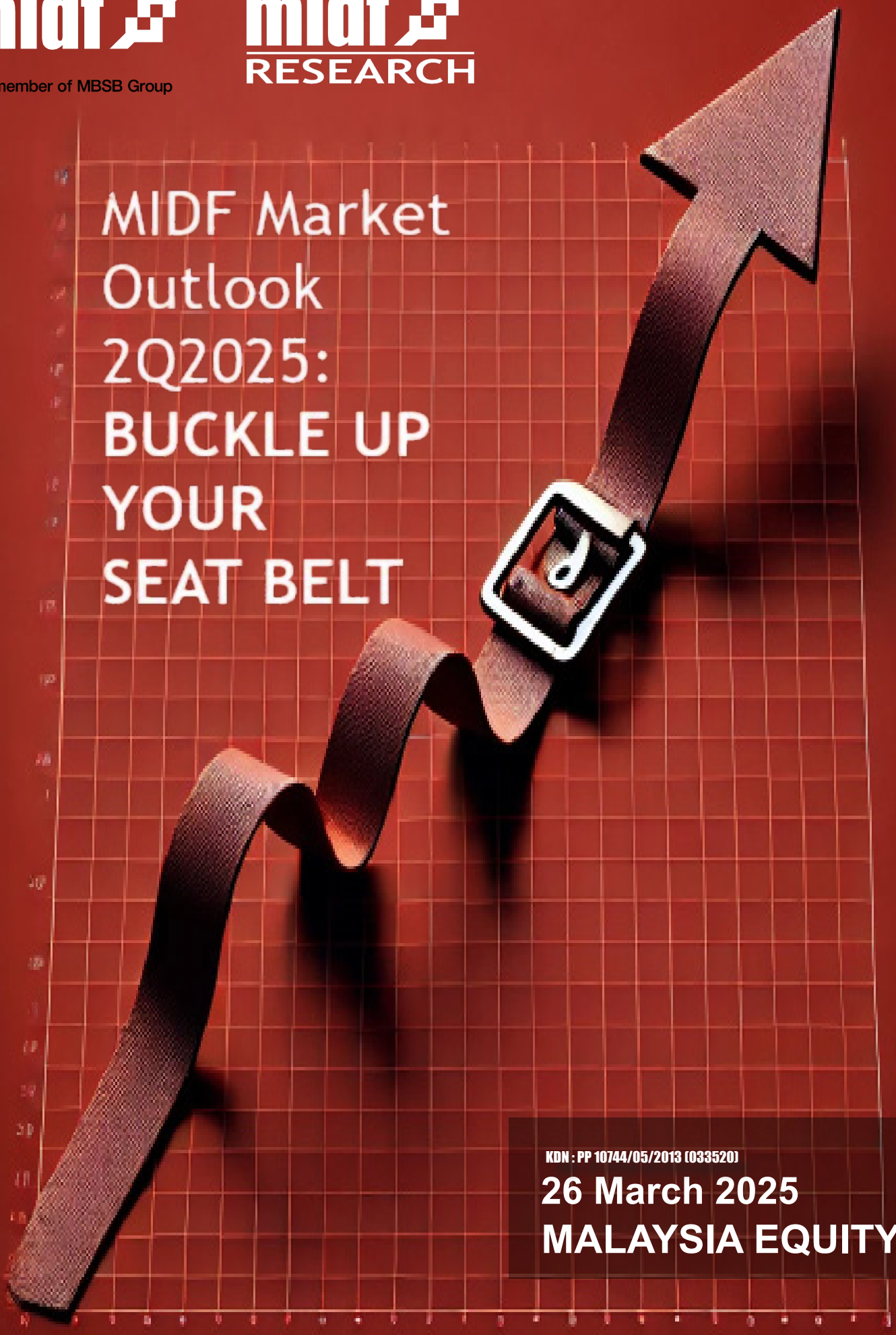
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MIDF Market Outlook 2Q2025: BUCKLE UP YOUR SEAT BELT



KDN : PP 10744/05/2013 (033520)

26 March 2025

MALAYSIA EQUITY

KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION FOR IMPORTANT DISCLOSURES

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EXECUTIVE SUMMARY

2QCY25 IN BRIEF

- While we have expected that CY25 will be a volatile year for the markets, we did not anticipate that it could as early as January of this year. Volatility was mainly induced by U.S. policies.
- Despite the drawdown of FBM KLCI, we noted that certain sectors have shown some resiliency, with REITs and finance (i.e. banks) outperforming the FBM KLCI. We opine that interest in these sectors stemmed from its attractive dividend yields moderating any downside risk.
- We expect uncertainties and volatility will remain, from increased sensitivity of investors to U.S. economic data, U.S. policies on trade, tariff and geopolitics.

BUCKLE YOUR SEAT BELTS

- With the US economy is predicted to experience a quarter-on-quarter contraction, we expect the US GDP growth will grow around +1.8% this year reflecting temporary impact of US policy changes.
- The Fed's latest projection indicates a measured approach to future monetary policy adjustments, with potentially 2 rate cuts.
- We expect Malaysia's GDP to grow at a more stable rate of +4.6% in 2025.
- Domestic growth fundamentals remain robust, driven by increasing spending from both consumers and businesses, which will continue to support economic expansion this year.
- We expect OPR to stay at 3.00%, remaining supportive and accommodating.
- We forecast projects the ringgit to average stronger at RM4.23 against the US dollar in 2025 (2024: RM4.56).
- We performed a scenario analysis on possible impact to Malaysia and markets stemming from a U.S. economic slowdown.

FBM KLCI 2025 TARGET AT 1,670

- Along with the baseline expectation of resilient macro performance, market consensus is forecasting the FBM KLCI to register a healthy +6.7%yoy earnings growth in 2025.
- Expectation of further rate cuts by major central banks together with additional stimulus should be overall positive to the world's financial liquidity situation in 2025.
- However, we believe the externally driven downside risks to the 2025 outlook are burgeoning. Foremost are (1) uncertainties engendered by US tariff policy, as well as (2) recent underperformance of the US economy
- We had reassessed our equity valuation is in view of the prevailing downward pressure on local and regional equity markets engendered by incessant outflow of foreign funds arguably due to rising economic risks particularly surrounding the US tariff threats.
- Our revised base line targets are as follows:

* FBM KLCI baseline target for 2025 at 1,670 points or PER25 of 14.8x,
* FBM Hijrah's baseline target for 2025 at 13,200 points or PER25 of 19.6x,
* FBM70 baseline target for 2025 at 18,600 points or PER25 of 15.5x.

26 March 2025

KLCI (25/03/2025) : 1,513.60
2025 TARGET : 1,670.00

SECTOR VIEW

POSITIVE	
Banking	Construction
Consumer	Healthcare
Oil & Gas	Power
Property	REITs
NEUTRAL	
Automotive	Gloves
Plantation	Technology
Telecommunication	Transportation

TOP BUYS

STOCK	Target Price (RM)	Total Return (%)
YTL Power	5.61	66.1%
Maybank	12.11	25.5%
Public Bank	5.35	24.0%
Hong Leong Bank	24.60	23.8%
Pavilion REIT	1.69	23.0%
IHH	8.18	20.1%
RHB Bank	7.40	16.1%
Axis REIT	2.02	16.0%
Tenaga	15.13	15.6%
Sunway REIT	1.99	13.8%

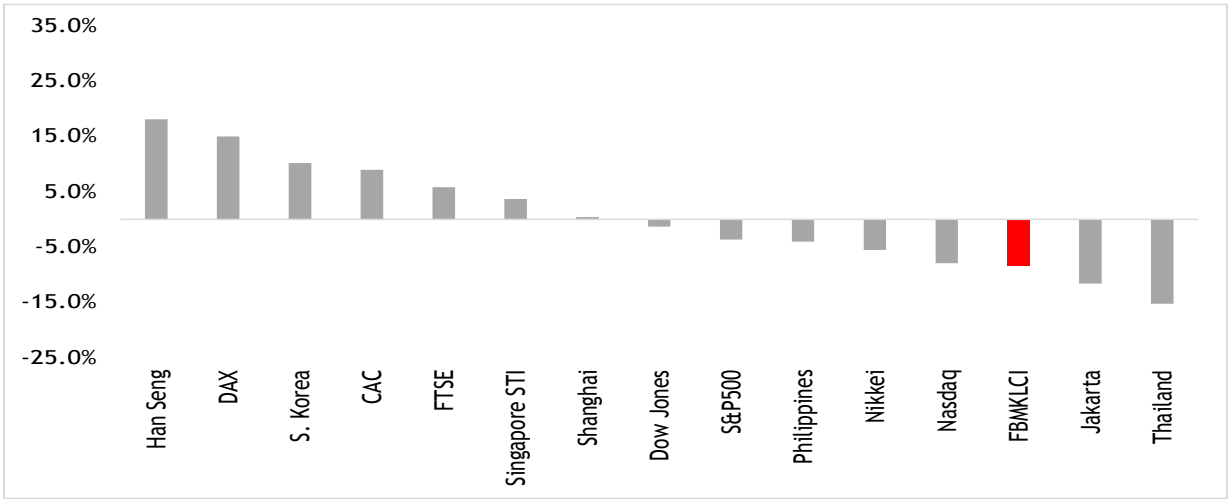
A. MARKET PERFORMANCE

I. MARKET REVIEW

Volatility came earlier that expected. While we have expected that CY25 will be a volatile year for the markets, we did not anticipate that it could as early as January of this year. It started with the US President Biden's parting shot as we left office with the advance chips restrictions which cause share price drawdowns in Malaysia's construction and property companies due to overblown fears of a diminish data centre prospect. Meanwhile, the US tech sector, which has been a significant driver of US market growth in recent years, has struggled with issues such as supply chain disruptions and regulatory challenges.

Schizophrenic tariff decisions. As President Trump took office at end January, the US stock market saw added factors for its volatility. It was significantly impacted by the ongoing geopolitical tensions, particularly between the US and China. These tensions have led to concerns over trade policies and their potential impact on global supply chains. Investors have been wary of the potential for new tariffs or trade restrictions. What is more concerning is that the US seems indiscriminate with its tariff. Besides China, it hit out at its neighbours Canada (also its allies) and Mexico, and the EU. Furthermore, the indecisiveness of the tariffs by the US have led to confusion and difficulties in assessing the scale of possible disruption to economic activities and corporate earnings. The uncertainty surrounding these geopolitical issues has contributed to the overall market volatility – and downward pressure on prices especially for US and emerging markets

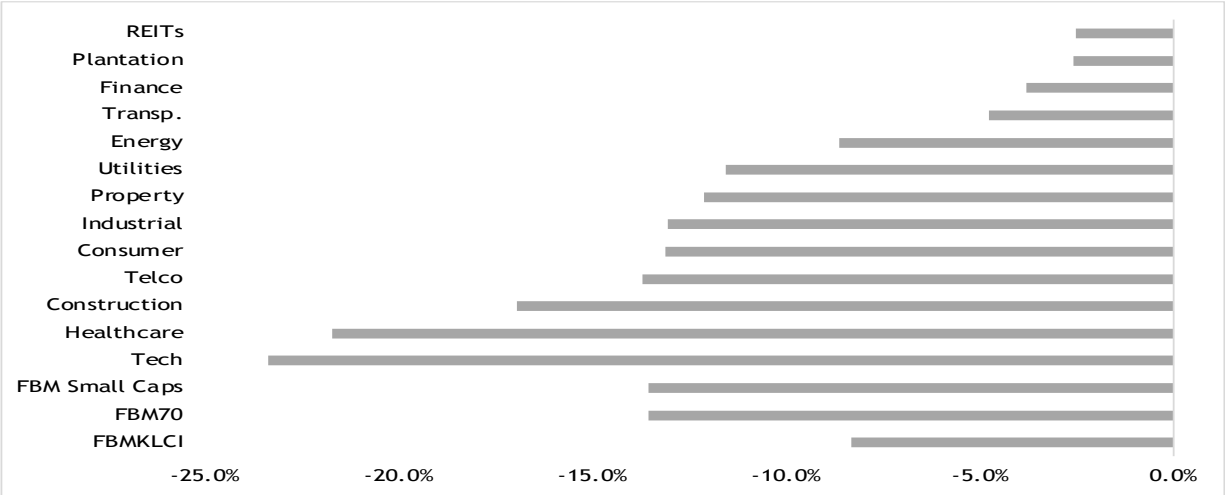
Chart 1: Comparison of Performance of FBM KLCI and Regional Peers (YTD as at 21 March 2025)



Source: Bloomberg, MIDFR

The overall sentiment has been cautious, reflecting global economic uncertainties. As a result, investors seem to be on a risk-off mode for the US and emerging markets. Nevertheless, stimulus in China and possible rotation to European markets saw these two regions outperforming in 1QCY25. We opine the underperformance of emerging markets due to concerns the impact of tariffs on export dependent economies such as Malaysia.

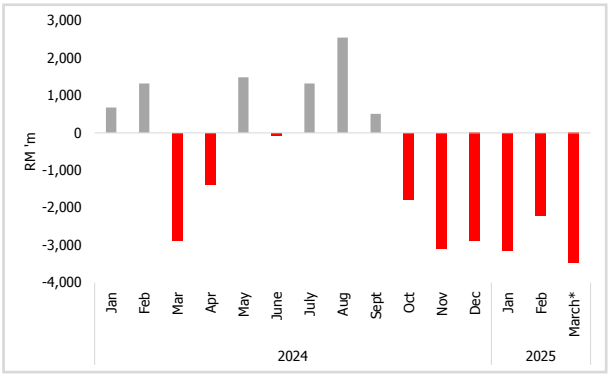
Chart 2: Comparison of Performance of Bursa Malaysia Sectoral Indices (YTD as at 31 Dec 2024)



Source:Bloomberg, MIDFR

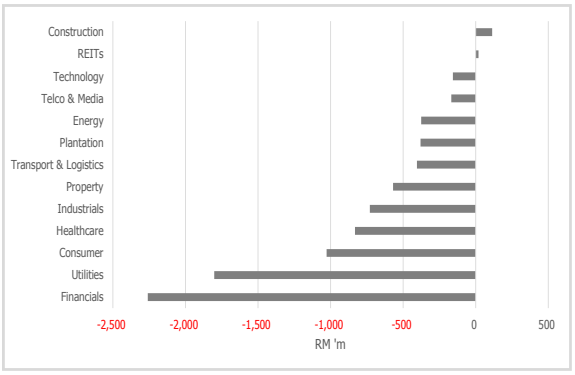
In Malaysia, flocking to dividend yielding sectors. We noted that certain sectors have shown some resiliency. REITs and finance (i.e. banks) have outperformed the FBM KLCI. We opine that interest in these sectors stemmed from its attractive dividend yields of 4-6% which moderate the downside risks from the increased volatility. Meanwhile, plantation sector was the second performing sector (although still negative thus far) due to the elevated CPO price. It should be noted that the REITs and finance sectors are our recommended sectors for CY25 given our expectation of increased volatility this year. We maintain this view for 2QCY25.

Chart 3: Monthly Foreign Fund Flows into Bursa Malaysia



Source: Bursa Malaysia, MIDFR

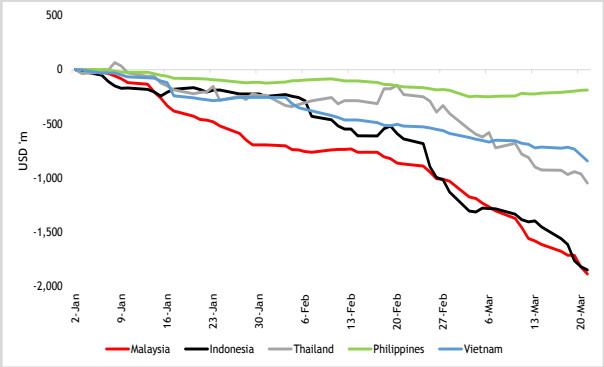
Chart 4: Foreign Fund Flows into Bursa Malaysia (sectoral breakdown)



Source: Bloomberg, MIDFR

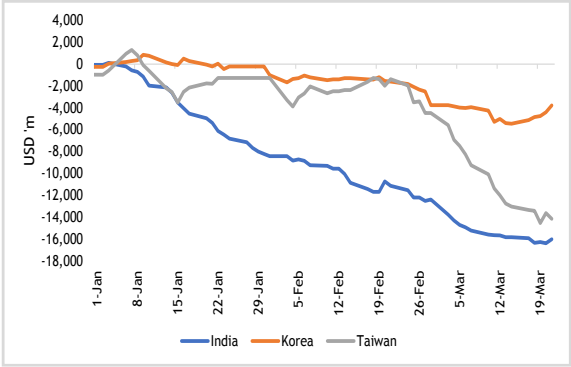
Still foreign funds net selling, but some sectors have seen net buying. Foreign funds continued its net selling in 1QCY25, a continuation from 4QCY25 last year. However, the reasoning might be different. The election of President Trump may have led to euphoria back to US markets, 1QCY25 saw the opposite with concerns on US economy and tariffs, leading to risk-off mode for foreign funds as well. Despite this, a couple of sectors saw net buying, namely REITs (which we believe unsurprising given the volatile market) and interestingly construction. We opine that this could be due foreign investors looking pass the overblown fears regarding DCs and the sector.

Chart 5: Cumulative Foreign Fund Flows into ASEAN 5 (YTD as at 21 March 2025)



Source: Bloomberg, Bursa Malaysia, MIDFR

Chart 6: Cumulative Foreign Fund Flows into K.I.T. (YTD as at 21 March 2025)



Source:Source: Bloomberg, MIDFR

Risk-off for all markets that we tracked. Of all the markets that we tracked its foreign net flows; none are registering a net buying position. As mentioned, we believe that this is due to the heightened volatility and investors' risk-off mode. However, we expect that we will see a reversal foreigners net buying once there is more clarity in US policies especially relating to trade and tariffs.

Markets will continue to be volatile. Going into 2QCY25, we expect that markets will continue to be volatile as uncertainties stemming from US trade policies. Having said that, we do expect that there may be some moderating or tailwind factors such as the expectation of US rate cuts this year. This should engender a weaker USD which may entice foreigners to return to our markets. But, given the indecisiveness of US policies, it is not a given. Hence, for our 2QCY25, we are looking at a couple of "what-if" scenarios surrounding possible US economics growths and its impact to Malaysian economy and equities market.

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II. MACRO ECONOMIC OUTLOOK

GLOBAL: GROWTH TO STAY MODERATE AS TRADE TENSIONS INTENSIFIED

Growth to remain moderate this year. The global economic growth is expected to maintain moderate, with the International Monetary Fund (IMF) projecting a +3.3% expansion in both 2025 (2024: +3.2%), below the pre-pandemic average expansion of +3.7% between 2000 and 2019. The advanced economies are expected to record slightly stronger growth of +1.9%, with the US to sustain resilient growth around +2.7%, supported by resilient labour markets and investment activity. Despite this more optimistic view, we expect the next revision to the global growth projection may show a more modest growth outlook taking into account the less encouraging view on the US growth, which could experience growth below +2.0% this year. In emerging markets and developing economies, the pace of growth is expected to remain relatively robust as experienced last year, although China's growth is projected to moderate to 4.6% in 2025 as the country continued be constrained by structural and demographic challenges. India's outlook, on the other hand, still remains strong. While the world economy is expected to continue growing this year, the IMF indicates that policy uncertainty, geopolitical tensions, and diverging growth paths among major economies could present downside risks. Despite concerns about the trade outlook because of tighter trade rules, we believe strong countries can still maintain expansionary growth backed by still strong domestic fundamentals.

Table 1: GDP Growth Forecast for Selected Economies

	2021	2022	2023	2024	2025f
World	**6.5**	**3.5**	**3.3**	**3.2**	**3.3**
Advanced Economies	5.7	2.6	1.7	1.7	1.9
USA	6.1	2.5	2.9	2.8	2.7
Euro Area	6.3	3.5	0.4	0.9	1.0
Japan	2.8	0.9	1.5	0.1	1.1
UK	8.6	4.8	0.4	0.9	1.6
Singapore	9.7	3.8	1.8	4.4	2.3
Developing Economies	7.0	4.1	4.4	4.2	4.2
China	8.1	3.0	5.2	5.0	4.6
India	9.7	7.6	9.2	6.5	6.5
Indonesia	3.7	5.3	5.0	5.0	5.1
Thailand	1.5	2.5	2.0	2.5	2.9
Philippines	5.7	7.6	5.6	5.6	6.1
Vietnam	2.6	8.1	5.1	7.1	6.1

Source: IMF, National Sources, MIDFR

Growing demand to support global trade amid worries about trade war. Global trade is expected to continue growing despite challenges . According to the latest projections by the World Trade Organization, the volume of world merchandise trade is forecast to grow by 3.0% in 2025 (2024: +2.7%), supported by firm demand for technology products, machineries, and raw materials. The upcycle in the global electronics and electrical (E&E)

sector is set to continue, with the World Semiconductor Trade Statistics (WSTS) predicting the global semiconductor sales to grow further by +11.2% this year (2024: +19.1%). Trade in non-E&E sectors will also benefit from higher consumption of commodities such as energy, food, and oils & fats. However, commodity prices will remain sensitive to supply-demand dynamics, particularly amid climate-related disruptions, rising input costs and trade policy changes. While the outlook remains cautiously optimistic, the WTO warns that escalating geopolitical tensions and a possible resurgence of trade protectionism—particularly involving major economies—could pose downside risks to global trade recovery.

Policy bias on easing mode. A gradual shift towards policy easing is anticipated, though central banks are expected to balance between supporting growth and managing inflation. With inflation generally easing to more normal levels, the need for restrictive monetary setting is diminishing—particularly in economies where growth momentum appears to be softening following a period of aggressive rate hikes. Not only in the advanced economies, even central banks in the emerging and developing economies have eased monetary policy shifting. More rate cuts will be considered to the economy as inflation softens further. In the US, however, the trajectory of rate cuts is likely to be more measured, as persistent economic and labour market strength may continue to pose risks of renewed inflationary pressures. In addition, the higher import tariffs will also keep inflation elevated at least in the short run.

Sector-specific developments are expected to influence commodity price trends. The relatively lower crude oil prices explains the global disinflation, with additional downward pressure potentially from increased oil production in the US. However, the extent of this impact may be moderated by continued supply management efforts from other oil-producing countries. Considering both demand and supply conditions, our in-house projection expects Brent crude oil prices will average lower this year at around USD73-74 per barrel (2024: USD79.9pb). On the other hand, palm oil prices are likely to remain firm in the first half of 2025, supported by the prospect of tighter supply partly due to climate-related disruptions. As a result, crude palm oil (CPO) prices are expected to stay elevated, with an average of RM4,300 per tonne (2024: RM4,200 per tonne). While global food prices have moderated from previous peaks, factors such as extreme weather and rising input costs could reintroduce upward pressures in the near term.

Intensified trade war among risk to growth outlook. Several downside risks could weigh on global growth prospects. Inflation may stay elevated, driven by higher commodity prices due to supply-side constraints such as extreme weather, potential disruptions in global supply and trade, and escalating geopolitical and trade tensions. Final demand could also also weaken in response to the higher price pressures. Volatility in financial markets may also emerge as policy expectations shift. For instance, continued strength in the US economy could prompt the Federal Reserve to delay interest rate cuts, reversing anticipated capital flows to emerging markets and supporting prolonged US dollar strength. In addition, sentiment is also affected by trade policy changes introduced by different countries, causing more concerns about inflation and trade outlook. On the upside, growing cooperation among emerging markets could help cushion the impact of potentially softer US demand. Countries affected by US protectionist trade measures are expected to diversify their trade partnerships and seek new sources of external demand. Despite concerns surrounding trade tensions, the ongoing "China+1" strategy adopted by many multinational firms may help mitigate the effects of stricter trade policies. Ultimately, the global trade outlook will hinge on the ability of companies to manage cost increases, therefore limit the upside pressures on selling prices. This, however, will be complicated by more tariffs hikes by the US on Europe and other countries, on top of Mexico, Canada and China.

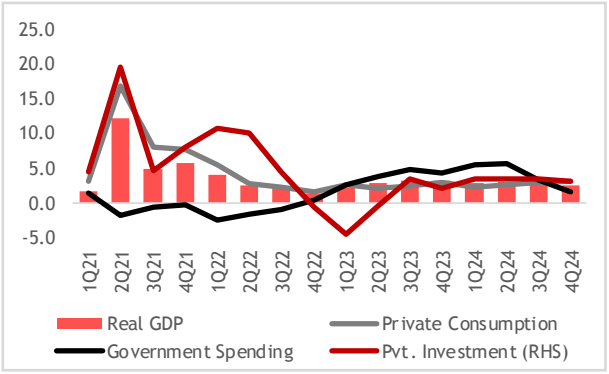
U.S.: POLICY CHANGES HEIGHTENED CONCERN ABOUT GROWTH AND INFLATION OUTLOOK

Economic growth to moderate but remain positive. With the US economy is predicted to experience a quarter-on-quarter contraction, we expect the US GDP growth will grow around +1.8% this year, lower than the IMF's projection of +2.7%. In line with the revised FOMC projection, the moderation in economic growth this year reflects a temporary impact to the US economy from the policy changes by the US government. Private consumption expenditures continue to account for the large share of the US economy, but the hikes in import tariffs and tighter trade rules caused consumers to turn less optimistic on the near-term economic and inflation outlook. Despite these adjustments, consumer spending will continue to be supported by a healthy job market and rising wages. However, concerns over potential stagflation—characterized by slow growth and high inflation—are also emerging, as a result of the government's decision to increase import tariffs on goods from several countries such as Mexico, Canada and China.

Renewed concerns over elevated inflation. Although inflation has in general moderated to around 3-year lows, recent policy changes have resulted in higher inflation expectations. At the FOMC meeting in Mar-25, the Fed raised its PCE inflation forecast to +2.7% for this year (previous forecast: +2.5%), attributing the uptick to recent tariff policies. Similarly, the core PCE price index is projected to rise to 2.8% in 2025 (previous forecast: +2.5%). These developments underscore the persistence of inflationary pressures, influenced by factors such as higher services charges and increased import costs due to higher tariffs. American consumers also indicated higher inflation expectations, especially in the short run, in recent surveys. However, the reduced crude oil prices could limit the upward price pressures, with the headline and core CPI inflataion easing in Feb-25, slowing to +2.8%yoy (Jan-25: +3.0%yoy) and +3.1%yoy (Jan-25: +3.3%yoy), respectively.

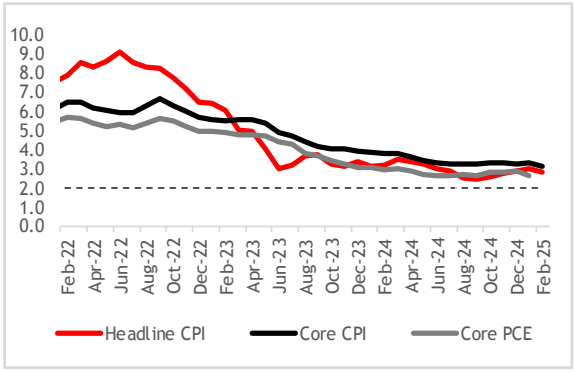
Fed continues to signal rate cuts. In light of the evolving economic landscape, the Fed maintained the target range rate for fed funds rate at 4.25-4.50%, expressing caution amid uncertainties stemming from changes to trade policies and fiscal measures. While previous expectations leaned towards potential rate cuts, concerns about elevate inflation will cause the Fed to stay cautious before resuming its policy easing. The Fed's latest projection, keeping the fed funds rate forecast at +3.9% this year, indicates a measured approach to future monetary policy adjustments, with potentially 2 rate cuts vis-à-vis market expectations for 3 cuts within this year. The Fed, however, is cautiously balancing between reducing interest rates too soon (to avoid reflation risk) and keeping restrictive policy for longer period to mitigate inflationary risks. Meanwhile, expectations in the market continued to price in rate cuts in reaction to slower-than-expected inflation in Feb-25 and growing concerns over slowing growth. Given the strength in the economy and job market, we opine the probability for stagflation risk is still low as the policy changes weigh down on sentiment and broader economic growth temporarily. In other words, the Fed will continue to reduce fed funds rate if inflation remains under control or aggregate demand weakens sharply.

