STRATEGY

Initial Thoughts on "Liberation Day"

FBM KLCI Target: 1,670

DEVELOPMENT

- Trump announced the tariff rate in a day he dubbed "Liberation Day".
- The US imposed a 10% baseline tariff that effectively ensures a tariff on any country. Meanwhile, more than 180 singled out and was hit with higher tariff (see below).
- Malaysia was hit by a tariff of 24%, similar to Japan's rate, while Indonesia, Thailand, Vietnam and Philippines saw tariffs of 32%, 36%, 46% and 17% respectively.
- China saw tariff rate of 54% effective April 9. Chinese imports had already been subject to 20% tariffs, and another 34% in reciprocal tariffs is being put on top of that.
- Canada and Mexico will be exempt from the baseline 10% tariff rate as it is already hit by 25% tariff. However, the 10% tariff would only kick in when the original 25% duties Trump slapped on Canadian and Mexican imports are terminated or suspended.

US Reciprocal Tariffs

Reciprocal Tariffs

Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

Source: Donald Trump via Truth Social, CNBC

OUR VIEW

ECONOMICS & POLICY

- Given the size of the US market which covered around 13% of Malaysia's total exports last year, potential -10% decline in shipments to the US could hit Malaysia's exports by -1.3ppt. If we assume the tariff hikes also cause demand from regional countries to weaken, additional -10% declines in exports to regional countries (such as Singapore, Taiwan, South Korea, Vietnam, Japan and even China) could cause the overall exports to experience a larger decline of around -5.8ppt.
- However, we expect that the weaker production will also result in reduced imports of intermediate goods such as among others E&E products; machinery, equipment & parts; and manufactures of metal. Taking into account the reduced imports, we estimate the net impact of external trade slowdown on Malaysia's GDP growth could be up to -1.5ppt. In other words, Malaysia can still maintain growth of around +3.0% (given our existing baseline forecast at +4.6%) this year, supported by the sustained growth in domestic economic activities.
- The extent of the impact on trade and production adjustment, however, will be subject to the size in final demand shift (particularly from the US) that will occur in reaction to the selling price hikes. If companies can absorb part of the cost increases, this could limit the price pressures that will be passed on to the consumers.
- At this point, we do not expect that this temporary supply shock from the reciprocal tariffs imposed by the US will cause a sharp contraction in the global economy. However, the impact on the global trade could be more significant given the latest trade war 2.0 also involved other countries i.e. beyond US-China trade tension during the previous trade war. On the other hand, efforts to promote greater trade with other regions such as BRICS and ASEAN will partly mitigate the slower demand from the US.

MARKET STRATEGY

- The S&P 500 Futures tumbled circa -3.5% after the spot market closed at 4pm EDT as President Trump began to unveil his tariff plan.



- We expect the local and regional markets to likewise react negatively to the US tariff plan. The FBM KLCI may retest the psychological 1,500 points and failing which its 1,480 points low this year.
- As presented in our 2QCY25 update dated 26 March 2025, apart from our baseline, we generated 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.

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.

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.



- In view of the tariffs and potential impact on exporters, we recommend a strategy of focusing on domestically driven companies. Below is a list based on our coverage universe in which we have a BUY call. The criteria for our selection are as follows:

1. More than 80% of revenue is in Malaysia, and/or
2. More than 80% of revenue source (clients, customers etc.) is in Malaysia, and/or
3. More than 80% of revenue is in ringgit, and/or
4. More than 80% of cost is in ringgit, and/or
5. More than 80% of debt is in ringgit

Stock code	Companies	Recomm.	TP (RM)
AEON MK Equity	AEON Co. (M) Berhad	BUY	1.77
ALLZ MK Equity	Allianz Malaysia Berhad	BUY	25.76
AXRB MK Equity	AXIS Real Estate Investment Trust	BUY	2.02
BIMB MK Equity	Bank Islam Malaysia Berhad	BUY	2.95
BAUTO MK Equity	Bermaz Auto Berhad	BUY	1.43
DLUM MK Equity	Deleum Berhad	BUY	1.92
ECW MK Equity	Eco World Development Group Berhad	BUY	2.11
FNH MK Equity	Fraser & Neave Holdings Berhad	BUY	36.77
GMB MK Equity	Gas Malaysia	BUY	4.57
KPJ MK Equity	KPJ Healthcare Berhad	BUY	2.78
LPI MK Equity	LPI Capital Berhad	BUY	14.52
MSGB MK Equity	Mah Sing Group Berhad	BUY	2.09
LMC MK Equity	Malayan Cement Berhad	BUY	7.1
MRC MK Equity	Malaysian Resources Corporation Berhad	BUY	0.56
MCH MK Equity	Matrix Concepts Holdings Berhad	BUY	1.69
MAXIS MK Equity	Maxis Berhad	BUY	4.38
MBM MK Equity	MBM Resources Berhad	BUY	5.87
MYEG MK Equity	My E.G. Services Berhad	BUY	1.25
NEXG MK Equity	NEXG Berhad	BUY	0.58
KOPI MK Equity	Oriental Kopi Holdings Berhad	BUY	0.83
PAD MK Equity	Padini Holdings Berhad	BUY	2.19
PREIT MK Equity	Pavilion Real Estate Investment Trust	BUY	1.69
PEKAT MK Equity	Pekat Group Berhad	BUY	1.51
PETD MK Equity	Petronas Dagangan Berhad	BUY	22.25
PTG MK Equity	Petronas Gas Berhad	BUY	18.67
PBK MK Equity	Public Bank Berhad	BUY	5.35
SPZ MK Equity	Spritzer Berhad	BUY	1.75
SREIT MK Equity	Sunway Real Estate Investment Trust	BUY	1.99
STMB MK Equity	Syarikat Takaful Malaysia Keluarga Berhad	BUY	4.97
TASCO MK Equity	Tasco Berhad	BUY	0.92
UOAD MK Equity	UOA Development Berhad	BUY	2.09
WCTHG MK Equity	WCT Holdings Berhad	BUY	0.97

