

# PRIHATIN – A MORE COMPREHENSIVE ECONOMIC STIMULUS PACKAGE

The largest ever in history

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## EXECUTIVE SUMMARY

### 1. LARGEST EVER STIMULUS PROGRAM

- a) The RM250b package comprises RM128b to protect the welfare of the people, RM100b to protect the welfare of small and medium enterprises (SMEs) and RM2b to strengthen the country's economy, on top of the RM20b stimulus that was earlier announced on Feb 27.

### 2. PUBLIC SECTOR FINANCE

- a) We forecast fiscal deficit to GDP ratio to widen to -5.9% mainly due to larger contraction than expected for government revenue as anticipation of slowdown in GDP growth would derail government revenue target of RM244.5 billion this year.
- b) We view the government debt to expand beyond the 55% rule this year, which we are projecting at 56.1%.

### 3. DOMESTIC ECONOMY

- a) We foresee Malaysian economy to continue expanding in 2020 but at a significantly moderating pace of 2.7%yoy. Private consumption will continue to be the main driver of growth on the back of ESP, lower interest rate and low inflationary pressure.
- b) We foresee a rebound in consumer spending in 2H20 as the virus is expected to be contained. On top of that, inflationary pressure is set to hover at low levels due to cheap fuel prices and job market to remain under full-employment condition with unemployment rate below 4%, supporting consumption.

### 4. MOVING FORWARD

In spite of the mildly positive initial market response to the enlarged stimulus announcement, we reckon the package is a necessary economic backstop but it would not be able to provide a sufficiently strong impetus towards general market sentiment. In the immediate-term, market sentiment will continue to be dominated by the success and setbacks in containing the spread of covid-19 infections both locally and worldwide. Hence we maintain our FBM KLCI year-end 2020 baseline target at 1,480 points, i.e. PER20 of 15.5x which equates to -2.0SD (standard deviation) of its 5-year (2014-18) historical average.

## A. BACKGROUND

**The largest ever stimulus package.** YAB Prime Minister announced on Friday a more comprehensive stimulus package called PRIHATIN. The additional RM230b package was far larger than the one announced last month (RM20b). In fact, if we were to combine the two stimulus package that was announced to combat the Covid-19 pandemic, it is the largest ever in our nation's history, which equates to 17% of GDP. Comparatively, the package for the Global Financial Crisis in 2009 was RM67b or 8% of GDP.

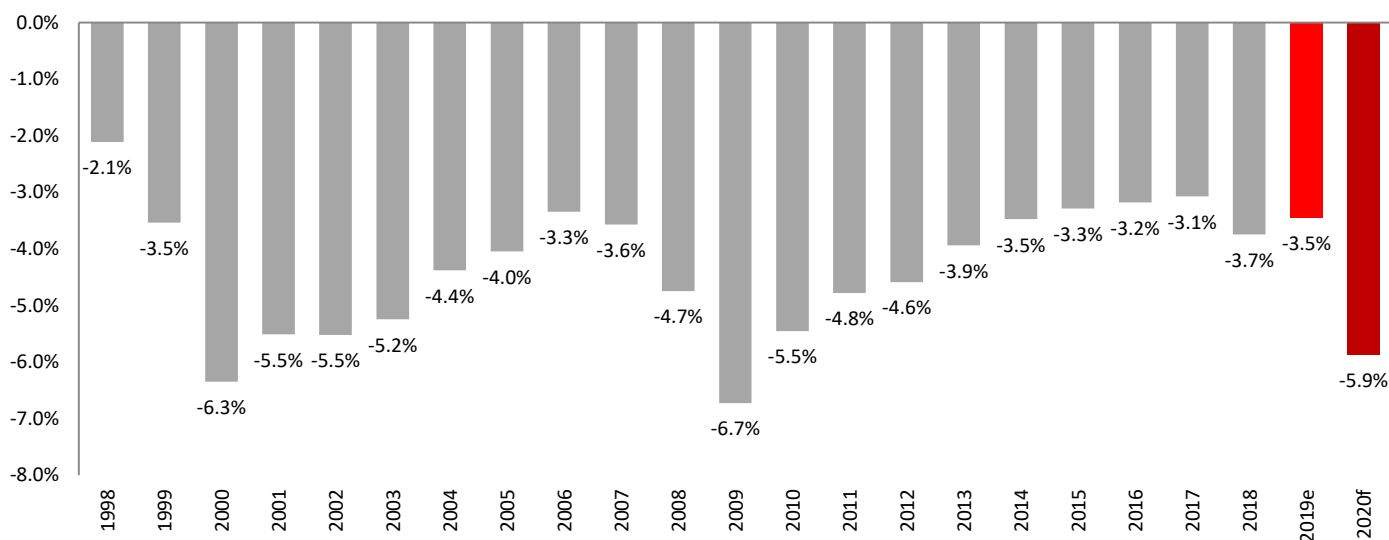
**A comprehensive package.** The package comprises RM128b to protect the welfare of the people, RM100b to protect the welfare of small and medium enterprises (SMEs) and RM2b to strengthen the country's economy, on top of the RM20b stimulus that was earlier announced on Feb 27. For the Economic Stimulus Package (ESP) 1 and 2, the direct Government fiscal injection is RM25b.