Chart 7: U.S.: Quarterly Real GDP Growth (YoY%)



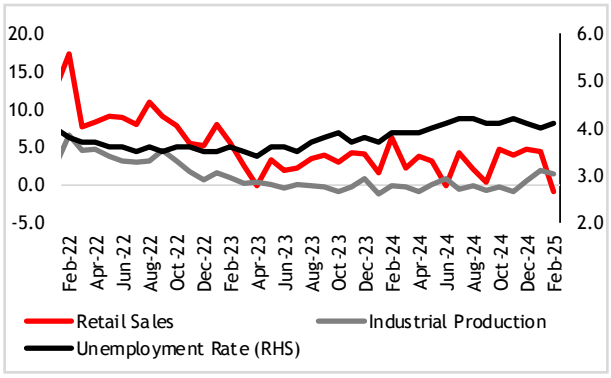
Source: Macrobond, MIDFR

Chart 8: U.S.: CPI and Core PCE Inflation (YoY%)



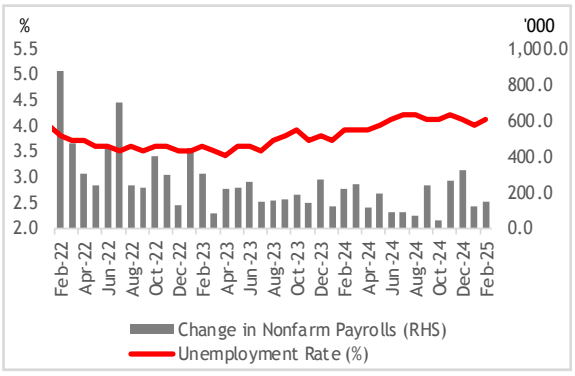
Source: Macrobond, MIDFR

Chart 9: U.S.: Selected Economic Indicators (YoY%)



Source: Macrobond, MIDFR

Chart 10: U.S.: Unemployment Rate (%) vs. Nonfarm Payrolls (in thousands)



Source: Macrobond, MIDFR

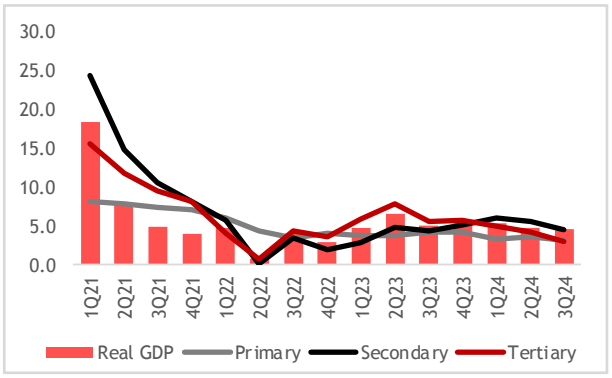
CHINA: ADDRESSING ONGOING CHALLENGES TO ENSURE SUSTAINED GROWTH

Sustaining growth around +5.0%. China's economic growth is projected to be sustained in 2025 as China's government maintained official growth target at +5.0%. The IMF, however, forecasted a slight deceleration to +4.6% in 2025 (2024: +5.0%) as it sees more challenging for China to keep growth at the same pace as last year, considering the continued challenges in the property market and signs of weak demand. This growth is anticipated to be driven by a combination of factors, including robust consumer spending, increased business activity, and a resurgence in overseas demand. Recent data indicates a positive trend, with retail sales rising slightly faster at 4%yoy in 2MCY25 (Dec-24: +3.7%yoy). Additionally, fixed asset investment grew by 4.1% during the same period (Dec-24: +3.2%yoy), signalling more encouraging business confidence. While increased exports will provide more support to the economy, the intensified trade tensions following the higher tariffs will negatively affect demand from the US. The impact of trade slowdown on China's economic growth, however, will be limited by the reduced dependence on external demand as the major source of growth. In the post-pandemic period, China's economic expansion has been driven more by the growing domestic spending.

Still expect policy measures to support the economy. In response to the intensified trade tensions, Chinese authorities have implemented policy interventions to mitigate slowdown risks. Notably, the government has unveiled a comprehensive plan to boost domestic consumption, aiming to stabilize the stock market and develop new investment products. Early signs of improvement are evident, with industrial production rising by +5.9%yoy in 2MCY25, and the services sector registering accelerated growth. The achieve the official growth target of around +5% for 2025, China's government also pledged to increase spending to stimulate the economy and boost consumer spending.

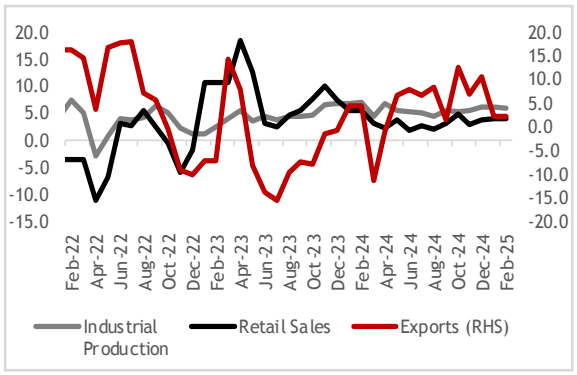
Other challenges constraining China's growth outlook. The IMF projects China's potential growth could slow to around 3.8% on average between 2025 and 2030, influenced by factors such as high youth unemployment, elevated debt levels, and an aging population. Addressing these structural issues will be crucial for China to maintain sustainable and balanced economic growth in the coming years.

Chart 11: China: Quarterly Real GDP Growth (YoY%)



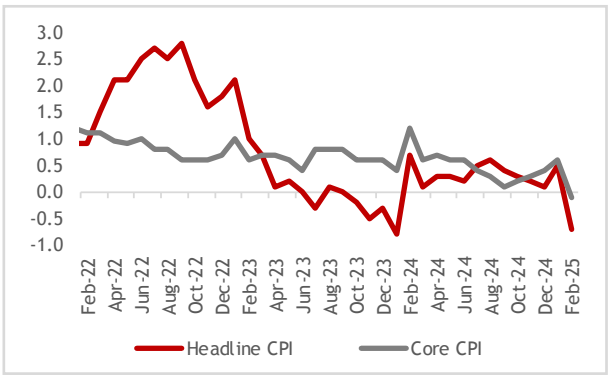
Source: Macrobond, MIDFR

Chart 12: China: Selected Economic Indicators (YoY%)



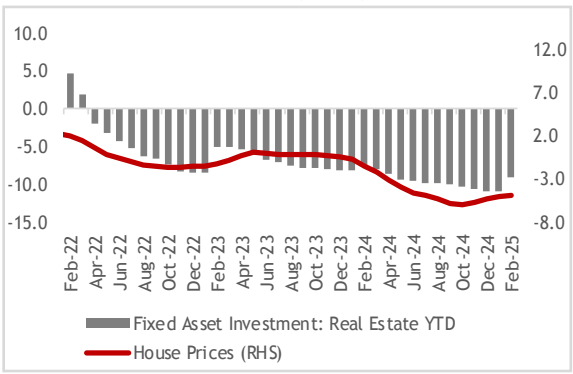
Source: Macrobond, MIDFR

Chart 13: China: CPI Inflation (YoY%)



Source: Macrobond, MIDFR

Chart 14: China: House Price vs. Fixed Asset Investment in Real Estate (YoY%)

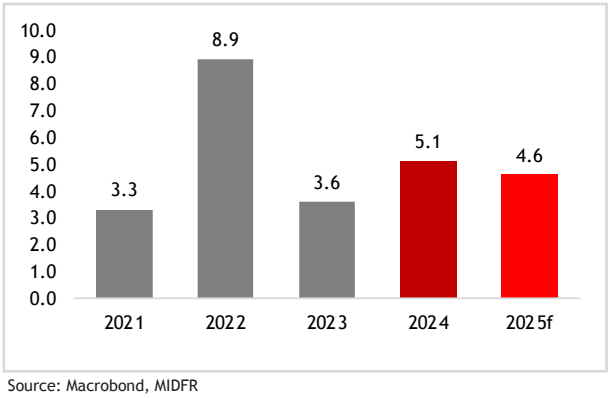


Source: Macrobond, MIDFR

MALAYSIA: NAVIGATING GLOBAL UNCERTAINTIES WITH STABLE GROWTH AND ROBUST DOMESTIC DEMAND

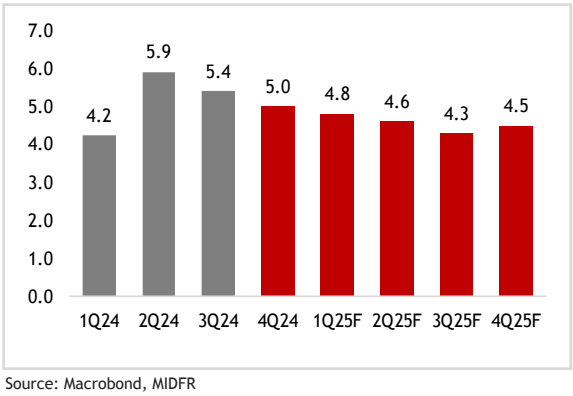
More normalised GDP growth. We expect Malaysia's GDP to grow at a more stable rate of +4.6% in 2025, easing from a surge and strong growth of +5.1% last year. Domestic growth fundamentals remain robust, driven by increasing spending from both consumers and businesses, which will continue to support economic expansion this year. Beyond increased government expenditure, investment activities will be fuelled by the initiation and progress of various infrastructure projects. However, we remain cautious of Malaysia's trade outlook amid the heightened uncertainties surrounding global trade. Malaysia's trade environment could be more challenging in the coming months, especially if the US imposes higher tariffs on semiconductors and other manufactured goods. However, Malaysia remains well-positioned to navigate these challenges, backed by strong economic fundamentals, robust domestic demand, resilient household spending, and increased investments.

Chart 15:Quarterly GDP by Sector (YoY%)



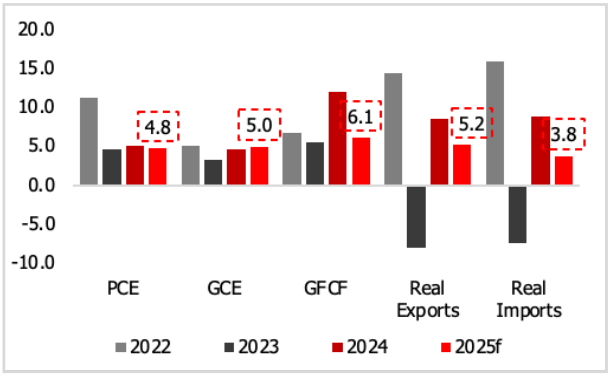
Source: Macrobond, MIDFR

Chart 16: GDP Growth Quarterly Forecast (YoY%)



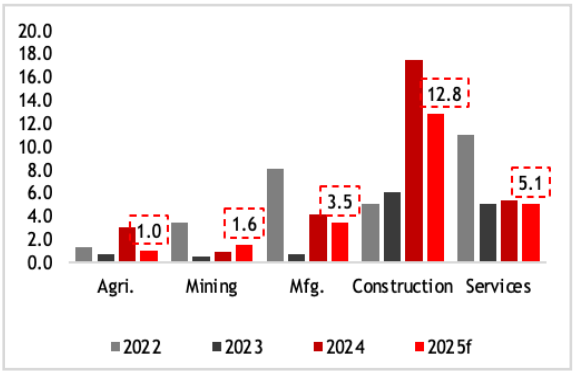
Source: Macrobond, MIDFR

Chart 17: GDP Growth by Expenditure (YoY%)



Source: Macrobond, MIDFR

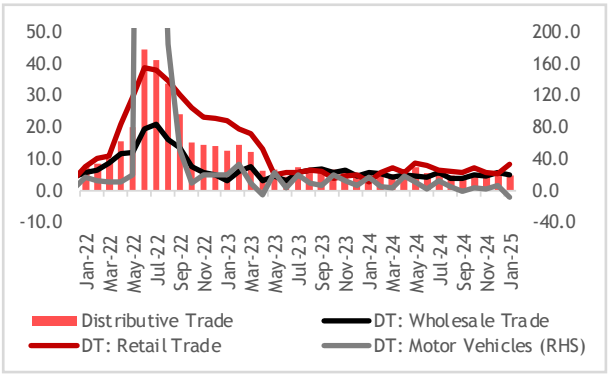
Chart 18: GDP Growth by Supply (YoY%)



Source: Macrobond, MIDFR

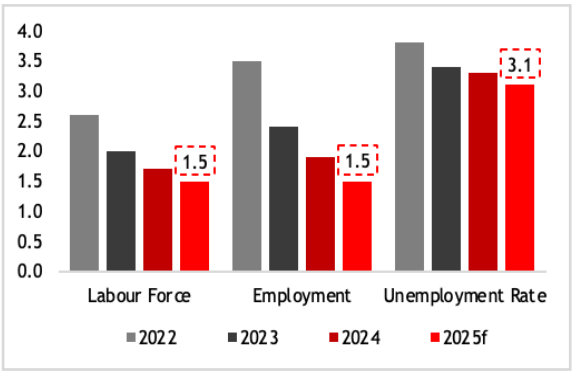
Optimistic outlook for domestic spending. Domestic consumption will continue to be a key engine of Malaysia's economic growth. Malaysia's labour market began the year on a stable footing with more individuals entering the workforce as the labour force participation rate holding steady at 70.6% in Jan-24. Notably, total employment rose to 16.7m during the month (Dec-24: 16.6m), reflecting growth of +2.8%yoy (Dec-24: +1%yoy). With more individuals entering the workforce, Malaysia's unemployment rate is expected to average marginally lower at 3.1% in 2025 (2024: 3.3%), slight adjustment from our previous forecast of 3.2%. This revision reflects our expectations of sustained employment growth, bolstered by a stable labour market conditions at the start of the year. Going forward, we anticipate continued growth in domestic spending, driven by a robust labour market, manageable inflation, accommodative monetary policy, and recovery in tourism activities. Government support measures, including cash assistance, will further stimulate spending. Additionally, having access to flexible retirement fund accounts, higher civil servant salaries, and an increased minimum wage also reinforce consumption growth this year. Additionally, the upcoming Hari Raya Aidilfitri festivities is expected to further boost retail activity in the coming quarter.

Chart 19:Distributive Trade Sales Forecasts (YoY%)



Source: Macrobond, MIDFR

Chart 20: Labour Market Forecasts (%)



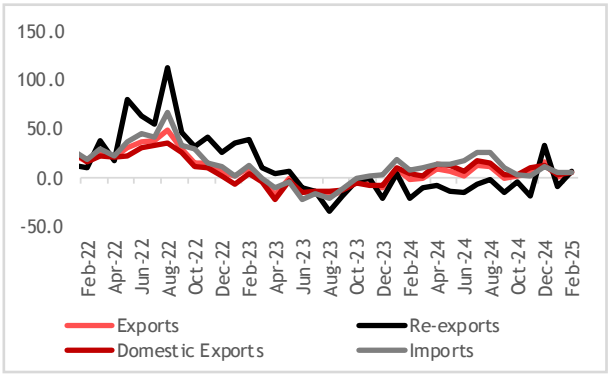
Source: Macrobond, MIDFR

Broad-based sectoral growth expected. Major economic sectors are poised for continued expansion this year. The services sector will be driven by rising household spending as well as increased tourist arrivals and spending. Despite policy adjustments like higher diesel prices and increased utility tariffs, overall price pressures remain manageable, minimizing the impact on consumer purchasing power. The delayed RON95 fuel subsidy rationalization until mid-2025 continues to support growing household expenditures. In the manufacturing sector, production growth will be supported by increasing overseas demand and resilient domestic consumption. While businesses are expected to ramp up production to meet growing demand, downside risks remain. Weaker external demand, driven by escalating trade tensions, and rising production costs could prompt firms to scale back output. Meanwhile,

the construction sector is set to continue its robust growth benefitting from ongoing infrastructure projects, including the Pan Borneo Highway, ECRL, Miri airport expansion, and Penang LRT. We remain optimistic about data centre expansion, which also supported capital goods imports, also generates demand for the construction and utility sectors. In the mining sector, production is expected to rise, driven by increased natural gas extraction and recovery in crude petroleum output. However, lower crude oil prices may weigh on the output growth and extend the weakness in exports of both crude and refined petroleum products especially crude and refined petroleum.

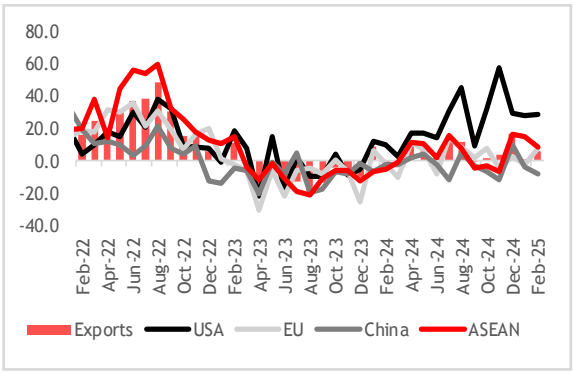
Resilient trade outlook amid global uncertainties. We forecast exports to continue growing by +4.9% (2024: +5.7%) and imports by +4.5% (2024: +13.2%) this year. While concerns over a heightened global trade war persist, Malaysia's trade sector is poised to sustain growth in the coming months. Increased demand for E&E products and palm oil is likely to drive export expansion, at least until new tariffs take effect. During Trump's first administration (2018-2021), Malaysia benefited from the US-China trade war, with exports to the US growing at a CAGR of +16.1% during the three-year period. But this advantage may not be as pronounced this time, given the looming implementation of reciprocal tariffs and proposed duties on semiconductors, which could weigh on Malaysia's exports and add uncertainty to the trade outlook. However, we believe Malaysia will still gain from the current trade war due to its complementary role, particularly in backend services such as packaging and testing. Recent data shows Malaysia's total trade expanded by +5.9%yoy in Feb-25 (Jan-25: +3.1%), driven by a rebound in exports (+6.2%yoy; Jan-25: +0.3%yoy), with still robust exports to the US. Despite that the proposed 25% tariffs on automobiles, pharmaceuticals, and semiconductors by the US remains a key concern, until these measures are materialised, we expect strong demand for E&E products and palm oil to continue driving Malaysia's export growth in the near term. Meanwhile, we expect imports will also sustain positive growth, albeit moderating from last year, in view of sustained growth in domestic spending and investment activities.

Chart 21: External Trade Performances (YoY%)



Source: Macrobond, MIDFR

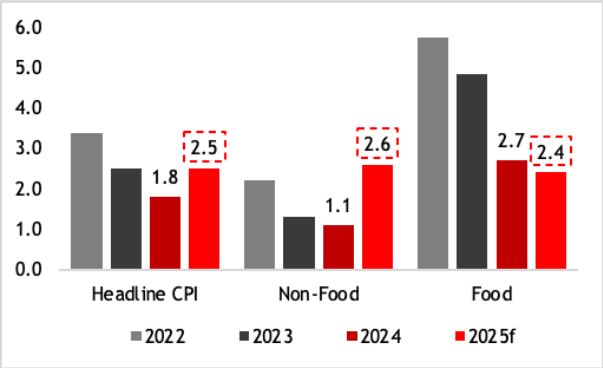
Chart 22:Exports by Major Markets (YoY%)



Source: Macrobond, MIDFR

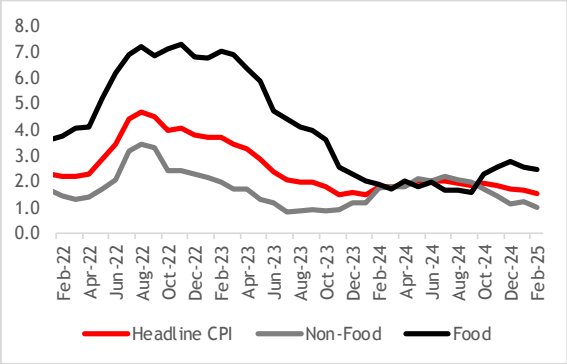
Policy reforms to drive inflation higher. We adjusted our forecast inflation to pick up to +2.5% in 2025, primarily due to supply-side factors influenced by government measures. One of the key drivers of our forecast is the expected effects of government policy adjustments, specifically the subsidy rationalisation plan. This could impact the top 15% of income earners (T15) with higher transport costs as they will pay higher retail prices for petrol after the implementation of the targeted RON95 subsidy from mid-2025. Rising input costs and the pass-through from non-food inflation are also anticipated to contribute to higher food prices. Additionally, although the impact seems to be quite muted at the moment, the wider coverage for SST and higher minimum wage will also contribute to higher inflation as the higher cost pressures will be passed to the consumers. Increased utility and housing-related charges will also add to CPI inflation this year. However, the potential delay in the implementation of government policies could keep inflation low and stable.

Chart 23: Inflation Forecast (YoY%)



Source: Macrobond, MIDFR

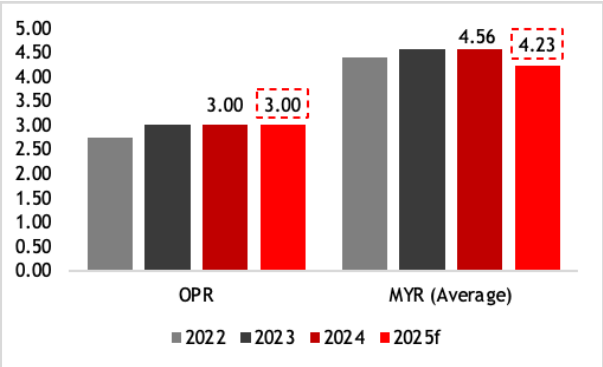
Chart 24: Inflation by Major Components (YoY%)



Source: Macrobond, MIDFR

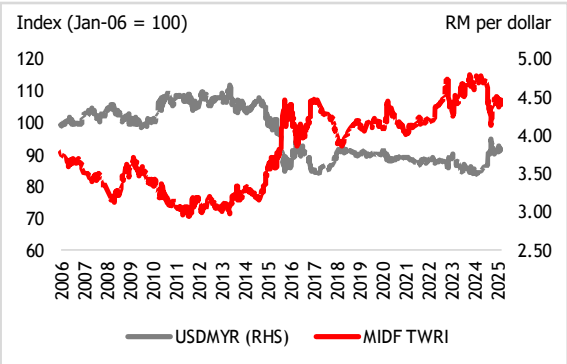
OPR to remain at 3.00% for 2025. Consistent with our current assessment of economic growth and inflation, the existing OPR setting at 3.00% remains accommodative to sustainable economic growth. We expect Bank Negara Malaysia (BNM) will maintain the policy rate at the current level throughout 2025. We believe this accommodative position will support Malaysia's economic growth. While we anticipate inflation to rise due to supply-side pressures such as policy adjustments and higher costs, we do not expect this to prompt BNM to raise the OPR, given that demand-side pressures remain manageable. However, should strong demand emerge as the main driver of inflation, further policy tightening may be warranted. Conversely, if demand conditions weaken significantly, BNM has room to cut rates to counter economic slowdown.

Chart 25: Monetary Policy & USDMYR Forecast (%)



Source: Macrobond, MIDFR

Chart 26: USDMYR vs MIDF Trade-Weighted Ringgit Index



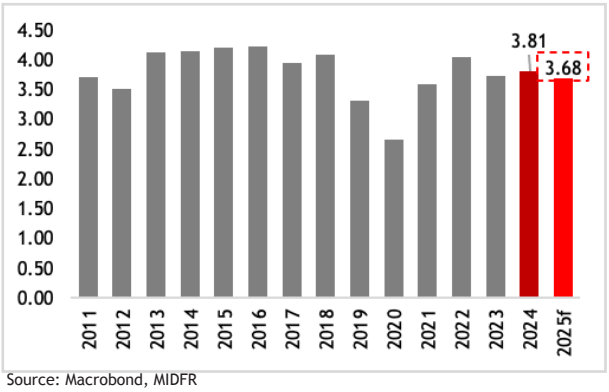
Source: Macrobond, MIDFR

Narrowing interest rate differential to support ringgit. The anticipated narrowing of the interest rate gap between the OPR and the FFR is a key factor bolstering our positive outlook for the Malaysian ringgit. We foresee the Ringgit strengthening in the 2HCY25 due to policy shifts expected in the US and the expectation of increased risk appetite leading to fund inflows back into the emerging market, including Malaysia. In addition to Malaysia's solid economic growth, movement in the commodity prices and continued current account surplus, we believe financial market dynamics will still have a larger impact on the ringgit performance. We expect that BNM will hold the OPR steady and the Fed will undertake further rate reductions, and this will lead to a smaller interest rate differential which is in favour of the ringgit to appreciate against the US dollar. Our forecast projects the ringgit to average stronger at RM4.23 against the US dollar in 2025 (2024: RM4.56) and to end stronger at RM4.13 by the year-end (end-2024: RM4.47).

10y MGS yield to reduce to 3.68% in 2025. Apart from the return of foreign funds, we foresee the 10-year MGS yield will decline towards 3.68% this year tracking the movement in the US treasury yields post rate cuts by the

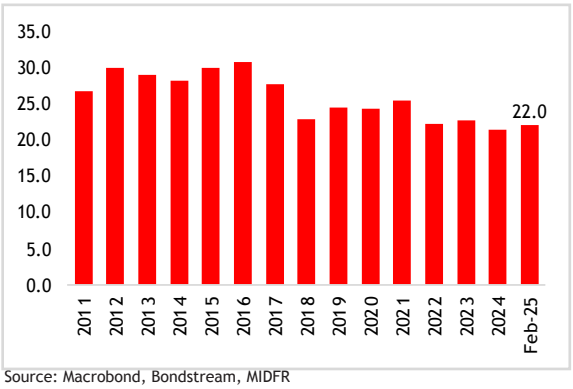
Fed. However, we noticed that the recent sensitivity of the movement in the MGS market with the US treasury yields has somewhat decoupled. In other words, the volatility in the UST has less impact on the MGS market. We expect the reversal of capital into the MGS market would compress the MGS yield for this year, hence compressing the yield spreads against OPR across the curve. This will be supported by the narrowing interest differential as we continue to expect the OPR to remain unchanged and the fed funds rate will be reduced later this year. The poll by Bloomberg indicates that the 10-year US treasury yield will move towards 4.36% by 4QCY25. The latest developments in the financial market may indicate that slower rate cuts by the Fed for the year would be the possible scenario compared to the market rate cut expectations previously. On the domestic front, we foresee the lower yield performance will be supported by the success of the government's agenda to reduce fiscal deficits and government borrowings and improve the overall fiscal position. We predict the government's fiscal deficit will narrow to -3.7% of GDP for 2025 (2024: -4.1%). Meanwhile, the slower growth in new debt issuance will also reduce the size of outstanding government debts to around 62.5% of GDP (2024: 64.6%).

Chart 27: 10-Year MGS Yield Forecast (%)



Source: Macrobond, MIDFR

Chart 28: Share of Foreign Holdings of Total Outstanding Government Bonds (%)



Source: Macrobond, Bondstream, MIDFR

Downside risks to growth outlook. Rising external uncertainties could challenge Malaysia's trade and export-driven sectors. Stricter US trade policies, including reciprocal tariffs and semiconductor duties, may dampen demand, particularly as E&E products accounted for 60.3% of Malaysia's exports to the US in 2024. Retaliatory measures by other countries have also escalated geopolitical and trade tensions, reshaped global trade alliances and contributed to a more fragmented trade environment, which may weaken global trade activity. In addition, the ongoing geopolitical conflicts especially in the Middle East add another layer of risk and potentially disrupting trade routes. Renewed rise in energy and food prices would also fuel inflation, . While the cooler inflation reading in Feb-25 raises hopes for the Fed to cut rates by mid-year, the relief may be short-lived. The full impact of Trump tariff hikes, along with broader policies such as tax cuts, deregulation, and stricter immigration rules, could further fuel inflation, eroding consumer sentiment and purchasing power. Meanwhile, ringgit appreciation may be limited by rising safe-haven demand for the US dollar amid escalating geopolitical tensions and renewed growth concerns.

