failed to pass the Senate. US President Donald Trump has added new tariffs on imported timber and lumber, while the Wall Street Journal reported that the administration is considering a tariff scheme to incentivize chipmakers to invest in domestic manufacturing.

Market volatility may be expected in the coming days and weeks. But the macroeconomic effects of shutdowns have historically been minimal and quickly reversed. With the Fed now resuming rate cuts and cash returns are set to fall further, we believe it remains a good time to put cash to work. 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 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 **a phased- in strategy.** This can help to manage the risk of poor timing, reduce the influence of emotion, and provide more opportunities to benefit from market dips and rebounds. Our strategy emphasized focusing on companies that demonstrate the attributes of **quality growth, with earnings that are more domestically focused.** Additionally**, quality bonds have historically offered portfolio stability,** especially in times of uncertainty.

Sources:
[1] Bloomberg, 3 October 2025
[2] Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 3 October 2025
[3] S&P Global, ECB, Factset, Bank of England (BoE), 3 October 2025
[4] Bloomberg, National Bureau of Statistic China, CEWC, 3 October 2025
[5] Department of Statistic Malaysia, S&P Global, 3 October 2025
[6] Principal view, 3 October 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
* 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.