## B. ECONOMIC COMMENTARY AND ANALYSIS

**Widening budget deficit due to lower revenue.** We forecast fiscal deficit to GDP ratio to widen to -5.9%. The widening factor is mainly due to larger contraction than expected for government revenue as anticipation of slowdown in GDP growth would derail government revenue target of RM244.5 billion this year. Based on Budget 2020, Brent Crude oil price was assumed at average of USD62pbd and Malaysia's GDP growth at 4.8%yoy. We expect government revenue to

record lower at RM235 billion this year given that oil price at USD41/bd and GDP growth at 2.7%yoy. On top of that, increase in government expenditure via the PRIHATIN ESP is another factor causing the budget deficit widen. We view the package can cushion some of the impacts of Covid-19 besides other headwinds on the Malaysian economy.

### Chart 1: Government Finance

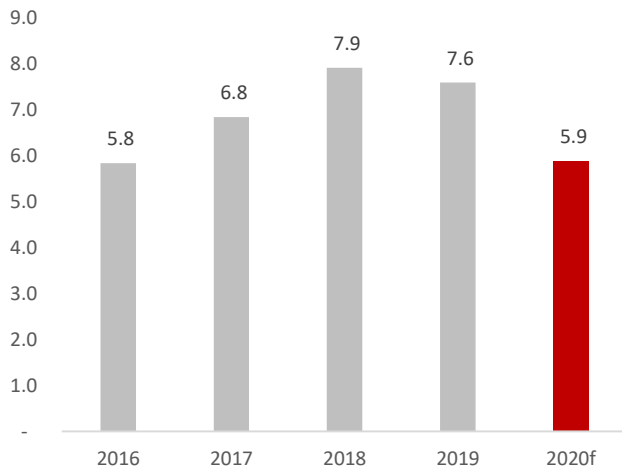


Source: CEIC; MIDFR

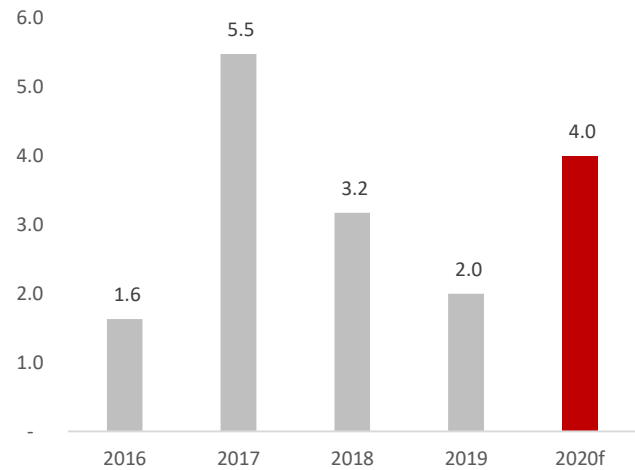
**Economic moderation projected in 2020.** Growth of the Malaysian economy in 2020 will be influenced by various internal and external factors including disruption in global production and consumption following Covid-19, recession fears, global financial stability, oil price war, inflationary pressure and labor market performance. Based on the current developments and indicators, we foresee Malaysian economy to continue expanding in 2020 but at a significantly moderating pace of 2.7%yoy compared to 4.3%yoy in 2019 as more challenges emerge. Private consumption will continue to be the main driver of growth on the back of ESP, lower interest rate and low inflationary pressure.

**Protecting the economy.** We view government investment to further dip in 2020 despite having the ESP due to the focus for this year is to protect the economy and mitigate the impacts of Covid-19 fear effects. In addition, plunge in global oil prices impede investment activities in mining sector. Similarly, private investment is expected to slip into negative territory as Covid-19 is disrupting global supply chain resulting from lower factory output of Chinese, Asian and now Europe and the US. Loan moratorium and lower interest rate provide some relief for private sector. However, demand from both domestic and external to stay weak in 2020 as confidences will take more time to be restored.