Table 2: Macroeconomic Past Performances (%)

(YoY%) Unless Stated Otherwise	2021	2022	2023	2024	2025f
Real GDP	3.3	8.9	3.6	5.1	4.6
Govt. Consumption	5.8	5.1	3.3	4.7	5.0
Private Consumption	1.8	11.3	4.7	5.1	4.8
Gross Fixed Capital Formation	(0.7)	6.8	5.5	12.0	6.1
Govt. Investment	(11.0)	5.3	8.6	11.1	6.4
Private Investment	2.8	7.2	4.6	12.3	6.0
Exports of goods & services;	18.5	14.5	(8.1)	8.5	5.2
Goods Exports	21.4	11.0	(12.7)	5.5	3.7
Services Exports	(8.2)	58.3	33.0	25.9	12.5
Imports of goods & services;	21.2	16.0	(7.4)	8.9	3.8
Goods Imports	23.8	14.4	(11.7)	9.4	3.4
Services Imports	7.7	25.7	15.8	7.3	5.4
Net Exports	(4.0)	(1.5)	(16.2)	2.2	25.7
Agriculture etc.	(0.3)	1.3	0.7	3.1	1.0
Mining & Quarrying	0.9	3.5	0.5	0.9	1.6
Manufacturing	9.5	8.1	0.7	4.2	3.5
Construction	(5.2)	5.1	6.1	17.5	12.8
Services	2.2	11.0	5.1	5.4	5.1
Exports of Goods (f.o.b)	26.1	24.9	(8.0)	5.7	4.9
Imports of Goods (c.i.f)	23.3	31.0	(6.4)	13.2	4.5
Headline CPI Inflation (%)	2.5	3.4	2.5	1.8	2.5
Current Account, % of GDP	3.9	3.0	1.5	1.5	2.3
Fiscal Balance, % of GDP	(6.4)	(5.6)	(5.0)	(4.1)	(3.7)
Federal Government Debt, % of GDP	63.2	60.3	64.3	64.6	62.5
Unemployment Rate (%)	4.58	3.82	3.43	3.26	3.10
Brent Crude Oil (Avg), USD per barrel	71.5	102.0	82.2	79.9	73.0 - 74.0
Crude Palm Oil (Avg), MYR per tonne	4,486	5,262	3,813	4,194	4,300
USD/MYR (Avg)	4.14	4.40	4.56	4.56	4.23
USD/MYR (End-period)	4.17	4.35	4.59	4.47	4.13
MGS 10-Yr Yield (Avg)	3.23	4.07	3.86	3.83	3.68
MGS 10-Yr Yield (End-period)	3.59	4.04	3.73	3.84	3.60
Overnight Policy Rate (%)	1.75	2.75	3.00	3.00	3.00

Source: Macrobond, DOSM, MIDFR

BOX ARTICLE: POTENTIAL US ECONOMIC SLOWDOWN AND IMPACT ON MALAYSIA'S ECONOMY

US GDP growth to moderate to below +2.0%. Looking at the sequential slowdown in the consumer spending in 2MCY25, the US GDP is predicted to contract by annualised -2.0%qoq in 1QCY25. As a result, we now forecast the US economic growth will experience softer growth of +1.8% this year. In this baseline scenario, we assume the shock to the US economy from higher tariffs and tighter trade rules will only last for one quarter. The ability of American businesses to adjust and cope with higher costs will limit sharp increases in selling prices, which otherwise will be negative more negative to consumer sentiment and future spending outlook. If growth momentum weakens, the Fed may consider more rate cuts to support the economy. Despite the temporary shocks from tighter trade rules, growth will likely resume in 2QCY25 onwards.

Technical recession will push US growth below +1.0%. In a more protracted decline, the US economic growth could fall to below +1.0% if the annualised -2.0%qoq GDP contraction continues in 2QCY25. With the technical recession in 1HCY25, the US economy would grow below +1.0% even if growth rebounded back to annualised +4.4%qoq in 3QCY25 and 4QCY25. In another scenario, if we assume a more severe contraction of -2.6%qoq in the first 2 quarters of the year and followed by flat quarter-to-quarter growth in 2HCY25, the US economy could experience a mild contraction of -0.2% in 2025. At this juncture, while the economy and job market remained resilient, we see a low probability for this to occur.

Malaysia can still maintain positive growth. Based on our analysis, Malaysia's economy will be able to withstand a potential slowdown in the US economic growth. Malaysia's GDP growth is rather highly correlated with the US GDP growth, with correlation of slightly above 0.7 based on data in 2016-2024. If the US economic growth moderates from +1.8% to around +0.7%, we estimate that Malaysia economic growth could moderate to +2.7%, wiping out nearly -2.0ppt from +4.6% in the baseline scenario. In a more severe slowdown, if the US economy experiences a mild contraction of -0.2%, Malaysia's economy can still grow at around +1.2%. In both scenarios, Malaysia would be able to maintain positive growth, underpinned more by the sustained growth in domestic demand, cushioning the effects from external trade slowdown. Over the years, private consumption alone has grown to more than 60% of Malaysia's real economy in 2024 (2015: 54%). The most recent experience shows that Malaysia's economy managed to grow by +3.6% in 2023 even though exports and imports of goods contracted by -8.0% and -6.4%, respectively. During the Global Financial Crisis, Malaysia's economy also experienced smaller contraction of -1.5% in 2009, not as steep as -2.9% decline in the US GDP.

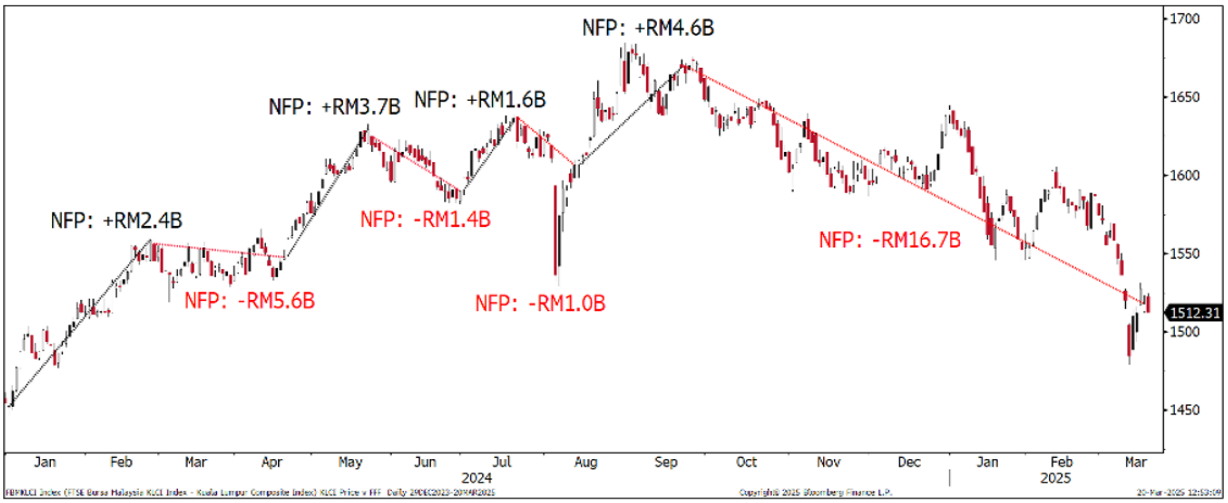
	US GDP Growth	Malaysia's GDP Growth
Baseline	1.8	4.6
Scenario 1: Technical recession in 1HCY25	0.7	2.7
Scenario 2: Mild contraction in 2025	(0.2)	1.2

III. MARKET OUTLOOK

Expect continued earnings growth in 2025... In the latest 4QCY24 period, the aggregate normalized quarterly earnings of FBM KLCI grew +4.3%qoq and +17.7%yoy respectively. Moreover, the consensus is projecting FBM KLCI earnings (free float adjusted and liquidity screened) to grow by +6.7%yoy to 113.0 points in 2025.

...but negative price performance year-to-date due to foreign selling. The FBM KLCI fell -6.9%ytd (midday 20 March) despite the positive earnings outlook. Foreign funds played a major role in generating negative swing which pulled the local equity market down since the final quarter of last year. In this regard, during the past year, both positive and negative swings in the local market were empirically driven by positive and negative Net Foreign Purchases (NFP) respectively. Since late September 2024, the foreign funds registered NFP of -RM16.7b.

Figure 1: FBM KLCI & NFP of local equities

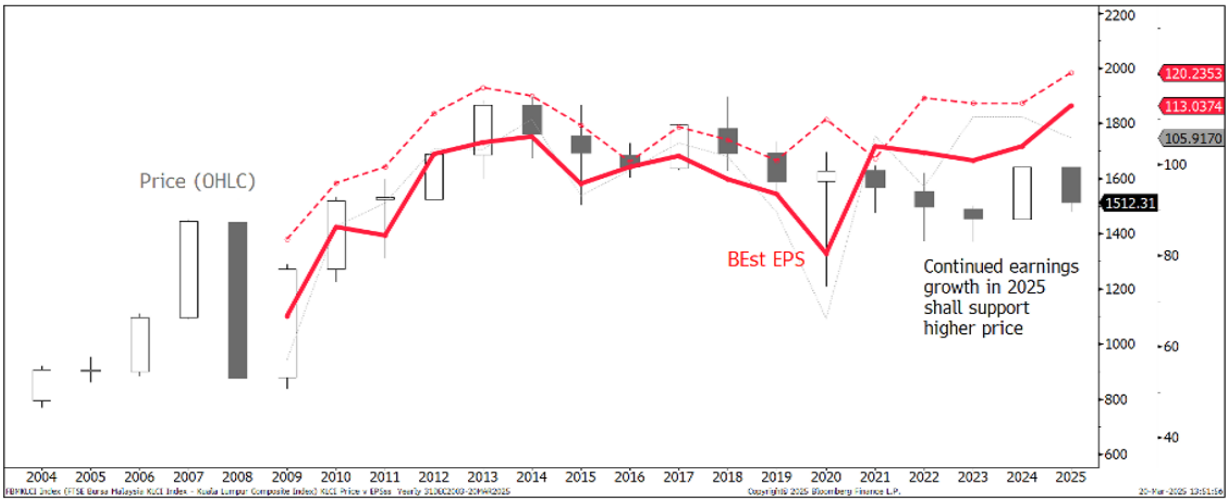


Source: MIDFR, Bloomberg (G734)

Return bouts of foreign fund inflow to assist market rebound. We believe the market would end the year higher than the current depressed levels. Going forward, the Ringgit is anticipated to strengthen vis-à-vis US Dollar with the USD/MYR rate forecasted at 4.23 by end-2025 driven by increasingly favourable interest rate differential and comparatively higher GDP growth rate. Empirically, a stronger Ringgit would attract net inflow of foreign funds into the local equity market, and vice versa. Hence, we expect return bouts of foreign fund inflow to assist equity market rebound, i.e. generate positive swing.

Market trend shall revert upward underpinned by earnings performance... While the local equity market swings are driven by the NFP, its trend is empirically underpinned by earnings performance. Going forward, we expect the local equity market trend shall revert upward albeit with a more moderated trajectory due to easing valuation in view of rising externally driven risks. The positive market trend will be (1) underpinned by positive corporate earnings performance amid the backdrop of healthy Malaysia GDP growth, as well as (2) backed by undemanding equity valuation.

Figure 2: FBM KLCI: Price & Earnings



Source: MIDFR, Bloomberg (G655); *Note: Both Y-axes are scaled to Price/Earnings ratio of 16.5x

…and backed by undemanding valuation. The 10-year average PER of FBM KLCI stands at 16.0x current year earnings. The FBM KLCI is currently (midday 20 March) trading at 1,512 points or PER25 of 13.4x, a historically depressed valuation level. Accordingly, based on consensus 2025 earnings forecast of 113.0 points and 10-year average PER of 16.0x, the index price would be at 1,808 points (or potential upside of +19.6% from the current level).

Our baseline scenario calls for continued macro and earnings growth… In 2025, we expect Malaysia economy to remain healthy with GDP growth forecast at +4.6%. Along with the baseline expectation of resilient macro performance, market consensus is forecasting the FBM KLCI to register a healthy +6.7%yoy earnings growth in 2025.

…as well as easing liquidity environment. Moreover, expectation of further rate cuts by major central banks (i.e. US Fed and ECB) together with additional stimulus (both monetary and fiscal) by China authorities should be overall positive to the world's financial liquidity situation in 2025. The rising world's financial liquidity will progressively be flowing to regions that offer attractive economic risk/return trade-off. We expect the local and broader ASEAN equity markets shall in due course receive their fair share of the growing (financial liquidity) pie.

Nonetheless, burgeoning economic uncertainties… However, we believe the externally driven downside risks to the 2025 outlook are burgeoning. Foremost are (1) uncertainties engendered by US tariff policy, as well as (2) recent underperformance of the US economy.

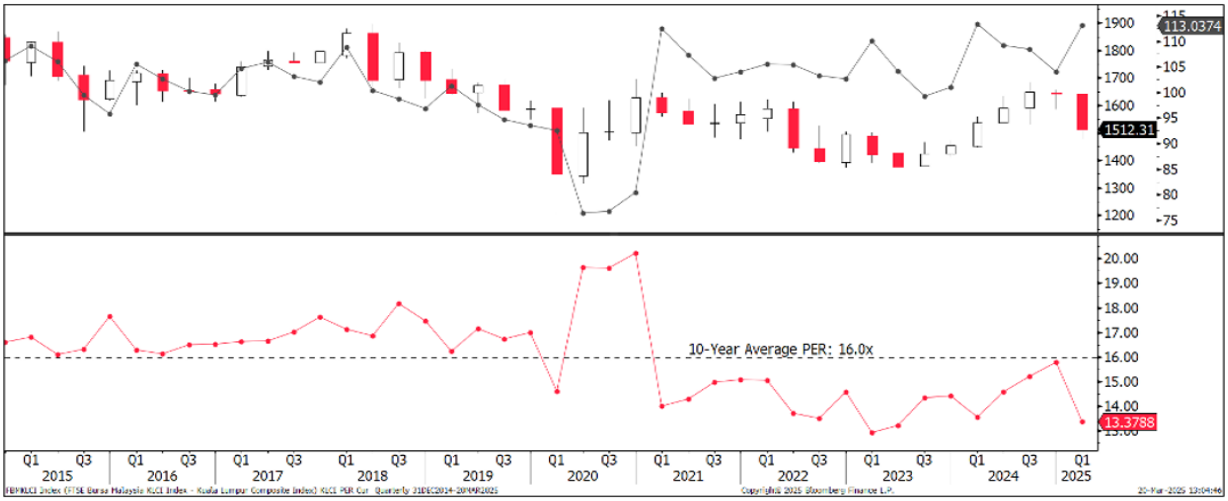
…call for downgrade to prevailing 2025 index price targets. As stated in our 4QCY24 Earnings Wrap report dated 4 March 2025, "we are reassessing our equity valuation for possible downgrade with direct implication on our index price targets. This is in view of the prevailing downward pressure on local and regional equity markets engendered by incessant outflow of foreign funds arguably due to rising economic risks particularly surrounding the US tariff threats."

FBM KLCI: Consensus Forward Earnings

Calendar Year	Earnings (Points)
CY2025 (F)	113.0

Source: Bloomberg, MIDFR

Figure 3: FBM KLCI: Price, Earnings & Valuation (Current Year)



Source: MIDFR, Bloomberg (G658)

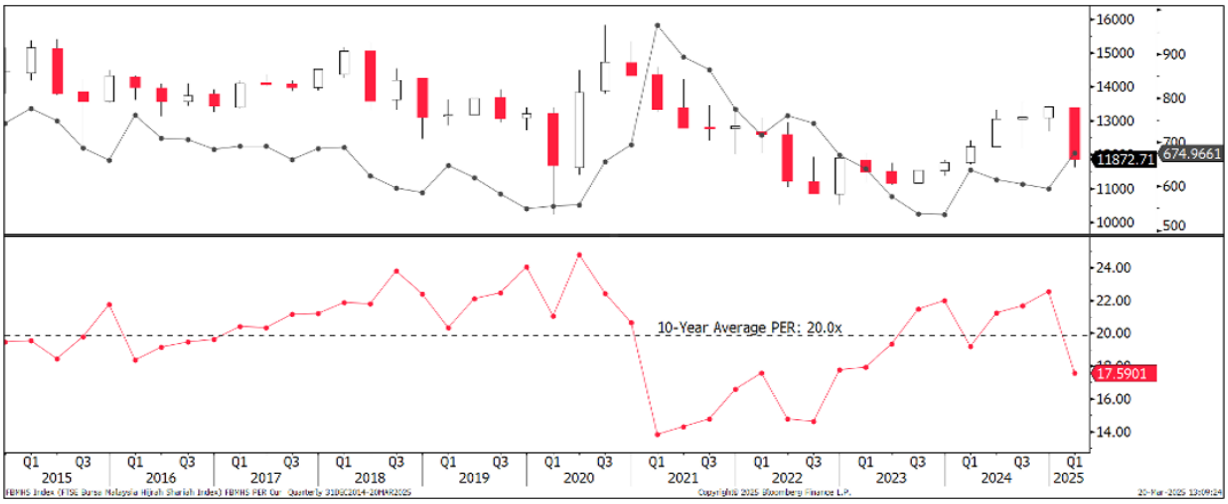
Cut FBM KLCI 2025 target to 1,670 points or PER25 of 14.8x. At the time of writing (20 March), the FBM KLCI is trading at 1,512 points or PER25 of 13.4x. The benchmark is at below 10-year mean level of 16.0x current year earnings. Accordingly, based on consensus 2025 earnings forecast of 113.0 points and 10-year average PER of 16.0x, the index price would be at 1,808 points. As earlier stated, we reassess our equity valuation due to rising risks particularly surrounding the US tariff threats. We thereby cut our FBM KLCI 2025 target to 1,670 points (from 1,800 points) or PER25 of 14.8x (from 15.9x).

FBM Hijrah: Consensus Forward Earnings

Calendar Year	Earnings (Points)
CY2025 (F)	675.0

Source: Bloomberg, MIDFR

Figure 4: FBM Hijrah: Price, Earnings & Valuation (Current Year)



Source: Bloomberg, MIDFR (G725)

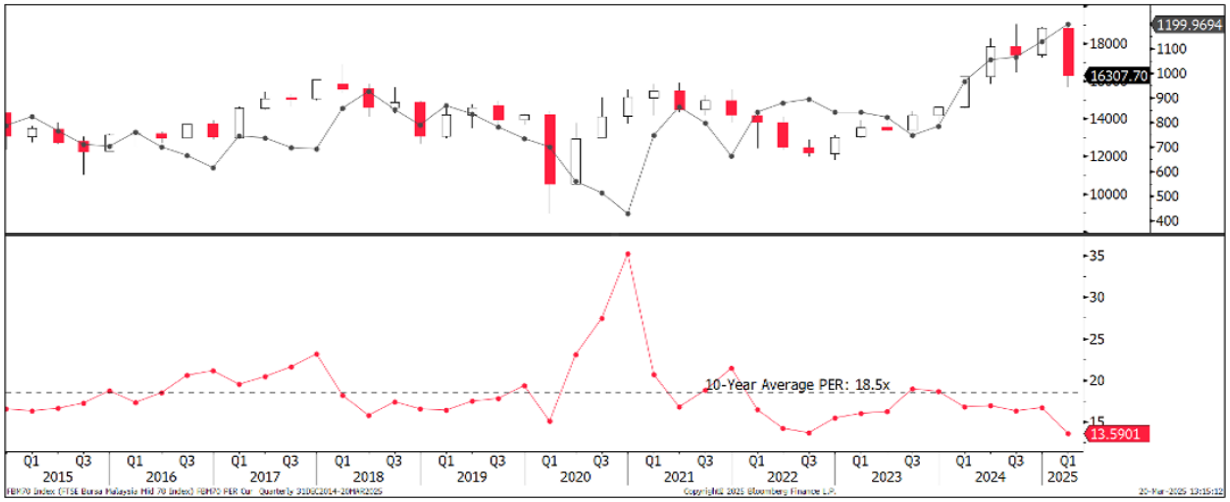
Cut FBM Hijrah 2025 target to 13,200 points or PER25 of 19.6x. At the time of writing (20 March), the FBM Hijrah is trading at 11,873 points or PER25 of 17.6x. The benchmark is at below 10-year mean level of 20.0x current year earnings. Accordingly, based on consensus 2025 earnings forecast of 675.0 points and 10-year average PER of 20.0x, the index price would be at 13,500 points. As earlier stated, we reassess our equity valuation due to rising risks particularly surrounding the US tariff threats. We thereby cut our FBM Hijrah 2025 target to 13,200 points (from 14,500 points) or PER25 of 19.6x (from 21.5x).

FBM70: Consensus Forward Earnings

Calendar Year	Earnings (Points)
CY2025 (F)	1,200

Source: Bloomberg, MIDFR

Figure 5: FBM70: Price, Earnings & Valuation (Current Year)



Source: Bloomberg, MIDFR (G715)

Cut FBM70 2025 target to 18,600 points or PER25 of 15.5x. At the time of writing (20 March), the FBM70 is trading at 16,308 points or PER25 of 13.6x. The benchmark is at below 10-year mean level of 18.5x current year earnings. Accordingly, based on consensus 2025 earnings forecast of 1,200 points and 10-year average PER of 18.5x, the index price would be at 22,200 points. As earlier stated, we reassess our equity valuation due to rising risks particularly surrounding the US tariff threats. We thereby cut our FBM KLCI 2025 target to 18,600 points (from 20,400 points) or PER25 of 15.5x (from 17.0x).

BOX ARTICLE

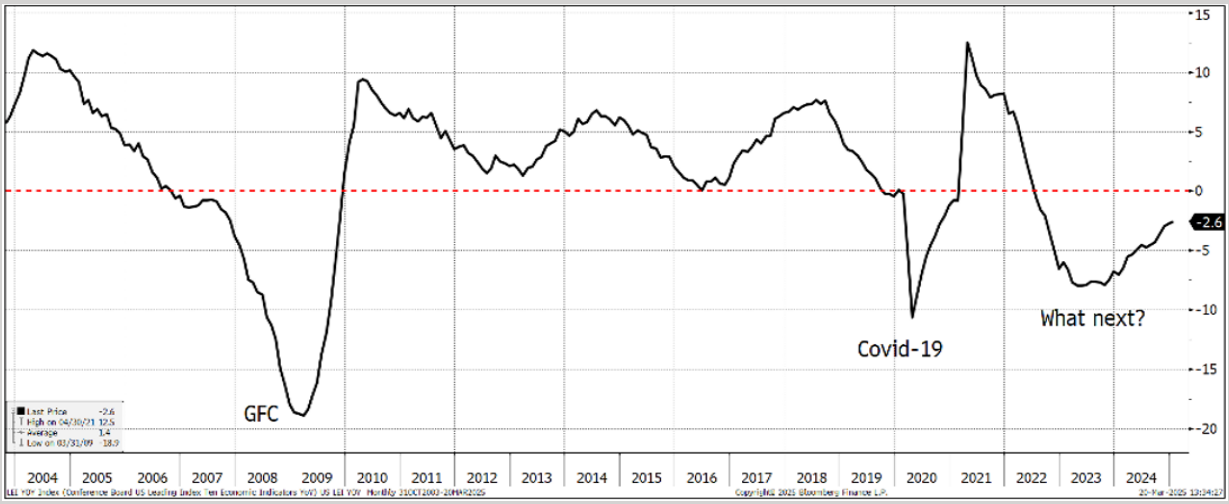
SCENARIO ANALYSIS

Downside risks loom... We reckon there are downside risks to the baseline 2025 macro and earnings expectations. The downside risks are mainly externally driven, such as (1) unanticipated weakening of the US economy, (2) adverse impact on world trade consequent to US tariff policy, and (3) potential escalation in the ongoing geopolitical conflicts in Europe and the Middle East.

...as well cautioned by leading indicators. Moreover, we should also be mindful of potential externally driven downside risk to the 2025 outlook as cautioned by time-tested signals, namely (1) the US Leading Economic Index (US LEI), and (2) the US Treasury (UST) yield curve.

US LEI in negative territory. The US LEI has turned negative since the second half of 2022 and remains at well below zero level thenceforth. It must be highlighted that the leading index has correctly forewarned past US economic recessions such as the Global Financial Crisis (GFC) in 2008.

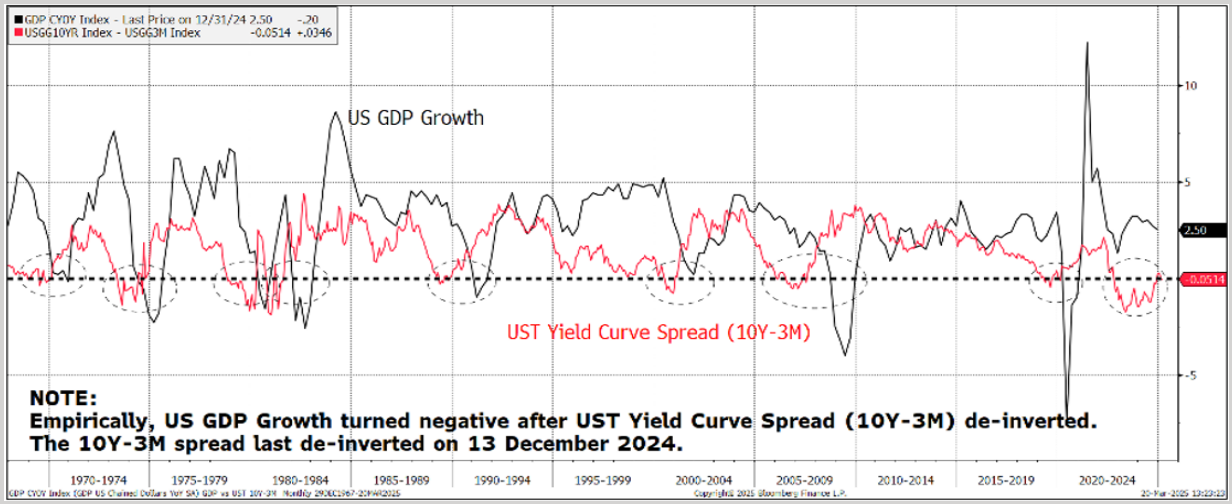
Figure 6: US LEI: A potent Leading signal



Source: Bloomberg, MIDFR (G728)

Inversion of UST yield curve. The aggressiveness of the US Fed in raising the short-term policy rate in 2022 and 2023 has invariably resulted in a complete inversion of bond yield curve. The inversion of 10Y-3M spread serves as a potent signal of an impending economic recession, empirically after the de-inversion of an inverted 10Y-3M spread. It correctly predicted all US recessions since at least the early 1970s. In this regard, it is notable that the de-inversion of 10Y-3M spread has taken place on 13 December 2024.

Figure 7: UST 10Y-3M Spread: Harbinger of Recession



Source: Bloomberg, MIDFR (G705)

Scenario analysis. In view of the looming downside risks, apart from our baseline, we generate two downside scenarios (S1 and S2) incorporating the following projections for US and Malaysia GDP growth in 2025:

- **Baseline**: US and Malaysia GDP growth of +1.8% and +4.6% respectively.
- S1: US and Malaysia GDP growth of +0.7% and +2.7% respectively.
- S2: US and Malaysia GDP growth of -0.2% and +1.2% respectively.

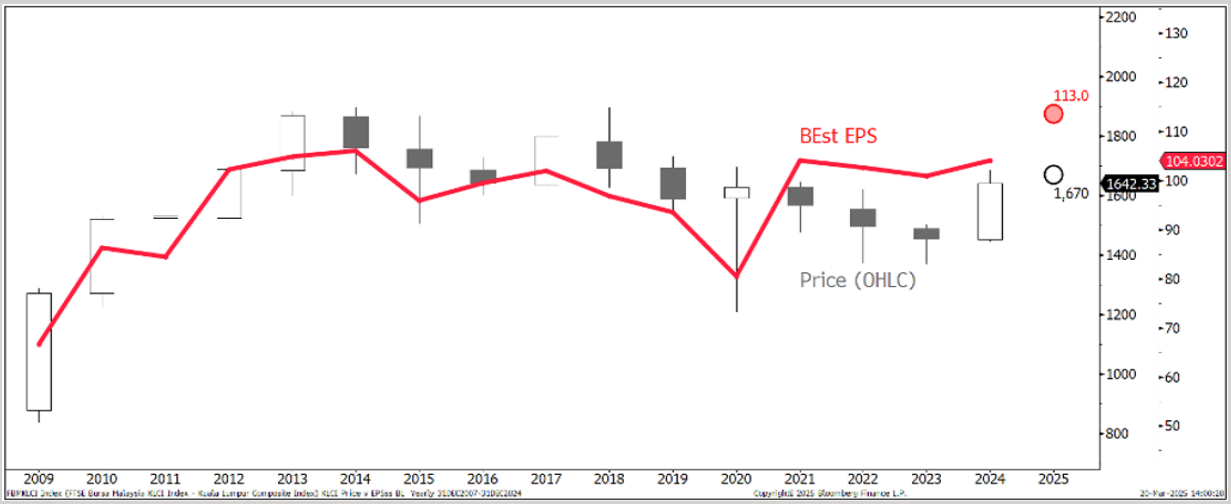
Earnings impact. Based on the above macro growth figures, the projected changes to FBM KLCI 2025 earnings are as follow:

- **Baseline**: Earnings points and earnings growth are 113.0 points and +6.7%yoy respectively.
- S1: Earnings points and earnings growth are 109.5 points and +3.4%yoy respectively.
- S2: Earnings points and earnings growth are 107.4 points and +1.4%yoy respectively.

