7th March 2025

Weekly Market Recap

Principal® In alliance with CIMB

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2024
Equities					
MSCI World	USD	-1.7%	-2.3%	0.9%	17.0%
S&P 500	USD	-3.1%	-4.2%	-1.9%	23.3%
Nasdaq	USD	-3.3%	-5.9%	-3.8%	24.9%
Russell 2000	USD	-4.0%	-8.9%	-6.9%	10.0%
Stoxx 600-Europe	EUR	-0.6%	2.1%	9.2%	6.0%
Nikkei 225	JPY	-0.7%	-4.8%	-7.6%	19.1%
MSCI Asia Pac ex-Japan	USD	2.4%	1.5%	3.9%	7.6%
ASEAN	USD	2.9%	0.0%	-0.3%	7.7%
Shanghai Shenzhen CSI 300 Index	CNY	1.4%	1.1%	0.1%	14.7%
Hang Seng Index	HKD	5.9%	14.9%	21.1%	17.5%
Shanghai Stock Exchange Composite Index	CNY	1.6%	1.8%	0.5%	12.7%
FBMKLCI	MYR	-1.7%	-2.7%	-5.7%	12.8%
Fixed Income					
Bberg Barclays Global Agg Index	USD	0.5%	1.5%	2.5%	-1.7%
JPM Asia Credit Index-Core	USD	0.0%	1.2%	2.4%	6.0%
Asia Dollar Index	USD	0.9%	0.7%	0.9%	-4.1%
Bloomberg Malaysia Treasury -10 Years	MYR	0.2%	0.4%	0.9%	4.3%

Top Performing Principal Funds	1-mth as of (28 February 2025)	YTD as of (28 February 2025)
Equities		
Principal Greater Bay MYR Hedged	9.56	6.02
Principal Greater China Equity	6.51	4.82
Principal Asia Titans MYR	2.51	1.49
Balanced		
Principal Asia Pacific Dynamic Mixed Asset MYR	2.21	2.17
Principal Emerging Markets Multi Asset USD	1.01	2.94
Principal Global Multi Asset Income MYR	0.64	1.83
Fixed Income		
Principal Global Income USD	0.78	1.88
Principal Lifetime Bond	0.48	0.83
Principal Islamic Lifetime Sukuk	0.46	0.80

Source: Bloomberg, market data is as of 7 March 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 mixed performance. Among developed markets, Europe experienced positive gains, while the United States and Japan showed negative return.

2. Across Asia, market performance was mixed. Both onshore and offshore markets in China experienced the largest gains, while Taiwan recorded negative return. In Malaysia, the FBMKLCI closed lower, driven by the cautious sentiment in the regional market.

3. In the bond market, the US 10-year Treasury yield edged higher in the 4.3% range as investors digested a February nonfarm payrolls report that showed weaker-than-expected jobs growth and the latest commentary from Federal Reserve Chair Jerome Powell. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the U.S., there were several developments regarding trade uncertainty and tariff policy shifts from the Trump administration. Market gained relief after the White House announced a one-month tariff delay on some Mexican and Canadian goods. The ISM Services PMI unexpectedly increased to 53.5 in February 2025 from 52.8 in January, beating forecasts. The US trade deficit widened to a record high in January, driven by a 10% surge in imports ahead of anticipated tariffs. Additionally, job cuts soared to their highest level since 2020, fuelled by significant layoffs at DOGE. However, initial jobless claims came in below expectations, offering some reassurance. [2]

2. In Europe, the ECB lowered the three key interest rates by 25 basis points, as expected, reducing the deposit facility rate to 2.50%, the main refinancing rate to 2.65%, and the marginal lending rate to 2.90%. This decision reflects an updated assessment of the inflation outlook and monetary policy transmission. Retail trade fell by 0.3% month-over-month in January 2025, following two months of flat growth and missing market expectations of a 0.1% increase.[3]

3. In China, the market sentiment turned positive as the National People's Congress meeting in Beijing focused on advancing tech innovation and boosting domestic consumption. China maintained its growth target of "around 5%" despite the ongoing trade war with the US, refraining from more aggressive measures that economists believe are necessary to support growth. The Caixin China General Composite PMI increased to 51.5 in February 2025 from 51.1 in the previous month, marking the highest reading since last November. It was the 16th straight month of growth in private sector activity, with manufacturing expanding the most in three months and the service economy rising more than estimated. [4]

4. In Malaysia, the Central Bank of Malaysia maintained its key interest rate at 3% for the tenth consecutive period during its March 2025 meeting, in line with market expectations. The S&P Global Malaysia Manufacturing PMI rose to 49.7 in February 2025, up from 48.7 in January and moving closer to stabilization. [5]

Investment Strategy [6]

As the market continues to react to concerns of tariff threats and asset volatility, we believe markets are likely to refocus on fundamentals that should support the equity rally further. We reiterate the importance of portfolio diversification and hedging to navigate volatility ahead. We slightly prefer 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 regarding a soft landing; and iii) the influence of geopolitical risks on asset prices.

1. Equities: We favour quality, dividend-paying stocks for their defensive nature amid macroeconomic uncertainties. Our focus is on Asia, targeting: a) idiosyncratic ideas where company earnings are primarily influenced by domestic economic factors; b) selective Chinese domestic consumption which appeared deeply discounted; c) technology (beneficiaries of AI and internet platforms); d) industrial names with exposure to grid capex; e) strong consumer and banking franchises in Southeast Asia; and f) selective Indian companies that are reasonably valued with growth potential. Additionally, we note Malaysia's positive outlook due to political stability and initiatives like the New Energy Transition Roadmap.

2. Fixed Income: We adopt active approach in anticipation of market volatility by targeting various maturities along the yield curve that could add value. Maintain preference on credit with disciplined profit taking activities once valuation turns expensive and replaced with new primary issuances or tactical position in government bonds. We maintain our overweight duration bias relative to the benchmark as the current market conditions still remains favourable.

3. Diversification: We recommend a diversified approach to navigate volatility from geopolitical tensions, central bank rate cuts, and market adjustments following the U.S. election.

Sources:
[1] Bloomberg, 7 March 2025
[2] Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 7 March 2025
[3] S&P Global, ECB, Factset, Bank of England (BoE), 7 March 2025
[4] Bloomberg, National Bureau of Statistic China, CEWC, 7 March 2025
[5] Department of Statistic Malaysia, S&P Global, 7 March 2025
[6] Principal view, 7 March 2025

*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