4th April 2025

Weekly Market Recap

Principal®
In alliance with CIMB

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	-8.5%	-10.6%	-10.1%	17.0%
S&P 500	USD	-9.1%	-12.2%	-13.7%	23.3%
Nasdaq	USD	-9.7%	-14.5%	-17.2%	24.9%
Russell 2000	USD	-9.7%	-12.1%	-18.0%	10.0%
Stoxx 600-Europe	EUR	-8.4%	-9.6%	-1.8%	6.0%
Nikkei 225	JPY	-9.0%	-8.9%	-14.8%	19.1%
MSCI Asia Pac ex-Japan	USD	-3.1%	-1.5%	-0.4%	7.6%
ASEAN	USD	-4.0%	-3.1%	-5.5%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	-1.4%	-0.6%	-2.0%	14.7%
Hang Seng Index	HKD	-2.5%	-0.1%	14.3%	17.5%
Shanghai Stock Exchange Composite Index	CNY	-0.3%	0.5%	-0.4%	12.7%
FBMKLCI	MYR	-0.6%	-1.7%	-6.9%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	1.6%	1.8%	4.2%	-1.7%
JPM Asia Credit Index-Core	USD	0.8%	0.1%	2.8%	6.0%
Asia Dollar Index	USD	-0.1%	0.1%	0.4%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.7%	1.3%	2.2%	4.3%

Top Performing Principal Funds	1-mth as of (31 March 2025)	YTD as of (31 March 2025)
Equities		
Principal China-India-Indonesia Opportunities MYR	4.54	1.89
Principal Commodity USD	2.45	8.98
Principal China Direct Opportunities USD	2.35	3.50
Balanced		
Principal Asia Pacific Dynamic Mixed Asset MYR	1.16	3.36
Principal Lifetime Enhanced Bond	0.35	1.05
Principal Islamic Lifetime Balanced	0.04	-3.89
Fixed Income		
Principal Islamic Global Sukuk USD	0.65	1.30
Principal Lifetime Bond	0.44	1.27
Principal Conservative Bond	0.43	1.21

Source: Bloomberg, market data is as of 4th April 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, the global financial markets exhibited negative performance. Among developed markets, the US experienced the largest declines, followed by Japan and Europe.

2. Across Asia, market performance was negative. Thailand experienced the largest decline, followed by South Korea. In Malaysia, the FBMKLCI closed marginally negative.

3. In the bond market, the US 10-year Treasury yield fell sharply below 4% after China retaliated against President Donald Trump's aggressive "reciprocal tariff" policy rollout. This caused investors to flood into bonds for safety amid fears of a global recession. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the U.S., market sentiments turned negative triggered by President Donald Trump's tariff announcement. The US administration unveiled a 10% baseline tariff on all imported goods, with even higher levies for key trading partners. The move raised fears of global retaliation, threatening trade stability and economic growth. However, Trump later signalled openness to trade negotiations, contradicting earlier remarks from his aides. The ISM Manufacturing PMI fell to 49 in March 2025 from 50.3 in February, below forecasts of 49.5. The reading pointed to the first contraction in factory activity in three months. [2]

2. In Europe, the European Central Bank officials cautioned that U.S. tariffs and potential retaliatory measures could drive inflation higher, especially in the near term, according to the March monetary policy meeting account. They also warned that increased government spending, particularly on defence and other fiscal measures, could add to price pressures, potentially delaying the disinflation process. Preliminary estimate shows the annual inflation in the Euro Area eased to 2.2% in March 2025, the lowest rate since November 2024 and slightly below market expectations.[3]

3. In China, the stock market fell in response to the US administration announcement of a 34% reciprocal tariff, escalating the trade conflict between the world's two largest economies. The Caixin China General Composite PMI rose to 51.8 in March 2025 from 51.5 in February, marking its highest level since last November. Meanwhile, Fitch Ratings has downgraded China's long-term sovereign credit rating to A from A+ and changed the outlook to stable from negative on April 3, 2025, marking the first rating change for China by Fitch in 18 years. [4]

4. In Malaysia, post the US reciprocal tariff announcement, the Ministry of Investment, Trade & Industry (MITI) recognized the tariffs as disruptive but stressed Malaysia's focus on maintaining open trade rather than retaliating. MITI reiterated its intention to protect national economic interests while reinforcing U.S. trade relations. The S&P Global Malaysia manufacturing PMI declined to 48.8 in March 2025, down from 49.7 in February, marking the tenth straight month of contraction in the sector. [5]

Investment Strategy [6]

Following the 2 April developments, we expect negotiations to begin. The immediate expectation is that the reciprocal and product-specific tariffs will likely prompt varied responses across different countries, ranging from immediate retaliation to diplomatic negotiations.

The shift to a more aggressive tariff scenario over the past week has contributed to higher volatility in equity markets. Nevertheless, we believe incremental news flow could become more supportive as we approach the second half of the year.

Investors should not lose sight of timeless investment principles as we believe ***markets are likely to refocus on fundamentals*** that should support the equity market rally further. 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. In response to the tariff developments, our strategy has also emphasized focusing on companies that demonstrate the attributes of **large-cap defensiveness, with earnings that are more domestically focused.**

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.

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