

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	1.3%	6.3%	5.8%	17.0%
S&P 500	USD	1.5%	7.1%	2.1%	23.3%
Nasdaq	USD	2.0%	10.1%	3.6%	24.9%
Russell 2000	USD	3.2%	7.6%	-4.4%	10.0%
Stoxx 600-Europe	EUR	0.7%	3.3%	9.9%	6.0%
Nikkei 225	JPY	-0.6%	2.5%	-5.5%	19.1%
MSCI Asia Pac ex-Japan	USD	2.3%	4.7%	9.6%	7.6%
ASEAN	USD	0.5%	1.1%	4.2%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	1.0%	1.8%	-1.4%	14.7%
Hang Seng Index	HKD	2.3%	5.5%	19.5%	17.5%
Shanghai Stock Exchange Composite Index	CNY	1.2%	2.2%	1.1%	12.7%
FBMKLCI	MYR	0.6%	-1.2%	-7.6%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	-0.1%	-0.1%	5.2%	-1.7%
JPM Asia Credit Index-Core	USD	0.3%	1.5%	2.9%	6.0%
Asia Dollar Index	USD	0.2%	0.2%	3.6%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.1%	1.1%	3.7%	4.3%
Top Performing Principal Funds					
		1-mth as of		YTD as of	
		(31 May 2025)		(31 May 2025)	
Equities					
Principal Next-G Connectivity USD			11.35		2.29
Principal Global Technology USD			11.11		-0.58
Principal Islamic Global Technology USD			10.89		-3.48
Balanced					
Principal Islamic Global Selection Moderate USD			4.63		2.58
Principal World Selection Moderate Aggressive USD			4.34		4.00
Principal World Selection Moderate USD			3.12		3.71
Fixed Income					
Principal Lifetime Bond			0.77		2.84
Principal Conservative Bond			0.70		2.70
Principal Islamic Lifetime Sukuk			0.69		2.58

Source: Bloomberg, market data is as of 6 June 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 exhibited mixed performance. Among developed markets, the United States and Europe experienced positive gains, while Japan experience marginal decline.
2. Across Asia, market performance was largely negative. South Korea experienced the largest gains, whereas Thailand posted the largest decline. In Malaysia, the FBMKLCI closed the week marginally green.
3. In the bond market, the U.S. 10-year Treasury yield ticked higher into the 4.5% range on the back of hotter-than-expected U.S. jobs data, as investors breathed a sigh of relief that the U.S. economy remains on solid footing. (It’s worth noting that bond prices move inversely to bond yields.)

Macro Factors

1. In the U.S., market sentiments remained capped by the recent public feud between President Trump and Elon Musk, renewed US-China trade uncertainty, and growing signs of labor market weakness. Trump criticized Musk over his opposition to a major tax-and-spending bill, suggesting he might revoke government contracts and subsidies for Musk’s companies. Earlier optimism from a phone call between Trump and China’s President Xi Jinping faded as no concrete progress was reported, despite plans for further trade talks. Meanwhile, unemployment claims rose to 247,000 last week. ²
2. In Europe, ECB delivered its eighth interest rate cut in the recent meeting. The ECB lowered borrowing costs by 25 basis points and revised its inflation forecasts downward for both 2025 and 2026. While the rate cut had been largely priced in, the sharper-than-expected downward revision to the 2026 inflation outlook caught some market participants by surprise. ECB President Lagarde acknowledged that the inflation outlook remains more uncertain than usual.³
3. In China, sentiments are dampened by the resurface of heightened uncertainty on Sino-US trade relations. The Caixin China General Composite PMI dropped to 49.6 in May 2025 from 51.1 in the previous month, signalling the first contraction in private sector activity since December 2022. While the services sector saw a slight uptick, a sharper decline in manufacturing dragged the overall index down. ⁴
4. In Malaysia, the S&P Global Malaysia Manufacturing PMI rose slightly to 48.8 in May 2025 from April’s four-month low of 48.6, though it remained below the 50-mark for the 12th consecutive month, signalling continued contraction in factory activity. ⁵

Investment Strategy ⁶

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.

6 June 2025

Weekly Market Recap

Sources:

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