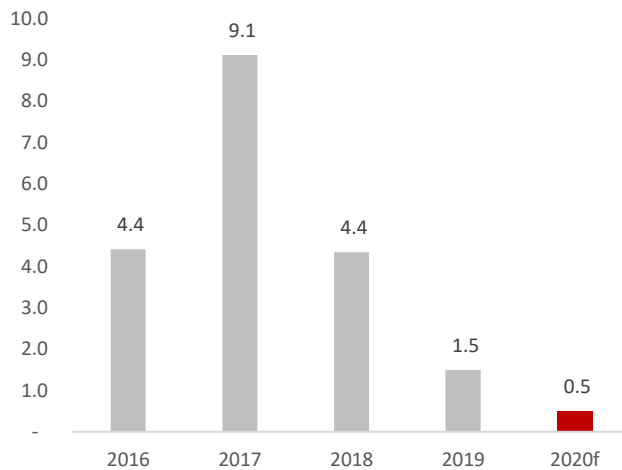
**Private consumption is the only hope.** Private consumption is expected to increase by 5.9%yoy, slowest in 4 years. Significant Rakyat-centric measures announced in ESP including six months moratorium on individual loan payments, reduction in EPF contribution rate, EPF Account 2 withdrawal and one-off cash assistance will result in an increase of disposable income for consumers. Nevertheless, consumption will be limited as Rakyat stays home during RMO and substantial increase in unemployment in badly affected sectors such as hotel and aviation. The newly-introduced Wage Subsidy Programme in ESP worth RM600 for each employee for a period of three months with certain terms and conditions are viewed to be less significant in retrenchment for companies especially SMEs who faced huge drop in revenue. We foresee a rebound in consumer spending in 2H20 as the virus is expected to be contained. On top of that, inflationary pressure is set to hover at low levels due to cheap fuel prices and job market to remain under full-employment condition with unemployment rate below 4%, supporting consumption.