Source: Bloomberg, MIDFR

- We also reiterate our defensive stance amid our expectation of bouts of increased volatility and uncertainty. 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. Our top pick are as follows:

Overall top picks

	Rec.	Price (RM) @ 2/4/25	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
YTL Power	BUY	3.37	5.61	66.5%	2.1%	68.5%	3	Yes
Public Bank	BUY	4.39	5.35	21.9%	4.9%	26.8%	4	Yes
Hong Leong Bank	BUY	20.38	24.60	20.7%	3.7%	24.5%	4	Yes
Maybank	BUY	10.32	12.11	17.3%	6.4%	23.8%	3	Yes
Pavilion REIT	BUY	1.47	1.69	15.0%	5.6%	20.5%	3	Yes
IHH	BUY	6.89	8.18	18.7%	1.5%	20.2%	3	Yes
Axis REIT	BUY	1.81	2.02	11.6%	4.4%	16.0%	4	Yes
Tenaga	BUY	13.76	15.13	10.0%	3.9%	13.9%	3	Yes
RHB Bank	BUY	6.90	7.40	7.2%	6.5%	13.7%	4	Yes
Sunway REIT	BUY	1.85	1.99	7.6%	5.0%	12.5%	3	No

Source: Bloomberg, MIDFR

Shariah top picks

	Rec.	Price (RM) @ 2/4/25	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
F&N	BUY	24.10	36.77	52.6%	3.2%	55.8%	4	Yes
Petronas Dagangan	BUY	18.62	22.25	19.5%	5.9%	25.4%	4	Yes
Bank Islam	BUY	2.53	2.95	16.6%	6.5%	23.1%	3	Yes
IHH	BUY	6.89	8.18	18.7%	1.5%	20.2%	3	Yes
Axis REIT	BUY	1.81	2.02	11.6%	4.4%	16.0%	4	Yes
Spritzer	BUY	1.55	1.75	12.9%	2.3%	15.2%	3	No
Tenaga	BUY	13.76	15.13	10.0%	3.9%	13.9%	3	Yes
Gas Malaysia	BUY	4.36	4.57	4.8%	3.9%	8.7%	3	No
KPJ	BUY	2.64	2.78	5.3%	1.7%	7.0%	4	Yes
Under review								
Petronas Gas	BUY	16.88	18.67	10.6%	2.2%	12.8%	4	Yes

Source: Bloomberg, MIDFR

Small caps & FBM 70 top picks

	Rec.	Price (RM) @ 2/4/25	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
F&N	BUY	24.10	36.77	52.6%	3.2%	55.8%	4	Yes
Malayan Cement	BUY	4.80	7.10	47.9%	2.2%	50.1%	3	No
Leong Hup	BUY	0.64	0.90	40.6%	3.9%	44.5%	2	No
Bank Islam	BUY	2.53	2.95	16.6%	6.5%	23.1%	3	Yes
Pavilion REIT	BUY	1.47	1.69	15.0%	5.6%	20.5%	3	Yes
Axis REIT	BUY	1.81	2.02	11.6%	4.4%	16.0%	4	Yes
Spritzer	BUY	1.55	1.75	12.9%	2.3%	15.2%	3	No
Sunway REIT	BUY	1.85	1.99	7.6%	5.0%	12.5%	3	No
Gas Malaysia	BUY	4.36	4.57	4.8%	3.9%	8.7%	3	No
KPJ	BUY	2.64	2.78	5.3%	1.7%	7.0%	4	Yes

Source: Bloomberg, MIDFR

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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	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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology