

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	1.6%	5.8%	4.4%	17.0%
S&P 500	USD	1.9%	6.2%	0.5%	23.3%
Nasdaq	USD	2.0%	9.1%	1.6%	24.9%
Russell 2000	USD	1.3%	5.3%	-7.4%	10.0%
Stoxx 600-Europe	EUR	0.6%	4.3%	9.1%	6.0%
Nikkei 225	JPY	2.2%	5.3%	-5.0%	19.1%
MSCI Asia Pac ex-Japan	USD	-0.9%	4.9%	7.1%	7.6%
ASEAN	USD	-2.0%	2.7%	3.7%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	-1.1%	1.9%	-2.4%	14.7%
Hang Seng Index	HKD	-1.3%	5.6%	16.8%	17.5%
Shanghai Stock Exchange Composite Index	CNY	-0.1%	2.1%	-0.1%	12.7%
FBMKLCI	MYR	-1.7%	-2.0%	-8.1%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.5%	-0.4%	5.3%	-1.7%
JPM Asia Credit Index-Core	USD	0.7%	0.6%	2.6%	6.0%
Asia Dollar Index	USD	-0.4%	1.6%	3.3%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.3%	1.0%	3.7%	4.3%
Top Performing Principal Funds					
			1-mth as of (30 April 2025)	YTD as of (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 30 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 <sup>1</sup>

1. This week, global financial markets exhibited mixed performance. Among developed markets, Japan experienced the largest gains, while the United States and Europe saw declines.
2. Across Asia, market performance was largely negative. Thailand experienced the largest decline, whereas South Korea posted the largest gains. In Malaysia, the FBMKLCI closed the week in the red.
3. In the bond market, the U.S. 10-year Treasury yield ticked lower into the 4.4% range as investors digested inflation data and the potential economic fallout from renewed global trade tensions. (It's worth noting that bond prices move inversely to bond yields.)

Macro Factors

1. In the U.S., market sentiments were capped by ongoing legal battles over President Donald Trump's tariffs. A federal court initially blocked most of the tariffs, ruling they were unlawfully imposed, but a US appeals court subsequently reinstated them, creating uncertainty around trade policy. There were also reports about the U.S. trade talks with China have stalled and likely need direct involvement from President Trump and Xi Jinping to move forward. The annual PCE inflation in the US eased for a second consecutive month, reaching 2.1% in April 2025, the lowest level in seven months. <sup>2</sup>
2. In Europe, bank lending to households rose by 1.9% year-on-year to EUR 6.99 trillion in April 2025, marking the fastest pace of growth since May 2023 and exceeding market expectations. The rebound reflects a continued pickup in credit demand, supported by the European Central Bank's recent policy easing. Median inflation expectations increased for a second consecutive month to 3.1% in April 2025 from 2.9% in March. Uncertainty about inflation expectations over the next 12 months also increased, reaching the same level as in June 2024.<sup>3</sup>
3. In China, the recent renewed tariff risks have unsettled investor sentiment. China and EU are set to hold another round of talks in early June on the sidelines of a WTO meeting in Paris, according to the Global Times. On the other hand, profits at China's industrial firms rose 1.4% yoy to CNY 2,117.02 billion in the first four months of 2025, picking up from 0.8% growth in the January–March period. The upturn reflects Beijing's continued efforts to shore up the sluggish economy and address mounting trade risks. China's NBS Composite PMI Output Index inched up to 50.4 in May 2025 from April's 50.2. The modest uptick was driven by a slower contraction in manufacturing and modest growth in the services sector.<sup>4</sup>
4. In Malaysia, producer prices fell 3.4% year-on-year in April 2025, following a 1.9% decline in March, marking the second consecutive month of contraction.<sup>5</sup>

Investment Strategy <sup>6</sup>

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.

30 May 2025

# Weekly Market Recap

## Sources:

- <sup>1</sup> Bloomberg, 30 May 2025
- <sup>2</sup> Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 30 May 2025
- <sup>3</sup> S&P Global, ECB, Factset, Bank of England (BoE), 30 May 2025
- <sup>4</sup> Bloomberg, National Bureau of Statistic China, CEWC, 30 May 2025
- <sup>5</sup> Department of Statistic Malaysia, S&P Global, 30 May 2025
- <sup>6</sup> Principal view, 30 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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