Valuation and price. Accordingly, the impact on FBM KLCI valuation as well as index targets for 2025 are listed below:

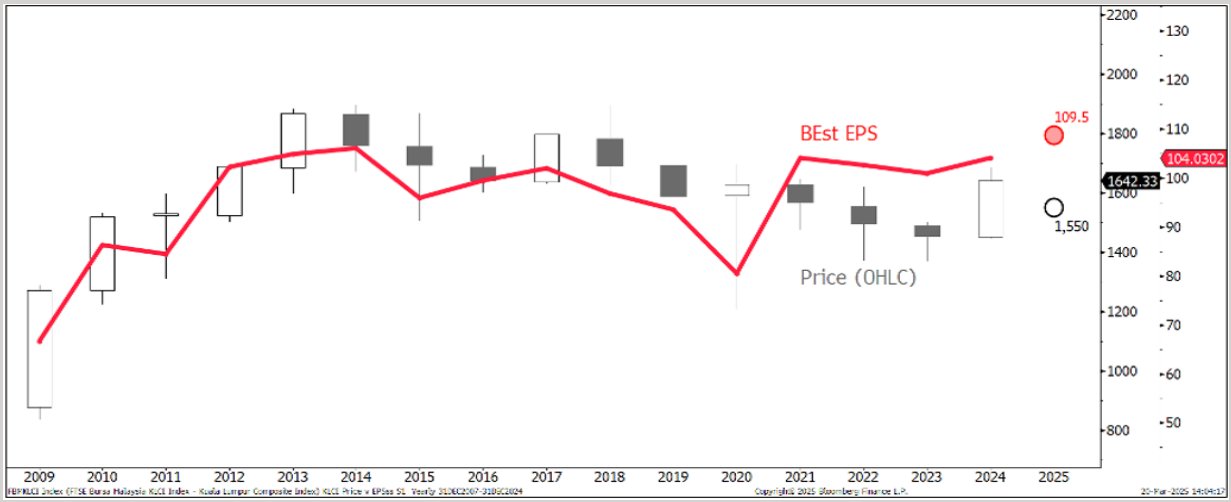
- **Baseline**: Valuation and index target are 14.8x and 1,670 points respectively.
- S1: Valuation and index target are 14.2x and 1,550 points respectively.
- S2: Valuation and index target are 13.8x and 1,480 points respectively.

Figure 8: SCENARIO: Baseline



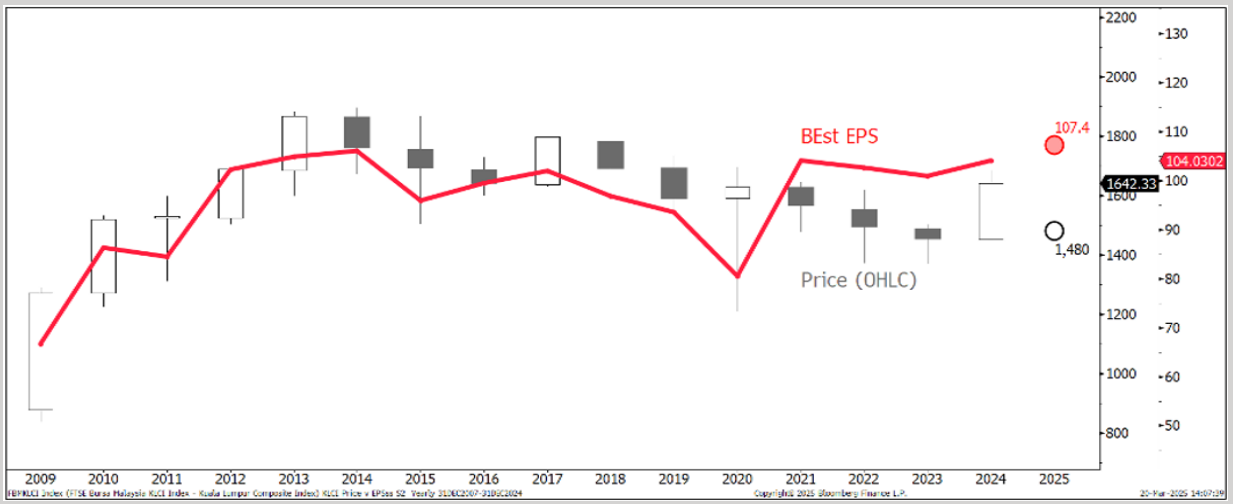
Source: Bloomberg, MIDFR (G741)

Figure 9: SCENARIO: S1 - Technical Recession in US (Negative US growth in 1HCY25)



Source: Bloomberg, MIDFR (G743)

Figure 10: SCENARIO: S2 - Broader Trade Slowdown (Full-year negative US growth)



Source: Bloomberg, MIDFR (G744)

IV. STOCK SELECTION

Turbulent times are here. We had expected that the market will see turbulence in CY25. However, it came sooner than we expected. Having said that, our base case calls for continued growth prospects in the economy and equities market (from current position). We should note that we are cognizant of the potential downside risks, mainly stemming from external factors especially from the uncertainties surrounding US trade policy.

Going further into a defensive stance. Amid our expectation of bouts of increased volatility and uncertainty, we maintain our view of a more defensive stance. Defensive stocks, such as those in banking, REITs, utilities, healthcare, and consumer staples, tend to provide consistent dividends and stable earnings regardless of the overall market conditions. This stability and attractive dividend yields should moderate the downside risks, while not discounting the potential for price appreciation due to undervaluation.

We continue to like Banking and REITs. For 2QCY25, we continue to favour sectors that provide good dividend yields and potential laggards. We believe that Banking and REITs will be a beneficiary of Malaysia's economy which is expected to continue growing (albeit at a more normalised pace). Banks' loans book is expected to continue growing while its asset quality remains stable and improving. Similarly with REITs, where the earnings outlook is expected to remain stable, which will be supported mainly by organic growth. In addition, as rates is expected to soften, we expect investors may be looking for assets that will provide them with similar or higher yields.

More defensive with Utilities and Healthcare (i.e. hospital services). In light of our defensive approach, we also like the Utilities and Healthcare sector for 2QCY25. These sectors will provide some stability to earnings. Furthermore, these sectors are more domestic focused which would moderate the downside risks from the external sector.

One recent change to sector calls. We make one change to our sector calls in this report. We revised our tactical call for the Plantation sector to NEUTRAL from POSITIVE. We also have recently upgraded the Utilities sector. The summary of our sector calls is as follows.

POSITIVE: Banking, Construction, Consumer, Healthcare, Property, Oil & Gas, REITs, Utilities (Power)

NEUTRAL: Automotive, Gloves, Plantations, Technology, Telecommunication, Transportation

NEGATIVE: None

Our top ten picks encapsulate our defensive view. Our overall top picks are chosen mainly based on its defensive qualities and attractive dividend yields. Our overall top picks for 2QCY25 onwards are as follows:

Table 3: Overall Top Stock Picks (Rank by Total Returns)

	Rec.	Price (RM) @ 21/3/25	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
YTL Power	BUY	3.42	5.61	64.0%	2.0%	66.1%	3	Yes
Maybank	BUY	10.18	12.11	19.0%	6.5%	25.5%	3	Yes
Public Bank	BUY	4.49	5.35	19.2%	4.8%	24.0%	4	Yes
Hong Leong Bank	BUY	20.48	24.60	20.1%	3.7%	23.8%	4	Yes
Pavilion REIT	BUY	1.44	1.69	17.4%	5.7%	23.0%	3	Yes
IHH	BUY	6.90	8.18	18.6%	1.5%	20.1%	3	Yes
RHB Bank	BUY	6.76	7.40	9.5%	6.6%	16.1%	4	Yes
Axis REIT	BUY	1.81	2.02	11.6%	4.4%	16.0%	4	Yes
Tenaga	BUY	13.56	15.13	11.6%	4.0%	15.6%	3	Yes
Sunway REIT	BUY	1.83	1.99	8.7%	5.0%	13.8%	3	No

Source: Companies, Bursa Malaysia, FTSE, Bloomberg, MIDFR

Our top ten picks amongst Shariah stocks. We also have top picks for investors looking at Shariah stocks. Below are our top ten picks among Shariah-listed stocks:

Table 4: Top Shariah Stock Picks (Rank by Total Return)

	Rec.	Price (RM) @ 21/3/25	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
F&N	BUY	23.58	36.77	55.9%	3.3%	59.2%	4	Yes
Bank Islam	BUY	2.50	2.95	18.0%	6.6%	24.6%	3	Yes
Petronas Dagangan	BUY	19.20	22.25	15.9%	5.7%	21.6%	4	Yes
IHH	BUY	6.90	8.18	18.6%	1.5%	20.1%	3	Yes
Axis REIT	BUY	1.81	2.02	11.6%	4.4%	16.0%	4	Yes
Tenaga	BUY	13.56	15.13	11.6%	4.0%	15.6%	3	Yes
Spritzer	BUY	1.57	1.75	11.5%	2.2%	13.7%	3	No
Gas Malaysia	BUY	4.22	4.57	8.3%	4.1%	12.3%	3	No
Petronas Gas	BUY	17.24	18.67	8.3%	2.2%	10.5%	4	Yes
KPJ	BUY	2.59	2.78	7.4%	1.7%	9.1%	4	Yes

Source: Companies, Bursa Malaysia, FTSE, Bloomberg, MIDFR

Our top ten picks amongst FBM 70 and small-cap stocks. Finally, in our opinion, it is still worthwhile for investors to look at FBM 70 and Small Caps more closely given the outperformance of the FBM 70 thus far this year. Below are our top ten picks among FBM70 and small-caps stocks:

Table 5: Top FBM 70 Stock Picks (Rank by Total Return)

	Rec.	Price (RM) @ 21/3/25	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
F&N	BUY	23.58	36.77	55.9%	3.3%	59.2%	4	Yes
Malayan Cement	BUY	4.78	7.10	48.5%	2.2%	50.7%	3	No
Leong Hup	BUY	0.62	0.90	46.3%	4.1%	50.4%	2	No
Bank Islam	BUY	2.50	2.95	18.0%	6.6%	24.6%	3	Yes
Pavilion REIT	BUY	1.44	1.69	17.4%	5.7%	23.0%	3	Yes
Axis REIT	BUY	1.81	2.02	11.6%	4.4%	16.0%	4	Yes
Sunway REIT	BUY	1.83	1.99	8.7%	5.0%	13.8%	3	No
Spritzer	BUY	1.57	1.75	11.5%	2.2%	13.7%	3	No
Gas Malaysia	BUY	4.22	4.57	8.3%	4.1%	12.3%	3	No
KPJ	BUY	2.59	2.78	7.4%	1.7%	9.1%	4	Yes

Source: Companies, Bursa Malaysia, FTSE, Bloomberg, MIDFR

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B. SECTORS OUTLOOK

I. BANKING

Robust loans growth.....Maintain POSITIVE

Analyst: MIDF Research Team

The main positive driver is robust loan growth, which is buoyed by favourable economic conditions, the acceleration of various large-scale projects (domestic infrastructure projects, Johor-Singapore SEZ and increased intra-ASEAN trade. Riskier assets are in trend once again, given their higher yields, following industry-wide derisking since the pandemic. We do note a shift towards business loans – primarily SME, though some banks have heralded a return into the corporate loan space. On the retail front, hire purchase and non-secured loans remain very popular among banks, while most players continue to lower residential mortgage uptake (or at least, be more specific with categories of entry).

Interest rate situation has become increasingly benign, which bodes well for most players, especially since domestic liquidity seems sufficient for short-term funding. This implies some stability on the COF part, while loanbook rebalancing should provide some upside to NIM. We do note that certain banks that are more reliant on residential mortgages – namely BIMB and PBK, are exposed to higher risks stemming from loan yield compression than most of their peers.

Focus on capital management and dividends. Capital management and dividends have become a hot topic considering Basel III (and IV) implementation in future years. Most banks have a cautious stance until further details are announced, so don't expect any significant, intentional paring down of capital ratios until much later. Some banks (HLBK and AMMB) have expressed confidence in the overall outcome and have doubled down on their intentions to increase payouts.

Some other subjects of further interest: (1) Geopolitical tensions and other lapses into autocracy, exacerbated by the Trump administration, have been wreaking havoc on share prices as of late, (2) OPEX growth continues to be exceptionally sharp, with steep wage inflation and tech costs – though some banks have highlighted that previous efforts are already bringing in material cost savings, (3) Fee income outlook remains solid, though non-fee income volatility, brought about by macroeconomic and political instability, may offer some downside, (4) Asset quality has been relatively stable as of late, with NCC normalisation (from extremely low figures or net writebacks) on the cards.

Maintain POSITIVE. Our top picks are (1) **Hong Leong Bank (BUY, TP: RM24.60)** due to its rapid fee income growth, propensity for higher dividend payouts, and defensive traits, and (2) **RHB (BUY, TP: RM7.40)** for its high dividend yield, recovering profile and resumption of stronger loan growth.

II. CONSTRUCTION

Cleared for take-off: Sector lifted by private jobs and DC momentum.....Maintain POSITIVE

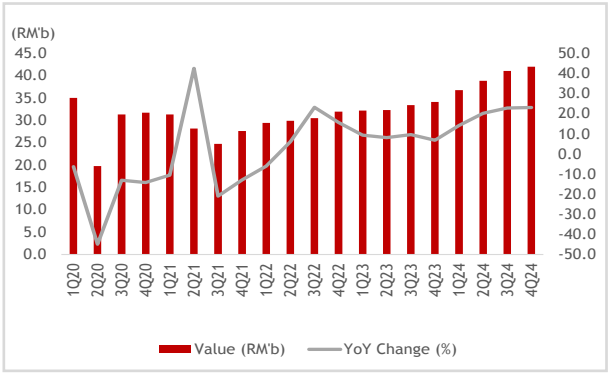
Analyst: MIDF Research Team

Remained on positive trajectory. Looking at CY24, the value of construction work done grew by +20.2%yoy to RM158.8b. For the eleventh consecutive quarter, the construction sector remained on a positive trajectory, registering an increase of +23.1%yoy to RM42.0b of work done value in 4QCY24. Out of RM42.0b work done value

in 4QCY24, 37.2% or equivalent to RM15.6b was in civil engineering, primarily in the construction of roads and railways (RM6.9b) and construction of utility projects (RM6.8b) activities. The value of work done for non-residential buildings and residential buildings amounted to RM11.8b (28.0%) and RM9.9b (23.5%), respectively. Meanwhile, special trade activities contributed RM4.7b (11.3%), mainly in sites preparation (RM1.2b); electrical installation (RM1.1b); and plumbing, heat, and air-conditioning installation (RM1.0b. As of Feb-25, a total of 1,596 projects have been awarded in CY25, with a total value of RM18.9b. This is slightly higher than the same period in CY24 where 1,442 projects were awarded, with a total value of RM15.0b. We see this as a positive development despite the headwinds suffered by the construction sector in 1QCY25, attributed to delays in project rollouts within the pipeline and the AI chip restrictions imposed by the U.S. However, we expect job flows to be boosted by the likes of the second package of the Penang LRT and MRT3 contracts likely to be awarded in 2HCY24. We do not expect any surprises for 2QCY24.

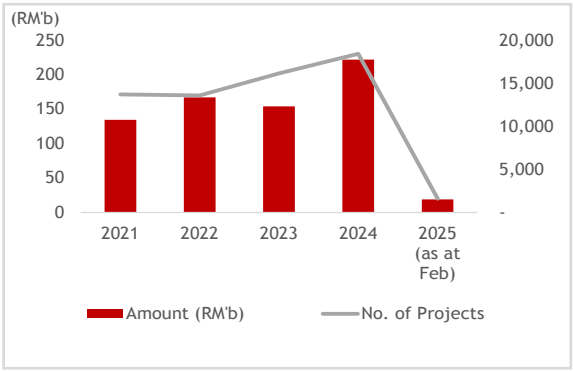
Jobs flowing steadily. Our economics team has maintained their forecasted growth for the construction sector in CY25 at +12.0%. With the lack or rather delayed rollout of mega pump-priming projects under Budget 2025, the construction sector is still expected to be supported by private sector jobs with a focus on industrial buildings such as logistics warehouses, data centres, and semiconductor foundries. This will be further backed by previously awarded infrastructure projects such as the Pan Borneo Highway, East Coast Rail Link (ECRL), RTS Link and the recently awarded reinstatement of five LRT3 stations. The Government aims to generate RM78.0b worth of public-private partnership (PPP) investments across 17 key initiatives by CY30, according to the PPP Master Plan 2030. Other upcoming projects that could boost the sector include, the Penang LRT (value estimated to be >RM10.3b), Penang International Airport expansion; the RM6.1b Northern Coastal Highway in Sarawak; the RM5.6b Sabah-Sarawak Link Road; the RM4.0b Sungai Perak raw water transfer project, and the rollout of the MRT3 project amongst others.

Chart 29: Value of Construction Work Done



Source: CIDB, MIDFR

Chart 30: Value & Volume of Contracts Awarded



Source: CIDB, MIDFR

Updates on mega projects. As of Mar-25, MRT Corp has completed the public inspection phase, allowing the finalisation of the alignment and the commencement of land acquisition, which is expected to take up to 24 months. Consequently, major construction works are now projected to commence only in CY27 with tenders expected to be launched in 2HCY25. Meanwhile, the Pan Borneo Highway project has made notable progress in both Sarawak and Sabah. In Sarawak, nine out of eleven packages under Phase 1, covering 641 km, have been completed and are now open to traffic. The remaining two sections, WPC06 (65 km) and WPC11 (80 km, excluding the Lambir section in Miri), are scheduled for completion in the 2QCY25 and 4QCY25, respectively. However, the 4 km Lambir section requires a redesign and is expected to be completed by Oct-27. In Sabah, Phase 1A, comprising 15 work packages, has achieved 79.5% completion as of Aug-24, with four packages completed and the remaining packages expected to be finished in phases by the 1QCY26. Phase 1B has officially entered the tender stage, with 19 work packages now open for bidding. Some contract awards for Phase 1B are expected in

2QCY25, further boosting the sector's momentum in East Malaysia.

Topping the list for CY25 thus far would be the Penang LRT with the official rollout of Segment 1, the 24km elevated rail alignment from the upcoming Silicon Island to Komtar, being awarded to SRS Consortium, a 60:20:20 joint venture between Gamuda Bhd, Loh Phoy Yen Holdings Sdn Bhd, and Ideal Property Development Sdn Bhd. They have been awarded the main civil and structural works contract for the Mutiara LRT Line and works are expected to commence in CY25. Spanning 29.5km, this approximate RM8.0b project is being developed by MRT Corp, with operations targeted for Dec-31. For Segment 2 (above sea alignment from Komtar to Penang Sentral), we expect the tender to be called by 3QCY25. Among contractors eyeing Segment 2 are IJM Corp, Sunway Construction and MRCB while the third package, the Systems Turnkey Contract encompasses the design, procurement, construction, testing, commissioning, and maintenance of railway systems. The tender opened on December 13 2024 and submissions are due by 2QCY25. As for the RTS Link project, construction of supporting infrastructure such as park-and-ride and drop-off facilities are progressing as planned with targeted completion in late CY26 or early CY27.

Data centres. Major construction firms, notably Gamuda, IJM, and Sunway Construction (SunCon), are capitalising on the upward trend of data centres in Malaysia. Their expertise in digital infrastructure and advanced Industrialised Building Systems (IBS) has enabled them to secure significant DC projects, particularly from hyperscale clients with stringent timelines. SunCon's outstanding order book includes RM3.19b worth of DC projects, accounting for 55% of its total orders. Similarly, IJM has secured three DC projects in Johor YTD FY25 and is actively participating in two hyperscale tenders.

The demand for DC projects remains robust, undeterred by challenges such as AI chip export restrictions from the U.S. and initiatives like Stargate. Notably, Microsoft is set to launch its first cloud region in Malaysia, comprising three data centres, by mid-CY25 . Additionally, Oracle has announced plans to invest over USD6.5b to establish its first public cloud region in Malaysia . These developments underscore the sector's vitality and suggest sustained growth in the foreseeable future. However, this rapid expansion has heightened competition among construction companies vying for DC contracts. While this intensifies the competitive landscape, it also signifies a thriving market with ample opportunities. Firms that can differentiate themselves through technological innovation, timely delivery, and quality execution are well-positioned to succeed in this dynamic environment. Malaysia's DC sector is still on an accelerated growth trajectory, offering substantial opportunities for construction companies adept at navigating the evolving demands of this competitive market and we see this demand continuing in 2QCY25.

Maintain POSITIVE. We reiterate our POSITIVE stance on the Construction sector, backed by a strong pipeline of development and infrastructure projects, on top of rising demand for industrial buildings such as logistics warehouses, data centres, and semiconductor foundries We expect the rollout of mega projects to be a boon to the sector and contribute to increased job flows within the coming quarters. On material costs, we see the stronger contractors being able to navigate the material cost environment and maintain their margins in the coming quarters. Our preferred names in the sector are still the larger names with great balance sheet strength and overseas presence. On the back of a strong pipeline of civil projects, coupled with the strong demand for industrial buildings such as warehouses, data centres, and semiconductor plants, our top picks for the sector are **Gamuda (BUY, TP: RM5.42)** and **IJM Corp (BUY, TP: RM3.89), Sunway Construction (BUY, TP: RM4.82).** We also like **Malayan Cement (BUY, TP: RM7.10),** as it remains one of the main direct beneficiaries of the pick-up in the construction sector.

III. CONSUMER

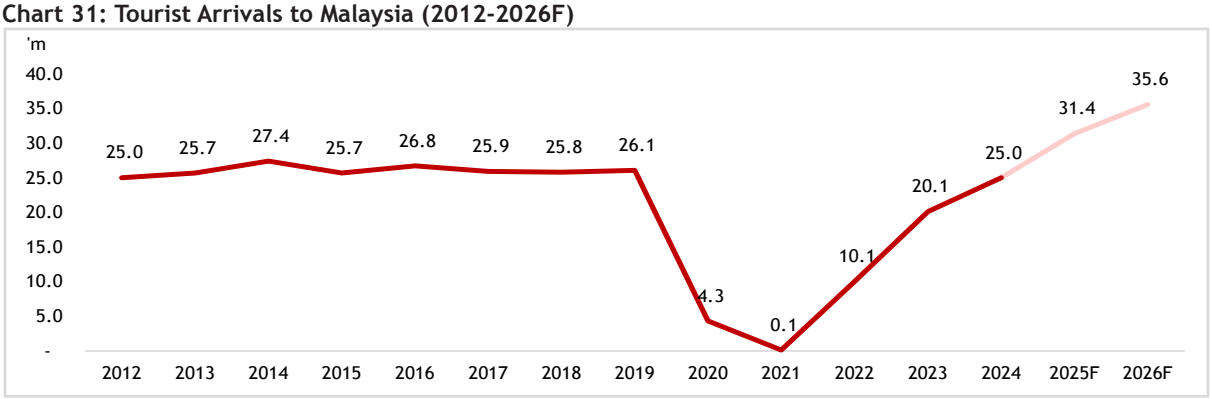
A defensive safe haven.....Maintain POSITIVE

*Analyst: Ng Qing Rong, **Eunice***

A strong start to retail spending. Malaysia's retail trade grew at an accelerated pace of +8.2% yoy in Jan-25, compared to Dec-24's +5.4%yoy, reflecting a positive start to the year. Growth was driven by higher spending on food, beverages & tobacco (+8.8%yoy) and non-specialized stores (+9.7%yoy). Macroeconomic indicators continue to support this upward trend, with a stable unemployment rate of 3.1% and a steady labour force participation rate of 70.6%, ensuring employment stability. Additionally, headline CPI inflation remained at +1.7%yoy in Jan-25, while core inflation edged up to +1.8%yoy (Dec-24: +1.6%yoy), reversing from the 35-month low recorded previously. Despite policy adjustments such as higher diesel prices and increased utility tariffs, overall price pressures remain contained, ensuring limited impact on consumer purchasing power. The postponed RON95 fuel subsidy rationalization until mid-2025 further alleviates household budget pressures. Looking ahead, we remain optimistic about the sustainability of domestic consumption, underpinned by stable employment conditions, rising wages, and government policy support. Factors such as higher civil servant salaries, an increased minimum wage, and continued cash assistance programs are expected to strengthen consumer spending power. Additionally, the upcoming Aidilfitri festive seasons, combined with a recovery in tourism, will further support retail activity. We see **Aeon (BUY, TP: RM1.77)** as particularly well positioned to capture this growth, with resilient domestic consumption likely to support strong top-line expansion in CY25.

Tourism Boom Fuels Economic Expansion and Consumer Spending. Malaysia's tourism sector is experiencing a resounding resurgence, cementing its status as a key driver of economic growth and consumer activity. In CY24, international arrivals soared +24.2%yoy to 25.0m, a testament to the nation's strong post-pandemic recovery. This surge was propelled by enhanced air connectivity, streamlined visa policies, and aggressive global marketing efforts, drawing in a significant influx of tourists. This influx of visitors translated into tourism receipts of RM102.2b (+43.4%yoy), eclipsing 2019 levels by 18.7%, with per capita tourist spending climbing +15.4%yoy to RM4,086.60, signalling a shift toward higher-value, experience-driven tourism. Looking ahead, government incentives, including the RM550m tourism allocation in Budget 2025 and extended visa-free travel for Chinese tourists, will sustain growth. Additionally, the Visit Malaysia Year 2026 campaign aims to push the sector to new heights, targeting 35.6m arrivals and RM147.1b in receipts, positioning Malaysia as a premier global travel destination. With tourism spending on an upward trajectory, this benefits key consumer businesses such as **Spritzer (BUY, TP: RM1.75)** and Family Mart under **QL Resources (NEUTRAL, TP: RM4.40)**, which stand to gain from rising demand for bottled water and convenience food. **Oriental Kopi (BUY, TP: RM0.83)** is also poised to benefit from increased footfall in urban and high-traffic locations.

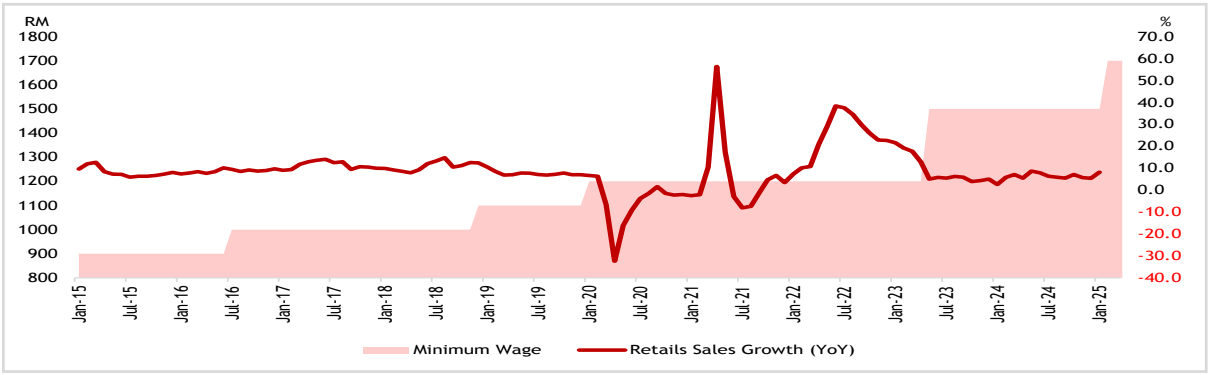
Chart 31: Tourist Arrivals to Malaysia (2012-2026F)



Source: Tourism Malaysia, MIDFR

Income Boost from Wage Hike and Policy Measures. The implementation of income-boosting measures is expected to fuel stronger consumer spending in 2025. With the minimum wage increase to RM1,700 now in effect as of February 2025, lower income households are seeing improved purchasing power, which should translate into higher expenditure on both essential and discretionary goods. Additionally, the civil servant salary adjustment, implemented in December 2024, has provided further financial uplift to a significant segment of the population. Meanwhile, EPF's Akaun Fleksibel (Account 3) continues to enhance household liquidity, allowing members to withdraw funds as needed, further supporting spending activity. These factors collectively contribute to a positive demand outlook, particularly during festive periods when retail sales typically peak.

Chart 32: Retail Sales Growth and Minimum Wage



Source: DOSM, MIDFR

Mixed Trends in F&B Commodity Prices as of February 2025. F&B commodity prices in Feb-25 showed divergent trends, with cocoa (+78.8%yoy), arabica (+110.8%yoy), and robusta (+82.8%yoy) surging, posing cost pressure for coffee and chocolate producers due to supply shortages and adverse weather. CPO prices (+25.9%yoy) further add to cost pressures for food manufacturers relying on palm-based ingredients. However, cost relief comes from raw sugar (-17.4%yoy), white sugar (-9.2%yoy), and PET resin (-13.5%yoy), easing input expenses for beverage, and packaged food players. Despite these offsets, **Nestlé Malaysia (NEUTRAL, TP: RM77.90)** continues to face boycott-related demand weakness, making cost pass-through increasingly challenging. We believe further price hikes could exacerbate demand erosion, putting additional pressure on margins. Moving forward, the sector's earnings resilience will depend on cost normalization in key commodities and the ability to optimize pricing strategies without further impacting consumer demand.

Feed Cost Moderation Supports Poultry Sector Despite Corn Price Increase. The poultry sector remains supported by moderating feed costs, although corn prices continue to rise, adding some cost pressures. In Feb-25, soybean meal prices declined -8.6%yoy to USD 345/mt, with a slight -1.2%mom drop, reflecting a more stable cost environment. Meanwhile, corn prices surged +13.2%yoy to USD 19,886/mt, with a +3.8%mom increase. Despite higher corn prices, overall feed costs remain manageable, providing cost relief for poultry players. Given that feed constitutes 65-75% of poultry production costs, this trend is expected to support margin stability in the sector. Looking ahead, the stable supply of key feed ingredients should help maintain manageable input costs, benefiting major players such as **QL Resources (NEUTRAL, TP: RM4.40)** and **Leong Hup International (BUY, TP: RM0.90).** These companies are well-positioned to capitalize on cost efficiencies, ensuring resilience amid fluctuating poultry prices.

