

MIDF
A member of MBSB Group

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MALAYSIA EQUITY

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Stepping out of the Tempest

2HCY25 Market Outlook

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EXECUTIVE SUMMARY

1HCY25 IN BRIEF

- Global markets experienced heightened volatility as we expected in 1HCY25, driven by geopolitical tensions, aggressive U.S. tariffs, and policy shifts under President Trump's administration.
- A 90-day pause in U.S. tariffs beginning in April helped stabilize markets, with partial recovery observed in May and June.
- Developed markets rebounded strongly, while emerging markets, including Malaysia, remained subdued due to foreign fund outflows and risk aversion.
- Looking into 2HCY25, we opine the overall balance of risks is tilting positively, with expectations of geopolitical stability, easing liquidity, and potential trade resolutions.

STEPPING OUT OF THE TEMPEST

- Global GDP growth is projected at +2.8% in 2025, with advanced economies at +1.4% and developing economies at +3.7%.
- The U.S. and China are expected to grow at +1.8% and +4.0% respectively, with China focusing on domestic consumption amid trade headwinds.
- Monetary policy globally is biased toward easing, with the Fed signalling potential rate cuts and China implementing stimulus measures.
- We forecast Malaysia's GDP will grow at +4.0% this year (2024: +5.1%). While domestic demand will remain as growth driver, the uncertainties on the external front will continue to affect the external trade outlook.
- We expect OPR to stay at 3.00%, remaining supportive and accommodating.
- On the back of the narrowing interest rate differential, we maintain our forecast that ringgit is to average stronger at RM4.30 in 2025 (2024: RM4.56) and to end the year around RM4.25 (end-2024: RM4.47).

FBM KLCI 2025 TARGET AT 1,590

- Our baseline earnings and equity market outlook in 2HCY25 are predicated on the likelihood of Malaysia achieving a satisfactory trade deal with the US.
- The rising world's financial liquidity will progressively be flowing to regions that offer attractive economic risk/return trade-off.
- In 2HCY25, we expect return bouts of foreign fund inflow.
- Moreover, the valuation of local equity market is relatively undemanding.
- Our base line targets are as follows:
- FBM KLCI baseline target for 2025 at **1,590** points or PER25 of 14.5x,
- FBM Emas Shariah's baseline target for 2025 at **12,00** points or PER25 of 18.6x,
- FBM70 baseline target for 2025 at **17,200** points or PER25 of 16.7x.

1 July 2025

KLCI (30/06/2025) : 1,532.96
2025 TARGET : 1,590.00

SECTOR VIEW

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

TOP BUYS

STOCK	Target Price (RM)	Total Return (%)
Malayan Cement	7.49	51.2%
Pekat	1.86	36.8%
Life Water	1.00	22.8%
Hong Leong Bank	23.09	21.9%
IHH Healthcare	8.18	21.5%
Mah Sing	1.37	19.2%
Tenaga Nasional	16.40	17.8%
UOA Development	1.98	16.9%
Gamuda	5.42	15.2%
Fraser & Neave	32.68	13.5%

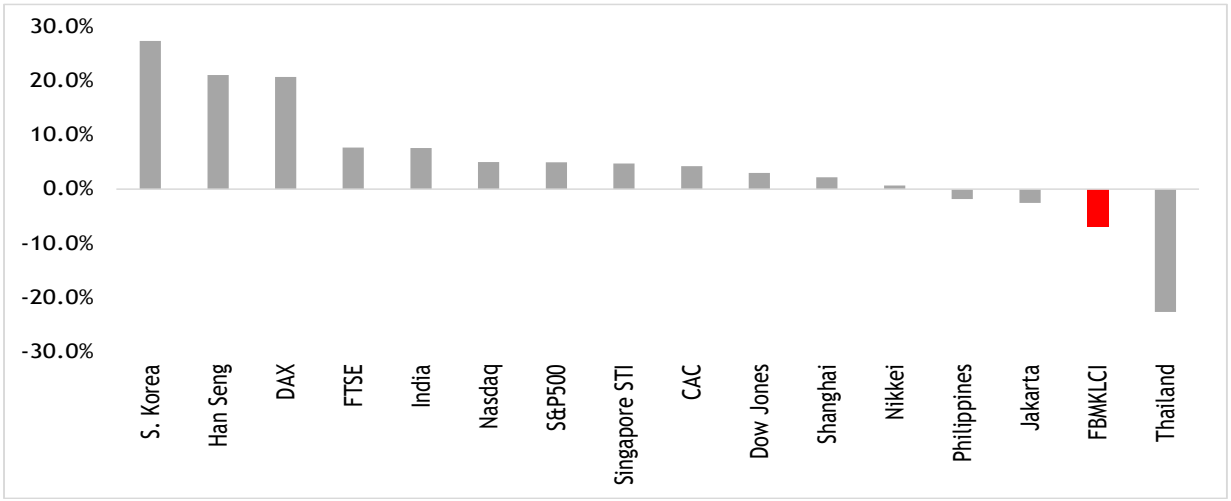
A. MARKET PERFORMANCE

I. MARKET REVIEW

The level of volatility in the market was more than we expected. We had expected 2025 will be a volatile year with the election of Donald Trump as U.S. President for the second time and ongoing geopolitical concerns. This was despite global stock markets beginning 2025 with cautious optimism, buoyed by expectations of a soft economic landing in major economies and continued growth in technology and consumer sectors. However, we had underestimated the severity of events taking place in 1HCY25 such as (i) US policy to contain China i.e. AI diffusion rule introduced by last days of President Biden, (ii) level of US tariff imposed to the world by President Trump, and (iii) conflict eruption in the Middle East.

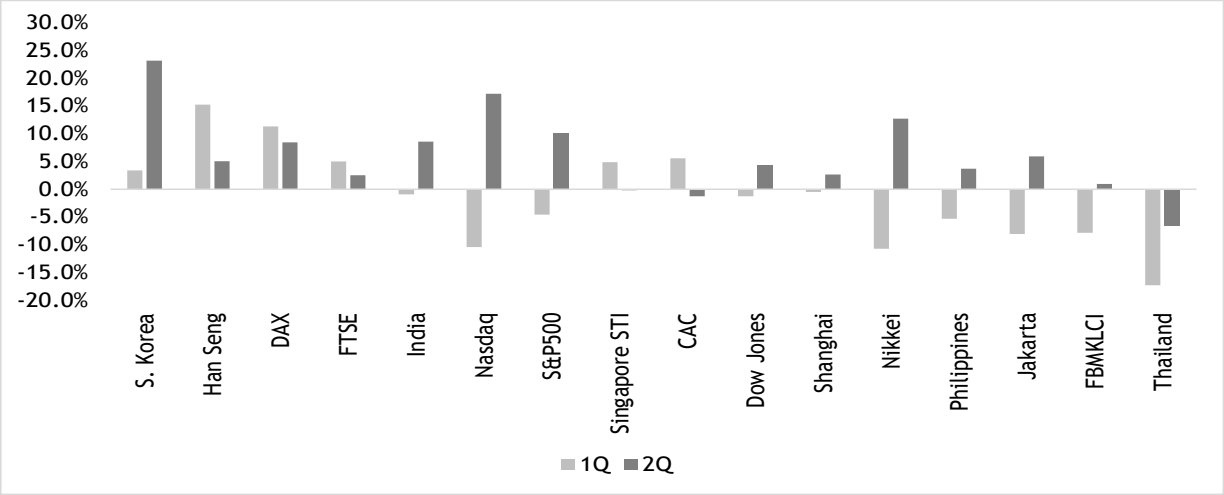
Any positive news caused market to whiplash back. We observed that global markets were quick to whiplash back upwards on turnaround of events. Markets began to recover in May and June, driven by the White House's decision to pause the implementation of some of the most aggressive tariffs for 90 days, starting in early April. This pause was intended to allow time for negotiations with key trade partners. While only one formal trade deal had been signed by late June—between the U.S. and the U.K.—the pause itself was enough to calm investor nerves and inject optimism into the markets. The tariff pause was interpreted by investors as a sign that the administration might be open to compromise, reducing the likelihood of a full-blown trade war. As such, developed markets regained and most exceeded the drawdowns seen in 1QCY25.

Chart 1: Comparison of Performance of FBM KLCI and Regional Peers (YTD as at 27 June 2025)



Source: Bloomberg, MIDFR

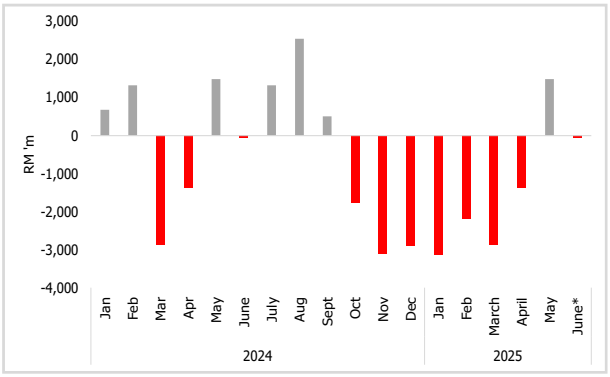
Chart 2: Comparison of Quarterly Performance of FBM KLCI and Regional Peers (as at 27 June 2025)



Source:Bloomberg, MIDFR

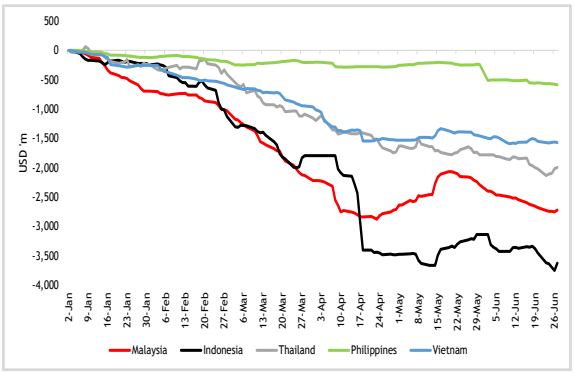
Uncertainty caused jitters to foreign funds. Against this global backdrop, FBM KLCI, experienced modest gains in 2QCY25 but remained subdued due to its 1QCY25 performance. However, the performance was comparable to its ASEAN peers except Singapore. We believe this was due to uncertainty from U.S. policy leading to investors favouring developed markets rather than emerging markets. This is evident by the foreign fund flows that we observed for the 8 markets that we tracked. Only in May-25 that there was "risk-on" mode from foreign investors after the 90-day tariff pause and valuations dropped to a more compelling level.

Chart 3: Monthly Foreign Fund Flows into Bursa Malaysia



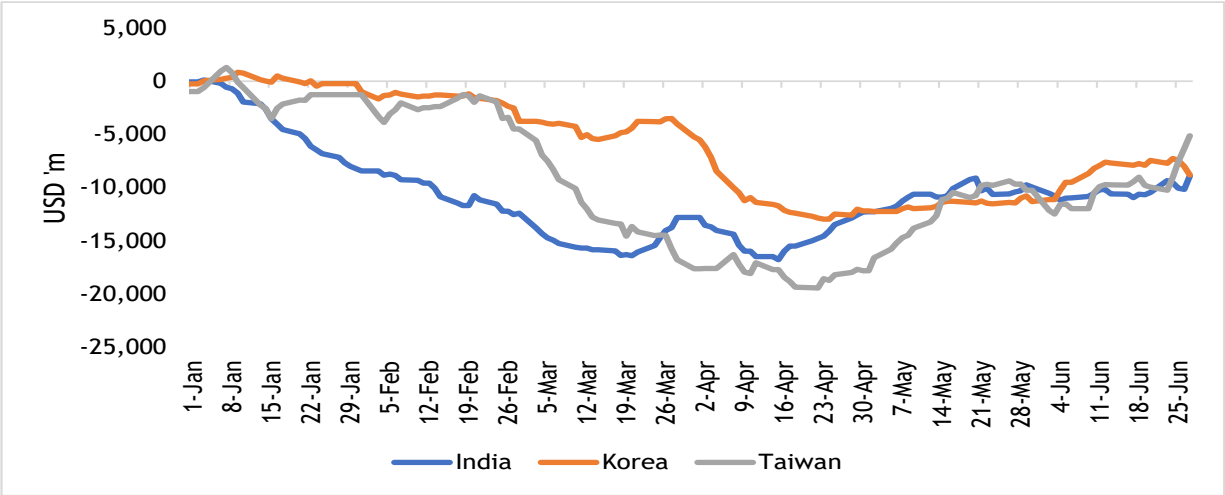
Source: Bursa Malaysia, MIDFR

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



Source: Bloomberg, MIDFR

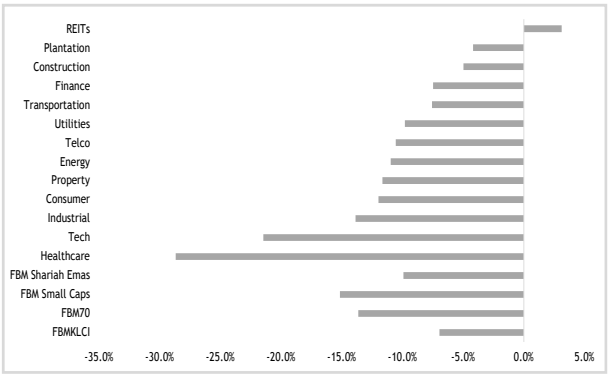
Chart 5: Cumulative Foreign Fund Flows into K.I.T. (YTD as at 27 June 2025)



Source: Bloomberg, MIDFR

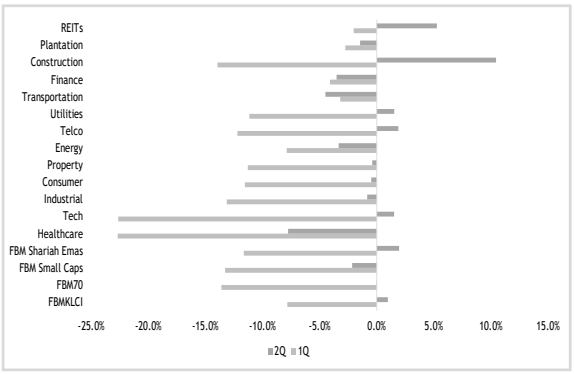
REITs the only positive performer. From a sectoral point-of-view, REITs outperformed and is the only sector that registered positive return in 1HCY25. However, we are unsurprised by this, given that we anticipated heighten volatility going into 2025. Recall, REITs was one of our top sector picks for 2025. Having said that, we also observed a few sector performers emerging since President Trump's "Liberation Day" announcement. These are Construction, Tech, REITs, Utilities, and Industrial Products & Services. Again, we are not surprised by performance of REITs and Utilities sector given its defensive qualities (and part of our recommendation in our 2QCY25 outlook update). For the Construction sector, we postulate that this is due to the data centre prospect which we have been consistent in advocating despite the AI diffusion rule introduced during the last days of President Biden. In addition, Construction sector should be shielded somewhat from tariffs given its domestically driven.

Chart 6: Comparison of Performance of Bursa Malaysia Sectoral Indices (YTD as at 27 June 2025)



Source: Bloomberg, Bursa Malaysia, MIDFR

Chart 7: Comparison of Quarterly Performance of Bursa Malaysia Sectoral Indices (YTD as at 27 June 2025)

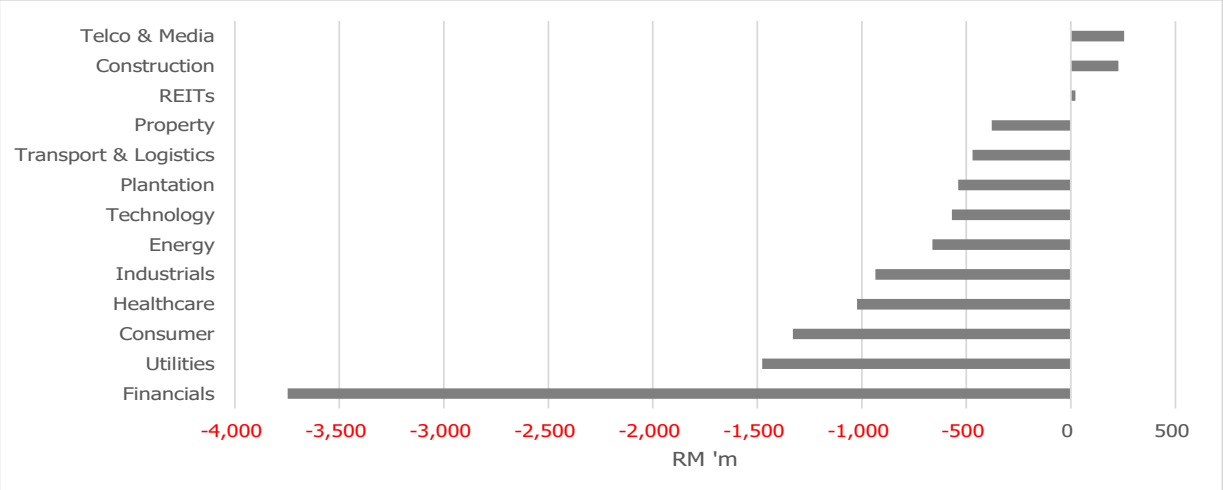


Source:Source: Bloomberg, MIDFR

Table 1: Comparison of Performance of Bursa Malaysia Sectoral Indices (since "Liberation Day")

	Since "Liberation Day"	2Q (as of 27 June 2025)
FBMKLCI	0.6%	1.0%
FBM70	0.7%	0.0%
FBM Small Caps	-0.6%	-2.2%
FBM Shariah Emas	2.5%	1.9%
Construction	10.9%	10.4%
Tech	5.2%	1.5%
REITs	5.1%	5.3%
Utilities	2.3%	1.5%
Industrial	1.5%	-0.8%
Property	0.7%	-0.4%
Consumer	0.5%	-0.5%
Telco	0.5%	1.9%
Energy	-0.3%	-3.3%
Plantation	-1.0%	-1.5%
Transportation	-2.0%	-4.5%
Finance	-4.1%	-3.5%
Healthcare	-8.8%	-7.8%

Chart 8: Foreign Fund Flows into Bursa Malaysia (sectoral breakdown) - YTD as of 27 June 2025



Source: Bloomberg, MIDFR

A turbulent first half. The first half of 2025 unfolded as a turbulent period for global financial markets, marked by heightened volatility, shifting monetary policies, geopolitical tensions, and trade disruptions. Investors grappled with a rapidly evolving macroeconomic landscape, where optimism about technological innovation and economic recovery was tempered by the resurgence of protectionist policies and regional conflicts.

Geopolitics will continue to lurk in the background but may quiet down in 2HCY25. Geopolitical tensions remained a source of volatility, particularly in Eastern Europe, Middle East and Asia Pacific/the South China Sea. However, diplomatic efforts and strategic alliances helped prevent escalation, and this allows markets to stabilize. We do not foresee any eruption in geopolitical conflicts in 2HCY25 and the fragile ceasefire between Iran and Israel may hold at least for the next 6 months. Meanwhile, we foresee the conflict in Ukraine to be near its end game.

Tariff resolution will be key. In 2HCY25, the global trade environment will have to navigate a complex but potentially stabilizing phase. While elevated tariffs remain a challenge, we believe the initial shock has begun to settle, allowing businesses and markets to adapt. We will not be surprised if the 90-day pause is extended for countries that is amid negotiations such as Malaysia. We opine that some resolution in the tariff front, even if it could be lowered below the 10% level, present an upside risk to our 2HCY25 outlook. Meanwhile, the long-term impact of these tariffs is still unfolding, but early signs suggest that global supply chains are recalibrating, and some regions are finding new trade routes and partnerships to mitigate disruptions.

Balance of risk is tending towards positive. Based on 1HCY25 experience and our expectation of 2HCY25, we opine that the balance of risk is tending towards positive. Geopolitically, we expect the period will be relatively stable, while there will be some resolution on the U.S. tariff front. However, this does not mean that risks have dissipated. We expect that downside will continue to linger, albeit at a more subdued level than in 1HCY25. Hence, we are more sanguine on the prospects of the market and economy for 2HCY25.

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II. MACRO ECONOMIC OUTLOOK

GLOBAL: MODERATION IN ECONOMIC GROWTH WEIGHED DOWN BY TRADE AND GEOPOLITICAL TENSIONS

More moderate global growth outlook. The global growth outlook is predicted to be more moderate as the projection has been revised down to reflect the effect of uncertainties from trade tensions, triggered by the higher tariffs and tighter trade rules. Sentiment in the global economy and financial markets was also affected by the escalation in the geopolitical tensions, particularly in the Middle East. According to the IMF, the world economy will grow at +2.8%, after sustaining above +3% growth in the previous 3 years. Not only the growth in advanced economies will moderate to +1.4% (2024: +1.8%), even economic activities in the developing and emerging economies are expected to expand slower at +3.7% (2024: +4.3%). Among the advanced economies, the US economy is projected to grow at +1.8% (2024: +2.8%) while the euro area would be growing at sub-1% for the third consecutive year. Among the developing economies, China is projected to grow at +4.0% (2024: +5.0%), which will be slower than China government's official growth target of +5%. Even the growth outlook for ASEAN countries is expected to be slower than last year. In general, final demand will be hit by the tighter trade rules while growth in most economies will also be weighed down by the weaker global trade and factory activities.

Table 2: GDP Growth Forecast for Selected Economies

	2021	2022	2023	2024	2025f
World	**6.5**	**3.5**	**3.3**	**3.3**	**2.8**
Advanced Economies	5.7	2.6	1.7	1.8	1.4
USA	6.1	2.5	2.9	2.8	1.8
Euro Area	6.3	3.5	0.4	0.9	0.8
Japan	2.8	0.9	1.5	0.1	0.6
UK	8.6	4.8	0.4	1.1	1.1
Singapore	9.7	3.8	1.8	4.4	2.0
Developing Economies	7.0	4.1	4.4	4.3	3.7
China	8.1	3.0	5.2	5.0	4.0
India	9.7	7.6	9.2	6.5	6.2
Indonesia	3.7	5.3	5.0	5.0	4.7
Thailand	1.5	2.5	2.0	2.5	1.8
Philippines	5.7	7.6	5.5	5.7	5.5
Vietnam	2.6	8.1	5.1	7.1	5.2

Source: IMF, National Sources, MIDFR

Global trade to be affected by higher tariffs and weaker demand. Even the World Trade Organization predicts the world merchandise trade will experience a mild contraction of -0.2% this year, taking into account the effect of new tariffs and the uncertainties stemming from trade tensions. Although the world economy is not projected to enter a recession, the slower growth suggests continued concerns about the changing trade rules which also affected investment and business decisions. In addition, commodity prices also corrected lower as a result of the weaker demand outlook. Based on our in-house view, Brent

crude oil prices will likely average lower around USD65-68pb this year (2024: USD79.9pb), where prices have been hovering below USD70pb in the recent months. The surge to above USD70pb was a temporary shock but subsequently down trended after both Israel and Iran agreed to cease further military attacks. Mewnahile, the upward pressures on oil prices will be further limited by the plan by OPEC+ to increase production. We also forecast some moderation in crude palm oil (CPO) prices to average around RM4,100/tonne (2024: RM4,194/tonne), where prices remained in general elevated and surged back to above RM4,000 in the recent weeks due to the lower inventories and climate-related supply disruptions. Although there is optimism there could be reliefs from the trade negotiations, we still expect the tariff increases will still have some effects dragging down the world trade and demand.

Policy bias mostly remained on easing mode. Monetary authorities have been adopting an easing mode in response to the relatively weaker growth outlook as well as moderating inflation. To a certain extent, most central banks have the opportunity to bring down their policy interest rates to a more normal level, reversing from policy tightening in the previous years which was intended to contain the elevated inflationary pressures. The US Federal Reserve is an exception because the fed funds rate target has been maintained at the existing level due to concerns that higher tariffs, including other policy changes by the US government, could cause the US inflation to remain persistently elevated. Although the Fed maintained its projection for potential rate cuts this year, we will not be surprised if the current rates will be kept for a longer period to contained renewed price pressures while the economy and job market continue to show resilience. For other countries, even for China, policy easing has been adopted as one of the measures to ensure continued support to the economy. Other countries also acted to pre-emptively to provide support to their local businesses in view of the heightened uncertainties affecting the global economy and international trade.