**Chart 2: Private Consumption (YoY%)**

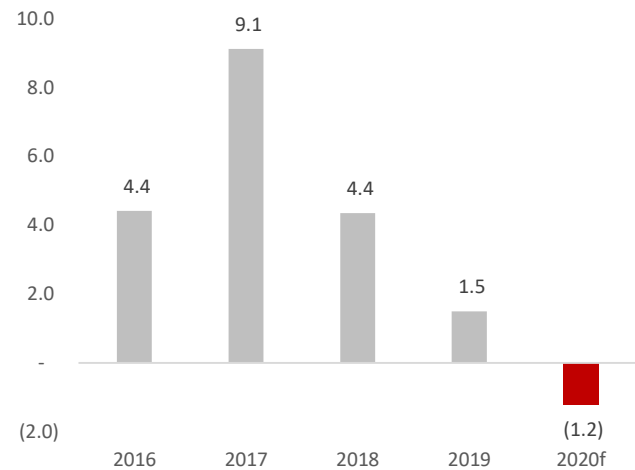
Source: CEIC, MIDFR

**Chart 3: Public Consumption (YoY%)**

Source: CEIC, MIDFR

**Chart 4: Private Investment (YoY%)**

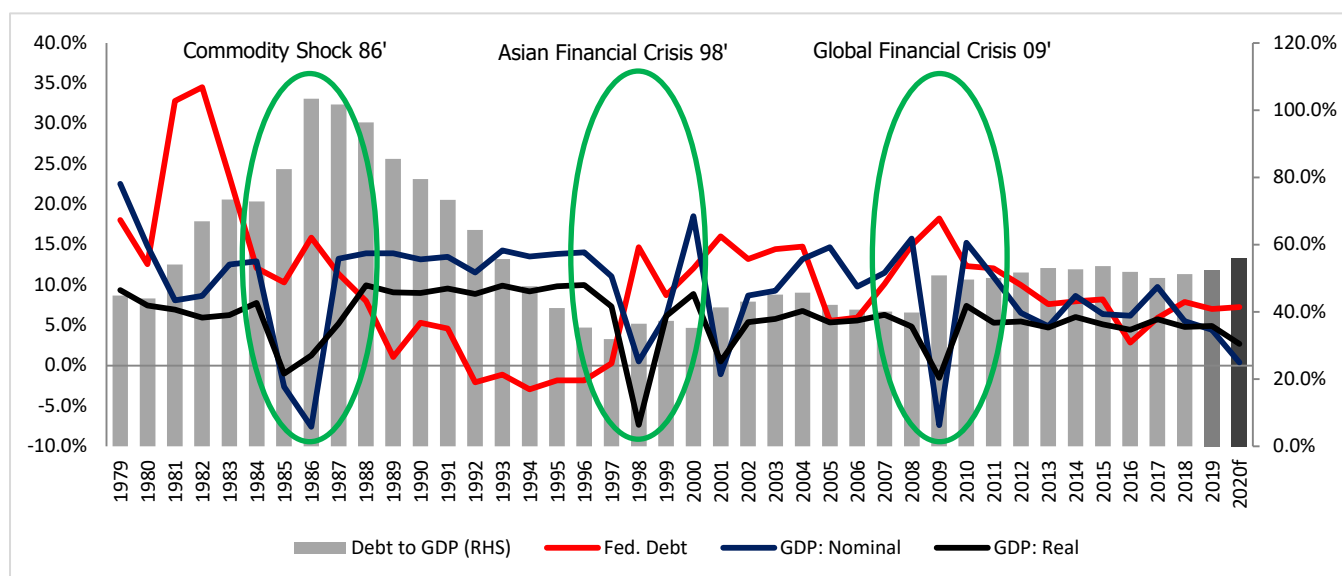
Source: CEIC, MIDFR

**Chart 5: Public Investment (YoY%)**

Source: CEIC, MIDFR

**Government debt to breach 55% ceiling rule.** As of 2019, federal government debt to GDP ratio is 52.5%. Hence, there is extra fiscal capacity roughly about RM37.8 billion, subject to 55% government debt to GDP ratio rule. The government has injected circa RM25 billion via the two stimulus packages. We view the government debt to expand beyond the 55% rule this year, which we are projecting at 56.1%. Continuation of infrastructure projects is part of the packages and Ringgit depreciation would pressure foreign debt to increase in 2020. Moving forward, we believe the government to raise the ceiling rule from 55% to 65% in order to provide more fiscal space for future spending.

## Chart 6: Government Finance



Source: CEIC; MIDFR

## C. SECTORAL REVIEW

### 1. Aviation And Transportation Sector (NEUTRAL)

Measures	Allocation (RM'm)	Remarks
In the earlier package on 27 February 2020, a 15% discount for monthly electricity bills to hotels, travel agencies, airlines, shopping malls, conventions and exhibitions centres in Peninsular Malaysia from April 2020 to September 2020.	500 <i>(previously allocation)</i>	<b>AirAsia Group Berhad's (AAGB) (Trading SELL; TP:RM0.54)</b> other operating expenses made up 6.0% or RM581.4m of the company's total operating expense in FY19.  We gathered that AAGB's utilities costs are less than 1.0% of its other operating expenses. In absolute terms, utilities cost will cost less than RM5.8m per annum or RM0.48m per month.
Gradual discounts ranging from 15% to 50% based on the electricity consumption with a maximum limit of 600 kilowatts per month. The discount applies for a six-month period begging from the billing period of April 2020	530 <i>(revised allocation)</i>	Under a low consumption scenario throughout the six month period (below 200 kilowatt per month), a 50% discount will translate to a monthly utilities cost of around RM0.24m. Such assumptions only reduce AAGB's other operating expenses marginally by approximately 0.2% per year assuming other factors remain constant.
50% discount will be given for consumption of below 200 kilowatt per month		Meanwhile, under a high consumption scenario throughout the six month period (between 301 to 600 kilowatt) a 15% discount will translate to a monthly utilities cost of around RM0.41m. This would only reduce AAGB's other operating expenses marginally by approximately 0.1% per year assuming other factors remain constant.
25% discount for consumption between 201 to 300 kilowatt per month		Therefore, these discounts on electricity bills are immaterial to AAGB's total overall operating costs.
15% discount for consumption of 301 to 600 kilowatt per month		