Ringgit Stability Eases Import Cost Pressures. The Ringgit showed signs of stability in February 2025, strengthening to an average of USD 1.00: RM4.44 (+0.5%mom, +6.8%yoy). This appreciation supports import-dependent F&B and poultry companies by lowering USD-denominated commodity costs, aiding margin recovery. Looking forward, the

ringgit is expected to strengthen further, with our economists projecting an average exchange rate of RM4.23/USD, which could further ease import costs and improve margins for domestic players. However, export-driven businesses such as **Asia File (SELL, TP: RM1.25)** and **Rhong Khen International (BUY, TP: RM1.60)** may face headwinds from currency strength impacting USD revenue conversion.

Laggards in the Consumer Sector. The consumer sector has lagged behind broader market performance over the past year, as the 2024 market rally was largely driven by strong catalysts in data centers, artificial intelligence (AI), and the Johor-Singapore Special Economic Zone (JSSEZ). Meanwhile, the consumer sector lacked fresh sector-specific catalysts, leading to its underperformance. In 2024, while the KLCI surged +12.9%YTD, the KL Consumer Index declined -0.8%YTD, reflecting investors' preference for higher-growth themes. Moving into 2025, market conditions have softened, as of 24th March 2025, the KLCI has declined -8.4%, while the KL Consumer Index has fallen more sharply by -13.5%. However, we believe the tide is turning for consumer stocks, as supportive macroeconomic policies and resilient domestic demand create a more favourable outlook for the sector.

Defensive and Attractive Valuation. The consumer sector remains an attractive defensive play with stable earnings, lower volatility, and consistent demand. The staples segment, in particular, continues to offer resilience in times of economic uncertainty. From a valuation perspective, Consumer staples are trading at an attractive 20.3x forward PE, well below the three-year average of 27.8x and -2SD of 22.6x, presenting a rare undervaluation opportunity. With these appealing valuations, the sector is poised to benefit from favourable tailwinds, making it an attractive prospect for investors in 2025. We favour defensive consumer names, particularly in the F&B, poultry, and essential retail segments, which are well-positioned to benefit from stronger domestic consumption trends.

2025 Presents a More Supportive Environment for the Consumer Sector. Malaysia's consumer sector is set to thrive in 2025, driven by a more conducive economic environment that encourages higher spending. A key catalyst is the anticipated increase in disposable income, supported by wage hikes in both the public and private sectors, as well as upsized cash handouts under Budget 2025. A stable labour market further underpins household consumption, ensuring sustained purchasing power. Additionally, the continued recovery in tourism will drive demand for both essential and discretionary goods, benefiting retailers, F&B players, and convenience store operators. On the cost front, businesses are expected to gain from a stronger Malaysian Ringgit and more stable raw material prices, leading to improved operating margins across the sector.

Maintain POSITIVE on the Consumer Sector. We remain optimistic on the consumer sector, supported by four key drivers: (1) rising disposable income, spurred by wage growth and supportive government policies; (2) resilient domestic consumption, underpinned by a strong labour market; (3) increasing tourist arrivals, which will boost retail and F&B spending; (4) cost tailwinds, as a stronger MYR and lower input costs improve profit margins; and (5) defensive play with consumer staples providing earnings stability in volatile markets.

Our top pick for consumer sector remains **F&N (BUY, TP: RM36.77)** and **Aeon (BUY, TP: RM1.77).** F&N is well positioned to capitalize on the rising demand for ready-to-go (RTG) beverages, particularly from increasing tourist traffic. The company's expansion into integrated dairy farming could further boost its revenue base. Aeon, with its strong presence in general merchandise and supermarkets, is poised to benefit from robust domestic demand for essential goods. Moreover, Aeon's Property Management Services segment is expected to thrive, driven by optimized tenant mixes and improved rental rates.

IV. HEALTHCARE

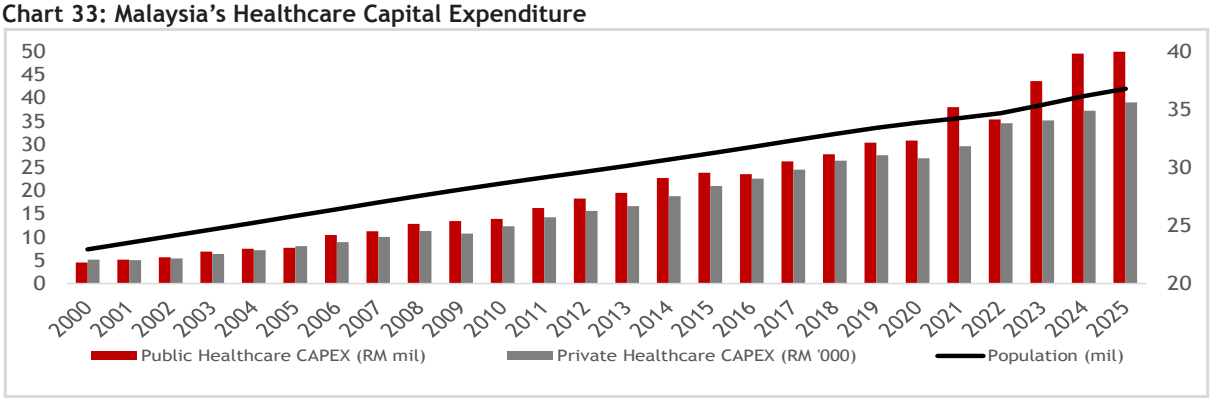
Increased hospital capex in tandem with strong fundamentals.....Maintain POSITIVE

Analyst: MIDF Research Team

Healthcare spending anticipated to rise. Global healthcare spending is projected to significantly grow in CY25, driven by: (i) increased global aging population at a CAGR of +3.2%, (ii) increased global prevalence of non-communicable diseases (NCDs), and (iii) improved medical technology subsequently providing better quality care. In CY25, global healthcare expenditure worldwide is expected to rise by nearly +6%yoy. This is, however, offset by persistent upward pressure on healthcare costs, due to: (i) inflationary pressures and currency differences, (ii) rising pharmaceutical costs, and (iii) costly new medical technologies.

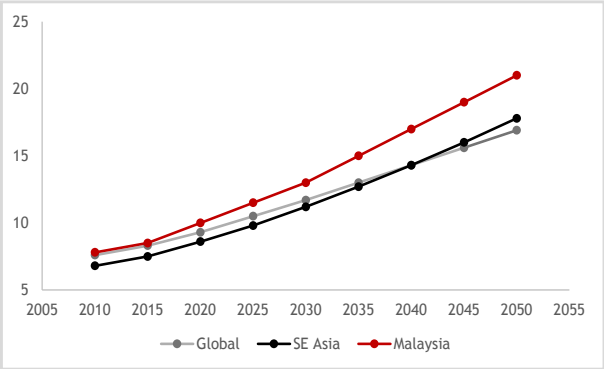
More focus on regulations and price controls. In 2QCY25, we opine that local healthcare service providers will continue to improve in profitability via cost management, attributed by the increased demand for quality care post-Covid, in tandem with the increased prevalence of NCDs in Malaysia. However, 1QCY25 saw several policy challenges for the private sector from the government, including price controls for private services and working hours for medical personnel. We believe these regulation changes will continue into 2QCY25, which may impact the sector's dynamic in the short term. Nonetheless, with the increased competitions among private hospitals, specialized clinics and pharmaceuticals, as well as ongoing expansions to cater to the needs of domestic and foreign patients, we believe that the risks could be mitigated.

Chart 33: Malaysia's Healthcare Capital Expenditure



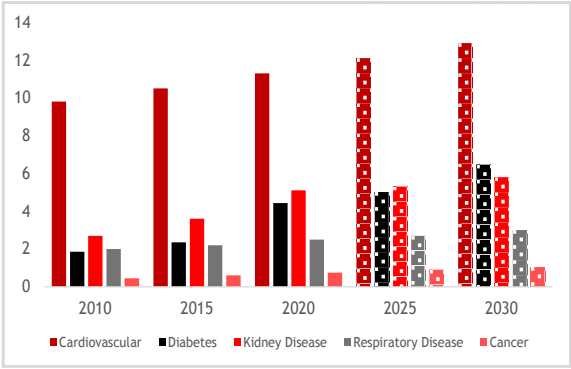
Source: WHO, MOH, Worldbank, Macrobond, Bloomberg, MIDFR

Chart 34: Aging Population (Forecast) (%)



Source: WHO, MOH, Worldbank, Macrobond, Bloomberg, MIDFR

Chart 35: Msia's NCD Prevalence (Forecast) (mil)



Source: WHO, MOH, Worldbank, Macrobond, Bloomberg, MIDFR

Maintain POSITIVE. All in all, we remain positive on the healthcare services subsector. The increased aging population, higher NCD prevalence, advanced medical tech and boosted medical tourism will continue to benefit the local private hospitals in the short-medium term. However, other external risks remain including unfavourable forex and supply chain disruptions, mainly for semiconductors and pharmaceutical ingredients. Our **TOP PICK** is **KPJ Healthcare (BUY, TP:RM2.78).** We favour KPJ for its advantage of being less susceptible to unfavourable forex and the direct impact of external geopolitical risks. Given KPJ's strong footprint in Malaysia, we believe KPJ will remain resilient amid higher local and regional competition among private healthcare sector, as well as the policy changes and cost control plans. As of FY24, KPJ's ROE stood at 13.9% (+2.9%yoy) with a net gearing ratio at 0.65 (FY23:0.70).

V. OIL & GAS

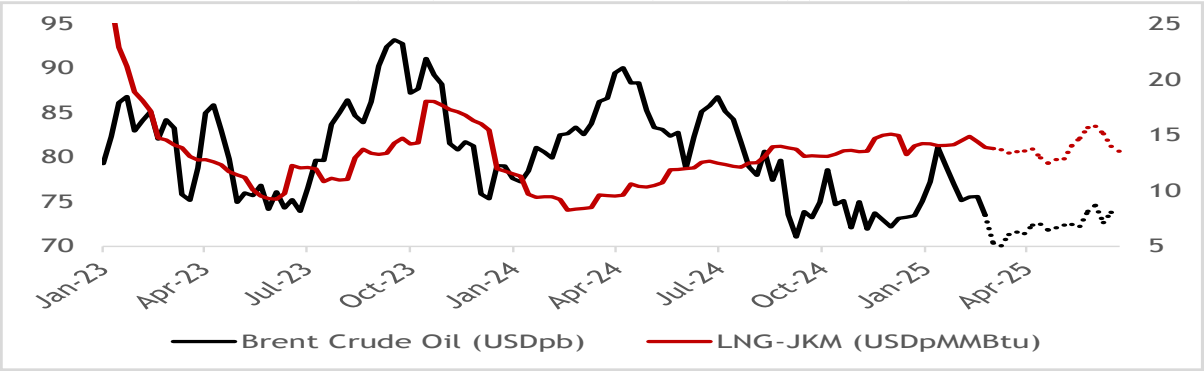
Upside remains amid lower crude prices and economic uncertainties.....Maintain POSITIVE

Analyst: MIDF Research Team

Low but steady oil prices expected. The 30-day energy ceasefire between the US and Russia, as well as the increased oil production among non-OPEC+ countries (average YTD: +1.4mbpd from average CY24 of 100.6mbpd) and the incoming US trade tariffs, had sent crude oil prices down to a rangebound of USD70-80pb (average YTD: USD77pb; -4% from CY24 average). Moving into 2QCY25, we anticipate that crude oil prices will remain on the lower side of the range, with an estimated quarterly average at USD73pb. While economic uncertainties are expected to remain as a ceiling to oil price movements, we believe that OPEC+ still has the privilege to keep prices from going below USD70pb. Overproduction from its members had prompted a compensation plan with voluntary cuts until June CY26, with an estimated 300-400kbpd cut. The additional US sanction on Iranian oil and the recent oil theft in Nigeria are also expected to maintain supply at a reasonable level; keeping prices stable in the short term.

Higher investment in low-carbon fuel. Meanwhile, natural gas had been on a rise, with LNG stabilizing between USD13.50-15.00pMMBtu (YTD: USD14pMMBtu; +3% from CY24 average). This may indicate a higher demand for gas products in the long run, notably from Europe and Asia, as part of securing energy supplies amid the geopolitical uncertainties and reducing supply chain disruptions. Additionally, the recent attacks on Russian gas facilities had prompted gas prices in Europe to surge due to worries of lower near term gas supply. With this elevated gas prices, we anticipate that investments for natural gas would climb in 2QCY25, in line with the demand for cleaner fuel, as part of the sector's decarbonization and energy transition efforts. However, downside risks to LNG prices include: (i) warmer weather coming into 2QCY25 which prompted lesser demand, (ii) geopolitical tensions leading to supply disruptions, and (iii) slowdown in industrial activities and energy consumption.

Chart 36: Brent crude oil price (USDpb) v. LNG/JKM price (USDpMMBtu) (Forecast)



Source: WHO, MOH, Worldbank, Macrobond, Bloomberg, MIDFR

The impact of the oil and gas prices in our local front in 2QCY25 are highlighted for each division, as follows:

UPSTREAM

Business as usual. Despite the lower Brent crude oil price movement, global upstream players were unfazed; confident by the cost optimization practiced within their E&P operations. ExxonMobil and ConocoPhillips had voiced resiliency in their upstream operations, with indicators that they will increase production over the span of 5 years by at least 2.5mbpd for their US projects. Likewise, we expect local upstream activities to resume as normal in 2QCY25. PETRONAS Activity Outlook 2025-2027 had highlighted upstream activities, including 13 additional development wells in CY25, in tandem with its target production at 2mbboe of oil and gas by CY27. In addition to E&P and development projects, we also anticipate that activities pertaining CCUS will also resume as scheduled.

MIDSTREAM

Growth in LNG assets. Global demand for natural gas is expected to grow in 2QCY25, with focus on expanding gas infrastructures for LNG exports, AI data centres and power generation. LNG is anticipated to overtake crude oil in an uptrend, largely due to the perception that natural gas is a significant transition fuel. This uptrend is expected to spillover to our local front, notably on the expansion of LNG terminals to facilitate LNG exports, as well as the development of the B14, Jerun and Kasawari gas fields; which are anticipated to enhance Malaysia's LNG output in the long run. To note, Malaysia exported approximately 28mMT in CY24 (+4.2%yoy). YTD, exports had nearly reached 7mMT. Moving forward, we opine that companies involved in the LNG market (LNGCs, storage farm and pipelines) and maintenance and repair of facilities to benefit from this uptrend in the short-mid term.

DOWNSTREAM

Upside from travel demands. Fundamentally, lower crude oil could lower production costs for downstream players and higher natural gas prices could impact positively on sales volume. While these are advantageous to retail companies for fuel, petrochemicals remain on the downside due to the ongoing oversupply issue and lower selling prices for olefins and derivatives. The recovery of the petrochemical subsector is expected to take full swing by end-year. As for conventional fuels, we anticipate that demand from other industries, including logistics, aviation and construction to continue supporting the division in 2QCY25. According to MAVCOM, in CY24, air passenger traffic in Malaysia totalled to 97.1m passengers (+14.3%yoy) and in CY25, the uptrend is expected to prevail, with projected numbers ranging from 105.8m to 112.9m. This higher demand for air travels highlighted the improved tourism sector and increasing consumer spending, especially for the upcoming mid-year and summer holidays. Subsequently, we anticipate the downstream players – particularly in the trading of Mogas and Jet A1 fuel – to benefit from the positive travel demand outlook.

Maintain POSITIVE with extreme caution. All in all, we are optimistic for the oil and gas sector in our local front. However, we maintain vigilance on the global trajectory, considering the potential external drivers to the oil and gas price movement, including: (i) ongoing geopolitical conflicts in Eastern Europe and the Middle East, (ii) increasing oil production from non-OPEC+ countries, (iii) OPEC+'s additional supply cuts, (iv) Russian and Iranian oil sanctions, and (v) the US trade tariffs on oil and gas exports. Other minor but significant drivers, such as weather and raw material prices, should also be noted for upstream and midstream OGSE companies. Short-term benefits from ongoing activities, as highlighted in PETRONAS Activity Outlook 2025-2027, are expected to elevate the sector and sustain profitability for oil and gas players in 2QCY25.

Our **TOP PICKS** for the sector by division are: **Deleum (BUY, TP:RM1.92)** for upstream, **Gas Malaysia (BUY, TP:4.57)** for midstream and **Petronas Dagangan (BUY, TP:22.25)** for downstream.

We favour Deleum for its: (i) diverse portfolio in upstream solutions and specialized products and services, (ii) strong financial result with consistent earnings growth, and (iii) solid reputation as an OGSE company sustainable with long-term upstream contracts. Gas Malaysia had been a reliable gas company that ensures stable supply of natural gas to various local residential, commercial and industrial sectors. The group is also consistent in its positive financial performance and committed to sustainability and low-carbon initiatives. Meanwhile, Petronas Dagangan is a market leader in retail petroleum products in Malaysia, with a vast network of petrol stations, convenience stores and EV charging stations. We like the group's innovative products and services, and continuous commitment to advancing green energy solutions, including sustainable fuels and renewables.

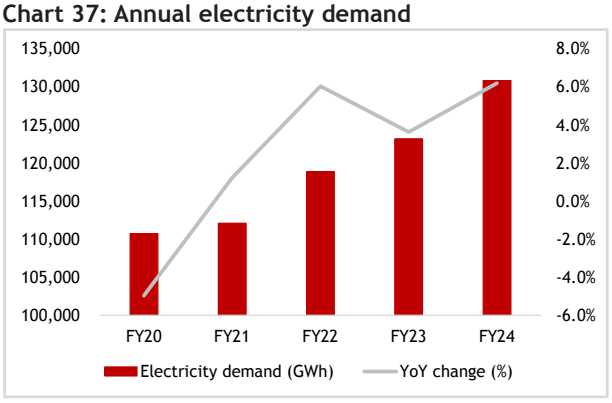
VI. POWER (UTILITIES)

Strong electricity demand; bumper year for solar EPCC.....Maintain POSITIVE

Analyst: ***Royce*** *Tan Seng Hooi*

All-time high demand. Electricity demand grew +6.2% in CY24, registering peak demand sales of 130,848 GWh. This was mainly driven by the commercial and domestic sectors, which have risen +9.2% and +8.5% respectively. The expected influx of data centres over the next decade is expected to be a big demand driver, but similarly, how much Tenaga gets to keep from this incremental revenue and earnings will be heavily dependent on its regulated asset base (RAB) and allowable returns in RP4 (2025-2027). For CY25, electricity demand is expected to grow between 3.5% and 4.5%. An interesting trend that can be observed in CY24 was that the strong growth in electricity demand has outpaced Malaysia's GDP growth of +5.1% as these two figures usually run in tandem. We believe this is attributable to the boom in the energy-intensive data centres, pushing electricity demand ahead of GDP growth.

Chart 37: Annual electricity demand



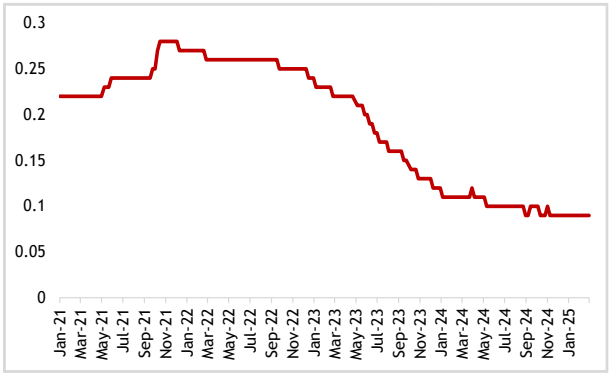
Source: TNB, MIDFR

All eyes are on RP4. Regulatory Period 4 (RP4), which will run from 2025-2027, was approved by the Government in Dec-24. The base capex has been given a +29.1% boost to RM26.6b, on top of an additional RM16.3b of contingent capex. Investments under the base capex will mainly be to maintain the security of supply and meet potential demand growth. As for the contingent capex, which will be implemented on the occurrence of specific triggers, will mainly be used to facilitate energy transition, such as for the upgrading of infrastructure to support renewable energy (RE), National Energy Transition Roadmap (NETR) and interconnection projects. This is a positive catalyst that will expand Tenaga Nasional's (TNB's) RAB meaningfully going forward. The stronger electricity demand as seen in CY24 necessitates the need for upward revisions in RAB in RP4. We have a BUY recommendation on **Tenaga Nasional (TNB)**, with a **target price of RM15.13**.

Aggressive LSS rollouts. As of 1QCY25, solar EPCC players are having their hands full on the projects for the Corporate Green Power Programme (CGPP). Recall that quota allocations for the CGPP were done in two batches in 2023, with a total of 800MW translating to a potential EPCC size of RM1.6b to RM2.4b. We gather that some packages have yet to be awarded. There will be a need for solar EPCC players to expedite these jobs as CGPP plants are expected to reach commercial operation date (COD) by the end of this year. On top of that, the

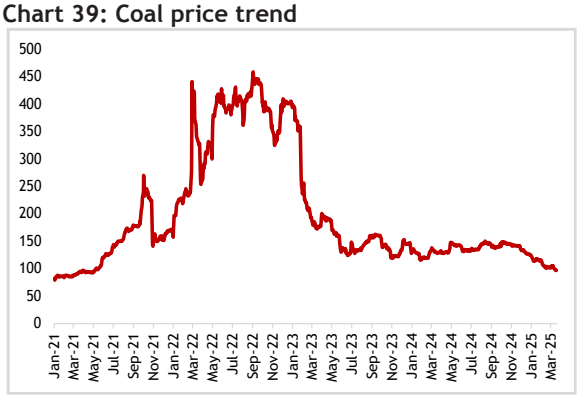
government has been actively pushing through with large scale solar (LSS) schemes. Fresh from the finalisation of LSS5 bids in Dec-24, the Energy Commission (EC) introduced LSS PETRA 5+, with another targeted capacity of 2GW, allocated under two packages. Package A with a quota of 1.5GW is for land-based solar power plants while Package B is for the remaining 500MW, specifically for floating solar. The deadline for submission of bids was on the 28th of February. We expect the bids to be finalised by 3QCY25. Just last month, the Ministry of Energy Transition and Water Transformation (PETRA) said it planned to launch LSS6 in 2QCY25. While no official details are available yet, talks within the industry suggest that it would be another massive quota of at least 2GW, but would come with battery energy storage systems (BESS) requirements. We estimate that all these could add up to RM17.0b of potential order book replenishment for solar EPCC companies.

Chart 38: Solar panel prices (USD/watt)



Source: Bloomberg, MIDFR

Chart 39: Coal price trend



Source: Bloomberg, MIDFR

Clear and firm policies under NETR. The CGPP, LSS5 and expansion of the NEM mentioned above are all aligned with the National Energy Transition Roadmap (NETR), a long-term, firm policy layout that is expected to provide a strong, multi-year catalyst for the power utilities sector. An overarching goal is raising the RE capacity mix to 70% by 2050 from 23% in 2020 which necessitates a more than quadrupling in annual RE installations to 2.2GW/ annum by 2050.

Maintain POSITIVE, with preference for RE subsector. We recently upgraded our sector call to POSITIVE, mainly due our recent upgrade on **TNB (BUY, TP: RM15.13)** following its stronger than expected FY24 performance, driven by the strong growth in electricity demand as mentioned above. Our only SELL call for the sector is **Ranhill Utilities (TP: RM1.12)** due to lofty valuations. Our preference lies in the solar EPCC subsector as the main immediate-term beneficiaries of RE initiatives. Industry players will be kept busy with the development of CGPP solar plants which are expected to come on stream in 2025 based on the ST deadline, followed by EPCC jobs for LSS5, LSS5+ and LSS6 solar farms. In addition to the stronger demand expected, margins are expected to be favourable, following the steep decline in solar module prices. The import duties imposed by the US on solar panels from Southeast Asia are not expected to affect the costs to our solar EPCC players as they import the panels directly from China. We have BUY recommendations on all the solar EPCC stocks under our coverage, namely – **Samaiden (TP: RM1.69), Pekat (TP: RM1.51)** and **Sunview (TP: RM0.62).** In the asset owner space, we like **YTL Power (BUY, TP: RM5.61)** for its earnings recovery at Wessex Water, stable margins from Power Seraya despite normalising earnings, expansion into data centres and a potential beneficiary of the strong RE growth trajectory under NETR, particularly for RE exports given its presence in the Singapore power sector.

VII. PROPERTY

Positive prospect intact…….Maintain POSITIVE

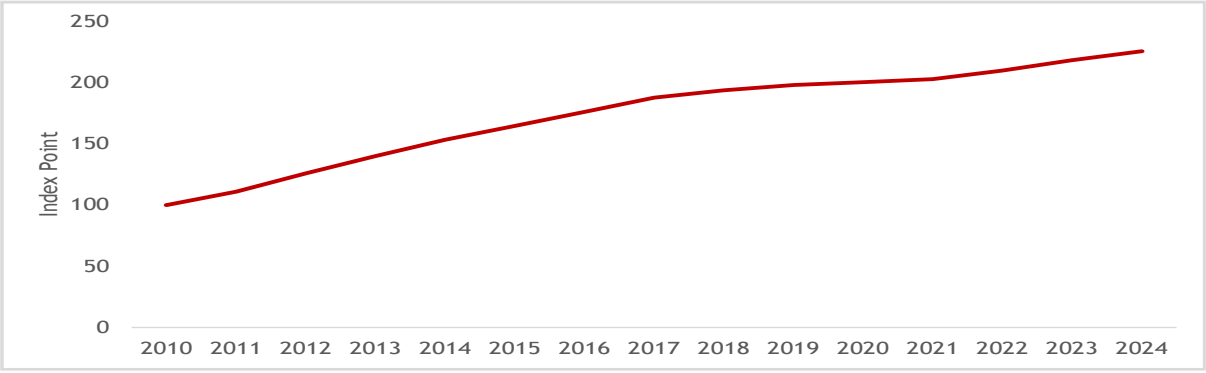
Analyst: Low Jze Tieng, ***Jessica***

Buying sentiment is expected to remain resilient in CY25. According to data released by Bank Negara Malaysia (BNM), total loan application for purchase of property was higher at RM635b (+4.9%yoy) in 2024 following loan application growth of +5.6%yoy in CY23. Total loan application for purchase of property off to a weaker start in CY25 as loan application declined by -12.3%yoy to RM44.8b in January 2025. Looking forward, we expect loan application to be flattish in February 2025 due to short month in February and subsequently grow stronger from March 2025 onwards. Overall, we still expect buying interest on property to remain resilient in 2025 due to catalysts from Johor-Singapore Special Economic Zone (JS-SEZ) and The Johor Bahru-Singapore Rapid Transit System (RTS).

Property overhang increased in 4QCY24 but remains healthy at below 3-year average. According to data released by National Property Information Centre (NAPIC), residential overhang in Malaysia increased to 23,149 units in 4QCY24 from 21,968 units in 3QCY24. The higher residential overhang in 4QCY24 was mainly due to increase in residential overhang in KL which grew to 4,234 units in 4QCY24 from 3,273 units in 3QCY24. Note that KL contributed to the highest residential overhang in 4QCY24 at 4,234 units, followed by Johor (2,964 units) and Perak (2,844 units). Despite the increase in residential overhang in 4QCY24, we think that property overhang in Malaysia remains healthy as residential overhang remains below 3-year average of 27,000 units. Meanwhile, property overhang in Johor continues to improve with lower residential overhang which fell from 3,030 units in 3QCY24 to 2,964 units in 4QCY24. Similarly, serviced apartment overhang in Johor declined to 10,624 units in 4QCY24 from 11,810 units in 3QCY24 due to improving sentiment on Johor property market.

Stable house price outlook. Property price in Malaysia remains stable with marginal growth in 2024. According to data released by NAPIC, the Malaysian House Price Index (HPI) stood at 225.6 points (preliminary figure) in 2024 which represents annual growth of 3.3%. House price in Malaysia is on uptrend except for marginal dip in 2020 due to Covid-19 pandemic. The increase in house price in 2024 is across all house types with semi-detached house recorded highest growth of 4.1%, followed by terraced house (3.6%), detached houses (2.6%) and high-rises (2.3%). Overall, we think that the stable house price outlook in Malaysia will continue to underpin confidence of property buyers and support buying interest on property in Malaysia.

Chart 40: House Price Index



Source: NAPIC, MIDF Research

Maintain POSITIVE on property sector. We maintain our positive stance on property sector as the sector is expected to benefit from Johor-Singapore Special Economic Zone (JS-SEZ), The Johor Bahru-Singapore Rapid Transit System (RTS), growing demand for data centre and industrial property in Malaysia which will unlock value of landbank of property developers. Besides, OPR is unchanged at 3% which should remain supportive to buying interest on property. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM2.09)** and **Eco World**

Development Group (BUY, TP: RM2.11). We remain positive on Mah Sing as new sales prospect is positive which is underpinned by resilient demand for affordable residential projects while Mah Sing DC Hub @ Southville City will provide recurring income in the near-term. Meanwhile, for Eco World Development Group, we see positive prospect for its industrial property development segment while data centre build-and-lease deal for Pearl Computing supports growth of recurring income.