Uncertainties to continue. We view there are few downside risks that will continue to affect the global economic outlook. Firstly, uncertainties will remain the normal that the world will have to deal with. Although the sentiment on the world trade outlook has improved when the US agree to trade negotiations, but the outcome can still be unpredictable. The US trade talks with Canada were suspended temporarily but resumed again as Canada agreed to drop the new Digital Services Tax on American technology companies. For other countries, while the negotiations may not be concluded by the second week of Jul-25, the good news is the 90-day pause for reciprocal tariffs may be extended until the negotiations are concluded. This means the uncertainties may be prolonged as countries and companies will have to wait longer to have better clarity about the trade and business outlook. Secondly, the escalation of geopolitical risk could affect the global commodity markets and inflation outlook. The exchange of attacks between Israel and Iran caused a temporary spike in crude oil prices, leading to expectations that energy and transport prices could increase again. There were concerns that the closure of Strait of Hormuz which handles one-fifth of the world oil and gas trade could even push oil prices higher, possibly to USD100pb. Although the ceasefire has de-escalated the concerns, the risk is still there given the ongoing tensions in the Middle East. Thirdly, disruption to the global supply, which can be triggered by the surging shipping costs and tighter trade rules, could also constrain the world trade outlook. This has been the case when China's tightened its exports of minerals, which affected the global automotive and technology sectors. While negotiations have resulted in some relaxation of the rules, the sensitive rare earth materials for military uses are still excluded from the list for fast-track approvals. If the US-China trade relationship deteriorates again, trade policies could be tightened again by both sides. What will be more worrying is the possible slowdown in the global economy, dragged down by sharp contraction in final demand particularly if confidence were to worsen further. Consequently, the market volatility could increase if concerns about the growth outlook escalates again.

Possible upside. On the brighter side, positive result from the trade negotiations could bring down the tariffs and further reduce uncertainties related to the trade outlook. Meanwhile, countries may continue to forge greater collaboration to minimize the risk from trade war, promoting greater trade and investment flows, and explore other opportunities to work together. Policy easing by central banks also provides support to the economy by encouraging greater spending and investment activities, hence minimizing the negative effects from slowdown on the external front. On another note, if the inflation impact from tariff hikes turns out to be less significant, it will ease concerns about escalating inflationary pressures. The improved sentiment will be positive for the consumer spending outlook.

US: SUSTAINED BUT MODERATE GROWTH OUTLOOK AMID CONCERNS ABOUT POLICY UNCERTAINTIES

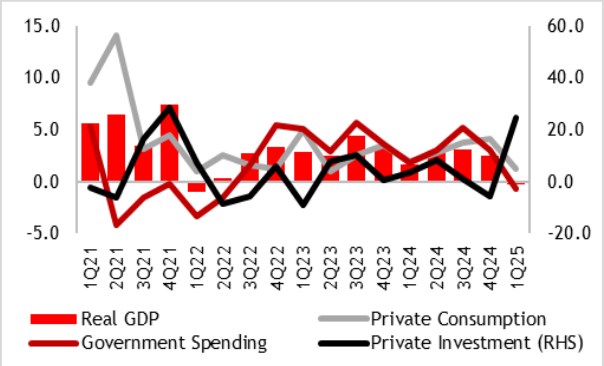
Economic growth to moderate but remain positive. Several factors could result in the US economy facing a more moderate growth this year. While the IMF also downgraded the US 2025 growth outlook to +1.8% (2024: +2.8%) from +2.7% previous, we forecast the US economic growth could slow to +1.4%. In line with the recent FOMC projection, we have been predicting the aggressive tightening will eventually constrain aggregate demand. We expect consumer spending will continue to drive US economic growth, although the pace of growth could be constrained by higher inflation and weaker sentiment. To a certain extent, business activities will be somewhat disrupted by the uncertainties because of the trade war and slower demand.

Softening job market and heightened inflation concerns. We also expect the job market will adjust further, although the US labour market in general is in a more balanced condition. The supply and demand in the job market has rebalanced, but we noticed the job creation continued to moderate from the strong growth in the past years. American firms continued to slow down hirings, with the nonfarm payrolls increased on average +123.8K per month in 5MCY25 (2024: +167.7K/month; 2023: +216.2K/month). Although the jobless rate has been more stable, staying around 4.1-4.2% since Jun-24, the rebalancing has pushed rate higher from as low as 3.4% in Apr-23. Consumers remained anxious about the higher inflation expectations particularly because of the effect of higher tariffs and the tougher actions on the immigrants. For now, the impact on the US inflation from higher import tariffs turn out to be more muted than feared, where the headline CPI inflation only accelerated slightly to +2.4%yoy in May-25 (Apr-25: +2.3%yoy) and core CPI inflation was unchanged at +2.8%yoy for the third straight month. Similar trend is shown in the PCE prices, with both the headline and core rates accelerating slightly to +2.3%yoy (Apr-25: +2.2%yoy) and +2.7%yoy (Apr-25: +2.6%yoy) respectively.

Fed still signalled rate cuts. After the Jun-25 FOMC meeting, the Fed continued to signal potential rate cuts this year. With the median forecast for fed funds rate kept at 3.9%, this may suggest possible 2 rate cuts later this year. Looking at the market expectations, the timing for rate cut has been pushed to Sep-25 and Dec-25, as Fed continues to keep its cautious approach before making further adjustment to its monetary policy setting. While President Trump maintained his push for rate cuts to ensure greater support to the US economy, we expect the Fed will stick to its gameplay by studying the impacts of tariffs and other policy changes on the US growth and price outlook. Nevertheless, we also factored in possible cuts this year as we anticipate Fed to bring fed funds rate to a more normal level, especially as inflation getting closer to the US longer-term target and economic growth will likely ease. However, if the economy stays resilient and if the prices pressures turn out to be more persistent and elevated, the timing for cuts may be pushed to a latter period. This has been the case with the Fed keeping the target rate for fed funds rate unchanged at 4.25-4.50% after several FOMC meetings this year.

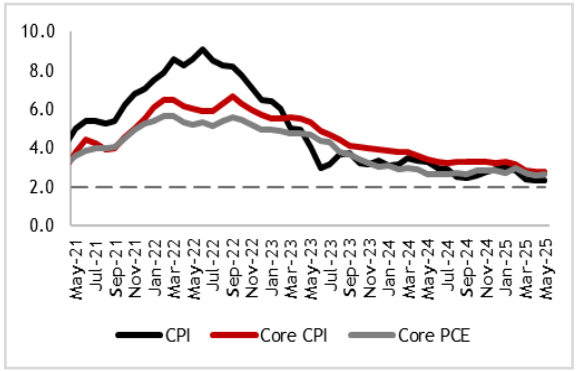
Policy uncertainties will remain one of the concerns. The policy uncertainties have been a major source of concerns, affecting the US and the global financial markets. The reduced confidence on the US fiscal plans has led to the Moody's downgrading of the US sovereign rating from Aaa to Aa1. The tax cuts in the fiscal bill proposed by the Trump's administration could be a boost to the consumer spending outlook but some beneficiaries of the Medicaid health coverage and food stamps could be hit by the spending cuts on these areas. The bill is expected to result in higher borrowings to finance a widening fiscal deficit over the long term.

Chart 9: USA: Quarterly Real GDP Growth (YoY%)



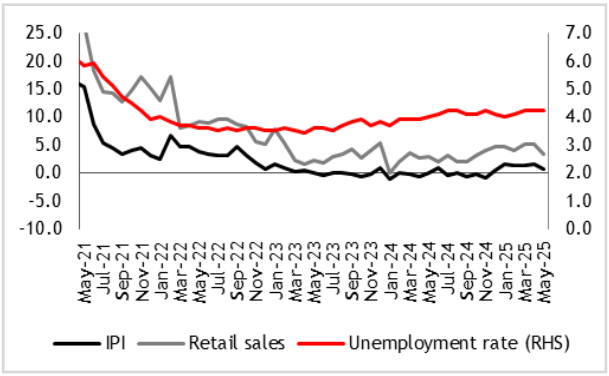
Source: Macrobond, MIDFR

Chart 10: US: CPI and Core PCE Inflation (YoY%)



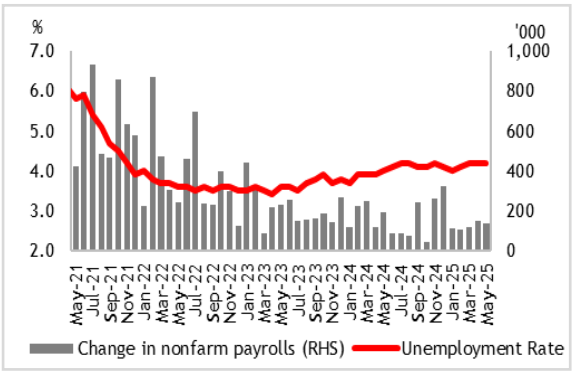
Source: Macrobond, MIDFR

Chart 11: US: Selected Economic Indicators (YoY%)



Source: Macrobond, MIDFR

Chart 12: US: Unemployment Rate (%) vs. Nonfarm Payrolls (in thousands)



Source: Macrobond, MIDFR

CHINA: CONTINUED FOCUS TO BOOST DOMESTIC DEMAND AMID CHALLENGES IN THE PROPERTY MARKET

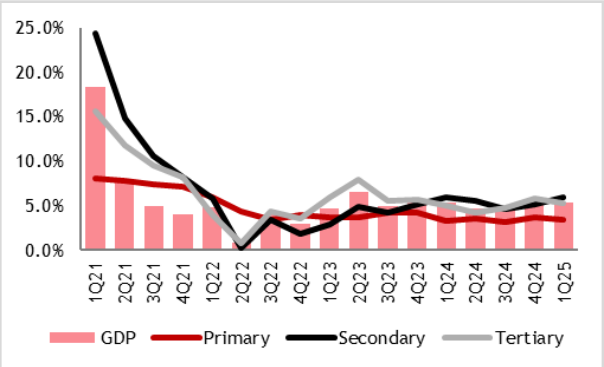
Challenges to sustain growth at +5.0%. We foresee there is a higher chance that China's economic growth could slow to below +5% this year, with the IMF projecting China's GDP growth around +4% (2024: +5.0%). Although China's government maintains its official growth target at +5%, being part of the global production and supply chain, China's growth outlook is also exposed to the risk of weaker external trade. Although China has agreed with the trade negotiations with the US and rollback tariff hikes, China's exports could still be constrained by the tightening of trade regulations and additional tariffs imposed by the US. In contrast, domestic demand will remain the key driver to China's economic growth, which has been the case since recovering from the global pandemic.

Boosting domestic consumption as tariff hits. The government continued to focus on supporting the domestic consumption as part of the measures to ensure China is less dependent on the external sources of growth. The pro-consumption measures include the discount vouchers for purchases of home appliances such as microwaves, rice cookers, phones and dishwashers. In addition, the government issued CNY300b ultra-long bonds to fund the trade-in programmes and purchases of durable goods. In short, the policy measures are intended to promote

stronger consumption as the higher tariffs affecting its external trade. On the positive side, home prices fell slower at -3.5%yoy in May-25, the slowest annual decline since Apr-24. Meanwhile, the retail sales picked up, growing faster at +6.4%yoy in May-25 after growing at average +4.8%yoy in 4MCY25. On the other hand, industrial production moderated to +5.8%yoy in May-25, the slowest expansion in 6 months and also in line with slower export growth (May-25: +2.8%yoy; 4MCY25: +6.3%yoy; 4QCY24: +10%yoy). Apart from the measures to promote domestic consumption, the People's Bank of China even eased its monetary policy, lowering the 1-year and 5-year loan prime rates (LPRs) to a new low of +3.00% and 3.50% respectively, to support the economy and stabilize the property market.

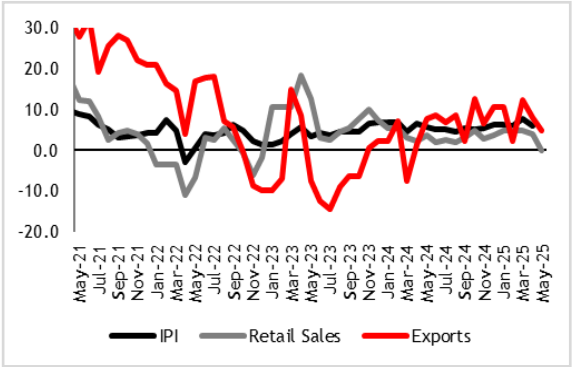
Ongoing concerns about the strength of domestic demand. Although retail sales picked up and even the jobless rate dropped to 5.0% in May-25, which was the lowest since Oct-24 and Nov24, the lingering deflationary pressures signal concerns about the subdued demand pressures. The headline CPI has been declining since Feb-25 to May-25, and has been hovering below +1.0%yoy since Mar-23. Despite accelerating slightly to +0.6%yoy in May-25, which was the highest rate since Jan-25, the core CPI remained on a downward trend since 2018. Coming out from the pandemic, core inflation has even not surpassed +1.3%yoy which was last recorded in Oct-21. Consumers have been more cautious in their spending, delaying purchases of big-ticket items amid continued weakness in the real estate market. This changing lifestyle and consumption patterns could also affect the future growth outlook as China also faces challenges from high youth unemployment and aging unemployment.

Chart 13: China: Quarterly Real GDP Growth (YoY%)



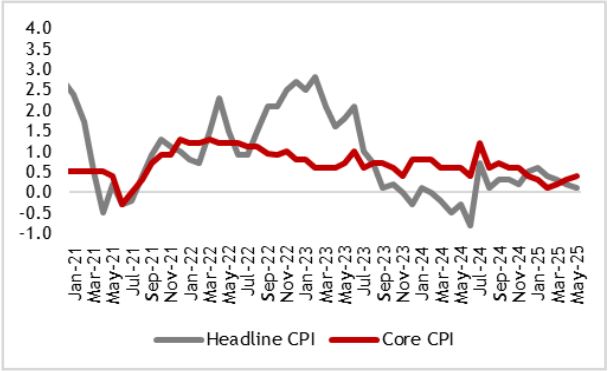
Source: Macrobond, MIDFR

Chart 14: China: Selected Economic Indicators (YoY%)



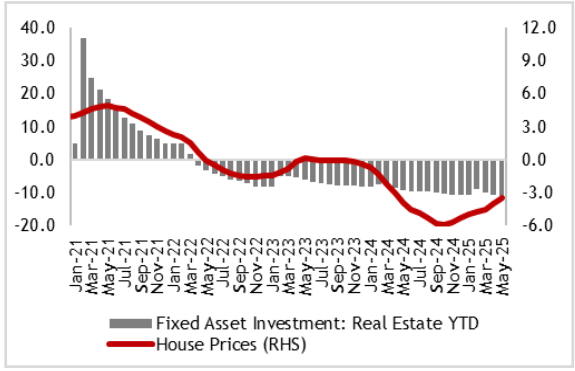
Source: Macrobond, MIDFR

Chart 15: China: CPI Inflation (YoY%)



Source: Macrobond, MIDFR

Chart 16: China: House Price vs. Fixed Asset Investment in Real Estate (YoY%)

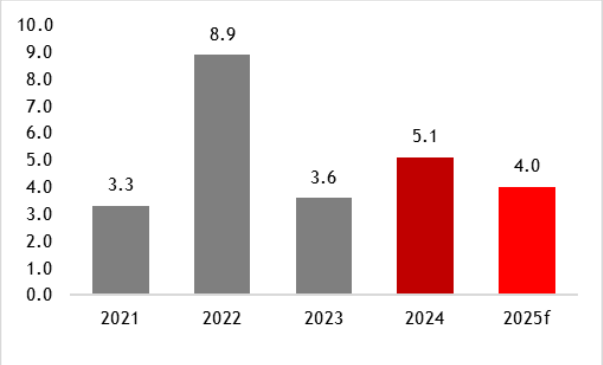


Source: Macrobond, MIDFR

MALAYSIA: SUSTAINED GROWTH BUT OUTLOOK CLOUDED BY RISKS FROM THE EXTERNAL FRONT

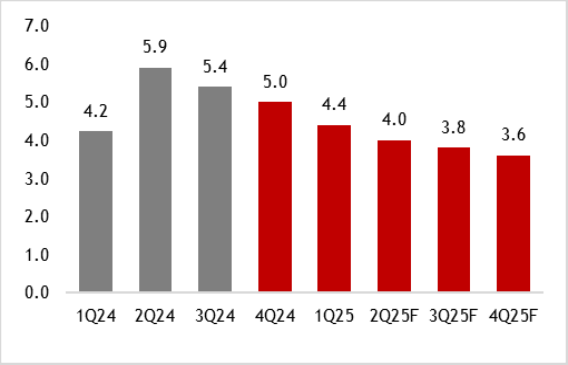
Economy to grow at 4.0% with domestic demand as key driver. We forecast Malaysia's GDP will grow at +4.0% this year (2024: +5.1%), easing from robust growth last year. While domestic demand will remain as growth driver, the uncertainties on the external front will continue to affect the external trade outlook. In 1QCY25, Malaysia's GDP growth moderated to a more normalised pace, growing at +4.4%yoy (4QCY24: +4.9%yoy) which was supported by increased domestic spending. We expect Malaysia's domestic growth fundamentals to remain intact. In addition to the stable and relatively low inflation environment, the sustained expansion in private consumption has been underpinned by a robust job market on the back of higher employment and wage growth, particularly in domestic-oriented sectors. The continued growth in the domestic spending will help to cushion the impact of global trade uncertainties and heightened geopolitical tensions. Additionally, the expanding tourism sector, driven by rising tourist arrivals, will boost spending and support overall consumption. Investment activity will remain supported by the ongoing multi-year projects and the continued realisation of approved investments. Going forward, we foresee continued investment inflows supporting growth across key sectors. Nonetheless, we continue to remain cautious of geopolitical and macroeconomic headwinds, as well as heightened global trade tensions, which could weigh on consumer, business, and investor sentiment. Although US-China trade tensions have eased, most planned tariff measures remain in place, continuing to weigh on the global trade environment. If Malaysia secures lower tariffs across the board and for key strategic sectors, the broader economic outlook could be brighter from improvement external trade (as in Scenario 4 in our previous publication).

Chart 17: Quarterly GDP by Sector (YoY%)



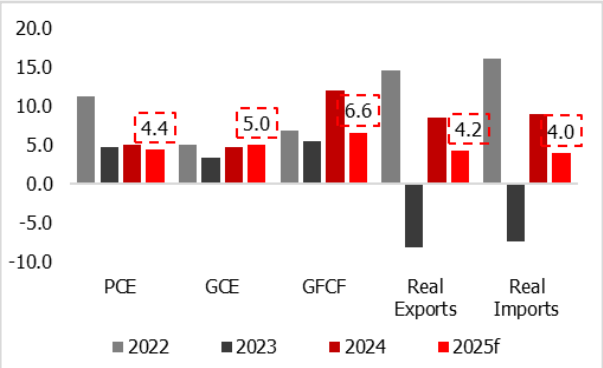
Source: Macrobond, MIDFR

Chart 18: GDP Growth Quarterly Forecast (YoY%)



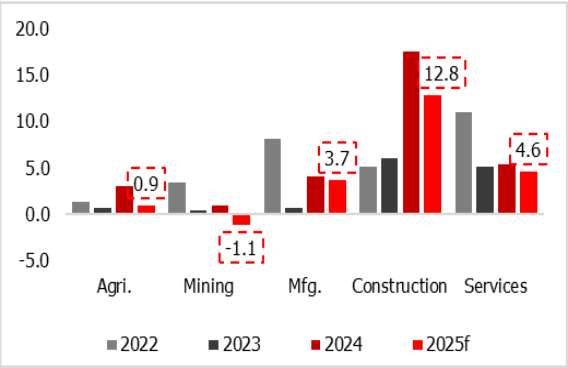
Source: Macrobond, MIDFR

Chart 19: GDP Growth by Expenditure (YoY%)



Source: Macrobond, MIDFR

Chart 20: GDP Growth by Supply (YoY%)

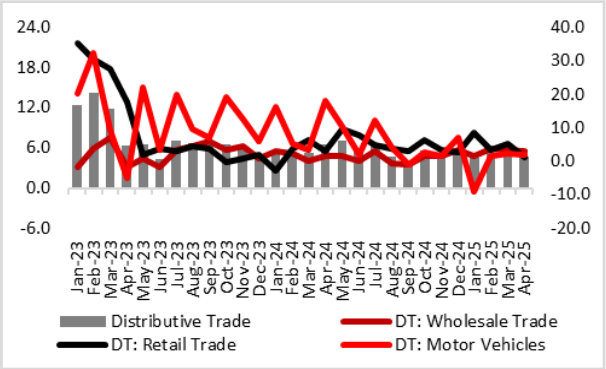


Source: Macrobond, MIDFR

Domestic spending is expected to remain resilient, but caution lingers over tariffs and policy shifts. In 1QCY25, private consumption continued to grow robustly by +5.0%yoy (4QCY24: +5.3%yoy). We believe domestic consumption will continue to anchor Malaysia's economic growth, supported by favourable labour market conditions, improving wage prospects, increased tourism activity as well as policy measures such as cash handouts from the government.

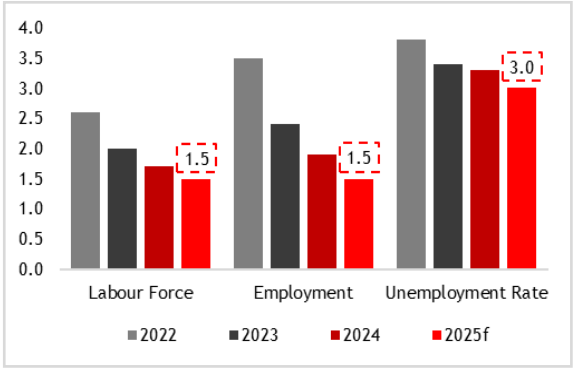
- **A healthy labour market:** In Apr-25, unemployment rate fell to a 10-year low of 3.0%, while labour force participation rate edged higher to a new high of 70.8% (Mar-25: 70.7%). With the rise in employment continues to outpace the labour force growth, we project the unemployment rate to average at 3.0% in 2025, lower than 3.3% last year. Meanwhile, the increase in minimum wage and implementation of the progressive wage policy will help to bolster wage growth and enhance domestic purchasing power.
- **Upbeat tourism activities**: On the tourism front, stronger tourism activity is expected to support overall consumption. Given the strong rebound in tourist arrivals, reaching 8.4mil in Jan-Apr 2025 (+197.1%), the highest since 2020 and surpassing Thailand's growth (+180.7%), Malaysia's tourism sector will remain one of the key drivers for the services sector.
- **Low and stable inflation**: Meanwhile, low and stable inflation is expected to keep price pressures contained, supporting sustained consumer spending. In May-25, consumer prices eased further to +1.2%yoy in, the slowest over 4 years, while core CPI softened to +1.8%yoy (Apr-25: +2.0%yoy), reflecting milder-than-expected inflationary pressures.
- **Private consumption to continue growing**: With positive catalysts for consumer spending still intact, we expect private consumption to grow by +4.4% in 2025 (2024: +5.1%yoy). This is slightly below our earlier projection of +4.8%, weighed down by lingering concerns about tariff uncertainties and the minimal impact of policy adjustments. With the looming RON95 fuel subsidy rationalisation in 2HCY25, we believe consumer confidence is unlikely to derail significantly because 85% of Malaysians are expected to be unaffected.
- **Risks to consumption outlook**: We remain vigilant to potential downside risks to demand. In May-25, retail trade growth moderated to +4.7%yoy (Mar-25: +6.6%yoy), indicating softer rise in consumer spending. Looking ahead, consumers can be more cautious in their spending plans. Tariff-related disruptions could impact the export-driven manufacturing sector, which employs 2.9m workers (17% of total workforce) and weigh on wages. The SST expansion effective 1st July 2025 could also dampen discretionary spending, though staples segment remains relatively resilient. In addition, some consumers (i.e. the T15 income earners) will be hit by higher transport cost following the rationalisation of RON95 subsidy.