<p>The Government has identified a number of small projects such as improving roads, upgrading dilapidated schools in Sabah and Sarawak, cleaning houses of worship and police stations as well as upgrading tourism facilities that will benefit contractors from G1 to G4 class.</p>	2,000	<p>Tourism demand has waned and will continue to weaken until end of 1HCY20 at least amidst the Covid-19 pandemic. Nevertheless, upgrading tourism facilities for now is an ideal option in preparation for the heightened tourism demand when the pandemic subsides.</p>
<p>Government will also provide a RM50 billion guarantee scheme with a guarantee of up to 80% of the loan amount for the purpose of financing working capital requirements. Managed and subject to credit evaluation by Danajamin.</p>	50,000	<p>Logistics company such as <b>Tiong Nam Logistics Holdings Berhad (SELL, TP: RM0.32)</b> saw its current liabilities exceeding current assets as of 31 December 2019 by RM54.0m, indicating negative working capital. This translates to a current ratio of below 0.89, close to 1.00.</p> <p>Interest coverage ratio as of 31 Dec-19 stood at 0.32x, Hence, the scheme could enable it to manage its short term borrowings (related to working capital) which will enhance its interest coverage ratio, cushioning the risk of low warehousing demand.</p>

## 2. Power Sector (NEUTRAL)

Measures	Allocation (RM'm)	Remarks
<p>(1) Provision of a 15% discount on monthly electricity bills to hotels, travel agencies, airlines, shopping malls, convention and exhibition centers; (2) Provision of a 2% discount on monthly electricity bills for the commercial, industrial, agriculture and residential sectors; (3) Additional tiered discount of between 15%-50% on monthly electricity bills with a maximum limit of 600kw/month usage. All these discounts are for a period of 6-months beginning Apr20 till Sep20.</p>	1,032	<p>The discounts on monthly electricity bills are estimated at a total of RM1.03b. Of this amount, <b>Tenaga (BUY, TP: RM13.80)</b> has pledged to bear a sum of RM150m. This is 2.9% of our FY20F and is expected to be a one-off amount. The remaining RM880m of the estimated discounts will be borne by the Electricity Industry Fund (EIF) and the Government. The remaining amount in the EIF is estimated at &gt;RM1b; Tenaga transferred RM1.36b to the EIF in FY19 (from regulatory adjustments) offset by a total RM250m spent on ICPT rebates for the residential sector for the 1H19 and 2H19 period.</p>
<p>MESTECC to open up bid quota for 1400MW of solar power generation projects. <i>(Under the original 2020 Stimulus Package announced in Feb20)</i></p>	5,000	<p>RE/Utilities players such as Cypark (Not-Rated), Tenaga, <b>Ranhill (BUY, TP: RM1.45)</b>, Malakoff (Not-Rated) and Solarvest (Not-Rated) are key potential beneficiaries from the potential award of the solar contracts. The 1400MW outlined in the stimulus package is notably larger than LSS packages of ~500MW/package.</p>
<p>TNB to invest RM13b capex in 2020 including accelerated projects such as LED street lights, transmission lines and</p>	NA	<p>Tenaga's planned FY20F capex is circa RM11b. This will be increased by acceleration of an estimated RM2b capex which includes investments into transmission grid projects and distribution network projects. Capex related to the group's regulated business</p>

rooftop solar installations. <i>(Under the original 2020 Stimulus Package announced in Feb20)</i>		will accelerate the expansion of Tenaga's regulated asset base (RAB); which might inflate the forecasted RP2 capex. However, recognition of earnings from the accelerated capex will be further discussed with the regulator.
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### 3. Banking Sector (POSITIVE)

Measures	Allocation (RM'm)	Remarks
Special Relief Facility provided by Bank Negara Malaysia (BNM), particularly in the form of working capital for Small Medium Enterprises (SMEs) at an interest rate of 3.5%	5,000	These measures will ensure support to the cash flows of affected businesses. With this support, businesses will be able to ease any cash flow constraints, including payment of loans. Hence, it will indirectly ensure asset quality of banks do not come under undue pressure. We expect this will help moderate any pressure to credit cost and asset quality of banks in the immediate term
All Economic Sector Facility Fund by BNM	6,800	
Microcredit Facility provided by Bank Simpanan Nasional (BSN), offering an interest rate of 2% to affected businesses.	700	
Moratorium by banks and financial institutions for 6 month	100,000	We believe that this measure will also come with a more relax treatment of R&R accounts whereby, banks may not have to make provisions for affected accounts. We expect that this will ensure that asset quality and credit cost of banks to be stable. Consequently, the pressure to banks' earnings may be moderated
Measures affecting individuals such as one-off payments, allowance, reduction of EPF contribution to 7%, and allowance to withdraw EPF account to maximum RM500 per month for 12 month	n/a	Although not a direct impact to banks, we believe it will have an indirect impact, ensuring that domestic spending continues. Most likely, it may ease cash flow constraints of businesses which will ensure stable banks' asset quality, and might also boost lending later.

### 4. Telecommunication Sector (NEUTRAL)

Measures	Allocation (RM'm)	Remarks
Several special packages will be offered in collaboration with the telecommunication companies (telcos) to all customers starting 1 <sup>st</sup> April 2020 until the MCO ends. This includes: i) All postpaid and prepaid customers of Celcom, Digi, Maxis, and U Mobile will receive free high-	600	We are not surprise by the announcement. During the commencement of the MCO, telcos, out of their own initiatives, have provided free data usage to their respective subscribers. Nonetheless, we view that the impact of revenue loss amounting to RM600m for the four telcos mentioned will be minute. Premised on FY19 financial performance, we estimate that the RM600m will constitute less three percent of the aggregate service revenue for the four telcos. Earning wise, we expect the impact will be negligible given the telcos' effort to deliver lower cost providing the

<p>speed internet of 1Gb per day, to be used between 8am and 6pm; and ii) free calls to the National Crisis Preparedness and Response Centre and state health department hotlines.</p> <p>Meanwhile, TM and TIME are supporting the mobile operators by providing additional fibre capacity to serve higher traffic.</p>		data.
<p>Additional investment to increase network coverage and capacity to maintain availability and high quality and sustainable telecommunication network. This investment will also increase network coverage and capabilities for the site critical areas such as hospitals, government agencies, law enforcement agencies and media centers.</p>	400	<p>We do not expect the additional RM400m capex will burden the telcos supported by their healthy balance sheet and their cash generative ability. In comparison, the amount is much smaller as compared to the RM3.0b allocation by the Government to carry out the works related to the National Fiberisation and Connectivity Plan (NFCP). On another note, the beneficiaries will also include Network Facilities Providers (NFP) such as edotco group, which is a subsidiary of <b>Axiata Group Bhd (BUY, TP: RM4.77)</b>, and OCK Group Bhd (NR). To recall, NFP are the owners/providers of network facilities infrastructure such as cables, towers, satellite earth stations, broadband fibre optic cables, telecommunications lines and exchanges, radio communications transmission equipment, mobile communications base stations and broadcasting transmission towers.</p>

## 5. Insurance Sector (NEUTRAL)

Measures	Allocation (RM'm)	Remarks
<p>Insurance and takaful companies will set a fund to <b>bear Covid-19 screening test costs</b> for policyholders required by MOH with up to RM300 for each policyholders</p> <p><b>Deferment of payment</b> of life insurance premiums and family takaful contributions of 3 months to affected policyholders without affecting the policy coverage. This flexibility may be provided by life insurers and family takaful operators through a no-lapse guarantee, an extension of grace period or any other means that maintain the policy/certificate intact during the deferment period. This option will be available from 1 April 2020 until 31 December 2020.</p> <p><b>Extension of flexibilities to reinstate or preserve life insurance and family takaful protection.</b> Additionally, life insurers and family takaful operators will also provide the following assistance to</p>	<p>8</p> <p>NA</p> <p>NA</p>	<p>We are of the view that the measures announced are directed to partially ease the financial burden and to help to retain insurance protection coverage of the affected policyholders during the stipulated period. We opine that the gross written insurance premium of life insurers and takaful operators might be negatively impacted momentarily in coming months, especially in 2QCY20, due to the deferment of insurance premium payment by the affected policyholders. Moreover, we postulate that the claims ratio for life and family takaful insurers might be slightly under pressure during the period albeit a marginal impact.</p> <p>We also do not discount the possibility of an increase in lapsed insurance policies by affected policyholders due to the worsening economic conditions and treat insurance as less of a priority. However, the loan deferment, cash handouts and insurance tax relief could partially assuage the situation. In addition, we also foresee a possible increase in the take-up rate of life, health and medical insurance during and after the Covid-19 period in view of the possible increasing health awareness of the people as seen in previous pandemic periods.</p>

the affected policyholders and takaful participants until 31 December 2020:

i. Extend the period during which a policyholder and takaful participant can reinstate a policy/certificate that has lapsed;

ii. Provide options to enable policyholders and takaful participants to continue to meet their premium/contribution payments and maintain their policies/certificates. This may include changes in the sum assured/covered, adjustments to the premium/contribution structure and conversion into a paid up policy;

iii. Waive fees and charges imposed for changes made to policies/certificates; and

iv. Waive any penalties/consequences for late payments of premiums/contributions, particularly where policyholders/takaful participants are unable to access electronic payment channels during the Movement Control Order.