VIII. REITS

Rock solid.....Maintain POSITIVE

Analyst: Low Jze Tieng, ***Jessica***

Resilient KL REIT Index with stable yield spread. Performance of REIT was relatively stable amid volatile market with marginal decline of -2%ytd against KLCI's decline of -8.4% (as of 20 March 2025). The resilient performance of KL REIT Index was mainly underpinned by flight to safety and strong interest on defensive stocks during market turbulence. We believe that REIT should remain favour by investors as market uncertainties are likely to persist which should keep interest on safe haven assets and high yielding stocks supported. Meanwhile, gross aggregate yield of KL REIT is at 5.47% which deemed attractive as 10-year MGS yield is hovering at 3.8% level. That translates into yield spread of 170bps which is close to 7-year average yield spread of 164bps. Moving forward, we expect yield spread to remain steady in the near-term as 10-year MGS yield is expected to remain stable at 3.8% level on the back of anticipation that OPR to remain unchanged for the rest of the year. Hence, we see that REIT should continue attract interest of investors who seek for high yield as we think that yield spread of above 150bps should keep REIT remain attractive to investors.

Retail occupancy rate recovers. According to data released by National Property Information Centre (NAPIC), occupancy rate of shopping complex in Malaysia recovers to 78.8% in 2024 from 77.4% in 2023. Note that occupancy rate of shopping complex dipped to 75.4% in 2022 due to Covid-19 pandemic and subsequently recovered to 77.4% in 2023 as retail industry in Malaysia recovered. The recovery in occupancy rate of shopping complex in Malaysia was mainly driven by improving tenant sales as a result of higher shopper footfall and recovery in consumer spending at malls. We see prospect for shopping complex in Malaysia to remain positive going forward as malls are served as a social hub for gathering which prompted higher tenant mix of food & beverage. Besides, shopping at malls have also become a pastime activity in city centre and suburban area. Hence, we think that the stable prospect for retail industry will continue to support positive rental reversion of shopping malls and drive earnings growth of retail REIT.

Office occupancy rate remains subdued. Occupancy rate of office building (privately-owned) in Malaysia was subdued at 71.7% in 2024, little-changed from occupancy rate of 71.9% in 2023. Occupancy rate of office building declined to below 72% in 2021 as Covid-19 pandemic reduced demand for office space and as total office space increased to 18m square meter in 2022 from 17.3m square meter in 2021. Meanwhile, total office space in 2024 is flattish at 18.84m square meter from 18.7m square meter in 2023. The subdued occupancy rate of office buildings keeps rental rate of office buildings flattish. Looking forward, we see less exciting outlook for office building as adoption of hybrid-working arrangement reduced demand for office space and as subdued occupancy rate at 72% level keeps office market remains tenant's market with low upside to rental rate.

Industrial property market stays resilient. Industrial property market in Malaysia grew steadily in the past five years due to the resilient demand for industrial property in Malaysia. Industrial property market saw improving transaction volume and value in the past four years. Transaction volume and value of industrial property saw a dip

in 2020 due to Covid-19 pandemic but subsequently recovered strongly and resumed uptrend trajectory in 2022 to 2024 due to strong demand for industrial property in Malaysia. The positive prospect for industrial property attracted more REIT increasing exposure to industrial property. For instance, Capitaland Malaysia Trust expanded its industrial property exposure in February 2025 through the acquisition of three freehold industrial properties in Senai Airport City for RM72m. Similarly, KIP REIT which is a retail-focused REIT increased its industrial sector exposure through acquisition of four industrial properties located in Selangor, Sarawak and Johor for RM98.3m. Meanwhile, earnings performance of industrial-focused REIT namely Axis REIT was solid due to positive rental reversion of industrial asset and active asset acquisitions.

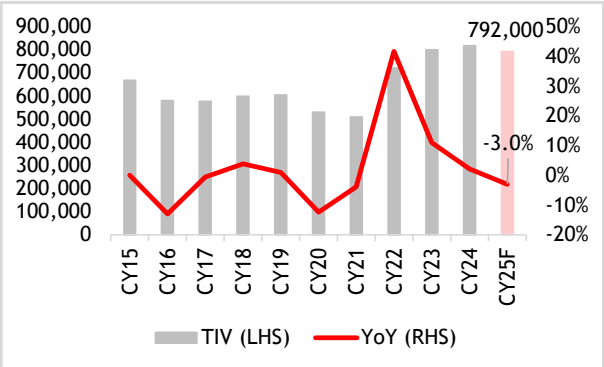
Maintain POSITIVE on REIT. We remain positive on outlook for REIT in 2025 as we expect organic growth from positive rental reversion for retail-focused REIT and industrial-focused REIT. Retail industry is expected to remain resilient in 2025 as shopper footfall and tenant sales should remain strong. Meanwhile, the expected higher tourist arrivals should improve occupancy rate of hotels and benefit REIT with exposure to hotel sector namely Sunway REIT and KLCCP Stapled Group. Average yield of REIT under our coverage tapered to 4.8% following increases in share prices. Nevertheless, we see REIT should remain favour by investors due to its defensiveness and earnings stability. Our top picks for the sector are **Sunway REIT (BUY, TP: RM1.99)** and **Pavilion REIT (BUY, TP: RM1.69)**. We see better earnings outlook for Sunway REIT as earnings of retail division will be supported by Sunway Pyramid Mall and Sunway Carnival Mall. Besides, the newly acquired assets are expected to lift earnings in FY25. We also like Pavilion REIT and we are sanguine on earnings outlook for Pavilion REIT which will be driven by positive rental reversion of Pavilion KL Mall. Besides, earnings growth is also expected to buoy by contribution from Pavilion Bukit Jalil. Meanwhile, net distribution yield remains attractive at 5.4%.

IX. AUTOMOTIVE

Outlook in flux.....Maintain NEUTRAL

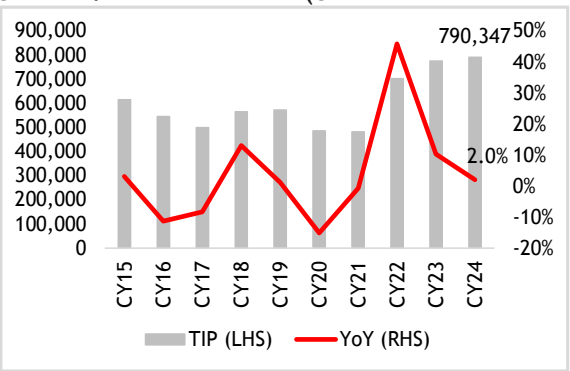
Analyst: Amalia Zarir

Chart 41: Annual TIV Trend



Source: MAA, MIDFR

Chart 42: Annual TIP Trend (Units



Source: MAA, MIDFR

Early-year dip expected. Total industry volume (TIV) in Feb-25 came in at 63,906 units (+30.8%mom, -1.7%yoy), bringing the year-to-date total to 113,056 units (-14.3%yoy). This accounts for 14% of our full-year forecast of 792,000 units (-3.0%yoy), which we view as broadly in line with expectations. Meanwhile, on the production front, total industry production (TIP) stood at 61,545 units (+8.2%mom, -6.2%yoy), bringing the year-to-date cumulative total to 118,444 units (-16.4%yoy). Given the longer working month, the strong month-on-month increase in TIV was anticipated and was largely broad-based. Honda's auto sales more than doubled, followed by solid gains from Perodua (+35.0%mom), Toyota (+21.3%mom), and Proton (+19.4%mom), while Mazda (-9.8%mom)

and Nissan (-16.2%mom) recorded declines. Among the major marques, only Perodua (+14.9%yoy) and Honda (+12.6%yoy) registered a year-on-year increase in TIV in Feb-25. TIV in Mar-25 is expected to see further month-on-month improvement, supported by promotional activities leading up to the Hari Raya holidays.

Watching policy moves closely. In the upcoming quarter, the focus will be on removing fuel subsidies for foreign nationals and the top 15% of earners, who account for 40% of the RON95 subsidy receiver. The classification criteria for the T15 group are being finalised and will be announced by mid-CY25. We believe this policy may encourage affected consumers to downtrade or switch to electric vehicles (EVs), aligning with the opportunity to benefit from import and excise duty exemptions for CBU EVs before it expires at the end of the year. Moreover, the auto sector recently secured its third and final extension for the implementation of the new excise tax regulation, which broadens the scope of excise duties for CKDs to include non-manufacturing components. At least for this year, auto players can take a breather as the regulation is now scheduled to take effect in Jan-26, with CKD car prices anticipated to increase by +10% to +30%.

Locally assembled EVs to take the spotlight. In CY24, hybrid vehicle sales reached 30,796 units (+9.8%yoy), maintaining a 4% penetration of TIV. Meanwhile, battery electric vehicle (BEV) sales surged to 14,766 units (+45.3%yoy), doubling TIV penetration to 2% from 1% the previous year. The recently launched Proton eMas 7 (CBU C-segment SUV) marks a significant milestone as the first local marque to enter the EV market. Notably, bookings for this model have exceeded 4,500 units to date. According to Proton, 580 units were delivered in Feb-25, bringing total deliveries to over 1,000 units so far. Meanwhile, Perodua is set to enter the EV market by year-end with a B-segment hatchback (CKD) based on the eMO-II concept, priced around RM80K excluding the battery, as the company proposes a battery leasing model. All this suggests that the government may prioritise incentives to promote CKD EV assembly, with tax exemptions for locally assembled EVs remaining in effect until Dec-27 to support their price competitiveness. Notably, the Proton eMas 7 is set for CKD conversion once its EV plant in Tanjung Malim is completed, tentatively by year-end.

Currency trends are favourable. Year-to-date, the MYR has strengthened marginally by +1.0% since the end of CY24. USDMYR closed at 4.47 last year, with our economics team projecting further strengthening to end at 4.23 by year-end. A stronger MYR benefits the sector by reducing imported component costs, with non-national car manufacturers gaining the most due to their reliance on imported CKD kits and CBUs. In contrast, national carmakers are less impacted, given its high localisation rates of 90% to 95% for most models. **Tan Chong Motor (NEUTRAL, TP: RM0.34) s**tands out as a key beneficiary, with over 90% of its purchases being USD-denominated. Meanwhile, the JPY has appreciated by about +4.9% year-to-date against the MYR, driven by the Bank of Japan's hawkish stance. However, the impact on JPY-exposed players like **Bermaz Auto (BUY, TP: RM1.43)** is expected to be limited as CBUs account for less than 15% of domestic Mazda sales based on 9MFY25 (FYE April) figures.

Maintain NEUTRAL. We maintain our NEUTRAL call on the sector, given the anticipated downcycle. The 1MCY25 TIV made up 6% of our full-year forecast, which we consider in line with expectations. Following years of strong backlog, we anticipate a gradual TIV decline in CY25, projecting 792,000 units (-3.0%yoy), closely matching MAA's estimate of 780,000 units (-4.5%yoy). Our top pick is **Bermaz Auto (BUY, TP: RM1.43)** primarily due to its appealing valuation – currently trading at -1.0SD below its 5-year mean – paired with a generous dividend yield of over +10%. While the domestic Mazda sales outlook remains challenging due to intense competition, we believe its overall vehicle sales may be bottoming out, supported by its other marques – namely Kia, XPeng, and the upcoming Deepal launch in 2HCY25. We project total vehicle sales to grow by +6.1% in FY26, though our FY25 sales assumption of 16.6K units is slightly more conservative than management's guidance.

X. GLOVES

Striking a trade-off between cost and growth.....Maintain NEUTRAL

Analyst: MIDF Research Team

Post-Covid Demand Adjustment. After the sharp rise in demand during the COVID-19 pandemic, glove manufacturers are likely to see more normalised demand. In 2QCY25, the global need for gloves should be more balanced, as healthcare institutions and industries adjust to post-pandemic levels. There could be a stable demand from medical, food processing, manufacturing and pharmaceuticals.

The Malaysian Rubber Glove Manufacturers Association (MARGMA) expects a rebound in the 2QCY25 with a global demand to rise by 12%-15% to 368b pieces to be manufactured. Adjustment to the new normal while healthcare and hygiene needs remain high, the extraordinary demand seen during the pandemic is no longer present. The industry is normalising to a post-pandemic environment, which is expected to result in more stable and lower-than-peak demand levels.

Pricing, Competition, and Technological Advancements. The glove sector's pricing and competition dynamics in 2QCY25 will largely depend on the global economic environment and inflation concerns, which continue to influence purchasing behaviour. The pressure from price competition remains, especially with the influx of newer entrants into the market and as global supply chains stabilize. This fluctuation in pricing could persist through the second quarter of 2025.

However, Malaysian manufacturers such as Top Glove, Hartalega and Kossan are likely to mitigate some of these pressures through their significant investments in automation and advanced manufacturing technologies. These investments aim to improve production efficiency, reduce costs, and enhance margins. As a result, the glove industry is expected to benefit from greater cost efficiency and improved productivity in 2QCY25. Despite moderating prices, these technological advancements could drive better financial performance, helping manufacturers stay competitive even amid ongoing pricing challenges.

Impact of Tariffs from Trump's Administration. The Trump administration's imposition of tariffs on Chinese-made medical gloves, notably a 25% tariff, had a significant impact on the competitive landscape for glove manufacturers, especially in the U.S. market. As Chinese imports became more expensive due to these tariffs, manufacturers from other countries, particularly Malaysia, found new opportunities to capture a larger share of the U.S. market. Malaysian companies like Top Glove, Hartalega, and Kossan were among the biggest beneficiaries, as U.S. distributors and healthcare buyers increasingly turned to Malaysian-made gloves to avoid the higher costs associated with Chinese imports. This shift in demand peaked during the height of tariff tensions, leading to a surge in orders for Malaysian manufacturers.

Profitability and Operational Efficiency. Malaysian glove producers are seeing improved profitability, but this is largely due to operational efficiencies and better capacity utilisation rather than any significant organic growth. While demand from the U.S. has risen due to higher tariffs on Chinese-made gloves, this shift in orders may not be sustainable in the long term. The increase in average selling prices (ASPs) by USD1 to USD2 per 1,000 pieces, reaching between USD20 and USD22, has been a key driver for revenue.

Additionally, these price hikes could be a temporary measure rather than a sign of lasting strength in the market. Despite this, ASPs have remained relatively stable, which could indicate a lack of significant growth or pricing power in the sector. We expect that the positive momentum seen in 2QCY25 may not persist, and there are concerns that earnings growth may not be sustainable. Industry forecasts may point to a continued rebound, but the long-term sustainability of higher sales volumes and improving supply-demand dynamics remains uncertain.

The market could face challenges if global demand weakens or if competitors adjust their strategies in response.

Neutral Stance. We maintain a NEUTRAL outlook on the sector moving forward, adopting a cautious approach primarily due to the strong competition from Chinese players driven by tariffs. This could limit the pricing flexibility for all glovemakers under our coverage. On the other hand, the replenishment of inventories after pandemic-related stockpiles are used up is expected to boost glove demand. Additionally, the recent closures of both permanent and temporary production facilities could improve production efficiency and lower per-unit production costs. Overall, we continue to take a NEUTRAL stance on the glove sector, and currently, we do not have a top pick, as all the glovemakers within our coverage are rated NEUTRAL.

XI. PLANTATION

A short-lived momentum.....Downgrade to NEUTRAL

Analyst: MIDF Research Team

Price to remains high but not for long. Jumping into 2QCY25, we anticipate that the supply risks in Malaysia and Indonesia's will have a cascading impact, elevating the CPO price to an average of RM4,351/Mt in April, RM4,383/Mt in May and RM4,251/Mt in June. Price volatility will remain, in confluence of a rebound in output and a decrease in closing stocks, as well as the implementation of Indonesia's mandatory biodiesel blend, which was increased to B50 in February. On the external front, we've seen the CPO price traded in reversal mode against Soybean Oil, with discount vis-à-vis SBO price of USD1.2/Mt, at USD1,067.3/Mt for the aforementioned month. However, on-to-date basis, the spread remains within a premium trajectory to SBO, circa -USD10.7/Mt (-100%ytd) following firmer Soybean output in US. This is expected to aid the reduction of the global soybean by -3.2%yoy, to 124.3m Mt.

Weak production continues. Based on MPOB data, we have seen subdued Malaysia production continued, as February data showed that production fell to 1.19m tonne (-4.2%mom; -5.7%yoy; -8.8%ytd). The slowing growth was seen in most of the states particularly in Kelantan (-36.1%yoy), Terengganu (-17.3%yoy) and Sabah (-11.5%yoy) area. The FFB received by mills was also affected, down to 6.40m tonne (-0.8%yoy) with weaker average yield and OER in mills of 1.06 tonne/ha and 19.05% recorded, the FFB evacuation process was delayed by continuous rainy weather, which led to flooding in some areas. In Sabah and Sarawak region, most of the estate are having poor quality set of crops following lagged impact on El-Niño amid pollination months. Looking ahead, we opine that the biological tree rest conditions and a slower-than-expected recovery in output will persist, with local production projected to grow by only +1.0%yoy to 19.5m Mt in CY25F.

Sluggish demand on price effects. On the flip side, PO export volumes were relatively unchanged in February at 1.0m tonne (-16.3%mom; -2.2%yoy; -7.4%ytd), but the value, improved by +21.2%yoy to RM5.1b due higher sales driven by elevated prices particularly from Kenya c. RM367.5m (+4.7%yoy), Philippines c. RM264.0m (+13.0yoy) and EU c. RM353.5m (+38.5%yoy). India demand, on the other hand, remains soft at 108,624 tonne (-15.9%mom, -43.4%yoy, -37.8%ytd) on the back of price effect, as India is highly responsive to price movements. We anticipate its demand volume to remain weak following elevated CPO price to hover circa RM4,300/Mt this year. Notably, Malaysia's export market share for India now have fallen to 11% versus 16% in prior year on a to-date-basis. Moving into the next quarter, we anticipate demand to remain sluggish despite restocking activities in certain countries ahead of Eid Al-Fitr festival, mostly due to price effects.

All-in cost of production. The estimated all-in cost of production has now surged to an average of RM3,266/Mt (+23.5%qoq, +14.6%yoy), following a drop in CPO production (-5.6%qoq, -1.8%yoy), and lower mills utilisation

rates. Mills margins were somewhat affected by reduced FFB external purchase that comes with low OER due to poor quality set of crops as well as delayed FFB evacuation activities.

Additionally, the increased production cost was also driven by higher NPK fertiliser prices, with input costs such as urea, DAP, and potassium rising to USD436.5/Mt (+14.7% mom, +24.3%yoy, +19.0%ytd), USD603.8/Mt (+3.6%mom, +3.4%yoy, +0.5%ytd), and USD318.8/Mt (+5.5%mom, +10.1%yoy, +6.0%ytd) in February. By industry practise, fertiliser stocks are typically locked in 6-12 months in advance. Hence, we anticipate that most planters will bear elevated operational expenses starting from 2QCY25 onward.

Earnings; a short-lived momentum. We opine sector's top-line to continue uptick in 1HQCY25 in-line with higher average CPO price assumptions (as discussed earlier). However, margins are likely to remain under pressure due to the persistent elevated cost of production, caused by higher locked in fertiliser costs of 2HCY24, coupled with elevated external FFB purchase expenses amid low mills utilisation rates. We are downgrading our **tactically POSITIVE call to NEUTRAL.** While CPO prices are expected to remain relatively sticky, production is likely to underperform, leading to a ceteris paribus performance for CY25. Therefore, we foresee only a handful of players likely to benefit from elevated CPO prices.

Unlike in CY22, current local CPO production is underperforming, with many small planters such as TSH, Ta Ann, and Sarawak Plantation unable to fully capitalize on higher CPO prices due to a contraction in CPO production and sales volume. This is mainly due to reduced external FFB purchases from smallholders, who have struggled due to factors such as lack of fertiliser application, inadequate upkeep and difficulty in evacuating FFB during wet weather, compounded by poor quality set of crops. Hence, we recommend avoiding smaller players with significant exposure to external FFB purchases, as the aforementioned factors could risk their CPO production, particularly during the current biological tree rest environment. Instead, we suggest focusing on larger players like **IOI Corp (BUY, TP: RM4.42), SD Guthrie (BUY, TP: RM5.43),** whose CPO procurement (>50%) from their own estates offers more stability in realizing CPO prices.

XII. TECHNOLOGY

No strong earnings catalysts in the near term.....Maintain NEUTRAL

Analyst: Foo Chuan Loong, ***Martin***

Anticipating earnings weakness to persist. We are keeping our **NEUTRAL** recommendation on the semiconductor sector at this juncture. Taking cue from the recent 4QCY24 earnings season, the earnings performance of semiconductor companies under our coverage was appalling. This supported our view that the recovery for the industry remains uneven. Moving forward, we do not expect the sector earnings to be buoyed by the smartphone and automotive segments in the near-term. While AI and datacentre are the key catalysts, we view that the level of involvement in the supply chain remains low. We also think that local OSAT's venture into advanced packaging would not yield notable results anytime soon. On a broader perspective, the worsening trade wars also led to further uncertainties in terms of demand and resiliency of the supply chain. This remains unsettling as the U.S. is set to release tailored levies to each of its trading partners. Taking all factors into consideration, we opine that the earnings performance of semiconductor companies under our coverage would remain challenging in the near-term. Note that we do not have any BUY recommendation at this juncture.

4Q25 showing no upturn in outlook. The recently included 4QCY24 results continues to show tough outlook for semiconductor companies. Generally, semiconductor companies under our coverage saw earnings decline of between -35%yoy and -63%yoy as weak revenue was further met with higher operating expenses. Sequentially,

we anticipate quarterly earnings recovery to remain doubtful especially for 1HCY25 as we believe utilisation rate to remains unfavourable. That being said, the implementation of RM1,700 minimum wage (from RM1,500 previously) from February 2025 onwards should not led to notable increase in the operating costs.

Challenging iPhone outlook. According to IDC, the worldwide smartphone shipment is expected to grow a modest pace of +2.3%yoy in 2025 to 1.26b units. This is in comparison with +6.1%yoy growth recorded for 2024. Note that the growth primarily will come from the android market, especially from the Chinese market in view of the national subsidies. To recall, early this year the Chinese Government announced subsidy scheme for electronics purchases including smartphone. This involves giving consumer 15% subsidy capped at CNY500 per purchase for buying smartphone that cost under CNY6,000. Following the subsidy programme, Huawei, Vivo and Xiaomi has seen an improvement in smartphone sales. This, however, is at the expense of Apple who is not eligible for inclusion in the programme. We also view that the introduction of iPhone 16e will not make an impact as iPhone users in China usually favour the premium segment. This is compounded by the recent delay in the AI-infused Siri which serve as another hindrance to iPhone sales. Given the local semiconductor companies' involvement in Apple's supply chain, we do not discount that the challenging iPhone sales would affect the volume loading.

Another subdued year for automotive? According to S&P Global Mobility, new global auto sales are forecasted to increase marginally by +1.7%yoy to 89.6m units. This is similar to ING's expectation of a +1.6%yoy growth for the automotive sector. This is mainly to take into account post-election US policy shifts, competition from Chinese-EV makers as well as disputes over ambitious decarbonisation target. Premised on this, we do not foresee strong restocking activity. We do not discount the possibility that low restocking activity was due to inventory overhang. Note that marginal sales improvement for automotive was seen for 2024. Thus, to address the slowdown in automotive sales, the semiconductor contents, including LED, need to increase notably. This would only be made possible via the launch of new automotive models. Note that new model launches normally take place towards the 2nd half of the year to capture the year-end trend purchases.

AI and datacentre remain the bright spot. The semiconductor sales for AI and Datacentre remain the key driver for the overall global semiconductor sales. In terms of AI, we take cue from the global giants such as TSMC, Nvidia and AMD which expect strong double-digit growth in AI-driven sales in the next couple of years. Meanwhile, Moody's is expecting a surge in global data centre capacity, most of which will be taken by Microsoft, AWS, Google, Meta and Oracle. This is to support AI, cloud computing as well as data storage services. Nonetheless, we do not discount the possibility that the emergence of Deepseek could lead to re-evaluation of the infrastructure investments.

Potential revocation of CHIPS Act. Recently, U.S. President Donald Trump called for ending the USD52b semiconductor subsidy programme (i.e. CHIPS Act). The programme consists of USD39b in grants, loans, 25% tax breaks as well as USD11b for chip research and development for the purpose of strengthening the domestic semiconductor manufacturing. Instead, tariffs could be use as leverage to spur investment in the U.S. Should such development proceed, we view that it could potentially put the expansion plan of the global giant in the U.S. at risk. This could also lead to further changes in the supply chain. Moreover, the revocation of CHIPS Act could possibly serve an advantage to China. To recall, the recipients of the CHIPS Act are restrained from expanding semiconductor manufacturing in China or any countries that pose a threat to the U.S. national security. On another note, we do not discount there is further uncertainty in view of the unveiling of the tailored levies by the U.S on each of its trading partner.

Advanced packaging still at nascent stage in Malaysia. According to Yole Group, the advanced semiconductor packaging (AP) market is expected to grow at a CAGR of 11% from 2023 to 2029. This is supported by growing demand for AI, High Performance Computing (HPC), Application-specific Integrated Circuits (ASICs) and other applications. Thus, to remain relevant, local OSAT companies would need to be well versed in AP. At this juncture,

the AP market in Malaysia is still at a nascent stage. While we acknowledged that a lot of effort has been put in place, the progress will depend on overcoming challenges such as cost, yield, thermal management and reliability to name a few.

XIII. TELECOMMUNICATION

Potential heavy cash outlay.....Maintain NEUTRAL

Analyst: Foo Chuan Loong, ***Martin***

Seeing some headwinds. We are keeping our **NEUTRAL** stance on the telecommunication sector. While U Mobile has been awarded for the deployment of the second 5G network, the commencement date has yet to be known. This is because the telcos, who are also DNB's shareholders, would need to repay the RM950m initial funding to the Government as highlighted by the Digital Minister Gobind Singh Deo. This could potentially translate into heavy cash outlay for the telcos. Moreover, it remains to be seen what U Mobile's strategy is in rolling out the second 5G network. The partnership with the equipment providers would partially allay the concern of equipment-related capex. Looking at the timeline, we view that regulators may place a rather tight schedule on the rollout of the second 5G network. On a separate note, should the subsidy rationalisation programme commenced around mid-2025 as announced during budget 2025, we view that telcos would need to improve the offering while maintaining the price point to defend the revenue and thus, market share. As such, having active cost management would help to protect the profitability of the telcos. On a positive note, we view telco's existing dividend yield of around three to six percent would serve as a sweetener. Taking into consideration all factors, we retain **Maxis (BUY, TP: RM4.38)** as our top pick for the sector.

Growing revenue could be a challenge. Taking cue from Budget 2025, the RON95 petrol subsidy is expected to commence by around mid- 2025. In view of this we do not discount the possibility that there could be potential downgrade in telecommunication bill as part of the measure to control expenses. We expect the impact to the bottomline could potentially be minimum. Our view is premised on a combination of: i) continuous pre-to-post conversion which provide better monthly payment visibility, ii) maintaining the current price point with higher value proposition especially in the case of product bundling and, iii) active cost management effort from both opex and capex perspective. However, this would also mean that it could be difficult for the telcos to grow the mobile service revenue. Resumption of service growth could potentially be seen once the consumer has adapted to the new subsidy system.

Optimising the capital spending. As of December 2025, the 5G network coverage has reached 82.4% of populated areas, supported by close to 7.5k transmitter sites nationwide. This has also led to higher 5G adoption among the public of 53.3% from 24.6% a year ago. More prevalent 5G adoption would naturally lead to higher 5G access fee in 2025 as compared to 2024. On the flip side, we opine that higher leverage on the 5G network would enable the MNOs to control their capital spending by optimising the 4G capex. This is made possible as the 4G network coverage has exceeded 97% as at December 2024.

Commencement on second 5G network remains unknown. On another note, we view that the above is important as there could be further cash outlay for the telcos. To recall, following the revocation on DNB status as a SWN, Digital Minister Gobind Singh Deo has announced that the telcos must repay back the Government initial RM950m funding and takeover the bank loans guaranteed by the Government before the second 5G can be deployed. To recall, CelcomDigi, Maxis, U Mobile and YTL collectively own 65% shares in DNB while the remainder shares are owned by MOF Inc. Any delay on the repayment to the Government would potentially push back the

commencement date on the second 5G network.

All eyes on U Mobile. Following the award on the implementation of the second 5G network, U Mobile will roll out the network on its own without the need for government funding or new local partners. In-tandem, it plans to roll out its 5G network within one and a half years and aims to go public by the end of this year. We view that the bulk of the IPO proceeds will be channelled towards capital spending in the absence of new local partners. Partnership with telco suppliers such as Huawei and ZTE would partially alleviate the issue on capex as these suppliers have the financial muscle to provide financing. Nonetheless, we are also concerned on the valuation that U Mobile would be able to garner given the neutral outlook on the local telecommunication sector.