Chart 21: Distributive Trade Sales Forecasts (YoY%)



Source: Macrobond, MIDFR

Chart 22: Labour Market Forecasts (%)



Source: Macrobond, MIDFR

Broad-based sectoral growth anticipated, but trade pressures persist. Key economic sectors are set to continue to expand this year, despite headwinds from a challenging global trade environment. The continued rollout of key national masterplan i.e the 13th Malaysia Plan (13MP), on top of NIMP 2030 and NETR, is set to catalyse growth in high-value, high-potential sectors and strengthen Malaysia's ascent up the global value chain.

- **Services**: In 1QCY25, services rose at slightly moderate pace by 5.0%yoy (4QCY24: +5.5%yoy), though it remained relatively robust. We opine the services sector will continue to benefit from the sustained rise in household spending thanks to favourable labour market conditions, improving wage prospects, tourism recovery and a low & stable inflation. Thus far, price pressures remained manageable despite policy adjustments such as diesel subsidy rationalisation and utility tariff revisions for the industrial sector. Similarly, with the SST expansion taking effect on 1st July 2025, consumers are expected to adjust to rising costs by shifting spending toward essentials, stabilising overall consumption despite rising costs. Meanwhile, the planned RON95 fuel subsidy rationalisation in 2HCY25 is unlikely to dampen consumer confidence, as 85% of Malaysians are expected to be unaffected. We expect the rollout is likely by 4QCY25, pending finalisation of eligibility criteria and implementation mechanism.

- **Manufacturing**: The expansion in the manufacturing sector slowed down to +4.1%yoy in 1QCY25 (4QCY24: +4.2%). The moderation in manufacturing GDP growth was due to the decline in production for refined petroleum products (-0.3%yoy; 4QCY24: +1.1%yoy). Going forward, manufacturing sector production will continue to grow on the back of resilient domestic demand. Nonetheless, we remain cautious of uncertainties stemming from higher tariffs and tighter trade rules that could potentially weaken external demand and deter production activities for export-oriented industries. The weaker trade data in May-25 suggests limited front-loading boost, indicating that firms may be taking a wait-and-see approach amid the uncertain trade environment.

- **Construction**: In 1QCY25. the construction sector moderated by +14.2%yoy (4QCY24: +20.7%yoy). The construction sector sustained its positive momentum for the 12th straight quarter, with the value of work done rising by +23.1%yoy to RM42.9b in 1QCY25. With a steady pipeline of projects, including the East Coast Rail Link (ECRL), RTS Link, and the recently reinstated five LRT3 stations, the construction sector is expected to grow by +12.8% in 2025 (2024: +17.5%). Our upbeat outlook on the construction sector is further supported by the upward trend in data centre developments, which has driven robust growth in capital goods imports.

- **Mining**: The mining sector experienced a steeper contraction by -2.7%yoy in 1QCY25 (4QCY24: -0.7%yoy) due to the fall in natural gas output (-2.2%yoy; 4QCY24: +3.1%yoy) and crude oil production recorded a decline of -4.6%yoy (4QCY24: -6.5%yoy). In the mining sector, production is expected to remain weak in view of the subdued production of crude petroleum oils and natural gas in the recent months. This is in line with the sharper fall in mining exports recorded in May-25 (-23.6%yoy; Apr-25: -1.3%yoy). However, rising oil prices, driven by escalating tensions in the Middle East, are expected to support petroleum-based exports in the near term.

- **Agriculture**. The agriculture sector rebounded by +0.6%yoy (4QCY24: -0.7%yoy), due to higher growth for other agriculture (+2.2%yoy; 4QCY25: +1.9%yoy) and livestock (+1.9%yoy; 4QCY25: +1.6%). With improved weather conditions, the sector is poised for stronger productivity, driven by more efficient harvesting and fertilisation activities.

External trade uncertainties and heightened geopolitical tensions. With the 90-day tariff pause set to expire after the first week of Jul-25, Malaysia and the US have agreed to conclude trade negotiations before the reprieve ends, although specific details remain unclear. Nonetheless, most planned tariff measures remain in place, including the 50% steel tariffs and baseline tariff of 10% which could affect various export products such

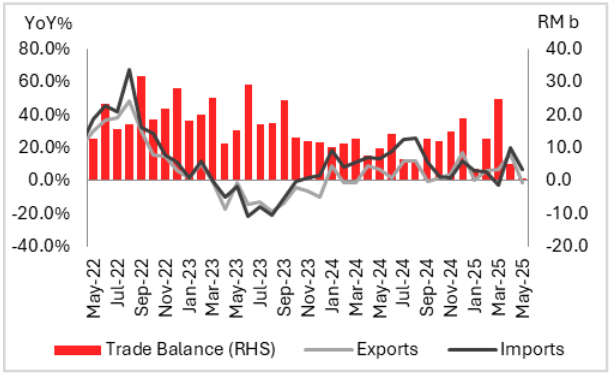
as machinery, medical equipment, furniture, and rubber.

- **Malaysia's tariff position**: To recap, Malaysia currently faces a 24% tariff on its exports to the US, lower than most regional peers, except for Singapore (10%) and the Philippines (18%). However, the eventual impact will depend on whether Malaysia can secure broader tariff reductions, particularly in comparison to regional competitors like Indonesia and Vietnam, and in key strategic sectors, particularly E&E. Such an outcome would bolster Malaysia's overall trade and economic outlook in 2H2025.

- **Semiconductor tariff risks:** Although the semiconductor sector, accounting for just 24% of the broader E&E category, has so far been exempted from these measures, we remain cautious of potential policy shifts as the exemption is reportedly temporary, and tariffs could still be imposed pending the outcome of an ongoing investigation. As a strategic, high-value segment of advanced manufacturing, semiconductors are closely aligned with the administration's reshoring agenda.

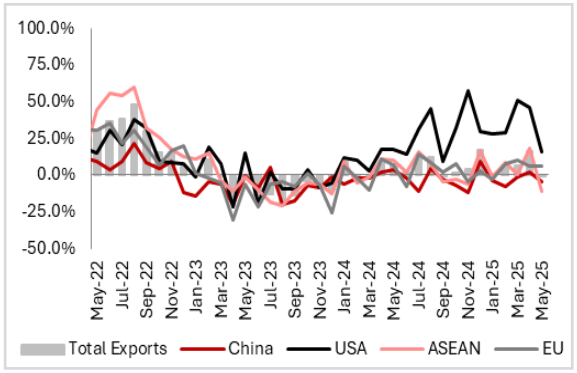
- **A cautious trade outlook.** Meanwhile, while trade tensions between the US and China have somewhat eased, the overall trade landscape remains uncertain, with renewed geopolitical risks in the Middle East adding another layer of risk. In view of this, along with the potential softening of external demand we forecast export growth to moderate to +2.0% in 2025 (2024: +5.7%) and import growth to ease to +4.5% (2024: +13.2%), reflecting a more cautious outlook amid ongoing trade uncertainties. In the near term, if the boost to exports from front-loading activities during the 90-day tariff pause turns out to be less pronounced, sustained import growth, especially due to robust demand for capital goods, could constrain the trade balance. On a positive note, the expansion of bilateral trade, stronger regional supply chain integration, diversification away from reliance on the US market may help cushion the impact of tariffs.

Chart 23: External Trade Performances (YoY%)



Source: Macrobond, MIDFR

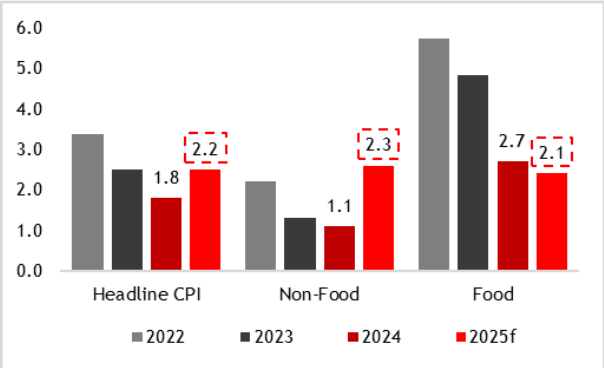
Chart 24: Exports by Major Markets (YoY%)



Source: Macrobond, MIDFR

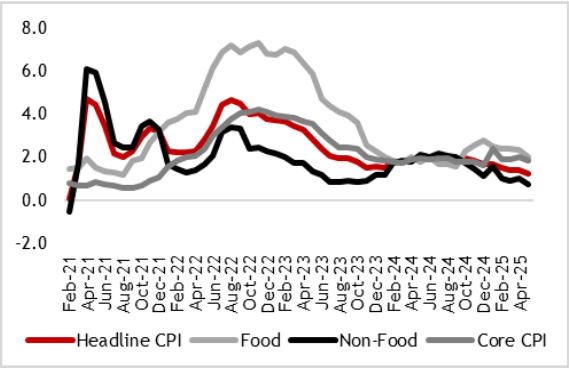
Policy reforms to drive inflation higher. We forecast Malaysia's CPI inflation will accelerate to +2.2% this year (2024: +1.8%), although inflation has thus far remained stable and low averaging +1.5% in 5MCY25. The higher inflation will be primarily driven by supply-side factors and the government policy measures. For example, the rollout of targeted RON95 subsidy, despite only affecting the top 15% of income earners, will still result in higher transport costs. In addition, the increase in input costs and the subsequent pass-through effects from non-food inflation are anticipated to exert upward pressure on food prices. On top of that, we anticipate the expansion of the SST list will exert upward pressure, contributing an additional 0.35-0.40ppts to the headline inflation, with potential spillover effects across other components in the CPI basket. Additionally, given the geopolitical tensions, particularly those concerning the Strait of Hormuz, present an upside risk to global oil prices. On the other hand, we recognise a downside risk to our inflation forecast, primarily stemming from potential delays in government policy adjustments. The current low oil and commodity prices will also limit the upward revision to the domestic fuel and energy prices.

Chart 25: Inflation Forecast (YoY%)



Source: Macrobond, MIDFR

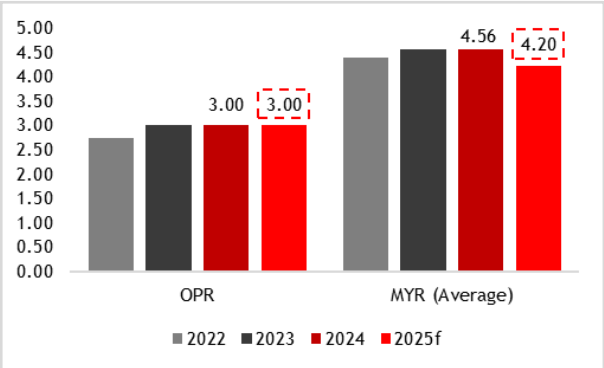
Chart 26: Inflation by Major Components (YoY%)



Source: Macrobond, MIDFR

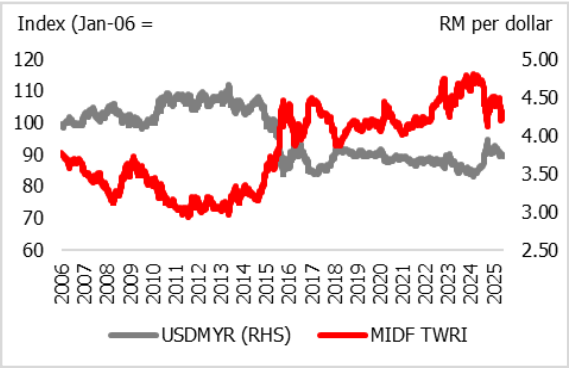
OPR to remain at 3.00% for 2025. In line with our prevailing assessment of economic growth and inflationary trends, the existing Overnight Policy Rate (OPR) of 3.00% continues to provide an accommodative environment for sustainable economic growth. We project that Bank Negara Malaysia (BNM) will retain this policy rate at its current level throughout the 2025. This sustained accommodative position is expected to underpin Malaysia's economic expansion. While we anticipate a rise in inflationary pressures attributable to supply-side factors, including forthcoming policy adjustments and elevated cost structures, we do not foresee this prompting a recalibration of the OPR by BNM, given the slowdown of robust demand-side pressures. Nevertheless, should a significant emergence of demand-driven inflation manifest, a tightening of monetary policy may subsequently be warranted.

Chart 27: Monetary Policy & USDMYR Forecast (%)



Source: Macrobond, MIDFR

Chart 28: USDMYR vs MIDF Trade-Weighted Ringgit Index (TWRI)

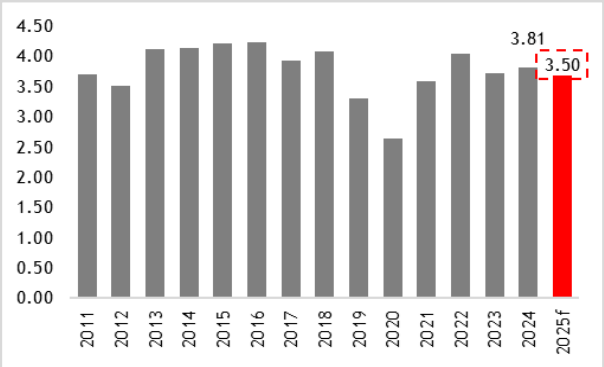


Source: Macrobond, MIDFR

Narrowing interest rate differential remains as a key factor. We project the ringgit will exhibit strengthening in 2HCY25. The anticipated narrowing of the interest rate differential between the OPR and the Federal Funds Rate (FFR) serves as a key fundamental underpinning our forecast for the Malaysian Ringgit. The appreciation of the ringgit is expected to be catalysed by shifts in US monetary policy and a heightened global risk appetite, which should facilitate renewed fund flows into emerging markets, including Malaysia. While acknowledging the supportive roles of Malaysia's robust economic growth, commodity price fluctuations, and sustained current account surplus, our assessment indicates that financial market dynamics will exert a greater influence on the Ringgit's overall performance. We continue to expect BNM to maintain the OPR at its current level, while the Fed is expected to carry out rate cuts in the latter part of the year. On the back of the narrowing interest rate differential, we maintain our forecast that ringgit is to average stronger at RM4.30 in 2025 (2024: RM4.56) and to end the year around RM4.25 (end-2024: RM4.47).

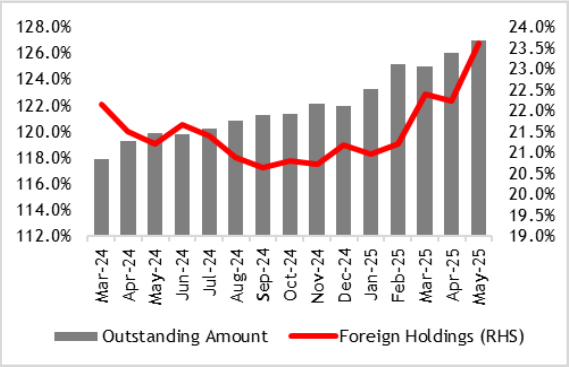
10y MGS yield to reduce to 3.50% in 2025. We update our forecast for 10-year MGS, now expecting the yield to move towards 3.50% by year-end 2025 (previous forecast: 3.60%). This revised projection is primarily driven by the currently compressed spread between MGS and OPR which reached +52bps versus the average +98bps gap in 2015-2025, reflecting prevailing market expectations for a potential OPR rate cut. We anticipate a near-term shift of capital flows into the MGS market, further supported by growing concerns over the US fiscal outlook, which could divert capital away from the UST market. The reversal of capital flows into the MGS market would compress the MGS yield for this year, including the yield spreads against OPR across the curve. While the MGS yields tend to follow the trend in US treasury yields, we noticed that the recent sensitivity of the movement in the MGS market has reduced and somewhat decoupled. In other words, the volatility in the UST has a less impact on the MGS market than previously. 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, aligned with the FOMC's latest dotplot which indicates potentially two rate cuts this year, in line with the market consensus. In addition, Malaysia's sustained fiscal consolidation efforts, in line with its commitment to improve its fiscal position—such as the expansion of the SST coverage and planned fuel subsidy rationalisation— will further enhance investor confidence and attract more inflows into the MGS market. On another note, on the back of stable and manageable inflation, Malaysia's growth fundamentals also remained robust, especially on the domestic front, despite concerns over the impact of higher tariffs and potentially weaker external demand. Still, risks exist. Delayed Fed rate cuts, a persistently strong U.S. dollar, and renewed inflationary pressures could sustain current MGS yield levels, especially in the short term. This suggests potential downward pressure on UST yields, which would likely translate to lower MGS yields, aligning with our end-2025 forecast. Close monitoring of these factors is crucial for the Malaysian debt market outlook.

Chart 29: 10-Year MGS Yield Forecast (%) (average)



Source: Macrobond, MIDFR

Chart 30: Share of Foreign Holdings of Total Outstanding Government Bonds (%) Share of Foreign



Source: Macrobond, MIDFR

Trade uncertainties continue to pose downside risk to growth outlook. Higher tariffs and escalating tensions in the Middle East are currently shaping the uncertain global landscape, weighing on Malaysia's trade and export-reliant sectors. The outlook is further dampened by the potential weakening in external demand for Malaysian exports among key trade partners. With the outcome of trade negotiations still uncertain, Malaysia's exports remain subject to the 10% baseline tariffs, which will continue to weigh on overall trade performance. Conflicts in the Middle East add another layer of risk to global trade, with a high likelihood of disruptions to key trade routes, particularly the Strait of Hormuz. Meanwhile, ringgit appreciation may remain limited as escalating geopolitical tensions and renewed growth concerns continue to drive safe-haven demand for the US dollar. As an open economy, Malaysia remains exposed to developments in the US. Mounting risks to US consumer spending —on the back of ongoing economic uncertainty, heightened inflation expectations and a softening labour market—

may lead to more cautious spending plans. The full impact of new tariffs is also expected to emerge in the coming months, potentially eroding real disposable incomes and dampening US demand. Meanwhile, persistent deflationary pressures in China and the government's suspension of certain subsidies risk further dampening private consumption. These headwinds could weigh on Malaysia's external trade performance going forward.

Table 3: Macroeconomic Past Performances (%)

(YoY%) Unless Stated Otherwise	2021	2022	2023	2024	2025F
Real GDP	3.3	8.9	3.6	5.1	4.0
Govt. Consumption	5.8	5.1	3.3	4.7	5.0
Private Consumption	1.8	11.3	4.7	5.1	4.4
Gross Fixed Capital Formation	(0.7)	6.8	5.5	12.0	6.6
Govt. Investment	(11.0)	5.3	8.6	11.1	5.6
Private Investment	2.8	7.2	4.6	12.3	6.8
Exports of goods & services;	18.5	14.5	(8.1)	8.5	4.2
Goods Exports	21.4	11.0	(12.7)	5.5	3.1
Services Exports	(8.2)	58.3	33.0	25.9	9.6
Imports of goods & services;	21.2	16.0	(7.4)	8.9	4.0
Goods Imports	23.8	14.4	(11.7)	9.4	3.8
Services Imports	7.7	25.7	15.8	7.3	4.8
Net Exports	(4.0)	(1.5)	(16.2)	2.2	6.8
Agriculture etc.	(0.3)	1.3	0.7	3.1	0.9
Mining & Quarrying	0.9	3.5	0.5	0.9	(1.1)
Manufacturing	9.5	8.1	0.7	4.2	3.7
Construction	(5.2)	5.1	6.1	17.5	12.8
Services	2.2	11.0	5.1	5.4	4.6
Exports of Goods (f.o.b)	26.1	24.9	(8.0)	5.7	2.0
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	2.2
Current Account, % of GDP	3.9	3.0	1.5	1.7	1.9
Fiscal Balance, % of GDP	(6.4)	(5.6)	(5.0)	(4.1)	-3.9
Federal Government Debt, % of GDP	63.2	60.3	64.3	64.6	62.9
Unemployment Rate (%)	4.58	3.82	3.43	3.26	3.00
Brent Crude Oil (Avg), USD per barrel	71.5	102.0	82.2	79.9	65.0 - 68.0
Crude Palm Oil (Avg), MYR per tonne	4,486	5,262	3,813	4,194	4,100
USD/MYR (Avg)	4.14	4.40	4.56	4.56	4.30
USD/MYR (End-period)	4.17	4.35	4.59	4.47	4.25
MGS 10-Yr Yield (Avg)	3.23	4.07	3.86	3.83	3.59
MGS 10-Yr Yield (End-period)	3.59	4.04	3.73	3.84	3.50
Overnight Policy Rate (%)	1.75	2.75	3.00	3.00	3.00

Source: Macrobond, DOSM, MIDFR

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III. MARKET OUTLOOK

The equity market swayed down… The local equity market sways thus far this year can be separated into four phases. The first phase from January to March was measured albeit insistently bearish as investors were trying to price in potential adverse impact of upcoming US tariffs. The second phase which began in early April was sharply bearish as the announced US 'reciprocal' tariffs were higher than expectations.

…and up… TThe local equity market sways thus far this year can be separated into four phases. The first phase from January to March was measured albeit insistently bearish as investors were trying to price in potential adverse impact of upcoming US tariffs. The second phase which began in early April was sharply bearish as the announced US 'reciprocal' tariffs were higher than expectations.

Figure 1: FBM KLCI: 1H25 Four Phases



Source: MIDFR, Bloomberg (G3)

…and down again in 1HCY25. Finally, the bearish fourth phase began circa mid-May as investors were arguably beginning to feel unease over the progress of ongoing trade negotiations with the US administration. The overhanging trade issue was soon compounded and overshadowed by the Iran-Israel military conflict which began around mid-June.

Price diminution in 1HCY25 exerted by foreign net outflow… Year-to-date (until 24 June), the FBM KLCI fell -7.8% as lingering trade issue and heightened geopolitical risk sapped investors' appetite. Concomitantly, foreign funds recorded net outflow from Bursa Malaysia totalling -RM12.3 billion. .

Figure 2: FBM KLCI: Price versus Foreign Fund Flows (FFF)



Source: MIDFR, Bloomberg (G4)

…and mirrored by lowered earnings expectation. The tariff issue also dampened our macroeconomic outlook with Malaysia 2025 GDP growth estimate cut from +4.6% initially to +4.0% currently. Likewise, the FBM KLCI earnings expectation for 2025 has been on the decline since the start of the year. The consensus estimate was at 113.5 points in early January and is now stands at 109.4 points.

Our baseline outlook predicate on satisfactory US trade deal… As of the time of writing (24 June), the Iran-Israel military conflict has ended with a ceasefire unilaterally brokered by the US administration. Going forward, we reckon the ceasefire would largely hold and local equity market shall revert its key focus back toward the still ongoing US trade negotiation. Recall that the 90-day 'reciprocal' tariff pause shall end in the second week of July. In this regard, our baseline earnings and equity market outlook in 2HCY25 are predicated on the likelihood of Malaysia achieving a satisfactory trade deal with the US that would not jeopardize the attainment of our macro targets this year.

…and healthy macro performance… We expect Malaysia economy to remain relatively healthy with GDP growth estimate of +4.0% in 2025. Moreover, price pressure is expected to remain rather subdued with headline CPI growth estimated at +2.2% this year.

…as well as easing liquidity environment… Meanwhile, expectation of interest rate cuts by the US Fed together with additional stimulus (both monetary and fiscal) by China authorities should be overall positive to the world's financial liquidity situation in 2HCY25. 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.

…with return bouts of foreign fund inflow… In 2HCY25, we expect return bouts of foreign fund inflow after massive net outflows in 1HCY25. The turnaround would be driven by more favourable interest rate differentials (with US Fed cutting while BNM abstaining) and comparatively higher GDP growth rate as well as relatively stable currency with the USD/MYR rate estimated at 4.25 by end-2025.