**Flexibility to meet general insurance premiums and general takaful contributions.** General insurers and general takaful operators will facilitate requests for flexibilities by affected policyholders and takaful participants to meet their premiums/contributions due during this period to ensure continued risk protection for their properties and businesses. This may include working with policyholders/takaful participants to restructure their policies/certificates so as to reduce the amount of premiums/contributions payable.

NA

**Expedited claims processing.** All insurers and takaful operators will expedite and facilitate claims processes related to COVID-19. Priority will be given to the issuance of guarantee letters, waivers of applicable waiting periods and processing of claims payments. Policyholders and takaful participants are advised to contact their insurers and takaful operators to avail of these flexibilities provided to manage their

NA



policies and certificates.		
<b>mySalam scheme fund to provide monetary support to B40 group</b> , be it hospitalised positive Covid-19 patients and quarantined as patient under investigation (PUI)	RM50 per day up to a maximum of 14 days	

## 6. Plantation Sector (NEUTRAL)

Measures	Allocation (RM'm)	Remarks
<p><b>FELDA Community</b></p> <p>Felda settlers are part of the beneficiary group that will receive a one-off cash assistance</p> <p>Small projects announced in the previous package will be implemented in April 2020. These projects include infrastructure projects in FELDA and other areas valued at RM600m, upgrading dilapidated schools in Sabah and Sarawak (RM350m) and upgrading the Perumahan Rakyat Termiskin (RM150m).</p>	<p>part of the RM10b</p> <p>2,000</p>	<p>We observe that the government is placing significant efforts to improve the palm oil smallholders' welfare like FELDA and RISDA to weather this current unfavourable CPO price environment as well as enhancing their abilities to increase efficiency through various programs. Note that organised smallholder like FELDA, RISDA and FELCRA accounted for an aggregate 11.6% of the Malaysian oil palm planted area in 2019. Premised on the above, we expect positive spillover effect to <b>FGV Holdings Bhd (FGV) (Neutral, TP: RM1.18)</b>. The wellbeing of FELDA settlers is expected to improve in view of anticipated higher crop resultant from the initiatives. This will lead to higher purchase of fresh fruit bunches by FGV which in turn will increase the CPO production. The higher CPO production would also help to reduce the cost of production per metric tonnes. This would partially allay the lower export demand volume and losses from its 51%-owned <b>MSM Malaysia Holdings Bhd (NEUTRAL, TP:RM0.81)</b>.</p>

## 7. Construction Sector (NEUTRAL)

Measures	Allocation (RM'm)	Remarks
The Government will continue the implementation of all projects allocated in the 2020 Budget – including the ECRL, MRT 2 and National Optical and Connectivity Plan.	N.A.	The continuation of these mega infrastructure projects is seen as a strong catalyst for local construction sector. These projects are expected to assist economic growth as it will stimulate other new investments, generate more job opportunities, spur commercial activities as well as boost tourism in the future. We believe the potential beneficiaries of ECRL include <b>Gabungan AQRS (BUY,TP:RM1.42)</b> , <b>Gamuda (BUY, RM3.70)</b> , <b>Muhibbah Engineering (BUY,TP: RM2.08)</b> , <b>IJM Corp (BUY,TP :RM1.95)</b> , <b>MRCB (BUY,TP:RM0.73)</b> , <b>Sunway Construction (BUY,TP:RM2.21)</b> and <b>WCT (BUY,TP:RM0.64)</b> . As for MRT 2, this project is expected to benefit its existing contractors namely <b>Gamuda (BUY, RM3.70)</b> , <b>MRCB (BUY,TP:RM0.73)</b> and <b>IJM Corp (BUY,TP:RM1.95)</b> .

Implementing infrastructure projects in Federal Land Development Authority (FELDA) and others	600	These are positive for small to medium-sized local contractors as we think its implementation will generate more rural infrastructure jobs such as road works, property development, upgrading basic facilities and the supply of water and electricity.
Repairing dilapidated school in Sabah and Sarawak	350	We note that The Ministry of Education is currently mobilising to improve 85 dilapidated schools in Malaysia and priority will be given to the schools located in Sabah and Sarawak as it is important to ensure that the children in Borneo have access to quality education. This will benefit small/medium-sized local contractors in East Malaysia.
To refurbish housing for the poor	150	We believe that the fund allocated will be under the Hardcore Poor Housing Programme and this will benefit the people with low income as well as small local house contractors in Malaysia.

