

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
<b>Equities</b>					
MSCI World	USD	1.3%	3.9%	9.6%	17.0%
S&P 500	USD	1.7%	5.1%	6.8%	23.3%
Nasdaq	USD	1.5%	5.3%	8.8%	24.9%
Russell 2000	USD	3.5%	7.2%	0.9%	10.0%
Stoxx 600-Europe	EUR	-0.5%	-2.5%	6.7%	6.0%
Nikkei 225	JPY	-0.8%	5.6%	-0.2%	19.1%
MSCI Asia Pac ex-Japan	USD	-0.1%	4.5%	13.6%	7.6%
ASEAN	USD	0.4%	-0.3%	3.5%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	1.6%	3.6%	1.9%	14.7%
Hang Seng Index	HKD	-1.5%	1.4%	20.2%	17.5%
Shanghai Stock Exchange Composite Index	CNY	1.4%	3.4%	4.2%	12.7%
FBMKLCI	MYR	1.4%	2.8%	-5.6%	12.8%
<b>Fixed Income</b>					
Bberg Barclays Global Agg Index	USD	0.2%	1.3%	7.2%	-1.7%
JPM Asia Credit Index-Core	USD	0.4%	1.8%	4.4%	6.0%
Asia Dollar Index	USD	0.1%	0.6%	4.3%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.2%	0.4%	4.1%	4.3%

Top Performing Principal Funds	1-mth as of (30 June 2025)	YTD as of (30 June 2025)
<b>Equities</b>		
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
<b>Balanced</b>		
Principal Heritage Balanced MYR Hedged	3.46	1.70
Principal Islamic Global Selection Mdt Cstv USD	3.19	6.78
Principal Islamic Global Selection Moderate MYR	2.38	-0.08
<b>Fixed Income</b>		
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 4 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 <sup>1</sup>

1. This week, global financial markets exhibited mixed performance. Among developed markets, the United States recorded positive gains, while Europe and Japan posted negative returns.
2. Across Asia, the market showed mixed performances. Thailand led with the largest gains, while losses were driven by China offshore market. Meanwhile, in Malaysia, the FBMKLCI ended the week with a positive return.
3. In the bond market, the yield on the 10-year US Treasury note rose to the 4.30% range after a stronger-than-expected jobs report led investors to pare bets on the Fed's rate cuts this year. (It’s worth noting that bond prices move inversely to bond yields.)

Macro Factors

1. In the U.S., market rallied as nonfarm payrolls rose by 147K in June, well above the 110K consensus—and the unemployment rate unexpectedly fell to 4.1%, cementing the view of a resilient economy. Meanwhile, broader market optimism was bolstered by progress on a US-Vietnam trade deal and the near-final House approval of President Trump’s \$3.4 trillion tax-and-spending bill. <sup>2</sup>
2. In Europe, markets digested comments from European Central Bank policymakers and the minutes from the ECB’s latest policy meeting. President Christine Lagarde welcomed the June inflation print, which aligned with the central bank’s 2% target, but cautioned about “two-sided risks” linked to rising geopolitical tensions and increasing economic fragmentation. Other ECB officials signalled that interest rates are likely to be kept on hold at this month’s meeting, following eight consecutive cuts to the deposit rate since June 2024. Markets are now pricing in only one additional rate cut before year-end. The HCOB Eurozone Composite PMI rose to 50.6 in June 2025, up from both May’s reading, driven by a higher output in Manufacturing and Service activities. <sup>3</sup>
3. In China, sentiments were driven by reports that the US has eased certain export restrictions on chip design software to China. Back in May, US authorities had required several semiconductor software firms to obtain licenses before exporting key tools and materials to Chinese companies. The latest Caixin survey showed that China’s factory activity unexpectedly returned to expansion in June, supported by Beijing’s stepped-up efforts to stabilize growth amid higher US tariffs. Meanwhile, fresh data showed that China’s services sector growth slowed to a nine-month low in June.
4. In Malaysia, the S&P Global Manufacturing PMI rose to 49.3 in June 2025 from 48.8 in May, marking the highest reading since February. Both output and new orders shrank at the slowest pace in four months, while a drop in overseas demand was the mildest since the current downtrend began in December. <sup>5</sup>

Investment Strategy <sup>6</sup>

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.

4 July 2025

# Weekly Market Recap

## Sources:

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