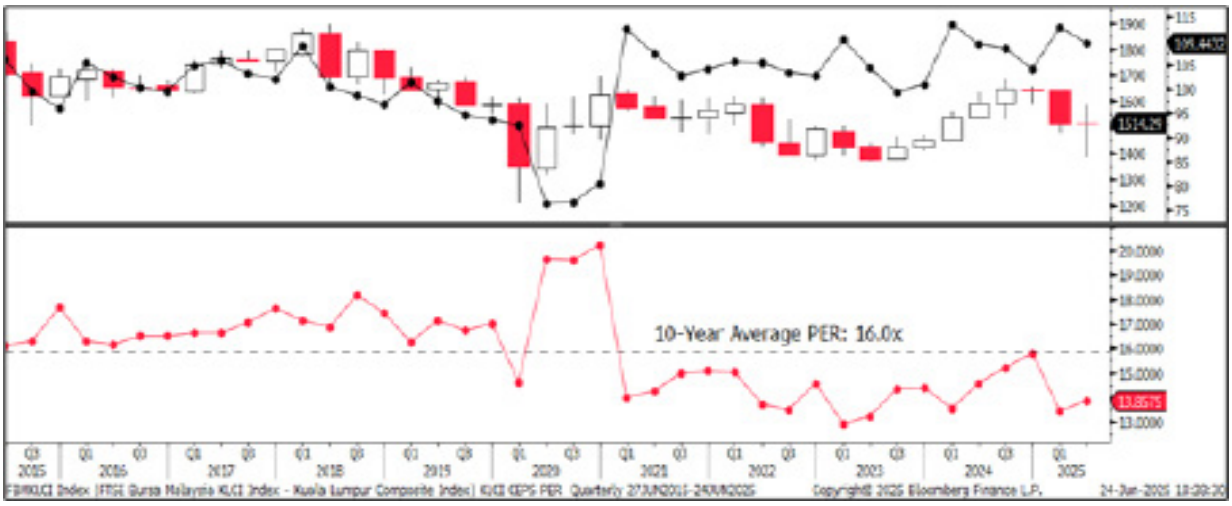
…backed by undemanding equity valuation. Moreover, the valuation of local equity market is relatively undemanding. The 10-year average PER of FBM KLCI stands at 16.0x current year earnings. The FBM KLCI is currently (24 June) trading at 1,514 points or PER25 of 13.9x, a historically depressed valuation level.

FBM KLCI: Consensus Forward Earnings

Calendar Year	Earnings (Points)
CY2025 (E)	109.4

Source: Bloomberg, MIDFR

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



Source: MIDFR, Bloomberg (G5)

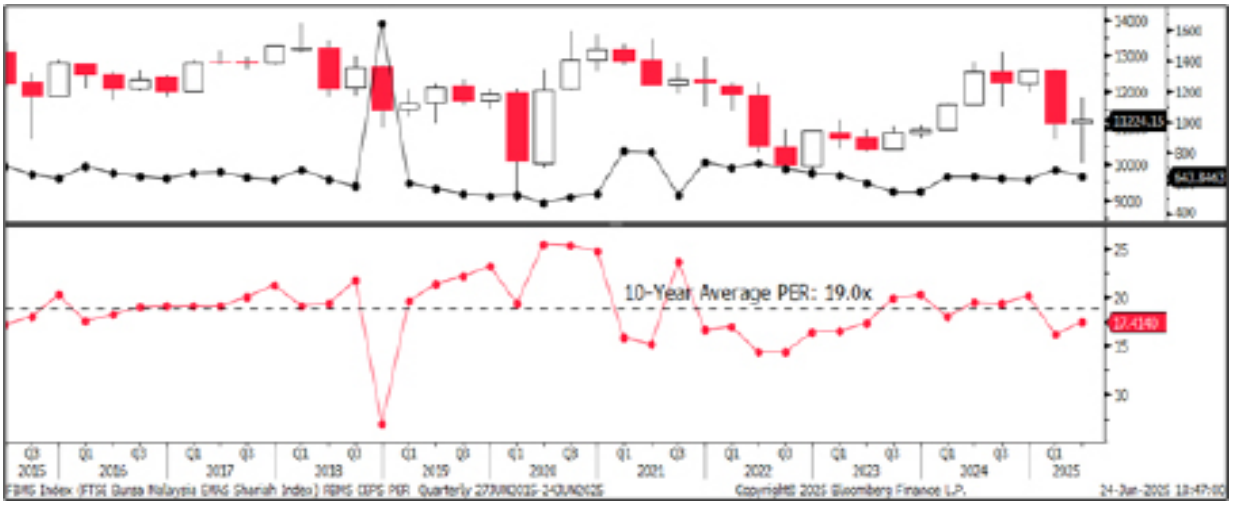
Maintain FBM KLCI end-2025 target at 1,590 points or PER25 of 14.5x. At the time of writing (24 June), the FBM KLCI is trading at 1,514 points or PER25 of 13.9x. The benchmark is at below 10-year mean level of 16.0x current year earnings. As earlier stated, we predicate our second half outlook on satisfactory US trade deal, macro attainments, easing liquidity and fund inflows. Hence, we expect a positive FBM KLCI performance in 2HCY25 after a negative first half. We maintain our FBM KLCI end-2025 target at 1,590 points or PER25 of 14.5x.

FBM Emas Shariah: Consensus Forward Earnings

Calendar Year	Earnings (Points)
CY2025 (E)	643.8

Source: Bloomberg, MIDFR

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



Source: MIDFR, Bloomberg (G6)

Introduce FBM Emas Shariah end-2025 target at 12,000 points or PER25 of 18.6x. At the time of writing (24 June), the FBM Emas Shariah is trading at 11,224 points or PER25 of 17.4x. The benchmark is at below 10-year mean level of 19.0x current year earnings. As earlier stated, we predicate our second half outlook on satisfactory US trade deal, macro attainments, easing liquidity and fund inflows. Hence, we expect a positive FBM Emas Shariah performance in 2H25 after a negative first half. We introduce our FBM Emas Shariah end-2025 target at 12,000 points or PER25 of 18.6x.

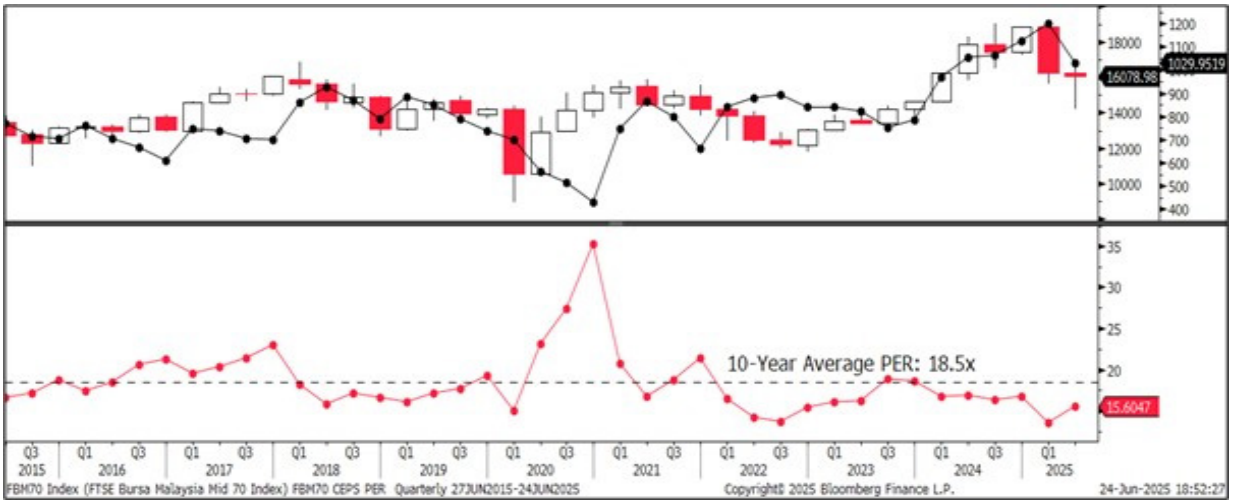
NOTE: ***Starting with this publication, we introduce our year-end target points for FBM Emas Shariah index. Concurrently, we cease providing year-end target points for FBM Hijrah Shariah index.***

FBM70: Consensus Forward Earnings

Calendar Year	Earnings (Points)
CY2025 (E)	1,030

Source: Bloomberg, MIDFR

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



Source: MIDFR, Bloomberg (G7)

Maintain FBM70 end-2025 target at 17,200 points or PER25 of 16.7x. At the time of writing (24 June), the FBM70 is trading at 16,079 points or PER25 of 15.6x. The benchmark is at below 10-year mean level of 18.5x current year earnings. As earlier stated, we predicate our second half outlook on satisfactory US trade deal, macro attainments, easing liquidity and fund inflows. Hence, we expect a positive FBM70 performance in 2H25 after a negative first half. We maintain our FBM70 end-2025 target at 17,200 points or PER25 of 16.7x.

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) adverse macro impact consequent to unfavourable outcome of the upcoming US tariff decisions, and (2) potential re-escalation of the geopolitical conflicts in the Middle East and Europe.

Upside risk. On the other hand, a better-than-expected outcome to the ongoing US trade negotiations would generate positive economic impact. Under this scenario, we may be inclined to upgrade our macro and earnings targets.

Scenario analysis. In view of the looming risks (both adverse and favourable), apart from our baseline (BL), we generated four downside scenarios (S1, S2, S3 and S3+) as well as one upside scenario (S4) incorporating the following projections for US and Malaysia GDP growth in 2025:

- **S4:** US and Malaysia GDP growth of +2.0% and +4.6% respectively..
- **BL:** **US and Malaysia GDP growth of +1.4% and +4.0% 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.
- **S3:** US and Malaysia GDP growth of -1.0% and +0.5% respectively.
- **S3+:** US and Malaysia GDP growth of -2.0% and -0.2% respectively.

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

- **S4:** Earnings points and earnings growth are 110.7 points and +0.1%yoy respectively.
- **BL:** **Earnings points and earnings growth are 109.4 points and -1.1%yoy respectively.**
- **S1:** Earnings points and earnings growth are 107.2 points and -3.1%yoy respectively.
- **S2:** Earnings points and earnings growth are 105.1 points and -5.0%yoy respectively.
- **S3:** Earnings points and earnings growth are 103.3 points and -6.6%yoy respectively.
- **S3+:** Earnings points and earnings growth are 102.4 points and -7.4%yoy respectively.

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

- **S4:** Earnings points and earnings growth are 15.1x and 1,670 pointsrespectively.
- **BL:** **PER valuation and index target are 14.5x and 1,590 points respectively.**
- **S1:** PER valuation and index target are 14.2x and 1,520 points respectively.
- **S2:** PER valuation and index target are 13.7x and 1,440 points respectively.
- **S3:** PER valuation and index target are 13.4x and 1,380 points respectively.
- **S3+:** PER valuation and index target are 12.7x and 1,300 points respectively.

Figure 6: TECHNICAL CHART



Source: MIDFR, Trading View

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IV. STOCK SELECTION

Balance of risk seems to be trending towards positive. Our expectation of a turbulent CY25 have been proved accurate in 1HCY25. However, we believe that the downside risks to equities market and the economy seems to be moderating. We expect a potentially more subdued geopolitical situation after the flare up in June-25. The other downside risk in terms of U.S. trade policy has also lessen in past few weeks. Recent media reports suggest the possibility of the tariff pause to be extended which further improved sentiment. Overall, we see the balance of risks to be trending towards more positive in 2HCY25.

Not fully abandoning our defensive stance...While we foresee better outlook in 2HCY25, we are cognizant of the potential of the downside risks to linger, mainly stemming from external factors such as the uncertainties surrounding U.S. trade policy. This follows from the schizophrenic nature of the U.S. policies. Therefore, we still advise caution albeit not as fervently as before.

...**opportune time to have a balanced approach.** We recommend having a more balance approach for 2HCY25 given the aforementioned balance of risks. In our opinion, it may be the time to revisit some of the catalysts such as data centre (DC) plays.

Utilities and Consumer Staples to moderate downside risk. We continue to like Utilities and Consumer Staples given the stability of its earnings regardless of any potential economic shocks. This stability and attractive dividend yields should moderate the downside risks, while not discounting the potential for price appreciation due to undervaluation.

Balanced out by Construction and Property. Taking advantage of potential improvement in sentiments, we also like the Construction and Property sector. We expect 2HCY25 to show a recovery in construction sector performance, driven by improved project execution and supported by a favourable cost environment. Meanwhile, we see outlook for property sector to remain positive in 2HCY25 as buying interest on property is healthy while JS-SEZ and The Johor Bahru-Singapore Rapid Transit System (RTS) remain the catalysts to the sector. In addition, Malaysia's DC sector is still on an accelerated growth trajectory, offering substantial opportunities for both construction and property companies through construction jobs and unlocking value of landbanks respectively. We see this demand continuing in 2HCY25. Furthermore, recent geopolitical developments will likely have a limited impact on these sectors given its domestic focus and low direct exposure to U.S. and Middle East markets.

One recent change to sector calls. We make no changes to our sector calls in this report. The summary of our sector calls is as follows.

POSITIVE: Construction, Consumer, Healthcare, Property, Utilities (Power)

NEUTRAL: Automotive, Banking, Gloves, Plantations, Oil & Gas, REITs, Technology, Telecommunication, Transportation

NEGATIVE: None

Our top ten picks encapsulate our balance view. Our overall top picks are chosen mainly based on balanced view for 2HCY25. Our overall top picks for 2HCY25 are as follows:

Table 4: Overall Top Stock Picks (Rank by Total Returns)

	Rec.	Price (RM) @ 30/6/25	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
Malayan Cement	BUY	5.02	7.49	49.2%	2.0%	51.2%	3	No
Pekat	BUY	1.36	1.86	36.8%	0.0%	36.8%	-	-
Life Water	BUY	0.83	1.00	21.2%	1.6%	22.8%	-	-
Hong Leong Bank	BUY	19.60	23.09	17.8%	4.1%	21.9%	4	Yes
IHH Healthcare	BUY	6.82	8.18	19.9%	1.5%	21.5%	3	Yes
Mah Sing	BUY	1.19	1.37	15.1%	4.1%	19.2%	4	Yes
Tenaga Nasional	BUY	14.38	16.40	14.0%	3.8%	17.8%	3	Yes
UOA Development	BUY	1.78	1.98	11.2%	5.6%	16.9%	3	No
Gamuda	BUY	4.79	5.42	13.2%	2.1%	15.2%	3	Yes
Fraser & Neave	BUY	29.46	32.68	10.9%	2.6%	13.5%	4	Yes

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

Top ten picks amongst Shariah and FBM 70 & small-cap stocks. Our top picks for Shariah-listed stocks and mid & small caps are similarly with a balanced view in mind. Below are our top ten picks among Shariah-listed stock and FBM70 and small-caps stocks:

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

	Rec.	Price (RM) @ 30/6/25	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
Malayan Cement	BUY	5.02	7.49	49.2%	2.0%	51.2%	3	No
Pekat	BUY	1.36	1.86	36.8%	0.0%	36.8%	-	-
Samaiden	BUY	1.18	1.59	34.7%	1.3%	36.0%	3	Yes
Life Water	BUY	0.83	1.00	21.2%	1.6%	22.8%	-	-
IHH Healthcare	BUY	6.82	8.18	19.9%	1.5%	21.5%	3	Yes
Mah Sing	BUY	1.19	1.37	15.1%	4.1%	19.2%	4	Yes
Tenaga Nasional	BUY	14.38	16.40	14.0%	3.8%	17.8%	3	Yes
UOA Development	BUY	1.78	1.98	11.2%	5.6%	16.9%	3	No
Gamuda	BUY	4.79	5.42	13.2%	2.1%	15.2%	3	Yes
Fraser & Neave	BUY	29.46	32.68	10.9%	2.6%	13.5%	4	Yes

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

Table 6: Top FBM 70 Stock Picks (Rank by Total Return)

	Rec.	Price (RM) @ 30/6/25	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
Malayan Cement	BUY	5.02	7.49	49.2%	2.0%	51.2%	3	No
IJM Corp	BUY	2.62	3.74	42.7%	3.1%	45.8%	3	Yes
Pekat	BUY	1.36	1.86	36.8%	0.0%	36.8%	-	-
Samaiden	BUY	1.18	1.59	34.7%	1.3%	36.0%	3	Yes
Life Water	BUY	0.83	1.00	21.2%	1.6%	22.8%	-	-
IHH Healthcare	BUY	6.82	8.18	19.9%	2.2%	22.1%	3	Yes
Mah Sing	BUY	1.19	1.37	15.1%	4.1%	19.2%	4	Yes
UOA Development	BUY	1.78	1.98	11.2%	5.6%	16.9%	3	No
Spritzer	BUY	1.53	1.75	14.4%	2.3%	16.7%	3	No
Fraser & Neave	BUY	29.46	32.68	10.9%	2.6%	13.5%	4	Yes

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

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B. SECTORS OUTLOOK

I. CONSTRUCTION

Cruising Altitude.....Maintain POSITIVE

Analyst: MIDF Research Team

Remained on a positive trajectory. Data from the Department of Statistics Malaysia (DOSM) showed that for the twelfth consecutive quarter, the construction sector remained on a positive trajectory, registering an increase of +23.1%yoy to RM42.9b of work done value in 1QCY25. Out of RM42.9b work done value in 1QCY25, 36.6% or equivalent to RM15.7b was in civil engineering, primarily in the construction of roads and railways (RM7.9b) and construction of utility projects (RM6.0b) activities. The value of work done for non-residential buildings and residential buildings amounted to RM12.3b (28.8%) and RM9.9b (23.0%), respectively. Meanwhile, special trade activities contributed RM5.0b (11.6%), mainly in sites preparation (RM1.3b); electrical installation (RM1.2b); and plumbing, heat, and air-conditioning installation (RM1.1b). Nearly 63.4% of completed works value was concentrated in Selangor, Johor, the Federal Territories and Sarawak, with Selangor recording the highest construction work done value at RM11.1b. As of May-25, a total of 5,387 projects have been awarded in CY25, with a total value of RM76.3b. This was slightly lower than the same period in CY24 where 7,822 projects were awarded, with a total value of RM91.6b. Overall, 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 global trade tensions. We do not expect any surprises for 2HCY25.

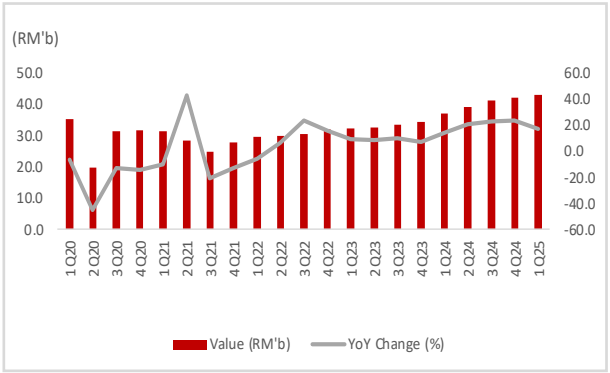
Jobs flowing steadily. Our economics team has maintained their forecasted growth for the construction sector in CY25 at +12.8%. With the lack or rather delayed rollout of mega pump-priming projects under Budget 2025, the construction sector is still expected to be supported by private sector jobs with 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 East Coast Rail Link (ECRL), RTS Link and the recently reinstated 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 RM6.10b Northern Coastal Highway in Sarawak; the RM5.60b Sabah-Sarawak Link Road, the rollout of the MRT3 project, and the potential renewal of the KL-SG High Speed Rail project amongst others. The Johor-Singapore Special Economic Zone (JS-SEZ) is also expected to be a key catalyst for the construction sector moving forward.

Updates on mega projects. 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. It was awarded the main civil and structural works contract for the Mutiara LRT Line and works are set 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. 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. The >RM1.50b Penang International Airport Expansion project has also been progressing steadily with Phase one expected to be completed by the end of CY25. As at May-25, work done for Work Package 1 (WP1) which covers critical enabling and upgrading works has reached nearly 38% completion. Physical construction for Work Package 2 (WP2) which focuses on upgrading

works and has a contract value of RM254.6m has also commenced in Apr-25 with the tender for Work Package 3 (WP3) expected to be called in Jun-25. The new terminal is scheduled to begin operations in CY27, with full project completion targeted for CY28. 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 (99%) 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 CY25. In Sabah, Phase 1A, comprising 16 work packages, has achieved 81.7% completion as of Apr-25, with four packages completed and the remaining packages expected to be finished in phases by the 1QCY26. Phase 1B, comprising 19 work packages are currently being carried out and has achieved 3.06% completion as at Apr-25. Full completion is expected in CY28, further boosting the sector's momentum in East Malaysia.

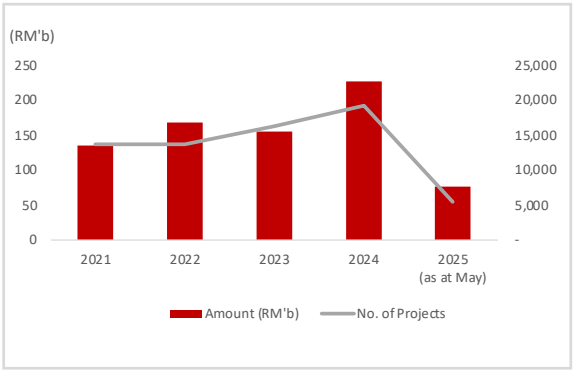
Data centres. Major construction firms, notably Gamuda, IJM, and Sunway Construction (SunCon), continue to capitalise on the upward trend of data centres in Malaysia. Their expertise in digital infrastructure and advanced Industrialised Building Systems (IBS) has enabled them to secure significant DC projects, particularly from hyperscale clients with stringent timelines. SunCon's outstanding order book includes RM3.93b worth of DC projects, accounting for 49.7% of its total orders. Similarly, IJM secured three DC projects in Johor in FY25 and is actively participating in five hyperscale tenders with values >RM1.0b. 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 end-CY25. Additionally, Oracle has announced plans to invest over USD6.50b 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

Chart 31: Value of Construction Work Done



Source: DOSM, MIDFR

Chart 32: Value & Volume of Contracts Awarded



Source: CIDB, MIDFR

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 2HCY25. We expect DCs to be one of the main drivers of growth in the construction industry in Malaysia in CY25.

SST impact. The recent expansion of the Sales and Services Tax (SST) to include construction services effective 1 July 2025 is expected to have a limited impact on the sector. Most construction contracts include cost pass-through clauses, allowing contractors to revise pricing in response to tax changes. Furthermore, construction materials remain exempt from SST, minimising direct cost escalation at the input level. For companies with a property arm, SST on leases and rentals is generally borne by tenants, while exemptions are provided for residential

buildings, which form a large share of the development portfolio for firms like IJM. However, some uncertainties remain. One area still awaiting official clarification involves whether new SST charges will apply to construction machinery and equipment leasing—particularly when rented from firms with revenue above RM500k. Should these charges be imposed, they could exert cost pressure, especially on smaller contractors or subcontractors. There is also potential for indirect cost impact from steel-related SST, as taxes on upstream materials such as steel scrap and coking coal may result in higher raw material costs along the supply chain. As the construction sector accounts for more than 60% of domestic steel consumption, any meaningful price increase could ripple into future project margins. That said, we expect the overall SST impact to be manageable, especially for large-scale builders. Most future project bids are likely to be repriced to factor in SST, while exemptions for public housing, B2B transactions, and public infrastructure projects provide additional buffers. We do not foresee any material disruption to construction earnings in 2HCY25, though margin compression may occur on smaller or legacy private contracts with fixed pricing structures.

Maintain POSITIVE. We maintain our POSITIVE view on the construction sector, supported by a favourable cost environment and steady project momentum. Steel bar prices have continued to ease for the second consecutive month amid a decline in global production, while cement prices remain stable due to disciplined domestic production and raw material cost control. These dynamics help cushion contractors from margin pressures. While recent geopolitical developments such as the Liberation Day tariffs and the conflicts in the Middle East have introduced some volatility, we see limited impact on the sector given its domestic focus and low direct exposure to U.S. and Middle East markets. Looking ahead, 2HCY25 is expected to show a recovery in construction sector performance, driven by improved project execution momentum despite more challenging market conditions. Overall, our optimism is anchored by several key factors: (1) a diversified earnings base and strategic asset monetisation among key players such as MRCB who currently has an extensive landbank with a GDV of RM32.8b, and the launch of WCT's Paradigm REIT, mitigating individual project risks and regulatory delays; (2) sustained operational efficiencies and effective cost management, supporting margin expansion particularly among building materials producers; (3) renewed strength in property development and higher property unbilled sales benefiting diversified construction firms and (4) accelerated progress in key infrastructure projects, particularly data centres supported by robust order books of industry leaders such as SunCon, IJM Corp and Gamuda, alongside increased infrastructure activity driven by the Penang LRT, airport expansions, highway projects, and flood mitigation projects.