## 8. Oil & Gas Sector (Upstream NEUTRAL, Downstream NEUTRAL)

Measures	Allocation (RM'm)	Remarks
Government reducing its brent crude oil target to USD40pb (from USD62pb previously) for its 2020 fiscal budget	N.A.	<p>We view this revision of brent crude oil target by the Government as timely and consistent with the current developments globally which include among others; the spread of novel coronavirus (Covid-19), the oil price war between Saudi Arabia &amp; Russia and; the shrinking global demand for goods and services as a result of travel bans and lockdowns imposed in various countries. These developments have persistently pressured the oil price down to the current USD20++ levels since last week.</p> <p>Recent developments have shown that Saudi Arabia has been refusing to comply to a new production cut in April despite the mounting pressure from the US - in an effort to stabilize the declining oil price. We have also viewed with concern the ineffective measures implemented by the majority of the Western countries to curb the spread of Covid-19 adding to the current predicament. Furthermore, the stimulus packages announced by countries worldwide to boost the economy in light of Covid-19 have failed to restore positive sentiment to the markets.</p> <p>Following this, we opine that the oil price will remain at the USD20+ level in 2QCY20 before recovering in 3QCY20 with potential recovery and reduction in the Covid-19 cases worldwide as well as; a voluntary production cut by US shale oil producers which expected to assist in arresting the fall in oil price in 3QCY20.</p>

## D. STRATEGY

### Equity Market

**At its core**, similar to the initial RM20b stimulus allocation, the additional RM230b stimulus budget is also mainly targeted at cushioning the negative impact of covid-19 on households and small business owners such as 'Makcik Kiah' and her family. In this regard, it is notable that private consumption is the single largest and the most dependable source of domestic demand growth for our economy. On the flip-side, small and medium businesses (SMEs) account for nearly two-third of total employment in the country.

**Hence the key measures announced include** RM66b and RM30b packages (involving debt moratorium, wage subsidies, utility discounts, withdrawal from provident savings, etc.) for the B40s and M40s respectively. Moreover, RM54b package (involving debt moratorium, deferment of income taxes, etc.) was allocated to support the SMEs.

**Initial market reaction is generally positive despite modest direct fiscal injection.** At the market close on Friday, the FBM KLCI ended 15.0 points higher at 1,343.1 but off its day high of 1,353.4 as mild selling pressures emerged during the final trading hour. We reckon the late selling pressures may partly in reaction to the relatively modest direct fiscal injection of RM22b in the enlarged stimulus plan. It is notable that sizeable amount of the initiatives are in the form of guarantees, debt moratorium and withdrawal from provident savings.

### Market Outlook

**Enlarged stimulus package is supportive but not a key market impetus.** In spite of the mildly positive initial market response to the enlarged stimulus announcement, we reckon the package is a necessary economic backstop but it would not be able to provide a sufficiently strong impetus towards general market sentiment. In the immediate-term, market sentiment will continue to be dominated by the success and setbacks in containing the spread of covid-19 infections both locally and worldwide.

**Market consolidation to be followed by another selling pressure as covid-19 impacts manifest.** In reference to our recent strategy report, [The Bear Market Waves](#), we postulated that the equity market was either nearing or may have even reached its midway bottom. As it turned out, the FBM KLCI has since advanced by nearly 85 points and we expect the market barometer to consolidate between 1,400 and 1,250 points range during the coming months. However, we also envisaged that the market may encounter another wave of selling pressure, i.e. second downward thrust, possibly in the third quarter as the economic impacts of covid-19 become manifest. Moreover, we also suggested that if the economy were to skirt an outright recession (the technical-type notwithstanding), we may witness a rather shallow and quick second downward thrust to be followed a period of recovery. On this score, as per the latest revision, MIDF Research economists expect the Malaysian economy to pose a positive 2.7% GDP growth in 2020.

**Maintain FBM KLCI year-end 2020 baseline target at 1,480 points.** Hence we maintain our FBM KLCI year-end 2020 baseline target at 1,480 points, i.e. PER20 of 15.5x which equates to -2.0SD (standard deviation) of its 5-year (2014-18) historical average.

**In the meantime, volatile markets will remain.** While we expect that equity markets will recover from current levels, we are cognizant of the fact that markets are extremely volatile at current juncture which presents a very precarious situation for investors to navigate. However, we believe that there are pockets of opportunities for investors to take advantage of despite the volatile market. This is especially so given the significant retracement in share prices. However, we also advise caution for investors. We believe that investors would need to select potential stocks which have solid fundamentals and defensive earnings in nature. Furthermore, this should be paired those that gives very attractive dividend yields which should moderate any downside risk. Refer to our recent thematic report, [Opportunities amid a bear market](#) for our top 20 stock selection for this period.



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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.