6 February 2026

# Weekly Market Recap

Principal® In alliance with CIMB

| Asset Class | Currency | 1-wk | 1-mth | YTD | 2025 |
|---|---|---|---|---|---|
| **Equities** | | | | | |
| MSCI World | USD | 0.0% | 0.5% | 2.2% | 19.5% |
| S&P 500 | USD | -0.1% | -0.2% | 1.2% | 16.4% |
| Nasdaq | USD | -1.9% | -2.2% | -0.7% | 20.2% |
| Russell 2000 | USD | 2.1% | 3.3% | 7.5% | 11.3% |
| Stoxx 600-Europe | EUR | 1.0% | 2.0% | 4.2% | 16.7% |
| Nikkei 225 | JPY | 1.7% | 3.2% | 7.7% | 26.2% |
| KOSPI | KRW | -2.6% | 12.2% | 20.5% | 75.1% |
| MSCI Asia Pac ex-Japan | USD | -1.7% | 1.7% | 5.9% | 26.9% |
| ASEAN | USD | 0.0% | 0.7% | 3.3% | 12.0% |
| Shanghai Shenzhen CSI 300 | CNY | -1.3% | -3.1% | 0.3% | 17.7% |
| Hang Seng | HKD | -3.0% | -0.5% | 3.3% | 28.2% |
| Shanghai Stock Exchange Composite | CNY | -1.2% | -0.6% | 2.3% | 18.6% |
| FBM Emas Shariah | MYR | -1.3% | -0.3% | -0.1% | -3.9% |
| FBMKLCI | MYR | -0.4% | 3.6% | 3.0% | 2.4% |
| **Fixed Income** | | | | | |
| Bberg Barclays Global Agg | USD | -0.2% | 0.8% | 0.7% | 8.2% |
| JPM Asia Credit Index-Core | USD | 0.3% | 0.6% | 0.6% | 9.1% |
| Asia Dollar Index | USD | 0.0% | 0.2% | 0.2% | 3.3% |

| Top Performing Principal Funds | 1 month (31 Jan 2026) | YTD (31 Jan 2026) |
|---|---|---|
| **Equities** | | |
| Principal Islamic Asia Pacific Dynamic Equity MYR | 10.62 | 10.62 |
| Principal Asia Pacific Dynamic Growth - USD | 10.32 | 10.32 |
| Principal China Direct Opportunities USD | 9.91 | 9.91 |
| **Balanced** | | |
| Principal Emerging Markets Multi Asset USD | 7.48 | 7.48 |
| Principal Asia Pacific Dynamic Mixed Asset MYR | 5.30 | 5.30 |
| Principal Heritage Balanced MYR Hedged | 3.92 | 3.92 |
| **Fixed Income** | | |
| Principal Islamic Money Market AI | 0.26 | 0.26 |
| Principal Islamic Deposit | 0.26 | 0.26 |
| Principal Lifetime Bond | 0.16 | 0.16 |

## Market Data

*Source: Bloomberg, market data is as of 6 February 2026.
*As we emphasise a long-term focus, the top performing funds were selected
*based on monthly performance.

## Market Review [1]

1. This week, global financial markets experienced high volatility characterised by a mid-week technology rout followed by a relief rally on Friday. The Dow surpassing 50,000 during a massive relief rally, while European stocks ended flat amid automotive sector struggles.

2. Performance across Asia was pressured by the global tech sell-off. India and Japan emerged as the top performers, while Hong Kong and South Korea lagged due to heavy exposure to semiconductors and tech.

3. In the bond market, the yield on the 10-year US Treasury saw little change at 4.20% range (as of February 6th), as markets are currently assessing the stance of incoming Fed Chairman Kevin Warsh, who is known historically as an inflation hawk. (It's worth noting that bond prices move inversely to bond yields)

## Macro Factors

1. In the United States, key developments include major tech giants announced massive increases in capital expenditure for AI infrastructure, raising concerns about near-term profitability. Alphabet outlined plans for up to $185 billion in spending for 2026, while Amazon projected $200 billion for data centers and equipment. Widespread stock declines were also exacerbated by signs of a weakening labour market, including a jump in jobless benefits applications to a two-month high and surprisingly low job openings for December. [2]

2. In Europe, the European Central Bank (ECB) left key rates unchanged at its February meeting (Deposit rate at 2.0%), a decision widely expected by forecasters. Eurozone inflation dipped to 1.7% in January, below the ECB's 2% target. While this raises the possibility of future rate cuts, the ECB maintained that its policy remains data-dependent and not pre-committed to a specific path. Market is expecting growth to be supported by solid private sector balance sheets and planned government spending on defence and infrastructure, particularly in Germany. [3]

3. In China, it was a light calendar due to spring holiday. Sentiment is bolstered by expectations for more proactive fiscal policies and innovation in tech breakthroughs. However, China recently tightened margin requirements to cool "red-hot" equity markets. The RatingDog China General Manufacturing PMI increased to 50.3 in January 2026 from December's reading of 50.1, in line with market forecasts. General Services PMI edged up to 52.3 in January 2026 from December's six-month low of 52.0, beating market expectations of 51.8. [4]

4. In Malaysia, S&P Global Manufacturing PMI edged up to 50.2 in January 2026 from 50.1 in December. This marked the third month of growth and the highest level since May 2024, supported by a renewed rise in output and stabilising demand conditions. New export orders increased for the first time in five months and at the fastest pace since July 2024. [5]

## Investment Strategy [6]

While the recent market drop, particularly in the technology sector, may feel jarring, it is a normal and healthy phase of the market cycle. the latest set of tech results has been resilient. Fourth-quarter earnings growth for Nasdaq companies is on track to reach 20%, six percentage points higher than initial projections. Forward-looking expectations have also strengthened, with consensus forecasts now pointing to earnings growth of 26% for 2026, about eight percentage points higher than estimates made just a few months ago. While investors have repriced valuations for software companies, most firms in the segment delivered earnings that exceeded expectations by about 6-7%, with consensus for 2026 and 2027 trending higher.

Periods of price consolidation often follow rapid rallies as investors digest new data on corporate spending and interest rate paths. **We believe it is essential to hold a long-term view rather than reacting to short-term volatility.** In this environment, our strategy focuses on **quality growth** companies with **domestic earnings**, supplemented by **quality bonds** for portfolio stability during uncertainty.

*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.

Sources:
[1] Bloomberg, 6 February 2026
[2] Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 6 February 2026
[3] S&P Global, ECB, Factset, Bank of England (BoE), 6 February 2026
[4] Bloomberg, National Bureau of Statistic China, CEWC, 6 February 2026
[5] Department of Statistic Malaysia, S&P Global, 6 February 2026
[6] Principal view, 6 February 2026

*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.