DNB staying relevant. On another note, due to the shift from single wholesale network (SWN) to a dual 5G network (DWN) model, DNB has begun its restructuring exercise. This involves updating its business and funding plans and implementing a radical operational and cost optimisation strategy. This is to ensure long term viability of DNB as one of the main 5G network providers. We view that this will also help the telcos to maintain a healthier balance sheet given their shareholding in DNB.

Attractive dividend yield. On a year-to-date basis, telecommunication stocks under our coverage have declined by between -2.5% to -24.17%. This is despite positive earnings performance seen for FY24 apart from Celcomdigi Bhd. Couple with commendable dividend payout, we view that dividend yield of telecommunication stocks under our coverage are rather attractive at between 2.9% to 6.0%.

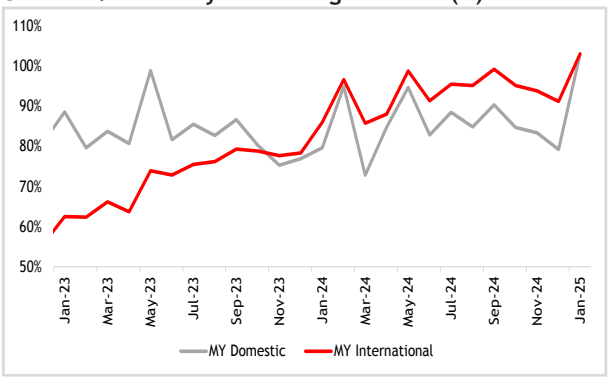
XIV. TRANSPORTATION

Promising yet pressured.....Maintain NEUTRAL

Analyst: ***Amalia*** *Zarir*

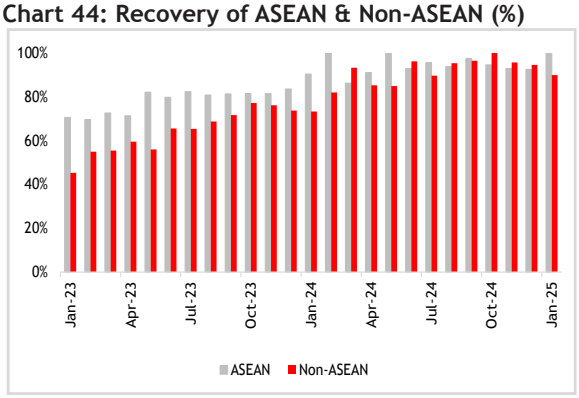
Aviation

Chart 43: Recovery of Passenger Traffic (%)



Source: MAHB, MIDFR

Chart 44: Recovery of ASEAN & Non-ASEAN (%)



Source: MAHB, MIDFR

Is full recovery in sight? Earlier this month, the Malaysian Aviation Commission (MAVCOM) reported Malaysia's Jan-25 air traffic at 9.2m passengers, up +6.0% from Jan-19 – surpassing pre-pandemic levels for the first time. Both domestic and international sectors grew +3.0% above pre-pandemic levels. Passenger growth in the international sector was led by non-ASEAN travel, which increased by +6.0% above pre-pandemic levels, while ASEAN passenger volumes saw a more modest rise of +2.0%. Strong school holiday and Chinese New Year travel demand, restored seat capacity, and visa exemptions for Chinese and Indian tourists fueled growth. New international routes, such as Kuala Lumpur – Dali and Tawau – Singapore, further boosted passenger volumes. Before its delisting, we

expected Malaysia Airports Holdings Berhad (MAHB), which operates 39 airports in Malaysia, to record 109.2m passengers in CY25 or equivalent to a +4.0% increase compared to the CY19 level. At the same time, MAVCOM projected passenger traffic to reach between 105.8m and 112.9m this year (including non-MAHB-operated airports), representing a recovery of 97% to a growth of +3.0% over CY19 levels.

Skies clearing for airlines. Overall, we believe the operating landscape, including MRO challenges for local airlines, has seen improvement. More than half of the operating expenses in the airline industry are USD-denominated, with a substantial share allocated to jet fuel purchases. Therefore, the anticipated strengthening of the MYR against the USD, as mentioned earlier, would be advantageous. Furthermore, recent data indicates that the jet fuel spot prices have declined about -6.0% year-to-date, with the crack spread dropping below USD15 per barrel. We expect load factors to remain healthy at over 80% (CY19: 83%), reflecting tight supply. Unlike other local airlines that downsized their fleets during the pandemic and are now focusing on replacing ageing aircraft rather than expanding, only AirAsia Malaysia (holding close to 40% of the market share) has maintained its fleet and plans full reactivation this year. Although the entry of 15 new foreign airlines last year may help moderate average airfares, they are still expected to remain above pre-pandemic levels for this year.

Port & Logistics

Tariff tensions resurfaced. The Goods Trade Barometer – a composite leading indicator offering real-time insights into global merchandise trade – recorded a reading of 102.8 in Jan-25, indicating above-trend trade activity with accelerating growth. However, the increase may partly reflect the frontloading of imports by businesses and consumers in response to rising trade policy uncertainty, which could dampen demand later in the year. As highlighted in our previous report, the ongoing tariff uncertainty is likely to trigger a temporary uptick in the local port throughput, particularly transhipment volumes. We may also see a short-term increase in ocean shipping costs in U.S.-bound trade routes, similar to the spike observed during Trump's previous term, although the magnitude may vary. That said, the continued shift towards the China +1 strategy is proving beneficial for port and logistics operators, as more MNCs set up operations in Malaysia. This is expected to support higher goods production levels and drive gateway volume growth in the long term.

Earnings backed by warehousing. At least for this year, the warehousing segment is expected to be the key earnings driver for the sector, supported by strong demand for strategically located facilities near ports and industrial zones. This demand is driven by businesses aiming to safeguard their supply chains, creating room for expansion. Under our coverage, **Swift Haulage (NEUTRAL, TP: RM0.40)** is currently constructing a new 200,000 sq ft warehouse in Perai, Penang, slated for completion in 3QFY25. This will expand its owned/leased and operated warehouse footprint to 1.9m sq ft (+12.0%) by end-CY25. **Tasco (BUY, TP: RM0.92)**, meanwhile, stands to benefit from the full-year contribution of its recently added 870,000 sq ft warehouse, which is now fully occupied. Despite the rising capacity, rental rates have remained stable. As these new facilities ramp up toward optimal utilisation, integrated logistics players are well-positioned to capture growth by cross-selling transportation services. We also believe the newly announced tax incentive for Smart Logistics Complexes (SLCs) under Budget 2025 will play a role in supporting future expansion plans for logistics operators.

Maintain NEUTRAL. Tasco (BUY, TP: RM0.92) remains our sole top pick for the sector, backed by its attractive valuation – currently trading at -1.0SD below its 5-year historical mean. While freight rates may experience some volatility amid trade tariff uncertainty, Tasco has introduced a clause effective from Jul-24 that permits price adjustments if market rates exceed tendered prices by 10%, offering a buffer against sharp fluctuations. Customers' current preference for short-term contracts of 3 to 6 months also provides Tasco with a degree of earnings visibility.

Table i: MIDF RESEARCH STOCK UNIVERSE as at 21 March 2025 (cont'd)

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			
					FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24
CONSTRUCTION														
Cahya Mata Sarawak Berhad	Dec	BUY	0.99	1.57	128.2	164.1	169.0	11.9	15.3	15.7	12.0	28.0	3.0	8.3
Gamuda Berhad	Jul	BUY	3.97	5.42	912.1	1,298.6	1,359.5	16.7	22.5	23.6	-52.4	35.3	4.7	23.8
IJM Corporation Berhad	Mar	BUY	2.04	3.89	600.3	583.8	620.2	17.1	16.7	17.7	281.1	-2.7	6.2	11.9
Malaysian Resources Corporation Berhad	Dec	BUY	0.41	0.56	63.7	65.0	68.3	1.4	1.5	1.5	-36.7	1.7	5.1	28.3
Pekat Group Berhad	Dec	BUY	1.14	1.51	22.0	35.4	35.7	3.4	5.5	5.5	60.1	61.0	0.8	33.4
Sunview Group Berhad	Mar	BUY	0.40	0.62	9.7	9.0	13.9	2.0	1.6	2.4	-32.3	-21.9	54.4	19.7
Sunway Construction Group Berhad	Dec	BUY	4.44	4.82	186.9	240.0	259.8	14.5	18.6	20.1	28.9	28.3	8.2	30.6
WCT Holdings Berhad	Dec	BUY	0.65	0.97	278.0	76.6	79.7	19.1	4.9	5.1	-206.2	-74.2	4.0	3.4
CONGLOMERATE														
YTL Corporation Berhad	Jun	BUY	2.05	3.94	2,140.5	2,111.0	2,159.0	19.5	19.1	19.5	95.3	-2.1	2.3	10.5
TELECOMMUNICATIONS														
Axiata Group Berhad	Dec	NEUTRAL	1.71	2.14	946.8	908.0	1,091.8	10.3	9.9	11.9	-147.5	-4.0	20.2	16.6
CelcomDigi Berhad	Dec	NEUTRAL	3.33	3.68	1,376.5	1,901.0	2,132.0	11.7	16.2	18.2	-11.1	38.1	12.2	28.4
Maxis Berhad	Dec	BUY	3.12	4.38	1,396.0	1,629.0	1,750.0	17.8	20.8	22.3	40.2	16.8	7.4	17.5
Telekom Malaysia Berhad	Dec	NEUTRAL	6.42	6.88	2,016.9	1,700.6	2,008.2	52.6	44.3	52.3	7.6	-15.8	18.1	12.2
TECHNOLOGY														
D&O Green Technologies Berhad	Dec	NEUTRAL	1.44	1.31	39.5	52.1	68.5	3.0	4.2	5.5	-15.7	39.6	31.5	47.8
NEXG Berhad	Mar	BUY	0.26	0.58	92.3	97.7	107.4	3.3	3.5	3.9	22.4	7.1	9.9	7.9
Inari Amertron Berhad	Jun	TRADING SELL	2.01	2.29	300.2	281.9	348.4	8.0	7.4	9.2	-7.7	-7.1	23.6	25.1
My E.G. Services Berhad	Dec	BUY	0.92	1.25	697.5	793.5	902.0	9.3	10.3	11.7	41.6	10.6	13.7	9.9
Unisem (M) Berhad	Dec	SELL	1.99	1.86	60.7	100.2	123.3	3.8	6.2	7.6	-24.3	65.2	23.1	52.9
PLANTATION														
FGV Holdings Berhad	Dec	NEUTRAL	1.10	1.16	276.3	279.0	333.7	7.6	7.6	9.1	170.4	1.0	19.6	14.5
Genting Plantations	Dec	NEUTRAL	5.18	6.26	323.1	351.0	376.8	36.0	39.1	42.0	27.5	8.6	7.4	14.4
IOI Corporation Berhad	Jun	BUY	3.69	4.42	1,109.4	1,165.3	1,269.1	17.9	18.8	20.5	-0.4	5.1	8.9	20.6
Kuala Lumpur Kepong Berhad	Sep	NEUTRAL	21.00	20.00	591.0	1,077.8	1,096.2	54.3	96.8	98.4	-29.8	78.2	1.7	38.7
PPB Group Berhad	Dec	NEUTRAL	11.58	10.61	1,219.4	1,257.7	1,303.1	85.7	88.4	91.6	-12.5	3.1	3.6	13.5
Sarawak Plantation Berhad	Dec	NEUTRAL	2.31	2.29	92.0	75.3	67.0	33.0	27.0	24.0	42.8	-18.2	-11.0	7.0
SD Guthrie Berhad	Dec	BUY	4.90	5.43	2,164.0	1,708.1	1,791.1	31.3	24.7	25.9	16.4	-21.1	4.9	15.7
TSH Resources Berhad	Dec	NEUTRAL	1.22	1.24	140.5	131.9	150.0	10.2	9.8	11.2	47.9	-3.4	13.7	12.0
HEALTHCARE														
Hartalega Holdings Berhad	Mar	NEUTRAL	2.09	2.45	12.5	98.5	199.5	0.4	2.9	5.8	-105.4	679.9	102.5	564.9
IHH Healthcare Berhad	Dec	BUY	6.90	8.18	2,657.0	1,725.0	1,801.0	30.2	19.6	20.4	-10.0	-35.2	4.4	22.9
Kossan Rubber Industries Berhad	Dec	NEUTRAL	1.80	1.93	120.0	123.8	131.2	4.7	4.9	5.2	803.8	3.6	6.0	38.3
KPJ Healthcare Berhad	Dec	BUY	2.60	2.78	353.8	437.0	487.0	7.6	10.0	11.2	25.7	31.9	11.4	34.3
Pharmaniaga Berhad	Dec	NEUTRAL	0.26	0.48	131.8	134.0	n.a.	9.2	9.3	n.a.	-256.1	1.6	n.a.	2.8
Top Glove Corporation Berhad	Aug	NEUTRAL	0.88	0.83	-64.9	107.6	125.4	-0.8	1.3	1.6	-93.0	-265.7	16.5	n.a.
CONSUMER (F&B, Retail)														
AEON Co. (M) Berhad	Dec	BUY	1.38	1.77	128.0	160.4	170.0	9.1	11.4	12.1	11.5	25.3	6.0	15.1
Asia File Corporation Berhad	Mar	SELL	1.53	1.25	52.1	17.6	26.1	26.8	9.3	13.8	64.9	-65.3	48.3	5.7
Fraser & Neave Holdings Berhad	Sep	BUY	23.58	36.77	542.8	600.4	646.9	148.2	163.7	176.4	1.2	10.5	7.7	15.9
Hup Seng Industries Berhad	Dec	NEUTRAL	1.07	1.09	57.6	63.8	68.4	7.2	8.0	8.6	27.7	10.8	7.2	14.9
Leong Hup International Berhad	Dec	BUY	0.62	0.90	428.9	450.4	476.5	11.8	12.5	13.2	42.1	6.1	5.8	5.2
MSM Malaysia Holdings Berhad	Dec	TRADING BUY	1.19	1.55	31.3	67.9	103.7	4.5	9.7	14.8	-162.7	117.1	52.7	26.7
Nestlé (Malaysia) Berhad	Dec	NEUTRAL	64.00	77.90	415.6	544.2	584.2	177.2	232.1	249.1	-36.9	30.9	7.4	36.1
Oriental Kopi Holdings Berhad	Sep	BUY	0.72	0.83	43.1	62.8	82.7	n.a.	3.1	4.1	n.a.	n.a.	31.7	n.a.
Padini Holdings Berhad	Jun	BUY	2.13	2.19	146.6	150.0	158.5	14.9	15.2	16.1	-34.2	2.4	5.7	14.3
QL Resources Berhad	Mar	NEUTRAL	4.74	4.40	437.9	479.3	499.8	12.0	13.1	13.7	28.6	9.4	4.3	39.5
Rhong Khen International Berhad	Jun	BUY	1.20	1.60	12.4	20.9	26.9	6.4	10.7	13.8	-46.7	67.2	28.7	18.8
Spritzer Berhad	Dec	BUY	1.57	1.75	71.1	75.2	82.8	11.2	11.8	13.0	43.6	5.8	10.1	14.1
BANKING														
Affin Bank Berhad	Dec	NEUTRAL	2.77	2.65	509.7	647.0	688.0	21.4	27.0	28.7	23.7	25.9	6.3	12.9
Alliance Bank Malaysia Berhad	Mar	NEUTRAL	5.09	4.74	690.5	732.0	781.0	44.6	47.3	50.4	1.8	6.0	6.7	11.4
AMMB Holdings Berhad	Mar	NEUTRAL	5.61	5.60	1,868.1	1,912.0	1,989.0	56.5	57.9	60.2	9.4	2.4	4.0	9.9
Bank Islam Malaysia Berhad	Dec	BUY	2.50	2.95	571.1	624.0	665.0	25.2	27.5	29.3	2.6	9.3	6.6	9.9
CIMB Group Holdings Berhad	Dec	BUY	6.85	9.15	7,728.0	8,268.0	8,428.0	72.3	77.0	78.5	10.4	6.6	1.9	9.5
Hong Leong Bank Berhad	Jun	BUY	20.48	24.60	4,196.2	4,476.0	4,855.0	204.7	206.5	224.0	9.8	0.9	8.5	10.0
Hong Leong Financial Group Berhad	Jun	BUY	17.62	24.70	3,197.7	3,263.0	3,545.0	281.9	284.9	309.5	11.0	1.1	8.6	6.3
Malayan Banking Berhad	Dec	BUY	10.18	12.11	10,088.7	10,684.0	11,213.0	83.6	88.4	92.8	7.7	5.8	5.0	12.2
Public Bank Berhad	Dec	BUY	4.49	5.35	7,147.0	7,619.0	7,831.0	36.8	39.3	40.3	7.5	6.5	2.8	12.2
RHB Bank Berhad	Dec	BUY	6.76	7.40	3,120.2	3,287.0	3,411.0	72.0	75.4	78.2	9.6	4.7	3.8	9.4

Source: Company, MIDFR

	PER		DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RM m)	52-week Price	
	FY25F	FY26F	FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24							High (RM)	Low (RM)
	6.5	6.3	3.0	3.0	3.0	3.0	3.0	3.0	0.31	3.16	13.72	3.61	4.51	1,074.8	1,064.1	1.50	0.91
	17.6	16.8	8.0	1.5	1.0	2.0	0.4	0.3	1.92	2.07	9.73	4.87	11.27	5,762.7	22,877.8	5.38	2.53
	12.2	11.5	7.0	8.0	8.0	3.4	3.9	3.9	0.70	2.90	9.90	2.74	5.16	3,505.2	7,150.5	3.76	1.86
	27.8	26.5	1.0	1.0	1.0	2.5	2.5	2.5	0.39	1.03	3.95	0.70	1.41	4,467.5	1,809.3	0.74	0.37
	20.8	20.6	0.0	0.0	0.0	0.0	0.0	0.0	4.63	0.25	12.16	8.45	18.12	645.0	735.3	1.27	0.45
	25.2	16.3	0.0	0.0	0.0	0.0	0.0	0.0	1.45	0.27	1.93	2.37	6.41	567.7	227.1	0.81	0.38
	23.9	22.0	8.5	7.0	7.0	1.9	1.6	1.6	6.52	0.68	6.82	6.67	25.58	1,289.8	5,726.5	5.30	2.68
	13.1	12.6	0.0	0.0	0.0	0.0	0.0	0.0	0.30	2.11	4.20	0.84	2.03	1,558.9	1,005.5	1.35	0.51
	10.7	10.5	4.0	4.5	5.0	2.0	2.2	2.4	1.41	1.45	7.09	2.38	8.74	11,049.8	22,652.1	3.92	1.71
	17.3	14.4	10.0	11.0	12.0	5.8	6.4	7.0	0.74	2.31	4.07	1.22	3.29	9,185.5	15,707.2	2.94	1.70
	20.6	18.3	14.3	15.4	17.3	4.3	4.6	5.2	2.43	1.37	14.99	5.27	11.74	11,731.5	39,065.9	4.35	3.25
	15.0	14.0	17.0	17.0	17.0	5.4	5.4	5.4	4.14	0.75	15.46	7.30	27.58	7,833.1	24,439.3	4.00	3.11
	14.5	12.3	18.5	26.5	27.5	2.9	4.1	4.3	2.44	2.63	14.52	8.04	16.57	3,837.7	24,638.1	7.12	5.89
	34.3	26.1	0.3	0.3	0.3	0.2	0.2	0.2	2.62	0.55	4.85	2.87	5.36	1,239.5	1,784.9	3.97	1.15
	7.4	6.7	2.5	3.0	3.0	9.4	11.5	11.5	1.77	0.15	26.53	20.86	26.60	2,782.2	723.4	0.58	0.24
	27.0	21.9	7.7	7.4	8.5	3.8	3.7	4.2	2.70	0.74	19.06	7.93	8.88	3,788.9	7,615.8	4.03	1.87
	8.9	7.9	2.7	3.2	3.6	3.0	3.5	3.9	2.38	0.39	78.03	18.68	27.85	7,715.7	7,098.4	1.15	0.77
	32.0	26.0	8.0	8.0	8.0	4.0	4.0	4.0	1.43	1.39	6.34	3.47	4.46	1,613.1	3,210.0	4.44	1.82
	14.4	12.0	5.0	5.0	5.0	4.5	4.5	4.5	0.66	1.67	1.26	1.51	3.66	3,648.2	4,013.0	1.45	1.04
	13.2	12.3	17.0	25.0	21.0	3.3	4.8	4.1	0.88	5.88	11.95	3.65	6.58	897.2	4,647.3	6.18	5.08
	19.6	18.0	9.5	8.5	8.5	2.6	2.3	2.3	1.91	1.94	12.13	6.49	9.70	6,203.7	22,891.6	4.14	3.59
	21.7	21.3	60.0	55.0	57.0	2.9	2.6	2.7	1.67	12.57	4.84	3.53	7.18	1,113.7	23,386.8	23.40	19.74
	13.1	12.6	42.0	35.0	35.0	3.6	3.0	3.0	0.62	18.68	23.35	4.37	4.62	1,422.6	16,473.7	16.10	10.34
	8.6	9.6	20.0	15.0	10.0	8.7	6.5	4.3	0.83	2.79	13.66	7.31	9.61	279.0	644.6	2.67	2.04
	19.8	18.9	16.4	15.0	15.0	3.3	3.1	3.1	1.64	3.00	8.61	5.33	8.07	6,915.7	33,887.0	5.19	4.15
	12.4	10.9	2.5	2.0	2.0	2.0	1.6	1.6	0.84	1.46	12.93	4.80	5.82	1,340.1	1,634.9	1.28	1.04
	72.4	35.8	0.0	3.5	4.5	0.0	1.7	2.2	1.66	1.26	5.36	1.87	2.12	3,413.3	7,133.7	4.00	1.92
	35.3	33.8	10.0	10.5	10.9	1.4	1.5	1.6	2.02	3.42	7.07	3.04	5.09	8,817.4	60,840.3	7.56	5.93
	37.0	34.9	0.0	2.5	3.0	0.0	1.4	1.7	1.26	1.43	6.49	3.03	3.37	2,543.0	4,577.4	2.87	1.64
	26.0	23.3	4.2	4.4	5.0	1.6	1.7	1.9	4.64	0.56	11.14	5.90	15.96	4,364.3	11,347.2	2.82	1.72
	2.7	n.a.	0.0	3.4	n.a.	0.0	13.3	n.a.	-2.15	-0.12	3.56	6.73	-91.82	1,441.2	367.5	0.47	0.20
	65.2	55.9	0.0	0.5	0.6	0.0	0.6	0.7	1.50	0.58	4.28	1.55	1.84	8,017.8	7,015.6	1.44	0.80
	12.1	11.4	4.5	4.6	4.8	3.3	3.3	3.5	1.00	1.38	3.76	2.85	8.28	1,404.0	1,937.5	1.61	1.07
	16.5	11.1	10.5	3.5	5.2	6.9	2.3	3.4	0.38	4.00	5.98	2.06	2.22	189.4	289.7	2.37	1.48
	14.4	13.4	63.0	77.0	77.0	2.7	3.3	3.3	2.30	10.26	11.45	10.97	16.74	366.8	8,648.6	33.80	23.20
	13.4	12.5	4.0	6.8	7.3	3.7	6.4	6.8	5.23	0.20	16.14	25.41	38.95	800.0	856.0	1.31	0.79
	4.9	4.7	0.0	2.5	2.6	0.0	4.1	4.2	0.92	0.67	4.84	6.99	13.54	3,613.3	2,222.2	0.78	0.55
	12.3	8.1	0.0	3.0	3.0	0.0	2.5	2.5	0.56	2.13	1.92	2.13	4.54	703.0	836.5	3.70	1.03
	27.6	25.7	179.0	220.5	236.7	2.8	3.4	3.7	27.41	2.33	8.74	14.91	99.39	234.5	15,008.0	130.00	61.80
	22.9	17.4	0.0	0.9	1.2	0.0	1.3	1.7	n.a.	n.a.	22.65	34.61	117.34	2,000.0	1,440.0	0.99	0.64
	14.0	13.3	6.7	12.0	12.0	3.1	5.6	5.6	1.82	1.17	7.82	8.20	13.50	986.9	2,102.0	2.64	1.60
	36.1	34.6	4.3	4.7	4.9	0.9	1.0	1.0	5.44	0.87	7.21	8.75	14.99	3,650.3	17,302.5	4.90	3.87
	11.2	8.7	3.0	3.2	4.2	2.5	2.7	3.5	0.34	3.49	4.01	2.57	3.01	195.3	234.4	1.40	1.10
	13.3	12.1	2.0	3.5	3.9	1.3	2.2	2.5	1.72	0.91	12.99	9.74	12.92	636.7	999.7	1.72	1.08
	10.3	9.7	0.0	8.1	8.5	0.0	2.9	3.1	0.57	4.83	15.22	0.58	5.58	2,400.5	6,649.3	3.43	2.38
	10.8	10.1	22.3	21.3	22.7	4.4	4.2	4.5	1.06	4.79	22.14	0.95	10.20	1,548.1	7,879.9	5.40	3.59
	9.7	9.3	22.6	23.1	27.1	4.0	4.1	4.8	0.92	6.07	22.63	0.97	9.83	3,304.1	18,535.8	5.94	4.08
	9.1	8.5	4.1	16.5	17.6	1.6	6.6	7.0	0.74	3.38	14.55	0.64	8.15	2,266.5	5,666.2	2.81	2.38
	8.9	8.7	47.0	49.8	50.6	6.9	7.3	7.4	1.06	6.47	22.01	1.09	11.67	10,734.9	73,534.1	8.50	6.39
	9.9	9.1	68.0	76.4	82.9	3.3	3.7	4.0	1.10	18.56	41.71	1.50	12.00	2,167.7	44,394.9	21.88	18.72
	6.2	5.7	54.0	57.5	62.5	3.1	3.3	3.5	0.65	27.30	27.72	0.97	7.35	1,145.2	20,179.2	20.18	16.30
	11.5	11.0	61.0	66.5	74.4	6.0	6.5	7.3	1.31	7.79	21.57	0.99	10.99	12,080.6	122,980.3	11.04	9.53
	11.4	11.1	21.0	21.6	22.2	4.7	4.8	4.9	1.52	2.95	30.91	1.40	12.77	19,410.7	87,154.0	4.84	3.98
	9.0	8.6	40.0	44.6	45.4	5.9	6.6	6.7	0.91	7.45	22.11	0.94	10.10	4,359.5	29,470.2	7.04	5.44

Table i: MIDF RESEARCH STOCK UNIVERSE as at 21 March 2025 (cont'd)