Top picks. Our top picks for the construction sector remain SunCon (BUY, TP: RM6.44), IJM Corp (BUY, TP: RM3.74), Gamuda (BUY, TP: RM5.42), and Malayan Cement (BUY, TP: RM7.49). SunCon remains highly attractive given persistent and robust demand for data centre construction projects, driven by Malaysia's accelerating digital transformation and ongoing foreign investments into hyperscale facilities. IJM Corp's diversified earnings base, notably its strategic international exposure through key projects in the UK via its subsidiary JRL, positions the company favourably against domestic market volatility, providing a resilient earnings buffer. Meanwhile, Gamuda's strong overseas presence and continued execution excellence in large-scale infrastructure projects and data centres underpin a stable growth trajectory. Finally, Malayan Cement stands out as the primary beneficiary of Malaysia's upcoming infrastructure boom.

II. CONSUMER

The Defensive Shield of 2HCY25.....Maintain POSITIVE

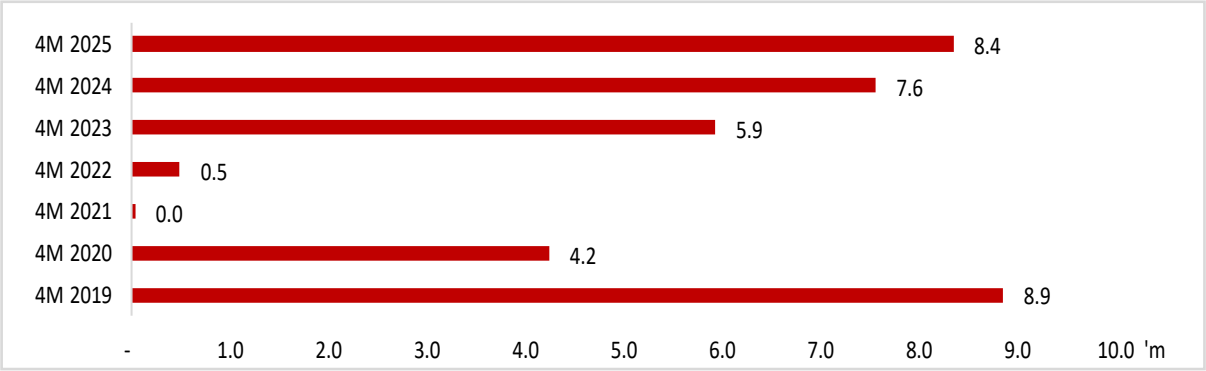
Analyst: Ng Qing Rong, ***Eunice***

Domestic demand remains resilient. Malaysia's consumer sector is expected to remain resilient in 2HCY25, underpinned by healthy fundamentals and policy-driven support for household incomes. While retail momentum has normalised following a strong double-festive 1QCY25, the underlying consumption remains steady. April retail sales grew +4.7%yoy to RM66.8b, reflecting firm consumer sentiment even as post-festive adjustments unfolded. Employment conditions remain supportive with the unemployment rate improving to 3.0%, while inflation is subdued at just +1.4%yoy. These indicators, coupled with civil service wage hikes, minimum wage adjustments, and flexible EPF withdrawals via Account 3, continue to anchor spending capacity across mass-market segments. As such, we expect domestic consumption to remain robust heading into the second half, albeit with a tilt toward essential goods.

Tourism provides structural upside. Tourism continues to provide a strong uplift to the consumer sector, with Malaysia recording 8.4m tourist arrivals in the first four months of 2025, up +10.5%yoy and nearing pre-pandemic benchmarks of 8.9m in 4MCY19. Key source markets saw strong double-digit growth, with arrivals from China and India jumping +28.8%yoy and +28.9%yoy, respectively, driven by visa-free entry initiatives introduced in late 2023. Reflecting both higher volumes and improved spending quality, tourism receipts surged +23.9%yoy to RM27.5b in 1QCY25, outpacing 1QCY19 levels by +28.5%. The uptick in per capita spending highlights a shift toward higher-value, experience-driven tourism.

Looking ahead, Malaysia is set to strengthen its position as a leading regional destination. The country recently surpassed Thailand to become the most visited in Southeast Asia, a milestone underpinned by its relative affordability, improved safety perception, and coordinated global marketing. With Visit Malaysia 2026 on the horizon, the government is targeting 35.6m tourist arrivals and RM147.1b in receipts. In the nearer term, extended visa waivers, enhanced air connectivity, and a RM550m tourism allocation under Budget 2025 are expected to sustain growth through 2H2025. This trend directly benefits consumer-facing names such as Spritzer (BUY, TP:RM 1.75) and Life Water (BUY, TP:RM1.00), through increased bottled water demand; Oriental Kopi (NEUTRAL, TP:RM0.83), via higher footfall at airport and mall outlets; and QL Resources (NEUTRAL, RM:4,33), through rising convenience food transactions at Family Mart. We see tourism as a key structural tailwind supporting topline growth and earnings resilience into the medium term.

Chart 33: Tourist Arrivals to Malaysia (2012-2026F)



Source: Tourism Malaysia, MIDFR

SST expansion manageable for staples. The expansion of the Sales and Services Tax (SST), effective 1st July 2025, introduces a broader scope—applying a 5-10% levy on selected premium goods and an 8% service tax on commercial rental income exceeding RM500k annually. The impact on consumer staples is expected to be marginal, as essential items remain exempt from the revised tax scope and demand for these products tends to be price inelastic. Most staples companies under our coverage cater to the mass market, which allows them to navigate tax-related changes with minimal disruption. In contrast, discretionary retailers may face upward cost pressure from rental adjustments, along with increased price sensitivity among middle-income consumers—particularly in fashion and lifestyle segments. On the demand side, subdued sentiment and greater scrutiny of non-essential spending could dampen discretionary volumes in the near term. That said, the actual margin impact will depend on landlords' ability to pass through the service tax and on tenants' pricing flexibility.

Trigger a behavioural shift. In addition, we believe the SST revision will trigger a behavioural shift in consumption. Households are likely to recalibrate their spending, prioritising essentials over discretionary purchases as they respond to rising cost-of-living concerns. This shift reinforces the relative defensiveness of consumer staples, which offer more stable volumes, better pricing power, and lower exposure to non-essential categories. As such, we reaffirm our positive stance on the staples segment, underpinned by its earnings resilience, superior cost pass-through capability, and sustained demand visibility heading into 2HCY25.

Commodity and currency tailwinds. Commodity and currency trends continue to support margin recovery across the consumer space. Prices of key inputs such as raw sugar (-5.7%yoy), PET resin (-17.0%yoy), wheat (-20%yoy), soybean meal (-18.4%yoy), and corn (-8.0%yoy) have eased, benefiting beverage, packaged food, and poultry producers. In the coffee segment, Vietnamese Robusta bean prices fell -14% in a week and -28.9% from the March peak, driven by stronger-than-expected output from Brazil and increased Indonesian exports, pushing global prices to year-to-date lows. This is expected to ease cost pressures for coffee manufacturers like **Nestle Malaysia (NEUTRAL, TP: RM77.90)**. Meanwhile, the ringgit appreciated -9.6%yoy against USD to RM4.27 in May, enhancing import cost efficiency. Overall, the broader trend of easing raw material costs, coupled with a firmer currency, is expected to reinforce margin stability and earnings resilience across the F&B and poultry segments heading into 2HCY25.

A Defensive Anchor in Uncertain Times. We believe the consumer sector stands out as a defensive investment theme amid rising external uncertainties, including geopolitical tension and tariff risks. The sector's predominantly domestic revenue base provides a natural hedge against external shocks and currency volatility. In particular, consumer staples continue to exhibit earnings resilience, supported by the essential nature of their offerings and consistent demand across economic cycles. Regardless of macro conditions, consumption of daily necessities tends to remain stable, reinforcing the defensive appeal of the sector as we enter 2HCY25.

Normalisation with Staples Resilience. As the sector enters 2HCY25, we expect consumption to normalise following the double festive boost in 1QCY25. Households are likely to recalibrate spending towards essentials amid fading seasonal catalysts and ongoing cost considerations. Nonetheless, the backdrop remains supportive, with stable employment, income support measures, and tourism recovery underpinning demand. Consumer staples are expected to remain resilient, aided by firm underlying demand, easing input costs, and currency strength. Discretionary segments may see softer momentum, though structural drivers—such as wage hikes and targeted cash transfers—should help cushion sentiment.

Maintain POSITIVE on the consumer sector, favour staples. We reiterate our POSITIVE outlook on the consumer sector, supported by a stable macroeconomic backdrop and multiple sector-specific tailwinds. While policy changes such as the expanded SST and the upcoming RON95 fuel subsidy rationalisation may introduce some pressure on sentiment, we expect the impact to be more concentrated on discretionary categories, with consumer

staples largely insulated. Our preference remains with staples, given their essential nature, resilient demand, and defensive earnings profile. The sector continues to benefit from higher disposable income driven by civil servant pay hikes, minimum wage adjustments, and targeted cash aid; steady household spending supported by low unemployment and contained inflation; a robust tourism recovery lifting retail and F&B channels; improving cost dynamics from a firmer ringgit and softer input prices; and the sector's consistent performance through economic cycles. In our view, consumer staples are well-positioned to offer earnings stability and downside protection heading into 2HCY25.

Our top picks in the sector are **F&N (BUY, TP: RM32.68), AEON (BUY, TP: RM1.77), and Life Water (BUY, TP: RM1.00).** We like F&N for its leading position in the RTD beverage segments, which continue to benefit from rising mobility and tourist driven consumption. Its investments in upstream dairy operations in Gemas and new capacity in Cambodia are expected to strengthen long-term earnings visibility. AEON is well-positioned to capture mass-market demand through its wide retail network and remains supported by stable contributions from its Property Management Services segment, with upside potential from tenant mix optimisation and rental reversions. Life Water offers a unique Sabah-focused play on tourism and packaged water consumption, with capacity doubling plans and softer PET costs enhancing its earnings trajectory.

III. HEALTHCARE

Medical innovations and AI to uptick sector amid growing medical inflation.....Maintain POSITIVE

Analyst: MIDF Research Team

Key catalysts in innovations and AI. The global healthcare ecosystem remains largely robust, with 2HCY25 to mainly focus on innovation and efficiency, amid geopolitical uncertainties and evolving regulatory landscapes. Innovation is expected to be a growth driver, largely from the increasing demand for new drugs and surgical robotics, subsequently adding value to healthcare service providers. Meanwhile, the acceleration of AI, machine learning, and digital health tools will continue to be a priority for healthcare systems seeking to improve efficiency, patient engagement, and clinical outcomes.

Below are the expected innovations that could be potential catalyst to the sector moving forward:

(i)**GLP-1 agonists drugs rising in popularity.** These drugs are used mainly to treat type 2 diabetes and obesity. However, only a tiny fraction (<0.1%) of qualifying obese patients worldwide are currently using them, indicating a vast untapped market. To note, the global GLP-1 Receptor Agonist market is projected to reach around USD193b in CY25, growing to USD268.4b by CY34 with an approximate CAGR of 17.5% from 2025-2034.

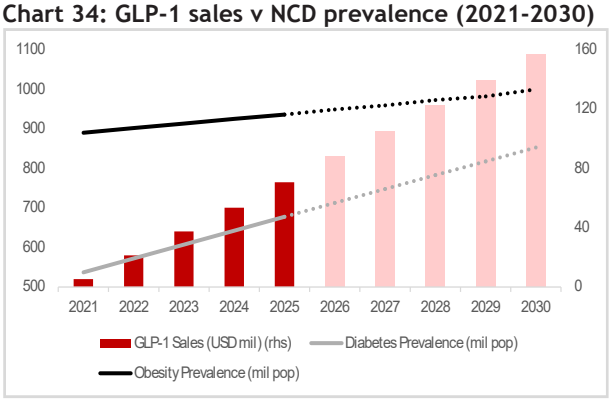
(ii)**Continuous expansion of surgical robotics.** The global surgical robotics market is expected to continue its robust growth by +14%yoy to USD9b in CY25, at an approximate 13.4% CAGR. The ongoing advancements in miniaturized systems, AI technology integration, and telesurgery will be key catalysts to improved inpatient demand and treatment outcomes.

(iii)**Oncology remains a hotbed of innovation.** Over 100 new cancer treatments, including antibody and cell therapies, are expected to launch within the next 5 years. Consensuses opine that global oncology drugs market is projected to reach USD193b in CY25, with an approximate CAGR of 7.4% from 2025-2034.

Medical inflation remains key risk. Meanwhile, the regional healthcare market is expected to diversify its deliverables across countries, to meet the growing demand for healthcare solutions and unmet medical needs. This is supported by several key drivers, including: (i) demographic shifts, (ii) increased aging populations, (iii)

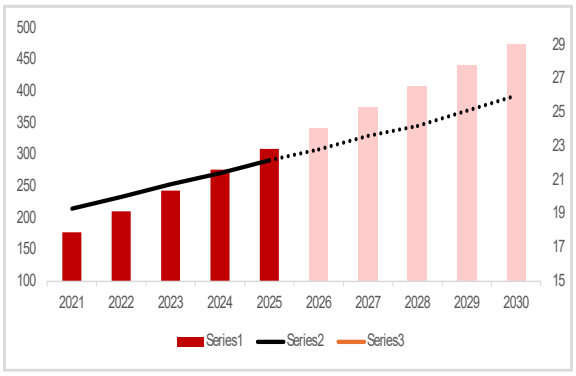
rising prevalence of non-communicable diseases (NCDs) and (iv) growing traction of digital health solutions, telemedicine and AI-powered tools. Additionally, Asia Pacific healthcare market has seen M&A deals to leverage on these drivers, with an expectation of deal values to reach USD4.5t by CY30, which indicates robust opportunities for 2HCY25 and beyond. However, the immediate downside risk for the region is medical inflation, projected at +12.3% in CY25 - the highest in decades (+0.4%. from CY24) – which posed a significant challenge for both patients and insurers, subsequently impacting private healthcare providers. Other downside risks include: (i) geopolitical tensions and trade blockades, (ii) unfavourable forex (for providers with international footprints), and (iii) pressuring trade tariffs on medical ancillary.

Chart 34: GLP-1 sales v NCD prevalence (2021-2030)



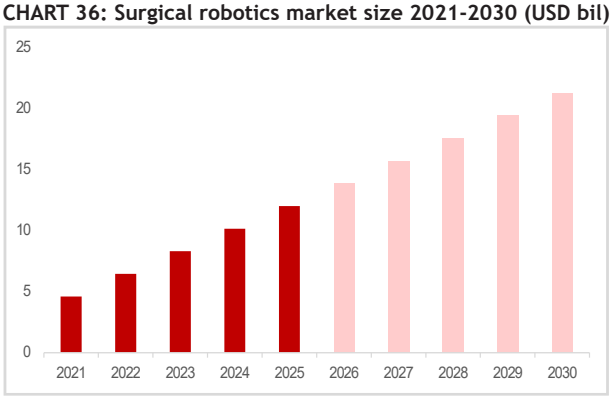
Source: WHO, MOH, Worldbank, Macrobond, Bloomberg, MIDFR

CHART 35: Oncology drugs v cancer prevalence (2021-2030)



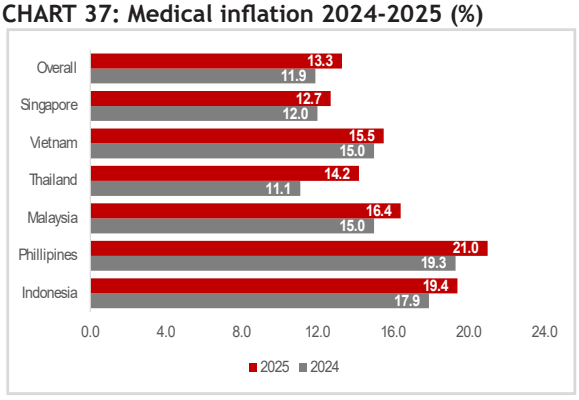
Source: WHO, MOH, Worldbank, Macrobond, Bloomberg, MIDFR

CHART 36: Surgical robotics market size 2021-2030 (USD bil)



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

CHART 37: Medical inflation 2024-2025 (%)



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

Reforms in health financing and cost to take centre stage. For Malaysia's healthcare service providers, we maintain our overall earnings forecast of 6.0-8.0% CAGR to CY30. Supportive government policies and expansions plans are anticipated to continue contributing to the sector's robust performance in 2HCY25 healthcare sector is poised for a robust performance in 2HCY25, driven by strong fundamentals, expansion plans by major players, and government initiatives, which will increase patient traffic and revenue for healthcare players. However, medical inflation remains key risk, with Malaysia projected to face medical inflation to +16.4% in CY25 due to: (i) overuse and misuse services, (ii) insurance claim inflation, and (iii) rising aging population. The government had recently announced its RESET Framework which aims to make healthcare affordable, by revamping medical insurance and transforming provider payment models. The rollout of the DRG-system for smaller treatments in private hospitals is expected to be a good first step in realising this mission, consequently removing a significant regulatory overhang and boosting future valuations.

Maintain POSITIVE. All in all, we reiterate our positive view on the healthcare sector, notably on the service providers. 2HCY25 will be a period of significant progress, largely driven by innovation and expansion, as well as regulatory reforms in tandem with the government's effort to reduce healthcare cost and increase access.

Malaysia is well-positioned for growth in both its domestic and international patient segments, backed by strong medical tourism demand and quality care. Nevertheless, the risk of medical inflation is something to be cautious of in 2HCY25, albeit the government's initiatives to reduce it. Among our healthcare coverage, our **TOP PICK is IHH Healthcare (BUY, TP:RM8.18).** We like IHH for its highly diversified portfolio which allows the group to buffer headwinds in some countries with the strong performance of others, consequently reducing exposure of medical inflation in a single market. Performance-wise, IHH had shown resilience due to sustained quality care demand and strong cost management. The group had launched a multi-year transformation plan focusing on operational efficiency, clinical excellence and utilization of AI technology, all to maximize health outcomes. We opine that IHH is better positioned to mitigate localized impact of high medical inflation in Malaysia, while continuing to leverage on the advancement of AI technology and growing medical tourism.

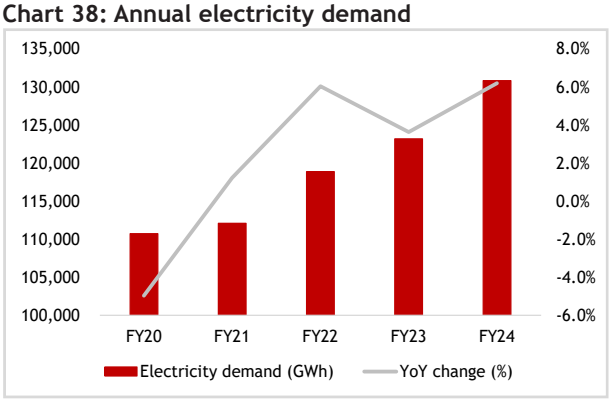
IV. POWER (UTILITIES)

Stellar electricity demand; hive of solar EPCC activities.....Maintain POSITIVE

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

Demand remains solid. Electricity demand declined slightly by -1.2%yoy to 31,509 GWh in 1QCY25, driven mainly by the industrial and domestic sectors. However, the commercial sector saw a growth of +5.1%yoy to 11,672 GWh, powered by the stronger consumption fuelled by data centre operations. Data centres will remain a key player for electricity consumption. 1QCY25 saw data centre energy consumption rise 3.3x year-on-year to 836GWh from 247 GWh. In May-25, peak electricity demand hit three new highs, with the latest on 27th May at 20.75GW, a positive indication that reflects the growing energy needs in Malaysia. We expect electricity demand to be robust in 2HCY25, with an expected growth of between 3.5% to 4.5% in CY25.

Chart 38: Annual electricity demand



Source: TNB, MIDFR

Data centres to continue driving demand. In terms of load utilisation of data centres, it has also grown rapidly by 3.3x year-on-year, from 148MW in Mar-24 to 485MW in Mar-25. Under the Green Lane pathway to support data centre players, Tenaga has completed 21 projects with a total capacity of 2.8GW. The utility giant has also inked five new Energy Supply Agreement (ESA) securing an additional 666MW. All in, there are a total of 43 data centre projects with a secured capacity of 6.4GW. This makes up about 20% of the country's generation capacity. About 10 more ESAs are expected to be inked this year, which may see an additional capacity of between 1.5GW to 2.0GW.

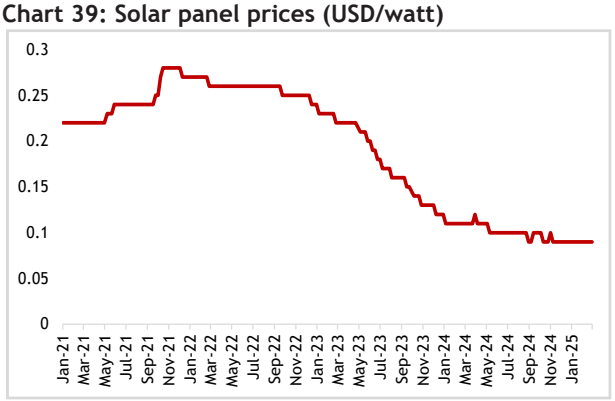
Additional gas capacity. Another indication of demand on the rise is the recent request for proposal called by the Energy Commission (ST) which comes under two categories – existing facility/additional capacity and new generation capacity – which is expected to add up to 8GW of new capacity. Bidding for the former expired on 16th June while the deadline for the later is on 14th July. This bodes well for Tenaga from both angles, its generation business and also the upgrading of its infrastructure for transmission and distribution. We believe Tenaga may likely bid for PPA extensions for its Tuanku Jaafar PD1 (703MW) and PD2 (708MW), both gas-fired power plants that will be expiring in Aug-28 and Jan-30 respectively. During our recent luncheon talk session with the Menteri

Besar of Negeri Sembilan, it was revealed that Malakoff will be developing a 1,400MW gas turbine power plant in Lukut, Port Dickson. We believe this will likely come under the greenfield category of the RFP, at the same site as its decommissioned open cycle gas turbine (OCGT) plant that was demolished in Jul-24. Its PPA expired in 2019 and previously had a capacity of 440MW. Other potential bidders include YTL Power International.

New RP4 tariff. Regulatory Period 4 (RP4), which will run from 2025-2027, has taken effect starting 1st January 2025. The new base tariff, which will take effect starting Jul-25, is now 45.40 sen/kWh, this is +13.6% higher than the RP3 base tariff of 39.95 sen/kWh and slightly lower than the initially approved RP4 base tariff of 45.62 sen/kWh. The ST also introduced the Automatic Fuel Adjustment (AFA) mechanism to replace the Imbalance Cost Pass-Through (ICPT) mechanism, switching to a monthly tariff adjustment instead of the previous half-yearly. This allows automatic monthly tariff adjustment based on current fuel prices and foreign exchange rates, allowing for more responsive and up-to-date tariff settings. We view that this provides better clarity on Tenaga's cash flow prospects and ensures that its regulated generation-and-retail margins remain largely insulated from volatile coal, or gas prices. Recall that under RP4, the base capex has been given a +29.1% boost to RM26.6b, on top of an additional RM16.3b of contingent capex. As of 1QCY25, Tenaga has utilised 34% of its base capex. It expects to spend up to RM12b for capex in 2025 (RM10b from base capex and RM2b from contingent capex), with committed projects being mainly for demand growth.