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			
					FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24
FINANCE														
Bursa Malaysia Berhad	Dec	NEUTRAL	7.81	8.80	310.1	302.3	309.0	38.3	37.4	38.2	22.8	-2.5	2.2	20.4
Allianz Malaysia Berhad	Dec	BUY	18.22	25.76	717.2	805.0	847.0	401.5	447.3	470.6	35.3	11.4	5.2	4.5
LPI Capital Berhad	Dec	BUY	14.02	14.52	377.1	387.0	415.0	94.7	97.1	104.2	20.2	2.6	7.2	14.8
Syarikat Takaful Malaysia Keluarga Berhad	Dec	BUY	3.60	4.97	378.1	421.0	441.0	45.2	48.3	50.6	9.0	6.9	4.8	8.0
OIL & GAS														
Bumi Armada Berhad	Dec	BUY	0.53	0.70	634.0	681.6	703.6	10.7	11.5	11.9	90.7	7.5	3.2	5.0
Deleum Berhad	Dec	BUY	1.45	1.92	74.2	81.3	82.0	18.5	20.2	20.4	62.2	9.6	0.9	7.9
Dialog Group Berhad	Jun	NEUTRAL	1.55	1.90	575.0	437.4	530.5	10.2	7.8	9.4	12.6	-23.9	21.3	15.2
Gas Malaysia	Dec	BUY	4.22	4.57	441.4	479.0	495.0	34.4	37.3	38.6	14.6	8.5	3.3	12.3
Malaysia Marine and Heavy Engineering Holdings Berhad	Dec	BUY	0.37	0.70	121.0	137.3	143.1	7.6	8.6	8.9	-125.0	13.5	4.2	4.9
Petronas Chemicals Group Berhad	Dec	NEUTRAL	3.66	4.34	1,175.0	1,723.3	1,758.7	14.7	21.5	22.0	-30.7	46.5	2.1	24.9
Petronas Dagangan Berhad	Dec	BUY	19.20	22.25	1,086.6	1,123.3	176.8	109.4	113.1	17.8	15.3	3.4	-84.3	17.6
Petronas Gas Berhad	Dec	BUY	17.24	18.67	1,836.3	1,805.6	1,838.8	92.8	91.3	92.9	0.9	-1.7	1.8	18.6
PROPERTY & REITS														
Al 'Aqar Healthcare REIT	Dec	NEUTRAL	1.26	1.26	58.3	68.0	70.0	6.9	8.1	8.3	-6.8	16.7	2.9	18.2
AXIS Real Estate Investment Trust	Dec	BUY	1.81	2.02	210.0	181.0	187.0	11.8	9.0	9.3	-5.6	-23.7	3.3	15.3
Eco World Development Group Berhad	Oct	BUY	1.92	2.11	303.5	372.0	381.0	10.3	12.5	12.8	60.2	21.8	2.4	18.6
Glomac	Apr	NEUTRAL	0.36	0.39	23.6	21.2	33.2	3.1	2.8	4.3	-25.1	-10.0	56.6	11.7
IGB Real Estate Investment T	Dec	NEUTRAL	2.29	2.10	579.8	386.0	392.0	16.1	10.7	10.8	11.5	-33.6	1.6	14.3
IOI Properties Group Berhad	Jun	NEUTRAL	1.93	2.04	2,061.8	393.0	550.0	37.5	7.1	10.0	48.0	-80.9	39.9	5.2
KLCCP Stapled Group	Dec	NEUTRAL	8.26	8.40	498.2	829.0	838.0	27.6	45.9	46.4	25.6	66.4	1.1	29.9
Mah Sing Group Berhad	Dec	BUY	1.26	2.09	240.7	260.0	294.0	9.5	10.2	11.5	7.6	6.5	13.1	13.2
Matrix Concepts Holdings Berhad	Mar	BUY	1.39	1.69	244.3	215.0	266.0	13.0	11.5	14.2	-1.0	-11.9	23.7	10.7
Pavilion Real Estate Investment Trust	Dec	BUY	1.44	1.69	409.9	327.0	336.0	11.2	8.9	9.2	-11.6	-20.4	2.8	12.8
S P Setia Berhad	Dec	BUY	1.19	1.67	576.0	502.0	458.0	10.2	10.0	9.2	111.7	-1.2	-8.8	11.7
Sunway Real Estate Investment Trust	Dec	BUY	1.83	1.99	524.8	383.0	402.0	15.0	11.2	11.7	61.5	-25.5	5.0	12.2
Sunway Berhad	Dec	NEUTRAL	4.50	4.73	1,154.2	904.0	959.0	16.7	14.6	15.5	44.8	-12.6	6.1	26.9
UOA Development Berhad	Dec	BUY	1.77	2.09	287.3	257.0	268.0	11.3	9.8	10.2	2.5	-13.1	4.3	15.7
TRANSPORT														
-Logistics														
Suria Capital Holdings Berhad	Dec	SELL	1.54	1.02	33.5	35.0	35.9	9.6	10.1	10.4	-3.3	5.4	2.6	16.0
Swift Haulage Berhad	Dec	NEUTRAL	0.41	0.40	40.3	31.8	34.1	4.6	3.6	3.9	-34.8	-20.7	7.2	9.0
Tasco Berhad	Mar	BUY	0.64	0.92	61.7	43.7	52.4	7.7	5.5	6.6	-32.0	-29.2	19.9	8.2
- Ports														
Westports Holdings Berhad	Dec	NEUTRAL	4.73	4.43	898.0	938.1	974.4	26.3	27.5	28.6	15.2	4.5	3.9	18.0
- Shipping														
MISC Berhad	Dec	BUY	7.10	8.13	1,193.5	2,419.5	2,498.3	26.7	54.2	56.0	-43.9	103.0	3.3	26.6
UTILITIES														
Ranhill Utilities Berhad	Jun	SELL	1.19	1.12	52.8	85.7	65.5	4.1	6.6	5.1	0.0	62.1	-23.6	29.2
Samaiden Group Berhad	Jun	BUY	1.09	1.69	16.1	21.7	23.7	3.9	5.2	5.6	50.6	31.4	9.2	27.7
Tenaga Nasional Berhad	Dec	BUY	13.56	15.13	4,698.6	4,490.0	4,857.0	81.0	77.2	83.6	68.8	-4.6	8.2	16.7
YTL Power International Berhad	Jun	BUY	3.42	5.61	3,403.4	3,066.4	2,266.0	41.9	37.3	27.6	67.6	-11.0	-26.1	8.2
AUTO														
Bermaz Auto Berhad	Apr	BUY	1.13	1.43	345.6	183.9	209.4	29.6	15.8	18.0	12.7	-46.6	13.9	3.8
MBM Resources Berhad	Dec	BUY	5.38	5.87	333.0	305.8	299.6	85.2	78.2	76.6	0.6	-8.2	-2.0	6.3
Tan Chong Motor Holdings Berhad	Dec	NEUTRAL	0.31	0.34	-214.2	-150.6	-121.6	-32.9	-23.1	-18.7	66.4	-29.7	-19.3	n.a.
BUILDING MATERIAL														
- Cement														
Malayan Cement Berhad	Jun	BUY	4.78	7.10	428.7	574.0	554.0	32.6	42.6	41.2	168.6	30.8	-3.5	14.7
- Timber														
Ta Ann Holdings Berhad	Dec	NEUTRAL	3.86	4.34	183.6	225.1	212.6	41.7	51.1	48.3	16.8	22.6	-5.6	9.3

Source: Company, MIDFR

PER		DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RM m)	52-week Price	
FY25F	FY26F	FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24							High (RM)	Low (RM)
20.9	20.5	18.0	35.5	36.3	2.3	4.5	4.6	7.23	1.08	39.90	6.94	34.50	809.3	6,320.6	10.00	7.25
4.1	3.9	95.5	111.7	117.4	5.2	6.1	6.4	0.61	29.66	13.93	2.83	13.81	180.0	3,279.0	23.68	16.80
14.4	13.5	80.0	82.6	88.5	5.7	5.9	6.3	2.31	6.08	24.49	8.09	15.98	398.4	5,585.3	14.16	11.68
7.5	7.1	17.0	17.6	18.4	4.7	4.9	5.1	1.64	2.20	10.84	2.53	21.57	872.2	3,139.9	4.16	3.36
4.6	4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.51	1.03	29.64	6.52	11.27	5,927.9	3,141.8	0.70	0.45
7.2	7.1	7.7	6.2	6.5	5.3	4.3	4.5	1.26	1.15	8.96	11.09	16.32	401.6	582.3	1.69	1.05
20.0	16.5	4.3	2.4	3.4	2.8	1.5	2.2	1.44	1.08	13.88	4.79	6.72	5,642.7	8,746.2	2.64	1.38
11.3	10.9	9.6	17.1	17.7	2.3	4.1	4.2	3.60	1.17	5.95	13.04	31.80	1,284.0	5,418.5	4.55	3.36
4.3	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.43	0.86	3.80	3.89	9.95	1,600.0	592.0	0.53	0.34
17.0	16.6	13.0	18.0	22.0	3.6	4.9	6.0	0.76	4.82	5.62	2.87	4.31	8,000.0	29,280.0	7.09	3.57
17.0	107.9	87.0	109.1	118.6	4.5	5.7	6.2	3.19	6.01	2.96	10.11	18.51	993.5	19,074.3	22.19	16.10
18.9	18.6	72.0	72.0	72.0	4.2	4.2	4.2	2.45	7.05	27.62	9.63	12.68	1,978.7	34,113.3	18.80	16.40
15.6	15.1	7.3	6.8	7.0	5.8	5.4	5.6	1.00	1.25	57.70	3.70	6.45	839.6	1,057.9	1.42	1.23
20.1	19.5	9.3	7.9	8.2	5.1	4.4	4.5	1.10	1.64	55.90	3.44	5.49	2,010.5	3,639.0	1.96	1.71
15.3	14.9	6.0	6.0	6.0	3.1	3.1	3.1	1.18	1.62	16.47	4.17	7.60	2,966.1	5,694.9	2.16	1.36
13.0	8.3	1.5	1.3	1.4	4.2	3.6	3.9	0.23	1.57	7.92	1.07	1.71	767.5	276.3	0.48	0.34
21.5	21.1	10.7	9.8	9.9	4.7	4.3	4.3	1.95	1.18	61.65	6.72	9.07	3,618.4	8,286.2	2.34	1.72
27.0	19.3	5.0	5.0	5.0	2.6	2.6	2.6	0.45	4.26	13.37	0.85	1.62	5,506.1	10,626.9	2.55	1.77
18.0	17.8	44.5	42.4	42.8	5.4	5.1	5.2	2.68	3.08	48.46	4.44	6.05	1,805.3	14,912.1	8.60	7.33
12.4	11.0	4.0	5.5	6.0	3.2	4.4	4.8	0.82	1.54	10.32	3.44	6.54	2,560.1	3,225.8	1.97	1.10
12.1	9.8	6.5	6.7	7.8	4.7	4.8	5.6	1.19	1.17	16.00	8.02	10.13	1,877.0	2,609.1	1.63	1.15
16.1	15.7	9.3	8.2	8.2	6.5	5.7	5.7	1.05	1.37	38.66	3.58	6.52	3,664.4	5,276.7	1.59	1.26
11.9	13.0	2.9	2.5	2.5	2.4	2.1	2.1	0.42	2.83	9.48	1.82	3.17	5,003.0	5,953.6	1.80	1.00
16.4	15.6	20.0	9.2	9.5	10.9	5.0	5.2	1.07	1.71	49.93	3.55	6.52	3,424.8	6,267.4	2.01	1.50
30.8	29.0	4.0	7.0	7.0	0.9	1.6	1.6	2.04	2.20	11.47	2.87	5.67	6,178.0	27,800.8	5.10	3.25
18.1	17.3	10.0	10.0	10.0	5.6	5.6	5.6	0.82	2.16	47.10	4.02	4.40	2,623.8	4,644.1	2.07	1.69
15.2	14.8	1.5	3.0	3.1	1.0	1.9	2.0	0.47	3.30	13.05	2.53	3.07	345.8	532.6	2.32	1.38
11.3	10.6	0.8	1.3	1.3	2.0	3.2	3.2	0.50	0.83	4.41	1.85	4.33	877.5	359.8	0.60	0.40
11.6	9.7	2.4	1.6	2.0	3.7	2.5	3.1	0.79	0.80	4.07	2.61	6.25	800.0	508.0	1.02	0.62
17.2	16.6	10.9	0.2	0.2	2.3	0.0	0.0	4.22	1.12	40.02	12.06	24.57	3,410.0	16,129.3	4.80	3.78
13.1	12.7	36.0	36.0	36.0	5.1	5.1	5.1	0.84	8.42	18.28	4.00	6.32	4,463.7	31,692.6	8.97	6.86
18.0	23.5	3.5	3.8	4.3	2.9	3.2	3.6	1.96	0.61	3.76	2.89	8.53	1,295.9	1,542.2	1.75	0.98
21.1	19.3	0.0	1.5	1.0	0.0	1.4	0.9	3.42	0.32	9.55	10.47	16.14	420.1	458.0	1.42	0.98
17.6	16.2	53.0	54.0	60.0	3.9	4.0	4.4	1.30	10.41	7.91	2.19	7.18	5,812.9	78,823.6	15.24	11.08
9.2	12.4	7.0	7.0	7.0	2.0	2.0	2.0	1.43	2.40	13.76	4.59	15.40	8,219.4	28,110.2	5.47	2.83
7.1	6.3	19.0	17.3	14.4	16.8	15.3	12.7	2.03	0.56	4.70	9.74	20.24	1,161.6	1,312.6	2.50	0.99
6.9	7.0	13.0	39.1	38.3	2.4	7.3	7.1	0.94	5.70	12.30	11.16	12.01	390.9	2,103.0	6.69	4.27
n.a.	n.a.	0.0	1.0	1.0	0.0	3.2	3.2	0.08	3.98	-7.23	-2.96	-5.99	651.6	202.0	0.96	0.30
11.2	11.6	4.0	10.0	10.0	0.8	2.1	2.1	0.98	4.86	12.91	5.37	9.09	1,345.9	6,433.4	5.95	4.56
7.6	8.0	20.0	20.0	20.0	5.2	5.2	5.2	0.91	4.23	13.64	8.42	11.05	440.5	1,700.2	4.67	3.60

Table ii: Performance of various markets in Local Currency (% change)

In Local Currency	Index point	2023	1Q24	2Q24	3Q24	4Q24	2024	1Q25*
Hang Seng	23,689.72	-13.8%	-3.0%	7.1%	19.3%	-5.1%	17.7%	18.1%
KOSPI	2,643.13	18.7%	3.4%	1.9%	-7.3%	-7.5%	-9.6%	10.2%
Straits Times	3,926.45	-0.3%	-0.5%	3.4%	7.6%	5.6%	16.9%	3.7%
Shanghai Composite	3,364.83	-3.7%	2.2%	-2.4%	12.4%	0.5%	12.7%	0.4%
Dow Jones	41,985.35	13.7%	5.6%	-1.7%	8.2%	0.5%	12.9%	-1.3%
Mumbai Sensex 30	76,905.51	18.7%	2.0%	7.3%	6.7%	-7.3%	8.2%	-1.6%
Taiwan Weighted	22,209.10	26.8%	13.2%	13.5%	-3.5%	3.6%	28.5%	-3.6%
Philippines Composite	6,266.75	-1.8%	7.0%	-7.1%	13.4%	-10.2%	1.2%	-4.0%
Nikkei 225	37,677.06	28.2%	20.6%	-1.9%	-4.2%	5.2%	19.2%	-5.6%
FBM KLCI	**1,505.45**	**-2.7%**	**5.6%**	**3.5%**	**3.7%**	**-0.4%**	**12.9%**	**-8.3%**
Jakarta Composite	6,258.18	6.2%	0.2%	-3.1%	6.6%	-6.0%	-2.7%	-11.6%
SET Index	1,186.61	-15.2%	-2.7%	-5.6%	11.4%	-3.4%	-1.1%	-15.3%

Source: Bloomberg
*as at 21st March 2025

Table iii: Performance of various markets in US Dollar (% change)

In US Dollar	Index point	2023	1Q24	2Q24	3Q24	4Q24	2024	1Q25*
Hang Seng	23,689.72	-13.9%	-3.2%	7.4%	19.9%	-5.1%	18.3%	18.0%
KOSPI	2,643.13	16.4%	-1.0%	-0.6%	-2.8%	-17.4%	-21.0%	10.8%
Straits Times	3,926.45	1.2%	-2.7%	2.9%	13.7%	-0.8%	12.8%	6.1%
Shanghai Composite	3,364.83	-6.4%	0.5%	-3.0%	16.4%	-3.4%	9.6%	1.1%
Nikkei 225	37,677.06	19.3%	12.3%	-7.8%	7.7%	-4.2%	6.8%	-0.5%
Dow Jones	41,985.35	13.7%	5.6%	-1.7%	8.2%	0.5%	12.9%	-1.3%
Mumbai Sensex 30	76,905.51	18.0%	1.8%	7.3%	6.1%	-9.3%	5.2%	-2.1%
Philippines Composite	6,266.75	-1.2%	5.4%	-10.6%	18.1%	-13.0%	-3.2%	-3.1%
Taiwan Weighted	22,209.10	27.5%	8.2%	11.9%	-1.1%	0.1%	19.8%	-4.2%
FBM KLCI	**1,505.45**	**-6.7%**	**2.6%**	**3.7%**	**18.6%**	**-8.2%**	**15.9%**	**-7.3%**
Jakarta Composite	6,258.18	7.0%	-2.8%	-6.0%	14.9%	-11.9%	-7.5%	-13.4%
SET Index	1,186.61	-14.0%	-8.5%	-6.6%	26.6%	-8.6%	-1.2%	-14.5%

Source: Bloomberg
*as at 21st March 2025

APPENDIX

Table iv: Performance by sectors (% change)

	Index point	2023	1Q24	2Q24	3Q24	4Q24	2024	1Q25*
Construction	256.15	13.8%	1.4%	13.8%	4.0%	25.8%	20.9%	33.5%
Utilities	1,613.29	14.8%	8.1%	14.8%	17.4%	51.4%	36.3%	22.2%
Property	996.13	26.9%	0.2%	26.9%	-1.5%	34.5%	42.9%	15.5%
Financial Services	18,439.83	3.8%	6.0%	1.1%	10.5%	-4.4%	9.8%	13.1%
Transport & Logistics	1,016.15	1.9%	0.8%	1.9%	0.6%	7.8%	18.7%	9.2%
Reits	849.43	-0.1%	-2.8%	-0.1%	0.8%	1.2%	1.2%	8.6%
Plantation	7,449.93	2.7%	-0.6%	2.7%	1.9%	-1.1%	6.3%	6.3%
Healthcare	1,876.55	0.8%	-6.2%	0.8%	14.2%	9.3%	12.9%	-1.4%
Energy	751.80	15.5%	-7.5%	15.5%	-8.5%	5.4%	33.4%	-8.1%
Industrial Products & Services	153.43	9.3%	-8.3%	9.3%	0.9%	-4.8%	1.0%	-11.3%
Consumer Products & Services	477.44	0.9%	-4.1%	0.9%	0.2%	-5.6%	0.3%	-13.8%
Telecommunications & Media	469.15	-0.8%	-3.2%	-0.8%	-0.7%	-3.5%	3.4%	-17.6%
Technology	49.80	3.3%	-2.8%	3.3%	0.8%	-0.1%	3.3%	-21.4%
FBM Emas	11,061.38	-2.9%	-2.7%	4.1%	2.4%	0.6%	5.3%	5.5%
FBM KLCI	11,305.79	-2.6%	-2.7%	4.3%	2.3%	1.1%	6.1%	4.5%
FBM 100	1,505.45	-2.7%	5.6%	3.5%	3.7%	-8.7%	3.3%	3.5%
FBM Small Cap	15,526.34	2.2%	-2.7%	9.0%	1.0%	9.6%	18.0%	-5.1%

Source: Bloomberg
*as at 21st March 2025

Table v: Regional earnings and valuations

	EPS Growth (% change)					PER				
	2023	2024 (est as of)		2025 (f'cast as of)		2023	2024 (est as of)		2025 (f'cast as of)	
		Dec-24	Mar-25	Dec-24	Mar-25		Dec-24	Mar-25	Dec-24	Mar-25
Nikkei 225	47.1%	-1.3%	3.0%	6.0%	9.3%	19.8	21.2	19.2	20.0	17.6
Taiwan Weighted	29.7%	11.8%	29.0%	16.1%	14.5%	20.1	18.7	15.6	16.1	13.6
Hang Seng	8.5%	-1.2%	-1.0%	4.4%	6.5%	11.1	9.6	11.3	9.2	10.6
FBM KLCI	**0.0%**	**-5.6%**	**2.2%**	**8.8%**	**6.4%**	**13.6**	**15.7**	**13.3**	**14.5**	**12.5**
Jakarta Comp.	13.0%	30.1%	19.0%	4.4%	19.1%	14.6	12.7	12.2	12.1	10.3
SET Index	19.2%	-10.9%	-2.1%	13.0%	9.1%	12.3	16.3	12.6	14.4	11.5
Philippines Comp.	9.1%	5.5%	18.0%	13.5%	9.7%	11.5	11.3	9.7	10.0	8.9
Shanghai Comp.	-6.5%	17.6%	15.1%	10.3%	11.8%	16.0	13.6	13.9	12.3	12.4
Straits Times	4.2%	-0.3%	2.9%	2.5%	4.8%	12.3	11.9	12.0	11.7	11.4
Mumbai Sensex 30	17.1%	1.1%	12.2%	13.0%	16.3%	22.6	22.7	20.2	20.1	17.3
DJIA	10.1%	-4.3%	6.7%	13.8%	13.6%	21.5	22.8	20.2	20.0	17.7

Source: Bloomberg
*as at 21st March 2025

Table vi: Performance of MIDFR's stocks under coverage

OUT-PERFORMERS	Share price (RM)		% change	TP
	21/3/2025	31/12/2024		
Pekat	1.14	0.99	15.2%	1.51
LPI Capital	14.02	12.56	11.6%	14.52
IGB REIT	2.29	2.14	7.0%	2.10
KPJ	2.60	2.43	7.0%	2.78
Alliance Bank	5.09	4.84	5.2%	4.74
Deleum	1.45	1.38	5.1%	1.92
Axis REIT	1.81	1.73	4.6%	2.02
RHB Bank	6.76	6.48	4.3%	7.40
AMMB	5.61	5.48	2.4%	5.60
Spritzer	1.57	1.54	2.3%	1.75
Leong Hup	0.62	0.61	1.7%	0.90
Westports	4.73	4.66	1.5%	4.43
KLCCP Stapled	8.26	8.15	1.3%	8.40
Bank Islam	2.50	2.47	1.2%	2.95
UOA Development	1.77	1.75	1.1%	2.09
MSM	1.19	1.18	0.8%	1.55
Hong Leong Bank	20.48	20.56	-0.4%	24.60
QL Resources	4.74	4.76	-0.4%	4.40
Malayan Banking	10.18	10.24	-0.6%	12.11
Petronas Dagangan	19.20	19.32	-0.6%	22.25
SD Guthrie	4.90	4.95	-1.0%	5.43
Sunway REIT	1.83	1.85	-1.1%	1.99
Public Bank	4.49	4.56	-1.5%	5.35
Gas Malaysia	4.22	4.29	-1.6%	4.57
Rhong Khen International	1.20	1.22	-1.6%	1.60
TSH Resources	1.22	1.25	-2.4%	1.24
Malayan Cement	4.78	4.90	-2.4%	7.10
Petronas Gas	17.24	17.68	-2.5%	18.67
Padini	2.13	2.20	-3.2%	2.19
Telekom Malaysia	6.42	6.65	-3.5%	6.88
FGV	1.10	1.14	-3.5%	1.16
KL Kepong	21.00	21.80	-3.7%	20.00
Sarawak Plantation	2.31	2.40	-3.8%	2.29
MMHE	0.37	0.39	-3.9%	0.70
Sunway Construction	4.44	4.63	-4.1%	4.82
My E.G.	0.92	0.96	-4.2%	1.25
Hong Leong Financial	17.62	18.50	-4.8%	24.70
Affin Bank	2.77	2.91	-4.8%	2.65
IOI Corp	3.69	3.88	-4.9%	4.42
IHH Healthcare	6.90	7.30	-5.5%	8.18
Sunway	4.50	4.79	-6.1%	4.73
MISC	7.10	7.60	-6.6%	8.13
PPB Group	11.58	12.40	-6.6%	10.61
Pavilion REIT	1.44	1.55	-7.1%	1.69
Al-'Aqar Healthcare	1.26	1.36	-7.4%	1.26
Syarikat Takaful	3.60	3.89	-7.5%	4.97
Glomac	0.36	0.39	-7.7%	0.39
CelcomDigi	3.33	3.62	-8.0%	3.68
Eco World	1.92	2.09	-8.1%	2.11
Oriental Kopi	0.72			0.83

Source : MIDF, Bloomberg (as at 21st March 2025)

Table vi: Performance of MIDFR's stocks under coverage (Cont'd)

UNDER-PERFORMERS	Share price (RM)		% change	TP
	21/3/2025	31/12/2024		
Hartalega	2.09	3.95	-47.1%	2.45
NEXG	0.26	0.41	-36.6%	0.58
Kossan	1.80	2.83	-36.4%	1.93
Nestlé	64.00	99.98	-36.0%	77.90
Top Glove	0.88	1.34	-34.7%	0.83
Inari Amertron	2.01	3.06	-34.3%	2.29
Unisem	1.99	3.02	-34.1%	1.86
IJM Corp	2.04	3.04	-32.9%	3.89
WCT	0.65	0.95	-32.1%	0.97
D & O Green Tech	1.44	2.10	-31.4%	1.31
Axiata	1.71	2.49	-31.3%	2.14
Mah Sing	1.26	1.80	-30.0%	2.09
Bermaz	1.13	1.60	-29.4%	1.43
Petronas Chemicals	3.66	5.17	-29.2%	4.34
Pharmaniaga	0.26	0.36	-28.2%	0.48
Tan Chong	0.31	0.41	-24.4%	0.34
YTL Corp	2.05	2.67	-23.2%	3.94
MRCB	0.41	0.53	-22.9%	0.56
YTL Power	3.42	4.42	-22.6%	5.61
Ranhill Utilities	1.19	1.52	-21.7%	1.12
Capital A	0.80	1.00	-20.5%	0.92
Bumi Armada	0.53	0.66	-19.1%	0.70
S P Setia	1.19	1.46	-18.5%	1.67
Cahya Mata Sarawak	0.99	1.20	-17.5%	1.57
CIMB	6.85	8.20	-16.5%	9.15
Fraser & Neave	23.58	28.18	-16.3%	36.77
Suria Capital	1.54	1.84	-16.3%	1.02
Gamuda	3.97	4.74	-16.2%	5.42
Dialog Group	1.55	1.85	-16.2%	1.90
Samaiden	1.09	1.29	-15.5%	1.69
Tasco	0.64	0.75	-15.3%	0.92
Maxis	3.12	3.65	-14.5%	4.38
IOI Prop	1.93	2.24	-13.8%	2.04
Bursa Malaysia	7.81	8.96	-12.8%	8.80
MBM	5.38	6.17	-12.8%	5.87
Hup Seng	1.07	1.22	-12.3%	1.09
Genting Plantations	5.18	5.90	-12.2%	6.26
AEON Co.	1.38	1.57	-12.1%	1.77
Allianz	18.22	20.66	-11.8%	25.76
Sunview	0.40	0.45	-11.1%	0.62
Asia File	1.53	1.70	-10.0%	1.25
Ta Ann	3.86	4.28	-9.8%	4.34
Tenaga Nasional	13.56	14.94	-9.2%	15.13
Swift Haulage	0.41	0.45	-8.9%	0.40
FBM KLCI	**1505.45**	**1642.33**	**-8.3%**	**1,670.00**
FBM HIJRAH	**11848.11**	**13409.12**	**-11.6%**	**13,200.00**
FBM 70	**16288.07**	**18841.13**	**-13.6%**	**18,600.00**

Source : MIDF, Bloomberg (as at 21st March 2025)

YOUR EQUITY CAPITAL MARKET TEAM

Research

Imran Yassin bin Md Yusof .....imran.yassin@midf.com.my
Head of Research, Banking, Non-bank Financials
Syed Muhammed Kifni Syed Kamaruddin.....smkifni@midf.com.my
Head of Strategy
Abdul Mui'zz bin Morhalim.....abdul.muizz@midf.com.my
Chief Economist
Meor Agil bin Meor Azalan.....meor.agil@midf.com.my
Economist
Wan Zulyahya Amri bin Shoberi.....wan.zulyahya@midf.com.my
Economist
Martin Foo Chuan Loong.....martin.foo@midf.com.my
Technology, Telecommunications, Glove
Jessica Low Jze Tieng.....jessica.low@midf.com.my
Property, REITs
Royce Tan Seng Hooi.....royce.tan@midf.com.my
Utilities (Power), Construction
Amalia binti Zarir..... amalia.zarir@midf.com.my
Automotive, Transportation
Ng Qing Rong, Eunice .....Eunice.ng@midf.com.my
Consumer

Samuel Woo Choong Yi.....samuelwoo.cy@midf.com.my
Intan Diana binti Fishal ..... intan.diana@midf.com.my
Muhammad 'Ammar Amsyar bin Amrus .....muhammad.ammar@midf.com.my
Ajay D Bhaskaran ..... ajay.bhaskaran@midf.com.my
Muhammad Aiman Hakeem bin Hisham.....aiman.hakeem@midf.com.my

Share Margin Financing

Henry Gan Yong Beng.....henry.tan@midf.com.my
Hee Mei Yee, Macy.....Hee.MY@midf.com.my
Danial bin Jafeeri.....danial.jafeeri@midf.com.my
Eliya Farhana binti Roseli .....eliya.farhana@midf.com.my
Nur Ameera binti Zakaria.....nur.ameera@midf.com.my

Dealing

Faiz bin Khaleeque Ahmad (Head) .....faiz.ka@midf.com.my

Khairul Anwar bin Abdullah.....khairul.anwar@midf.com.my
Mohammad Taufiq bin Abdul Jalal.....taufiq@midf.com.my
Irman Yadi bin Ismail.....irman.yadi@midf.com.my
Ooi Shan Lin, Cassandra.....cassandra.ooi@midf.com.my
Syairah binti Abdul Malek.....syairah@midf.com.my
Mohamed Fahmie bin Rusli.....mohamed.fahmie@midf.com.my
Ahmad Faizul bin Mohd Sharif.....ahmad.faizul@midf.com.my
Mat Razi bin Daud.....mat.razi@midf.com.my
Suzana binti Sultani.....suzana.sultani@midf.com.my
Zarina binti Yusoff.....zarinay@midf.com.my
Zuraimi bin Sanayan.....zuraimi@midf.com.my
Elmy bin Sharudin.....elmy.sharudin@midf.com.my
Khairun Adila binti Khazali.....khairun.adila@midf.com.my

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	*Negative* total return is expected to be -10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.



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197501002077 (23878-X)
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11 & 12th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380