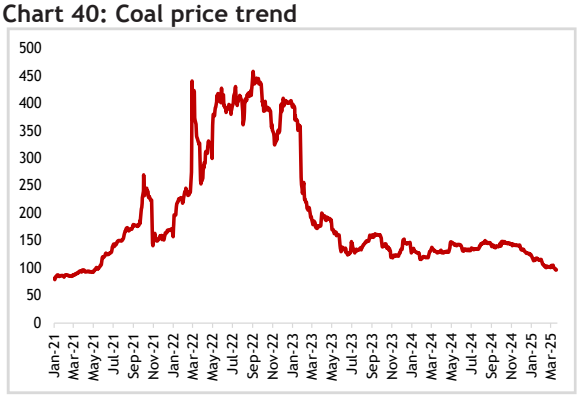
Aggressive LSS rollouts. The second half of 2025 is expected to see the completion of most Corporate Green Power Programme (CGPP) projects which are expected to reach commercial operation date (COD) by the year end. We expect solar EPCC companies to benefit from the acceleration of progress over the next six months. Among other highlights of 2HCY25 would be the impending announcement of the winning bids for LSS PETRA 5+, which is set to add another 2GW of solar capacity to Malaysia's energy mix. LSS PETRA 5+ will be 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. Following that, we expect the Energy Commission (ST) to announce the bidding for LSS6, which will likely introduce another 2GW of solar capacity with battery energy storage system (BESS) requirements. We expect EPCC packages from these two LSS schemes to come up to about RM12.0b. Meanwhile for domestic consumers, another 100MW of rooftop solar quota was added in May-25 under the Net Energy Metering (NEM) 3.0, after the existing 600MW was exhausted. The additional quota is rapidly being taken up, now with a balance of 41.8MW. While the Ministry of Energy Transition and Water Transformation (PETRA) and the ST are currently reviewing new frameworks and mechanisms, we do not deny the possibility of further quota allocations under the programme. This bodes well for solar EPCC players as well, generating more rooftop solar jobs. Solar panel prices remain at an all time low of USD0.09 per watt, which should bode well for solar EPCC companies, allowing them to enjoy better margins.

Chart 39: Solar panel prices (USD/watt)



Source: Bloomberg, MIDFR

Chart 40: 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. We maintain our POSITIVE stance on the Utilities sector. The latest tariff framework under RP4 provides greater stability and transparency, especially through the dynamic AFA that removes the lag in fuel-cost recovery thus, protecting **Tenaga Nasional (BUY, TP: RM16.40)** from fuel price swings. Electricity demand is also expected to be strong this year, with a projected growth of 3.5% to 4.5%. In May-25, peak electricity demand hit three new highs, with the latest on 27th May at 20.75GW. Meanwhile, the recent RFP for new gas-fired power generation capacity also presents a positive catalyst for the sector. The renewable energy (RE) subsector remains our top preference, being the key immediate-term beneficiaries of RE initiatives, the aggressive rollouts of LSS schemes and the longer-term National Energy Transition Roadmap (NETR). In addition to the stronger demand expected, margins are expected to be favourable, following the steep decline in solar module prices, which are now at an all-time low. 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 – S**amaiden (TP: RM1.59), Pekat (TP: RM1.86) and Sunview (TP: RM0.54).** In the asset owner space, we like **YTL Power (BUY, TP: RM4.51)** which stronger earnings expected from Wessex Water due to higher tariffs and its expansion into the data centre space. It is expected to launch its 20MW AI data centre in Kulai in Aug-24.

V. PROPERTY

Positive catalysts intact…..Maintain POSITIVE

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

Better earnings visibility from stronger demand for property. Buying interest on property in Malaysia is expected to remain encouraging in 2HCY25 as backdrop for property market in Malaysia remains healthy. Based on data released by Bank Negara Malaysia (BNM), loan application for purchase of property remains resilient in 4MCY24 at RM203b (+3.6%yoy) following growth of 4.9%yoy in 2024. Buying interest on property in Malaysia is expected to support by demand from first time home buyers while catalysts from Johor-Singapore Special Economic Zone (JS-SEZ) and The Johor Bahru-Singapore Rapid Transit System (RTS) will further support demand for property in Malaysia. The healthy demand for property should sustain the new property sales of property companies and provide better earnings visibility.

Higher residential overhang in 1QCY25 but key states largely unchanged. According to data released by National Property Information Centre (NAPIC), residential overhang in Malaysia increased for second consecutive quarters, inching up marginally to 23,515 units in 1QCY25 from 23,149 units in 4QCY24. While KL remains the top contributor to residential overhang at 3,668 units in 1QCY25, the residential overhang in KL has improved from 4,234 units in 4QCY24. Meanwhile, Johor has the second highest number of residential overhangs at 3,034 units in 1QCY25, increasing marginally from 2,964 units in 4QCY24. Next, Perak has the third highest number of residential overhangs at 2,964 units in 1QCY25, up from 2,844 units in 4QCY24. We are not overly concern on the higher residential overhang in 1QCY25 as residential overhang in the key states namely KL, Johor, Selangor and Penang remains largely unchanged while the rising residential overhang in 1QCY25 was mainly contributed to higher number from Sabah which increased to 2,054 units in 1QCY25 from 1,524 units in 4QCY24.

Higher land value and recurring income from data centre development. While Malaysia is expected to continue seeing data centre investment into the country, property companies are expected to benefit from the data centre development. Despite the worry that AI chip restriction from US may slowdown the development of data centre in Malaysia, Microsoft has reaffirmed its commitment in cloud and AI infrastructure in Malaysia which include the development of hyperscale data centres. Hence, we think that property companies should continue benefiting from the data centre development in Malaysia as it unlocks land value of property companies as well as increase avenue of recurring income to property companies.

Maintain POSITIVE on property sector. We see outlook for property sector to remain positive in 2HCY25 as buying interest on property is healthy while JS-SEZ and The Johor Bahru-Singapore Rapid Transit System (RTS) remain the catalysts to the sector. Besides, the development of data centre in Malaysia unlocks value of landbank of property developers and increases recurring income of developers. Hence, we maintain POSITIVE on property sector.

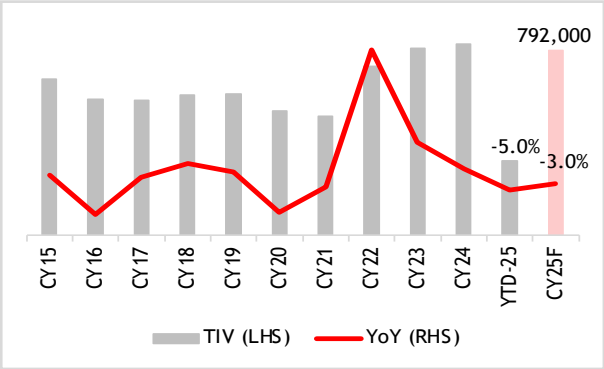
Our top picks for the sector are Mah Sing Group (BUY, TP: RM1.37), Eco World Development Group (BUY, TP: RM2.10) and UOA Development (BUY, TP: RM1.98). We remain positive on Mah Sing as new sales prospect is stable, underpinning by launches of affordable residential projects. Meanwhile, we are positive on Eco World Development Group for its growing contribution from industrial property development segment. Besides, the better prospect for recurring income following data centre build-and-lease deal improves earnings visibility. We see better earnings prospect for UOA Development which will be backed by the profit recognition of its ongoing projects in Klang Valley as well as income from investment properties. Besides, its recent maiden venture into Johor property market support new sales growth in the future. Dividend yield of UOA Development is attractive at 5.5% while its balance sheet is healthy at net cash position.

VI. AUTOMOTIVE

A year of structural transition.....Maintain NEUTRAL

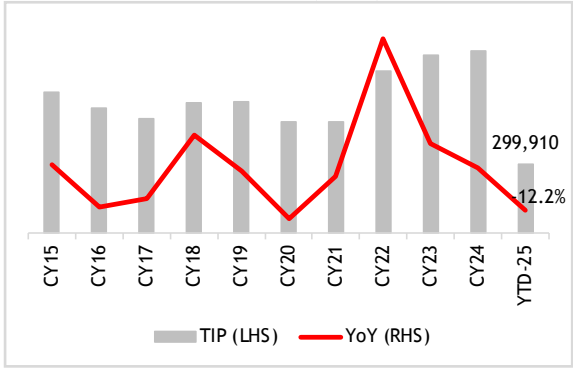
Analyst: Amalia Zarir

Chart 41: Annual TIV Trend (Units)



Source: MAA, MIDFR

Chart 42: Annual TIP Trend (Units)



Source: MAA, MIDFR

TIV normalising from a high base. The Malaysian Automotive Association (MAA) reported a total industry volume (TIV) of 68,007 units in May-25, marking a +12.4%mom increase but a -3.2%yoy decline. This brings year-to-date TIV to 316,737 units (-5.0%yoy), broadly in line with expectations, accounting for 40% of our full-year forecast. The overall decline continues to be led by the commercial vehicle segment, which fell -23.2%yoy, while the passenger vehicle segment has proven more resilient, easing by -3.3%yoy. This suggests demand is moderating from a high base but remains relatively steady. In the passenger vehicle segment, competition has intensified,

driven largely by Chinese entrants, which have posted strong double-digit growth year-to-date despite the broader market slowdown. Their aggressive pricing and feature-rich offerings have allowed them to rapidly gain market share, putting pressure on non-national marques. Meanwhile, national marques have largely maintained their footing, especially Perodua, supported by strong brand familiarity and competitive pricing.

The broader macroeconomic environment remains supportive. Inflation has stayed low, with headline inflation easing below expectations to +1.2% in May-25 and projected to average +2.2% for the year, at the lower end of the official +2.0% to +3.0% target range. BNM has kept the policy rate steady at 3.0% since mid-CY23, with no changes expected for the remainder of the year. Moreover, the labour market remains stable, with unemployment projected to average lower at 3.0% in CY25 (CY24: 3.3%), driven by continued job growth in the services sector. Rising employment and wage gains in domestic-oriented industries are expected to support household spending. However, certain fiscal adjustments may weigh on sentiment, particularly the upcoming RON95 fuel subsidy rationalisation in 2HCY25. With financing costs stable and the pandemic-era backlog largely cleared, vehicle demand would continue to be shaped by affordability.

The long-delayed shift to an OMV-based excise duty for CKD vehicles is now scheduled for Jan-26, with broad pricing implications. While initial concerns suggested price hikes of up to +30%, industry feedback now points to a more moderate increase of +8% to 15% as the taxable value base expands. In the lead-up, there could be frontloaded purchases in 2HCY25 as buyers and dealers move to secure current pricing. It is said that various factors, beyond just localisation rate, could be considered, such as investment scale and employment contribution, though none of this has been confirmed. There are also suggestions that the added cost may be shared across customers, principals, and distributors, but details remain uncertain for now.

SST expansion is expected to have a limited overall impact. New car prices should remain relatively stable, as vehicles already incur a 10% sales tax and newly taxed inputs, such as plastics, machinery and rentals, represent a small portion of total costs. Any increase in production or distribution costs could be modest, and many believe that competitive pressure might push automakers and dealers to absorb these costs through promotions or slimmer margins. However, consumers are likely to feel a more visible impact on the aftersales side. From 1 July 2025, the service tax on vehicle maintenance, repairs, and labour will rise from 6% to 8%, potentially making servicing more expensive. Spare parts are expected to remain untaxed.

Electrification continues to gain momentum. While overall TIV is softening, JPJ data as of May-25 shows that the EV segment remains a bright spot, up +58.5%yoy year-to-date and +69.3%yoy in May-25, with 4,152 units registered. It was observed that Tesla recently ended Proton's four-month streak as the top-selling EV brand. Proton is on track to begin local assembly of the e.MAS 7 at its new Tanjung Malim EV plant by year-end, while Perodua is preparing to launch its first EV (a B-segment hatchback) in 4QCY25. Notably, the Ministry of Investment, Trade, and Industry (MITI) appears open to selectively allowing SKD assembly for EVs despite its discontinuation in CY19, as seen in the case of Tan Chong's TQ Wuling. That said, the outlook for CBU EVs is uncertain, with key incentives, i.e. duty and exemptions, set to expire by year-end. Full removal could trigger steep price hikes and shift demand to local options. Policymakers are expected to weigh these trade-offs for the upcoming Budget 2026. Meanwhile, EV charging infrastructure is expanding, with over 4,000 charges now installed, though still short of the 10,000-unit year-end target.

Currency trends are favourable. Year-to-date, the MYR has strengthened by +5.2% since the end of CY24. USDMYR closed at 4.47 last year, with our economics team projecting further strength to end at 4.25 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 their high localisation rates of 90% to 95% for most models. **Tan Chong Motor (SELL, TP: RM0.34)** stands out as a key beneficiary, with over 90% of its purchases being USD-denominated. Meanwhile, the JPY has

depreciated by +2.9% year-to-date against the MYR. However, the impact on JPY-exposed players like **Bermaz Auto (NEUTRAL, TP: RM0.75)** is expected to be limited as CBUs account for only 15% of domestic Mazda sales based on FY25 (FYE April) figures (FY24: 20%).

Maintain NEUTRAL. Following a strong multi-year run supported by backlogged orders, we expect the auto sector to enter a gradual downcycle in CY25. We maintain our NEUTRAL stance on the sector amid a fluid policy environment. For CY25, TIV is projected to be lower by -3.0%yoy to 792,000 units, broadly in line with MAA's forecast of 780,000 units (-4.5%yoy). **MBM Resources (BUY, TP: RM5.36)** remains our sole BUY call in the sector, and we see it as a compelling opportunity given its attractive valuation, currently trading at -1.25SD below the sector's 5-year mean. We believe MBM is fundamentally better positioned, thanks to its exposure in Perodua. Perodua has guided conservatively for CY25 due to planned production upgrades, targeting 345,000 units (-3.7%yoy) in sales. Its year-to-date TIV has held up well, with TIV down only -1.5%yoy, outperforming the broader market. MBM's auto parts manufacturing is also poised for margin recovery as material testing costs taper off in the coming quarters.

VII. BANKING

Lack of broad based tailwind.....Maintain NEUTRAL

*Analyst: **Samuel** Woo*

More needed for a re-rating catalyst. We maintain our **NEUTRAL** stance on the banking sector, given the lack of broad-based tailwinds. NIM compression continues to cast a shadow on the sector's prospects, denting a bright NOII outlook. We feel that the possible upside coming from recoveries and strong non-fee NOII performance are not able to act as a re-rating catalyst. Rather, an improved economic outlook, less geopolitical uncertainty, and less negativity on NIM are required. We think investors are also skittish on the impact of petrol subsidy rationalisation and any possible return of GST on consumers.

Neutral outlook on banks' balance sheet. Balance sheet-wise, we are wary of banks experiencing worsening asset quality, though this should be isolated. We are not expecting any instances of drastic worsening either. Loan growth could continue to see some drag, especially coming from the overseas segment, with several banks revising their growth figures negatively in the last results briefing. The recent SRR cut could provide some liquidity for banks, and could further improve deposit competition, but it is unlikely to make a large impact.

Bottom-up approach to stock selection. Given the presence of industry-wide headwinds, we continue to advocate a bottom-up approach to stocks. Our top picks are Public Bank (BUY, TP: RM4.77) and HL Bank (BUY, TP: RM23.09). We like them for their defensive nature and dividend yields which are expected to rise over time.

VIII. GLOVES

Uncertainty to persist.....Maintain NEUTRAL

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

Anticipating further downside risk. We are maintaining our **NEUTRAL** recommendation on the gloves sector. At this juncture, we do not have any BUY recommendation for glove stocks under our coverage. In 2HCY25, we anticipate the outlook of the gloves companies remain clouded. The anticipated strong demand from the U.S. market may not be forthcoming. In the immediate term, the temporary reduction in tariff between the

U.S. and China should not bode well for the local glove companies. Beyond this, the uptake in demand by U.S. would hinges on the progress of the negotiation between the two countries. Notwithstanding this, the non-U.S. market is getting more competitive where the Chinese peers pivoted their attention to address the uncertainty in demand from U.S. Note that the latter operates on lower operating costs which enable them to be much more competitive in terms of pricing. Coupled with existing excess capacity in the global market, we also see little room for uplift in ASP. Thus, to remain competitive, local gloves companies would need to meaningfully reduce their operating costs. We view that this may not an easy task given the rising labour and higher energy costs. This is made worse by the imposition of 5% SST on the raw materials. Nonetheless, to combat these rising costs, more effort has been placed to increase the level of automation, digitalisation as well as upskilling the workforce to improve efficiency. All in, given the challenging outlook, we would advise investors to pass on this sector or take profit on any short-term upward momentum. We anticipate there could be further downside risk which would derail the earnings recovery of gloves companies under our coverage.

Recovery in demand from the US market? To recall, both U.S. and China have agreed to a 90-day tariff reduction period starting 14th May 2025. This results in U.S. lowering tariff on Chinese imports from 145% to 30% while China will reduce tariff on U.S. goods from 125% to 10%. This also allows more time for further negotiations. Based on the said period, we view that this would potentially affect demand of Malaysian-made gloves from U.S for in 3QCY25. This could be due to either delay in purchases or resumption of glove purchases from the Chinese peers. Beyond this, the rebound in demand from US would depend on the negotiation between the two countries. Note that both Hartalega and Kossan are dependent on the U.S. market which make up more than half of their revenue.

Competitive non-U.S. markets. Since the announcement of the tariff on gloves by the U.S., Chinese gloves companies have been aggressively offloading the inventory as well as capacity outside the U.S. markets. Thus, a very competitive pricing strategy has been put in place. This is also made possible given the comparative lower operating cost environment. Note that there has been no expansion in capacity in China due to ongoing uncertainty emanating from the tariff issues. This also help the Chinese glove companies to maintain a lean cost structure. Meanwhile, local glove companies could have more inroad into the European market as the latter restrict Chinese firms from most medical device tenders. This is after concluding that EU companies are not given fair access to China. All in, we believe that Top Glove exposure to the non-U.S. market is greater as compared to its listed peers.

Not much room for upward ASP revision. During the Covid-19 pandemic, there are global rush to expansion production capacity to meet the surge in demand. This has resulted in excess capacity post pandemic. While demand has begun to recover, the pace of recovery has yet been able to absorb the excess capacity. Couple with more aggressive pricing strategy from the Chinese counterpart as well as stabilising raw material price, we view that there is little room for the local gloves players to charge a more favourable ASP. That being said, the continuous market consolidation and/or decommission of certain plants over time may lead to better room for ASP negotiation. This, however, will not be immediate.

Focus on cost. Due to the factors mentioned above, local glove companies would need to strive to keep a lean cost structure to sustain their profitability. Rising labour costs from the higher minimum wage and high energy costs serves as a bane. This also put them at a disadvantage to the neighbouring countries and China which have lower operating costs. Thus, various cost management initiatives need to be put in place. This would include automation, digitalisation as well as upskilling the workforce to improve efficiency.

In addition, the impending implementation of 5% sales and service tax (SST) on natural rubber latex and nitrile butadiene rubber latex raw materials could add further burdened to the local glove companies by adding to the production costs. This is especially so for companies that have secured forward sales. To pass on such cost to the buyers will also reduce the demand for locally produced gloves. In light of this, the Malaysian Rubber Glove

Manufacturers Association (Margma) is urging the government to defer and review the imposition.

IX. OIL & GAS

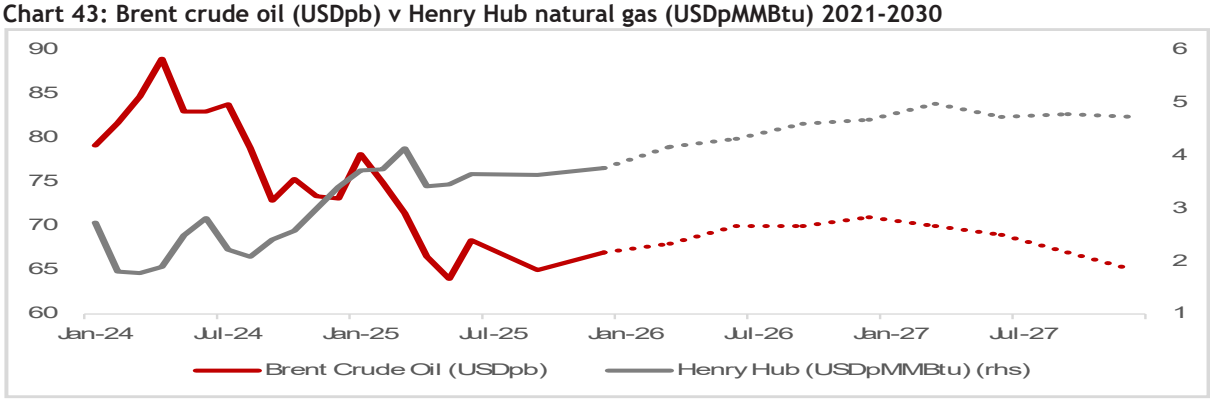
Unfavourable ecosystem and volatile fundamentals to impact the sector in the near term.....

Maintain NEUTRAL

Analyst: MIDF Research Team

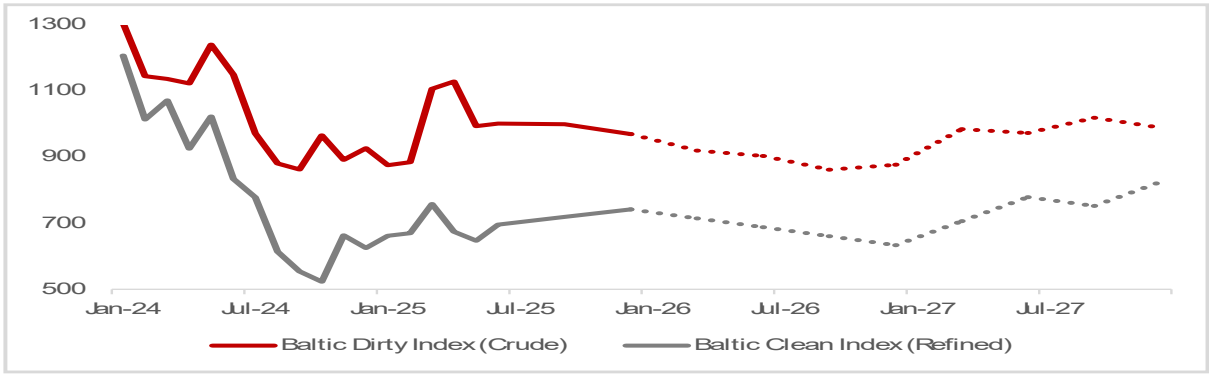
Mixed signals in the sector to remain. 2HCY25's oil and gas sector present a complex picture, influenced by global supply-demand dynamics and geopolitical tensions. We anticipate that that global oil supply will continue to outpace demand until the end year, driven by: (i) strong production growth, particularly from non-OPEC+ countries, (ii) unwinding of some voluntary production cuts by OPEC+, and (iii) continuous inventory builds. Additionally, the growth rate of liquid fuels – while positive - is expected to see a slowdown in 2HCY25, similarly to global demand due to challenging economic outlook and uptakes in clean energy. Meanwhile, natural gas, particularly LNG, is expected to see an accelerated growth in supply, amid uncertainties in the energy market. The recent geopolitical tensions in the Middle East had prompted crude oil prices to be volatile, and we noted that, while a ceasefire is currently in effect, the possibility of escalations is still in the decks, risking operations in the sector on all levels, including tankers and refineries. Nonetheless, we projected that the average for CY25 to remain in

Chart 43: Brent crude oil (USDpb) v Henry Hub natural gas (USDpMMBtu) 2021-2030



Source: Bloomberg, MIDFR

Chart 44: Baltic Tanker Index 2021-2030



Source: Bloomberg, MIDFR

the rangebound of USD65-68pb, with a possibility of rising to USD85pb or more, should the conflicts re-erupted.

Energy security to take centre stage in Asia. Following the conclusion of the Energy Asia 2025 conference, coupled with Petronas Activity Outlook 2025-2027, we noted that energy security will be the regional focus in

2HCY25. Along with renewable energy and clean fuels, the reliance fossil fuels – including crude oil – is expected to remain robust due to the continuous energy integration challenges with advanced energy technologies. This resonates well with Petronas's effort to strengthen its upstream operations, despite: (i) the volatile oil prices, (ii) the ongoing trade tariffs, (iii) the reduced upstream capex, and (iv) the planned shutdowns in production facilities. Meanwhile, we anticipate that LNG will remain in demand, amid the need for energy transition and power generation within the region. However, competition with European importers and geopolitical tensions could offset the positive trajectory of LNG trade.

For our local front, we break down our 2HCY25 outlook by sub-segment:

UPSTREAM

Petronas remains committed to growing and sustaining Malaysia's oil and gas production to 2mboepd. This signals a stable upstream division in 2HCY25, notably in exploration and production (E&P). The Petronas Activity Outlook 2025-2027 forecasts a steady increase in development wells, with 69 scheduled for CY25 alone. Additionally, around 367 Facilities Improvement Plans (FIPs) are planned annually for the next 3 years to optimize production from existing fields. For natural gas production, we anticipate that the offshore gas development will continue as scheduled, with added emphasis on CCS as part of the energy transition strategy for CY25. However, we had projected a lower oil and gas output in 2HCY25, due to the planned shutdowns of upstream facilities. This would boost OGSE players in the near term, especially for maintenance and long-term E&P, with exception of drilling operations due to the possibility of lower capex and volatile oil prices.

MIDSTREAM

This division is expected to remain resilient, considering the volatile crude oil prices, fragile geopolitical tensions and uncertainties in trade tariffs provides a strong fundamental for fuel storage and tankers. Storage facilities remain a defensive growth amid the headwinds in the sector and would remain so until oil prices are stabilised and external impacts mitigated. For transportation and pipelines, gas infrastructure will remain crucial in tandem with the bright long-term prospects for LNG domestically and regionally.

Nevertheless, any significant reduction in Petronas's overall capex in 2HCY25 could indirectly affect midstream development projects. Additionally, the possibility of an escalation could signal route blockades for tankers, which will impact oil and gas transportation players from anticipated higher charter rates. For gas players, 2HCY25 will see a higher profitability due to higher crude oil prices in 2QCY25 (average selling price for natural gas under MRP has a laggard of 4-6 months from Brent crude oil prices), as well as the normalisation of gas volumes to include new biogas projects.

DOWNSTREAM

Petrochemical's recovery remains delayed as the subsector is expected to continue facing significant headwinds in 2HCY25, largely due to overcapacity, weak demand, and subdued polymer prices. Despite this, Petronas remains vigilant and will actively pursue growth in specialty chemicals and biofuel, with a biorefinery set to commence operations in CY28. We anticipate that smaller downstream players will uptake on this green petrochemical trend. As mentioned with the regional effort to provide access to energy for all, conventional fuels are expected to remain in demand, even with the risk of volatile crude oil, unfavourable refinery margins and changes in the RON95 subsidy. Nonetheless, downstream remains longwinded in 2HCY25 due to possible shift in demand for EV vehicles and challenging pricing environment.

Maintain NEUTRAL. All in all, the 2HCY25 outlook presents a mixed basket for the sector. The upstream division will remain robust on the back of Petronas's commitment to sustain production and ongoing projects, despite

the possible decline in capex and output. We also expect the volatile oil and gas prices to have a heavy influence on the exploration and production activities in upstream, consequently lessening demand for OGSE operations. Meanwhile, the midstream division is largely resilient due to the expected higher demand for storage and tankers, following the geopolitical conflicts instigated in the Middle East. For the downstream division, petrochemicals will continue to face a challenging environment. Conventional fuels will remain resilient on continuous demand for Mogas, Diesel and Jet A1 fuels. However, refining might see capped margins following a demand shift for cleaner fuel and green engines. Overall, 2HCY25 will likely be characterized by: (i) a global supply surplus, (ii) moderating demand growth, (iii) continued price volatility influenced by geopolitical events, (iv) currency vulnerability, and (v) possibly reduced earnings.

Moving forward, we prefer defensive stocks with operations in the midstream and maintenance-related segments. Hence, our **TOP PICK is MISC (BUY, TP: RM8.13)**. We like MISC for its diversified portfolio which includes LNG shipping, petroleum shipping and FPSOs. Its offshore segment is poised for stronger performance, in tandem with Petronas's target to maintain E&P activities in CY25. LNGCs are also expected to be in high demand, subsequently providing long term charter income. Nonetheless, downside risks remain on the geopolitical tensions and supply-demand balance for LNG and crude oil, which we believe could be mitigated by the group's defensive earnings and long-term contracts.

X. PLANTATION

Muted Outlook.....Maintain NEUTRAL

Analyst: MIDF Research Team

Production recovery continues. Based on MPOB data, we saw Malaysia's production recovery is on track, as in May, data indicated the production grew to 1.77m tonnes (+5.1%mom; +3.9%yoy) versus 1.70m tonnes in prior year, well supported by robust growth from the eastern estates, particularly in Sarawak (+6.4%yoy) and Sabah (+13.0%yoy). The FFB received by mills inched to 9.05m tonne (+1.3%yoy) driven by decent average yield of 1.48 tonne /ha, inline with the onset of the seasonally fruitful months. Additionally, the average OER in the mills improved to 19.89%, driven by better set of crops across most estates. Favourable weather conditions have allowed quicker FFB evacuation activity, bringing the fruitlets with higher oil content to the mills.

Faster recovery in FFB evacuation activities can be expected. Looking ahead, with the end of the inter-monsoon and pollination periods, drier weather – starting in July (according to MET Malaysia report), a faster recovery in FFB evacuation activities can be expected from next month onwards and allows estate productivity to gain momentum - particularly in terms of harvesting and manuring activities. Note that, local CPO production is projected to reach 19.5m Mt in CY25F (+1.0%yoy), with the bulk of the recovery anticipated to materialise in 2HCY25, driven by improved set of crops and estate efficiencies.

Abundant stock levels. Our nation's ending stockpiles in May inched higher at 1.99m tonne (+6.6%mom, +13.5%yoy), in tandem with higher production and flattish exports numbers recorded at 1.39m Mt (+0.2%yoy). PO remained flat at 1.39m Mt, despites a widening price premium against SBO. This raises concern, as it suggests that underlying demand has effectively stagnated. Broadly, the price spread between the SBO and PO was relatively wide in May and April - approximately around USD248/Mt and USD125/Mt, respectively - yet demand remained subdued, indicating that the attractive price differential failed to stimulate additional buying interest.

While commodity prices have been trending downward on a year-to-date basis – partly due to the narrowing spread as aforementioned. The trend suggests that slower restocking and a shift toward alternative oils, rather

than weak demand alone, are likely contributing to the recent price softness. Based on 5MCY25 data, major importing countries like China, India, and Bangladesh have increased its total edible oil stocks, driven primarily by stronger buying of SBO and rapeseed oil (RSO), while PO stocks declined.

•**China's** total edible stock levels rose +8.7%ytd, despite a -26.6% drop in PO stocks, as RSO stocks surged (+86.1%ytd).

•**India** saw total stocks increased by +19.1%ytd, with big gains in SBO (+87.4%) and Sunflower oil (SFO) (+38.4%), while PO stocks fell -8.4%.

•**Bangladesh** was the outlier, with total stocks down -13.2%ytd, mainly due to a sharp drop in PO stocks (-36.2%).

Looking ahead, we anticipate that restocking activities for PO will take some gestation time to resume, following moves by offshore refineries to protect their refining margins in the near to mid-term. As such, we tweaked our PO export volume estimates to China and India, as well as their stocks level for CY25, downward by -1% and -6% respectively, reflecting stagnation in demand (which is modest) amid the slow recovery in the price spread between PO the other rival vegetable oils.

Maintain NEUTRAL. Although the discount spread between the SBO remains competitive in these remaining months, which can probably boost our PO export to major sensitive importing countries such as India and Pakistan. However, the premium risk is also expected to be scaled down with ongoing FFB & CPO output recovery on top of the abundant stockpiles. Hence, we're cutting down our average CPO price assumption by -4.6% to RM4,100/Mt (previously RM4,300/Mt). Our top pick remains **IOI Corp (BUY, TP: RM4.42)**, as its upstream outlook remains steady and is well supported by downstream profitability. Its refinery and oleo plant are well insulated from high input costs due to its strategic locations in Asia, unlike its peers operating in Europe, which are impacted by high production costs. We keep our **NEUTRAL** call for the sector at this juncture with lowered average CPO target price of **RM4,100/Mt** for the whole year.

Key factors that will influence the volatility of CPO prices in 2HCY25 are; (1) magnitude of ongoing Russia-Ukraine War, (2) spread volatility between SBO and CPO prices which recently normalised to USD248/Mt and (3) the strengthening ringgit (will reduce price competitiveness against other edible oils).

XI. REITS

Limited upside .....Maintain NEUTRAL

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

Stable earnings prospect for 2HCY25. Earnings of REIT were largely positive in 1QCY25 due to festive boost. Retail spending was strong in 1QCY25 due to Chinese New Year and Ramadan month. Notably, Sunway REIT recorded strong earnings growth of +19.9%yoy as retail division spurred by contribution from Oasis Wing at Sunway Pyramid Mall as well as better contribution from Sunway Carnival Mall. Similarly, Pavilion REIT recorded earnings growth of +8.7%yoy mainly due to higher contribution from Pavilion Bukit Jalil. Moving forward, we expect earnings in 2QCY25 to normalise from the high base in 1QCY25 as retail spending should lower in 2QCY25. Looking forward into 2HCY25, REIT are expected to record positive earnings growth which will be mainly driven by organic growth of positive rental reversion as shopper footfall and tenant sales are expected to remain healthy.

Retail segment stays healthy. According to data from National Property Information Centre (NAPIC), occupancy rate of shopping complex in Malaysia inched up marginally to 79% in 1QCY25 from 78.8% in 4QCY25. Note that

occupancy rate of shopping complex in Malaysia recovers to 78.8% in 2024 from 77.4% in 2023. Retail segment staged recovery in the past two years post Covid-19 pandemic as consumer returns to shopping at malls which drive shopper footfalls growth. Overall, we still see bright prospect for retail segment in Malaysia as malls are served as a social hub for gathering. That will drive tenant sales and support positive rental reversion of shopping malls.

Office, hotel and industrial segments. Outlook for office segment in Malaysia is expected to remain unexciting due to subdued occupancy rate of office building. Occupancy rate of office building (privately-owned) in Malaysia remains flattish at 72% in 1QCY25, relatively unchanged from 71.7% in 4QCY24. That will keep rental reversion of office buildings flattish in the coming years. Meanwhile, hotel segment in Malaysia should stage recovery in 2QCY25 from the seasonally quiet quarter in 1QCY25 due to Ramadan. Meanwhile, the medium-term outlook for hotel segment is supported by higher tourist arrival and Meetings, Incentives, Conferences and Exhibitions (MICE) activities. On the other hand, we see bright prospect for industrial property segment due to the resilient demand for the assets which will underpin positive rental reversion.

Maintain NEUTRAL on REIT. Overall, we see earnings prospect for REIT to remain stable in 2HCY25 which will be mainly underpin by organic growth of positive rental reversion. Earnings of REIT remain defensive which will be unfazed by external uncertainties. We expect moderate earnings growth going forward from normalised base in 2024. Nevertheless, most of the REIT had a good run in its share price recently, which compressed yield with average yield of REIT under our coverage at 4.6%. Hence, we maintain our NEUTRAL call on the sector. Our top pick for the sector is Pavilion REIT with an unchanged TP of RM1.69. Earnings prospect of Pavilion REIT will be supported by positive rental reversion of Pavilion KL Mall while performance of Pavilion Bukit Jalil is expected to remain stable.

XII. TECHNOLOGY

Year-over-year earnings growth remains in doubt.....Maintain NEUTRAL

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

End demand market to remain lacklustre. We are maintaining our NEUTRAL stance on the sector. Sequentially, we are expecting tech companies to record better 2HCY25 financial performance as compared to 1HCY25. This is in tandem with the historical trend whereby there is higher demand from the end market such smartphone and automotive in second half of the year. That being said, on a year-on-year basis, we do not see there is strong recovery in demand. Our view is premised on several factors which primarily revolves around lack of innovative offerings, economic uncertainties and tariff impacts. Premised on this, we do not have any BUY recommendation for outsourced semiconductor assembly and test (OSAT) companies under our coverage. By process of elimination, we view that Inari Ametron Bhd (NEUTRAL, TP:RM2.13) earnings performance displayed better resilience as compared to its listed peers. Notwithstanding this, we have TRADING SELL and SELL recommendation for D&O Green Technologies Bhd and Unisem (M) Bhd respectively. Meanwhile, AI remains the only bright spot in the semiconductor industry. However, Malaysia companies' positioning in the AI supply chain remains nascent at this stage, though we acknowledge that there are heightening efforts to be relevant in it.

On a separate note, we do not expect any let up in the earnings performance of digital service company, Myeg and ICT solutions provider, Nexg in the second half of 2025. This will be driven by the steady increase in demand of their products and/or services. Moreover, we view that earnings of both companies are less prone to external market forces such as the ongoing tariff war. This is premised on our view that both Myeg and ICT offerings are rather vital. Given the lack of earnings volatility, we continue to reiterate our BUY recommendation on both

companies.

Down but not out. We anticipate the smartphone market to fare better in 2HCY25 as compared 1HCY25. This in view of top premium flagship smartphones which is slated for launch in 2HCY25 which includes Apple, Samsung, Google as well as several prominent Chinese smartphone brands. In addition, we view that China's smartphone market in 2HCY25 will continue to be buoyed by the subsidies from the Chinese Government. That being said, we do not expect strong demand recovery for the smartphone market. Recall, IDC is expecting the global smartphone market to grew marginally in 2025. This is in view of high uncertainty, tariff volatility and micro-economic challenges such as inflation and unemployment across many regions leading to slowdown in consumer spending. Moreover, we see there will be only incremental upgrades in both the smartphone hardware and software in the upcoming launches. We do not view such upgrades to be revolutionary which could cap demand.

New car launches to hold up automotive demand. The global automotive demand is expected to record minimal growth in 2025. This is mainly taking into account post-election US policy shifts, competition from Chinese-EV makers as well as disputes over ambitious decarbonisation target. Notably European automakers are facing headwinds in view of competition from international players which lead to production decline and uncertainty. This has also resulted in layoff in the supply chain. Elsewhere, there remains technical challenges to transition to EVs from traditional combustion engines. The euphoria around fully electric vehicles have also eased. On the flip side, we are encouraged by the continuous new car model launches for both EVs and combustion engine. This will help to provide some support the automotive market. Coupled with the historically higher car demand towards the second half of the year and higher semiconductor content in the new car model launches, we expect sequentially recover for semiconductor companies in the automotive supply chain.

Limited impact on AI. In recent years, AI has been the main driver of the semiconductor industry. This will continue to be the case, premised on the future forecast by both WSTS and SEMI. AI is becoming the basic building blocks that will impact a wide range of industries. Realising the importance of AI, the Malaysian Government is seeking to leapfrog the country's involvement in AI via a comprehensive partnership with ARM. While we applaud the "full turnkey" solutions for AI chips, which will create multiplier effects on the economy, we view that such development will require time and unwavering support from various stakeholders. At this juncture, we view the development is still at the initial stage. Thus, the positive spillover impact on AI remains very limited to the Malaysia semiconductor ecosystem.

XIII. TELECOMMUNICATION

Lacking excitement.....Maintain NEUTRAL

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

Struggling to grow earnings. We are maintaining our NEUTRAL recommendation on the telecommunication sector. In 1HCY25, we noted that there was not much new proposition in the market for both the mobile and broadband segments. It may appear that the telcos would be more focused on retaining their respective customer based rather than gaining market share. However, given the impending launch of the second 5G network by U Mobile, we do not discount that U Mobile could potentially reignite the competitive landscape. Nonetheless, among the telcos, we are bearish on Axiata Group Bhd (SELL, RM1.75). This is premised on XL Smart observing gestation period as well as revenue headwinds for Robi and Link Net. On another note, we note that U Mobile has been preparing the various building blocks for the rollout of the second 5G network. This includes various infra provider, technology partners as well as the necessary financing. We view this positively as it would promote competition

between the two 5G network providers. On another note, telcos' dividend yield of 3.8% to 4.6% elevate their attractiveness as defensive stocks.

Minimal refresh offerings seen in 1HCY25. We note that there are not much new offerings across the mobile and broadband segments. In comparison, we saw more competitive offerings in 2024. The most notable offerings would be the new solar-subscription plan offered by Maxis in 1QCY25 which follow the footstep of Time Dotcom. This may suggest that giving more value proposition may potentially eat up into the profit margin. That being said, we do not discount the possibility that U Mobile may trigger the competition landscape in 2HCY25 ahead of the impending launch in the second 5G network.

Near-term turbulence for Axiata. We anticipate Axiata could potentially record lower earnings in 2HCY25 following the completion of the merger between XL Axiata and Smartfren. Earnings headwinds will primarily come from the amalgamation of the loss-making Smartfren as well as stake dilution in the enlarged entity. On top of this, we foresee Robi and Link Net encountered difficulty to grow their revenue due to economic challenges and changes in business strategy respectively. This has prompted us to downgrade the stock to SELL with a then-revised SOP target price of RM1.75 during the recent quarterly earnings.

Minimal competition from Starlink. In 2QCY25, Starlink introduced a new Starlink Residential Lite plan with a lower monthly fee of RM129 as opposed to the RM220 plan. Note that the lower plan offers lower download speed of around 45 to 130Mbps in comparison to the typical speed of between 109 to 276Mbps. Premised on the offering, we do not think it will pose a threat to the local broadband providers. Moreover, to obtain the Starlink service, one would have to purchase the Starlink Kit for RM1,600 which is rather a hefty upfront cost.

U Mobile preparing for rollout. Since the receipt of MCMC award to deploy Malaysia's second 5G network, U Mobile has been actively laying the groundwork. For a start, it is partnering with EdgePoint to specifically develop and deploy 5G In-Building Coverage (IBC) solutions. Note that the former has around 1.8k sites throughout the country which U Mobile can leverage on. For the deployment of the second 5G network, U Mobile has selected Huawei and ZTE as its technology partners. Note that the telco operator seeks to achieve 80% coverage of populated area (COPA) within its first year of rollout, before progressing to 90%. This will closely mimic that of DNB which has currently achieved more than 80% COPA. Meanwhile, U Mobile will also leverage on Telekom Malaysia (TM) and CT Sabah's fibre infrastructure. Looking at these developments, we view that the deployment of second 5G network may potentially commenced toward the end of the year, at its earliest. Nonetheless, having two network providers would encourage competition which lead to better service quality and pricing for consumers. At this juncture, it appears that Telekom Malaysia would be the main beneficiary as both 5G networks rely on TM's existing fibre infrastructure.

Commendable dividend yield. Given the difficulty in growing the revenue, telcos have been carefully managing its cashflow. This can be partly seen from the capex spending. Couple with prudent cost management, they have been able to deliver dividend payout which carry attractive yield of around 3.8% to 4.6%. We view this elevate their attractiveness as defensive stocks.

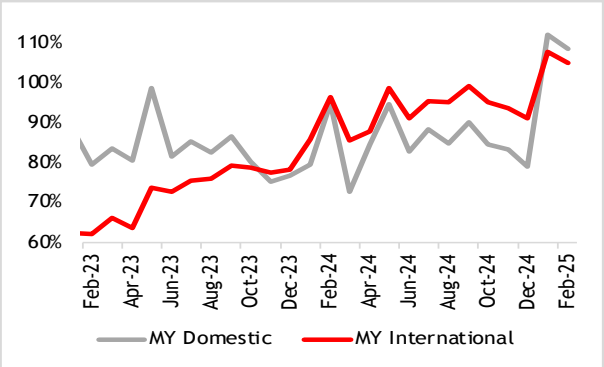
XIV. TRANSPORTATION

Riding out the uncertainties.....Maintain NEUTRAL

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

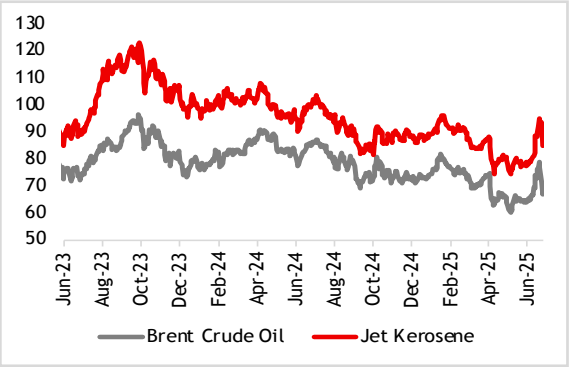
Aviation

Chart 45: Recovery of Passenger Traffic (%)



Source: MAHB, MAVCOM, MIDFR

Chart 46: Brent Crude Oil vs. Jet Kerosene (USD/bbl)

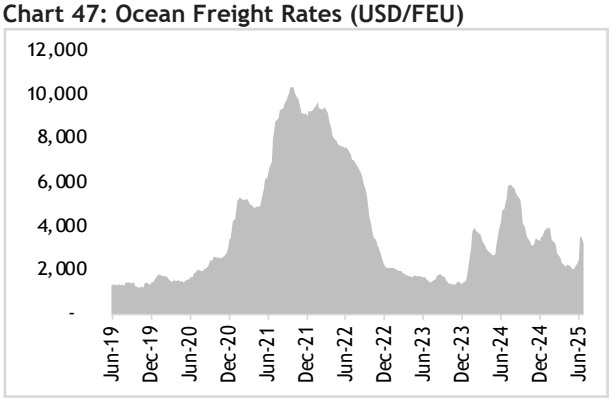


Source: Bloomberg, MIDFR

Malaysia's air travel recovery has kept momentum into 2025, with Malaysia Airports Holdings Berhad (MAHB) recording about 8.3m passengers in Apr-25, bringing the year-to-date tally comfortably on track to meet or surpass the Malaysian Aviation Commission's (MAVCOM) full-year forecast of 105.8-112.9m passengers. Strong domestic demand, boosted by festive seasons, school holidays, and affordable fares, has underpinned steady growth, while international traffic is rebounding thanks to strategic visa waivers for Chinese and Indian tourists and airlines reinstating or adding international routes. With last year already at close to 90% of the CY19 peak, the consistent passenger flow hints that Malaysia could fully reclaim or exceed its pre-pandemic record by year-end, barring any new shocks.

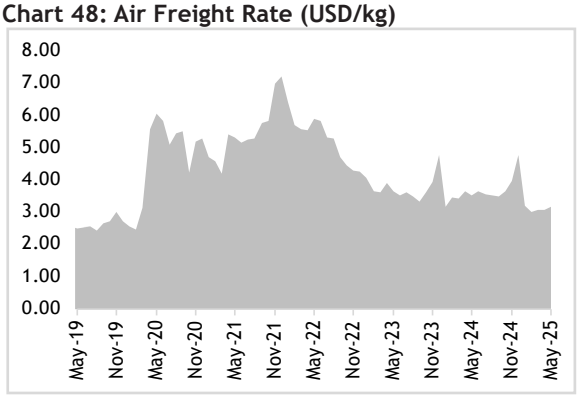
Local airlines are expanding but must navigate higher costs and geopolitical risks. Malaysia Airlines' parent MAG is refreshing its fleet with 30 new Boeing 737 MAX jets and potentially more A330neos, while AirAsia is ramping up its narrowbody fleet and eyeing longer-range jets to reopen further markets, both targeting capacity that matches or slightly exceeds CY19 levels. However, supply chain bottlenecks, new tariffs on aircraft parts, and the ripple effect of tensions in the Middle East (which recently nudged oil and jet fuel prices higher) could inflate operating costs. Maintenance, repair and overhaul (MRO) demand is surging as local airlines are also having to keep ageing aircraft in service longer than planned while waiting for delayed new deliveries. Notably, AirAsia's ADE is fully booked through CY25. A stronger ringgit, forecast to average RM4.30/USD, may cushion operating costs, but airlines might still face tight margins as they rely on high load factors to spread costs. For Capital A, each USD1 change in fuel price impacts net profit by about USD15.6m, while a 1% shift in USDMYR affects monthly costs by roughly USD2.0m since 70% of expenses are in USD. Overall, a robust travel appetite should support profitability, but airlines might need to stay agile and cost-savvy to ride out these uncertainties.

Chart 47: Ocean Freight Rates (USD/FEU)



Source: Drewry, Bloomberg, MIDFR

Chart 48: Air Freight Rate (USD/kg)



Source: Drewry, Bloomberg, MIDFR

Frontloading lifted port volumes in early CY25. Malaysia's container ports handled 7.70m TEUs in 1QCY25, marking a solid +6.0%yoy increase. This growth was driven predominantly by Port of Tanjung Pelepas (PTP), which saw a +11.0%yoy rise compared to Port Klang's more modest +2.0%yoy gain. PTP's increase is possibly boosted by its role in the Maersk-Hapag "Gemini" alliance that was launched in Feb-25. The growth was aided by a frontloading wave, as exporters rushed shipments ahead of sharply rising US tariffs, spiking spot freight rates from Southeast Asia to the US West Coast from roughly USD2,465 to USD2,890 per FEU between late March and April, while broader indices like the World Container Index (WCI) neared USD5,800. Drewry recently revised its CY25 global container volume growth forecast to +1.9% (from -1.0% in Apr-25), citing stronger-than-expected demand following a temporary easing in US-China trade tensions. There has been a clear rebound in booking volumes and carrier sentiment, particularly on the trans-Pacific and intra-Asia lanes, signalling upside for transhipment-driven ports. However, the outlook for 2HCY25 remains fluid, as the tariff reprieve is short-term and downside risks persist, including weak European demand, vessel overcapacity, and geopolitical disruptions that could dampen momentum.

Red sea crisis normalising, but new chokepoint risks emerge. While Red Sea shipping routes have largely normalised, heightened tensions in the Strait of Hormuz present a fresh risk to regional container flows, following a recent Iranian parliamentary vote to close the Strait in retaliation for US strikes on multiple nuclear facilities inside Iran. A closure would block access to major Gulf ports such as Jebel Ali and Dammam, forcing shipping lines to suspend Gulf calls or reroute cargo through alternative hubs with limited capacity. This may cause temporary vessel bunching and higher yard utilisation at regional transhipment hubs as shipping lines adjust loops, reposition empty containers, and manage scheduling disruptions. Malaysia's main Asia-Europe trade corridor (contributing <15% of total volume at Westports) bypasses Hormuz entirely. As such, the exposure is limited, but short-term port congestion and berth delays may still occur if rescheduled calls and feeder realignments spill into the region in 2HCY25.

Warehousing demand remains robust amid steady trade flows and structural shifts. Prime logistics space continues to record healthy take-up in 1HCY25, supported by resilient manufacturing activity, sustained e-commerce fulfilment and ongoing investments under the China + 1 strategy. Industry data indicates that Klang Valley remains the dominant hub, with average monthly rentals for modern Grade-A warehouses holding steady in the RM2.00-3.50 psf range, trending slightly higher for newer automated facilities. Meanwhile, Johor rents are gradually rising due to spillover from Singapore and growing data-centre related supply chain activity, while Penang's rates have stabilised as new capacity comes online. Nationally, vacancy rates for quality assets reportedly remain low at below 5%, and most upcoming completions are largely pre-leased, keeping oversupply risks in check. Looking ahead the Smart Logistics Complex (SLC) incentives introduced under Budget 2025 are expected to

accelerate the development of high-tech, sustainable logistics facilities and support healthy rental trends over the medium term.

Stricter truckload limits ahead. Starting 1 July 2025, the government would enforce tighter truckload weight compliance at all federal ports and major highways nationwide. Haulier would be required to adhere strictly to the approved Gross Vehicle Weight (GVW) limits, with port operators expected to deny entry to any trucks found to be overloaded. Specifically, back-to-back container configurations (a common practice where hauliers pull two 20-foot containers in tandem to maximise load per trip) would be prohibited at Port Klang from July and extended nationwide from Jan-26. While industry players generally support the safety objective, they have cautioned that each truck might carry less cargo per run, which could mean more trips and higher fleet demand to move the same total volume. As a result, haulage costs might increase moderately, and available truck capacity could tighten during peak periods. Shippers and freight forwarders might face some upward pressure on inland delivery rates and could need to plan for slightly longer turnaround times at ports during the initial adjustment phase as operators recalibrate routing and fleet deployment.

Maintain NEUTRAL. Tasco (BUY, TP: RM0.68) remains our top pick in the sector, underpinned by its appealing valuation. It is currently trading at -1.0SD below its 5-year historical mean. Although freight rates could see some swings due to tariff-related uncertainties and geopolitical risks, Tasco has included a new clause (effective Jul-24) that allows price revisions if market rates rise more than 10% above the tendered price, offering protection against sharp rate fluctuations. About 80% of its forwarding business is generally done through tenders, with the remaining 20% based on spot rates. Notably, during volatile periods, customers tend to favour shorter-term contracts, which typically yield better margins. Meanwhile, we anticipate an improvement in its contract logistics division this financial year, driven by recent customer wins. We also expect earnings to be partly supported by the Investment Tax Allowance (ITA) that the Group is eligible for.

Table i: MIDF RESEARCH STOCK UNIVERSE as at 26th June 2025 (cont'd)

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PER			DPS			Yield (%)			PBV	BV / Share (RM)	Net Margin (%)	ROA (%)	ROE (%)	No of Shares (m)	Market Cap (RM m)	52-week Price	
					FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24							High (RM)	Low (RM)
CONSTRUCTION																															
Cahya Mata Sarawak Berhad	Dec	BUY	1.13	1.33	128.2	164.1	169.0	11.9	15.3	15.7	12.0	28.0	3.0	9.5	7.4	7.2	2.0	3.0	3.0	1.8	2.7	2.7	0.35	3.19	13.72	3.61	4.51	1,074.8	1,214.6	1.50	0.79
Gamuda Berhad	Jul	BUY	4.65	5.42	912.1	1,181.7	1,469.8	16.7	20.5	25.5	-52.4	23.0	24.4	27.9	22.7	18.3	8.0	10.0	10.0	1.7	2.2	2.2	2.24	2.07	8.85	4.43	10.26	5,769.4	26,827.9	5.38	3.28
IJM Corporation Berhad	Mar	BUY	2.55	3.74	600.3	403.4	564.6	17.1	11.5	16.1	281.1	-32.8	40.1	14.9	22.2	15.8	7.0	7.0	8.0	2.7	2.7	3.1	0.87	2.93	6.45	1.85	3.56	3,505.2	8,938.2	3.75	1.79
Malaysian Resources Corporation Berhad	Dec	BUY	0.48	0.56	63.7	57.8	65.1	1.4	1.3	1.5	-36.7	-9.5	12.6	33.2	36.7	32.6	1.0	1.0	1.0	2.1	2.1	2.1	0.46	1.03	3.51	0.64	1.25	4,467.5	2,122.1	0.70	0.37
Pekat Group Berhad	Dec	BUY	1.41	1.86	22.0	41.7	45.9	3.4	6.5	7.1	60.1	89.6	10.1	41.3	21.8	19.8	0.0	0.0	0.0	0.0	0.0	0.0	5.33	0.26	14.53	9.63	21.35	645.0	909.4	1.43	0.82
Sunview Group Berhad	Mar	BUY	0.39	0.54	9.7	6.4	9.6	2.0	1.2	1.7	-32.3	-42.4	44.5	19.2	33.3	23.1	0.0	0.0	0.0	0.0	0.0	0.0	1.20	0.32	2.80	1.42	3.63	567.7	221.4	0.76	0.34
Sunway Construction Group Berhad	Dec	BUY	5.92	6.44	186.9	273.6	287.3	14.5	21.0	22.0	28.9	44.7	5.0	40.8	28.2	26.9	8.5	7.0	7.0	1.4	1.2	1.2	7.93	0.75	7.77	7.61	29.15	1,304.2	7,720.8	6.27	3.26
WCT Holdings Berhad	Dec	BUY	0.62	0.95	277.9	76.6	79.7	19.0	4.9	5.1	-206.2	-74.2	4.0	3.3	12.6	12.1	0.0	0.0	0.0	0.0	0.0	0.0	0.29	2.12	4.18	0.84	2.03	1,558.9	966.5	1.35	0.56
CONGLOMERATE																															
YTL Corporation Berhad	Jun	BUY	2.27	2.84	2,140.5	1,976.0	1,727.0	19.5	17.5	15.3	95.3	-10.2	-12.6	11.6	13.0	14.8	4.0	7.4	6.5	1.8	3.3	2.9	1.53	1.49	6.64	2.23	8.18	11,277.8	25,600.5	3.84	1.68
TELECOMMUNICATIONS																															
Axiata Group Berhad	Dec	SELL	2.22	1.75	946.8	493.7	434.5	10.3	5.4	4.7	-147.5	-47.8	-12.0	21.6	41.3	46.9	10.0	8.0	8.0	4.5	3.6	3.6	0.99	2.25	2.22	0.66	1.79	9,185.5	20,391.7	2.68	1.63
CelcomDigi Berhad	Dec	NEUTRAL	3.90	3.76	1,377.7	1,901.0	2,132.0	11.7	16.2	18.2	-11.4	38.5	12.2	33.3	24.1	21.5	14.3	15.4	17.3	3.7	3.9	4.4	2.85	1.37	14.99	5.28	11.74	11,731.5	45,752.9	4.00	3.25
Maxis Berhad	Dec	BUY	3.62	4.38	1,396.0	1,629.0	1,750.0	17.8	20.8	22.3	40.2	16.8	7.4	20.3	17.4	16.2	17.0	17.0	17.0	4.7	4.7	4.7	4.82	0.75	15.46	7.30	27.58	7,833.1	28,355.9	4.00	3.11
Telekom Malaysia Berhad	Dec	NEUTRAL	6.51	6.88	2,016.9	1,700.6	2,008.2	52.6	44.3	52.3	7.6	-15.8	18.1	12.4	14.7	12.4	31.0	26.5	27.5	4.8	4.1	4.2	2.55	2.55	14.52	8.04	16.57	3,837.7	24,983.7	7.17	6.15
TECHNOLOGY																															
D&O Green Technologies Berhad	Dec	TRADING SELL	1.14	1.04	37.2	41.2	56.1	3.0	3.3	4.5	-15.7	10.4	36.2	37.9	34.3	25.2	0.0	0.3	0.3	0.0	0.3	0.3	2.07	0.55	3.83	2.26	4.24	1,239.5	1,413.0	3.77	1.01
NEXG Berhad	Mar	BUY	0.36	0.58	92.3	115.5	107.4	3.3	4.2	3.7	22.4	26.5	-10.9	11.0	8.7	9.7	2.5	2.1	0.8	6.8	5.7	2.2	2.35	0.15	30.94	20.82	25.83	2,902.9	1,045.1	0.55	0.21
Inari Amertron Berhad	Jun	NEUTRAL	2.03	2.13	300.2	263.3	322.8	8.0	6.9	8.5	-7.7	-13.2	22.6	25.3	29.2	23.8	7.7	6.0	8.0	3.8	3.0	3.9	2.76	0.74	17.81	7.41	8.30	3,788.9	7,691.6	4.03	1.42
My E.G. Services Berhad	Dec	BUY	0.94	1.25	707.7	793.5	902.0	9.5	10.3	11.7	44.0	8.9	13.7	9.9	9.1	8.0	2.7	3.2	3.6	2.9	3.4	3.8	2.21	0.43	78.03	18.69	27.93	7,704.7	7,242.4	1.06	0.68
Unisem (M) Berhad	Dec	SELL	2.24	1.60	60.7	59.1	90.6	3.8	3.7	5.6	-24.3	-2.6	53.3	59.6	61.1	39.9	8.0	8.0	8.0	3.6	3.6	3.6	1.63	1.37	3.74	2.04	2.63	1,613.1	3,613.3	4.35	1.81
PLANTATION																															
FGV Holdings Berhad	Dec	ACCEPT OFFER	1.30	1.30	276.3	279.0	333.7	7.6	7.6	9.1	171.4	0.6	19.6	17.1	17.0	14.2	5.0	5.0	5.0	3.8	3.8	3.8	0.80	1.63	1.26	1.50	3.66	3,648.2	4,742.6	1.36	1.00
Genting Plantations Berhad	Dec	NEUTRAL	4.90	6.26	323.1	351.0	376.8	36.0	39.1	42.0	27.5	8.6	7.4	13.6	12.5	11.7	12.0	25.0	21.0	2.4	5.1	4.3	0.86	5.67	11.95	3.65	6.58	897.2	4,396.1	5.95	4.75
IOI Corporation Berhad	Jun	BUY	3.71	4.42	1,109.4	1,165.3	1,269.1	17.9	18.8	20.5	-0.4	5.1	8.9	20.7	19.8	18.1	9.5	8.5	8.5	2.6	2.3	2.3	1.93	1.92	12.13	6.49	9.70	6,203.7	23,015.7	4.08	3.42
Kuala Lumpur Kepong Berhad	Sep	NEUTRAL	21.20	20.00	591.0	1,077.8	1,096.2	54.3	96.8	98.4	-29.8	78.2	1.7	39.0	21.9	21.5	60.0	55.0	57.0	2.8	2.6	2.7	1.65	12.87	4.84	3.53	7.18	1,113.7	23,609.6	22.66	18.34
PPB Group Berhad	Dec	NEUTRAL	10.20	10.61	1,219.4	1,257.7	1,303.1	85.7	88.4	91.6	-12.6	3.2	3.6	11.9	11.5	11.1	42.0	35.0	35.0	4.1	3.4	3.4	0.54	18.74	23.41	4.37	4.62	1,422.6	14,510.5	15.04	9.89
Sarawak Plantation Berhad	Dec	NEUTRAL	2.40	2.29	92.0	75.3	67.0	33.0	27.0	24.0	42.8	-18.2	-11.0	7.3	8.9	10.0	20.0	0.2	0.1	8.3	0.1	0.0	0.84	2.87	13.66	7.31	9.61	279.0	669.7	2.67	2.04
SD Guthrie Berhad	Dec	BUY	4.58	5.43	2,163.8	1,708.1	1,791.1	31.3	24.7	25.9	16.3	-21.1	4.9	14.6	18.5	17.7	16.4	15.0	15.0	3.6	3.3	3.3	1.76	2.61	8.62	5.33	8.07	6,915.7	31,674.0	5.19	4.15
TSH Resources Berhad	Dec	NEUTRAL	1.09	1.16	135.7	123.6	111.0	9.8	9.4	8.5	42.7	-4.2	-10.2	11.1	11.6	12.9	2.5	2.5	2.5	2.3	2.3	2.3	0.75	1.46	12.12	4.50	5.47	1,312.3	1,430.4	1.28	1.00
HEALTHCARE																															
Hartalega Holdings Berhad	Mar	NEUTRAL	1.63	2.45	12.5	74.5	199.5	0.4	2.2	5.8	-105.4	489.2	168.1	440.5	74.8	27.9	0.0	0.0	4.5	0.0	0.0	2.8	1.29	1.27	2.88	1.57	1.73	3,413.3	5,563.6	4.00	1.54
IHH Healthcare Berhad	Dec	BUY	6.72	8.18	2,657.0	1,725.0	1,801.0	30.2	19.5	20.4	-10.0	-35.3	4.4	22.3	34.4	33.0	10.0	10.5	10.9	1.5	1.6	1.6	1.96	3.43	7.07	3.04	5.09	8,831.0	59,344.0	7.56	6.01
Kossan Rubber Industries Berhad	Dec	NEUTRAL	1.47	1.62	118.3	123.8	131.2	4.6	4.9	5.2	792.3	5.2	6.0	31.7	30.1	28.4	2.0	2.5	3.0	1.4	1.7	2.0	1.02	1.44	6.46	3.01	3.38	2,535.4	3,727.0	2.87	1.38
KPJ Healthcare Berhad	Dec	NEUTRAL	2.56	3.00	353.8	470.2	522.2	8.1	10.8	12.0	34.3	32.8	11.1	31.6	23.8	21.4	4.2	4.8	5.3	1.6	1.9	2.1	4.39	0.58	11.99	6.35	17.18	4,364.3	11,172.6	3.05	1.72
Pharmaniaga Berhad	Dec	NEUTRAL	0.23	0.48	131.8	134.0	n.a.	9.2	9.3	n.a.	-256.1	1.6	n.a.	2.5	2.5	n.a.	0.0	3.4	n.a.	0.0	14.8	n.a.	-2.30	-0.10	3.56	6.73	-91.82	1,441.2	331.5	0.47	0.20
Top Glove Corporation Berhad	Aug	NEUTRAL	0.72	0.83	-64.9	107.6	125.4	-0.8	1.3	1.6	-93.0	-265.7	16.5	n.a.	53.7	46.0	0.0	0.5	0.6	0.0	0.7	0.8	1.23	0.59	4.28	1.55	1.84	8,017.8	5,772.8	1.44	0.70
CONSUMER (F&B, Retail)																															
AEON Co. (M) Berhad	Dec	BUY	1.37	1.77	128.0	160.4	170.0	9.1	11.4	12.1	11.5	25.3	6.0	15.0	12.0	11.3	4.0	4.6	4.8	2.9	3.4	3.5	0.96	1.43	3.76	2.85	8.28	1,404.0	1,923.5	1.61	1.24
Fraser & Neave Holdings Berhad	Sep	BUY	28.32	32.68	542.8	600.4	646.9	148.2	163.7	176.4	1.2	10.5	7.7	19.1	17.3	16.1	63.0	77.0	77.0	2.2	2.7	2.7	2.75	10.30	11.45	10.97	16.74	366.8	10,387.2	32.50	22.40
Hup Seng Industries Berhad	Dec	NEUTRAL	0.95	1.04	57.6	51.1	55.6	7.2	6.4	7.0	27.7	-11.3	8.8	13.1	14.8	13.6	5.0	5.4	5.9	5.3	5.7	6.2	4.77	0.20	12.93	20.35	31.20	800.0	756.0	1.31	0.92
Leong Hup International Berhad	Dec	BUY	0.61	0.90	428.9	452.3	478.6	11.8	12.6	13.3	42.1	7.0	5.8	5.2	4.8	4.6	0.0	2.5	2.6	0.0	4.1	4.3	0.88	0.69	4.86	7.02	13.59	3,595.9	2,193.5	0.78	0.56
MSM Malaysia Holdings Berhad	Dec	NEUTRAL	1.02	1.20	31.3	32.6	67.6	4.5	4.6	9.6	-162.7	4.2	107.4	22.9	22.0	10.6	0.0	1.0	3.0	0.0	1.0	2.9	0.48	2.13	0.92	1.02	2.18	703.0	717.0	2.50	0.85
Nestlé (Malaysia) Berhad	Dec	NEUTRAL	77.48	77.90	415.6	544.2	584.2	177.0	232.1	249.1	-37.0	31.1	7.4	43.8	33.4	31.1	179.0	220.5	236.7	2.3	2.8	3.1	33.85	2.29	8.74	14.91	99.39	234.5	18,169.1	124.50	61.80
Oriental Kopi Holdings Berhad	Sep	NEUTRAL	0.86	0.83	43.1	62.8	82.7	n.a.	3.1	4.1	n.a.	n.a.	31.7	n.a.	27.2	20.7	0.0	0.9	1.2	0.0	1.1	1.4	n.a.	n.a.	22.65	34.61	117.34	2,000.0	1,710.0	0.99	0.63
Padini Holdings Berhad	Jun	BUY	2.10	2.49	146.6	180.1	194.7	14.9	18.2	19.7	-34.2	22.9	8.1	14.1	11.5	10.6	6.7	12.0	12.0	3.2	5.7	5.7	1.72	1.22	9.39	9.85	16.21	986.9	2,072.4	2.48	1.59
QL Resources Berhad	Mar	NEUTRAL	4.58	4.33	437.9	455.6	506.1	12.0	12.5	13.9	28.6	4.0	11.1	38.2	36.7	33.0	4.3	2.5	5.6	0.9	0.5	1.2	5.29	0.87	6.44	7.72	12.83	3,650.3	16,718.4	4.90	4.22
Spritzer Berhad	Dec	BUY	1.55	1.75	71.1	75.1	83.0	11.2	11.8	13.0	43.6	5.7	10.5	13.9	13.1	11.9	4.8	3.5	3.9	3.1	2.3	2.5	1.64	0.95	12.97	9.73	12.90	636.7	986.9	1.72	1.17
BANKING																															
Affin Bank Berhad	Dec	NEUTRAL	2.54	2.46	509.7	599.0	639.0	20.3	23.6	25.2	23.7	16.6	6.7	12.5	10.7	10.1	0.0	7.2	7.5	0.0	2.8	3.0	0.55	4.65	14.09	0.54	5.16	2,533.8	6,436.0	3.25	2.21
Alliance Bank Malaysia Berhad	Mar	NEUTRAL	4.26	4.20	690.5	750.7	787.0	43.5	47.3	50.8	1.8	8.7	7.6	9.8	9.0	8.4	21.7	18.9	18.6	5.1	4.4	4.4	0.88	4.83	19.54	0.88	9.79	1,548.1	6,594.9	5.26	3.65
AMMB Holdings Berhad	Mar	NEUTRAL	5.07	5.30	1,868.1	2,001.2	1,961.0	56.5	60.6	59.4	9.4	7.2	-1.9	9.0	8.4	8.5	22.6	30.2	26.7	4.5	6.0	5.3	0.81	6.26	23.27	1.01	9.70	3,300.9	16,735.4	5.94	4.19
Bank Islam Malaysia Berhad	Dec	NEUTRAL	2.31	2.36	571.1	578.0	603.0	25.2	25.5	26.6	2.6	1.2	4.3	9.2	9.1	8.7	4.1	15.3	16.0	1.8	6.6	6.9	0.68	3.41	13.48	0.60	7.55	2,266.5	5,235.6	2.81	2.19
CIMB Group Holdings Berhad	Dec	BUY	6.80	8.10	7,728.0	7,754.0	7,924.0	72.3	72.1	73.7	10.4	-0.2	2.2	9.4	9.4	9.2	40.0	39.5	40.2	5.9	5.8	5.9	1.06	6.41	20.64	1.03	10.95	10,752.0	73,113.7	8.50	6.21
Hong Leong Bank Berhad	Jun	BUY	19.78	23.09	4,196.2	4,692.0	4,643.0	204.7	216.4	214.2	9.8	5.7	-1.0	9.7	9.1	9.2	68.0	80.1	79.3	3.4	4.0	4.0	1.05	18.78	43.72	1.58	12.58	2,167.7	42,877.5	21.88	18.42
Hong Leong Financial Group Berhad	Jun	BUY	16.38	20.63	3,197.7	3,408.0	3,404.0	281.9	297.6	297.2	11.0	5.6	-0.1	5.8	5.5	5.5	54.0	60.1	60.0	3.3	3.7	3.7	0.59	27.67	28.95	1.01	7.68	1,145.2	18,759.1	20.18	15.70
Malayan Banking Berhad	Dec	NEUTRAL	9.81	10.20	10,088.7	10,378.0	10,554.0	83.6	85.9	87.4	7.7	2.8	1.7	11.7	11.4	11.2	61.0	68.8	70.0	6.2	7.0	7.1	1.28	7.66	20.95	0.97	10.68	12,080.7	118,512.0	11.04	9.32
Public Bank Berhad	Dec	BUY	4.34	4.77	7,147.0	7,360.0	7,740.0	36.8	37.9	39.9	7.5	2.9	5.2	11.8	11.4	10.9	21.0	20.1	21.9	4.8	4.6	5.0	1.48	2.93	29.86	1.36	12.34	19,410.7	84,242.4	4.84	4.00
RHB Bank Berhad	Dec	NEUTRAL	6.31	6.70	3,120.2	3,076.0	3,253.0	72.0	70.6	74.6	9.6	-2.0	5.8	8.8	8.9	8.5	68.0	42.0	43.8	10.8	6.7	6.9	0.85	7.39	20.69	0.88	9.46	4,359.5	27,508.4	7.04	5.49

Source: Company, MIDFR

Table i: MIDF RESEARCH STOCK UNIVERSE as at 26th June 2025 (cont'd)

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PER			DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RM m)	52-week Price	
					FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24	FY25F	FY26F	FY24							High (RM)	Low (RM)
FINANCE																															
Bursa Malaysia Berhad	Dec	NEUTRAL	7.63	7.90	310.1	290.9	309.0	38.3	35.9	38.2	22.8	-6.1	6.2	19.9	21.2	20.0	18.0	34.2	36.3	2.4	4.5	4.8	8.44	0.90	38.39	6.68	33.20	809.3	6,175.0	10.00	7.20
Allianz Malaysia Berhad	Dec	BUY	19.12	21.59	717.2	805.0	847.0	401.5	444.3	467.5	35.3	10.7	5.2	4.8	4.3	4.1	95.5	93.5	98.4	5.0	4.9	5.1	0.62	30.87	13.93	2.83	13.81	181.2	3,464.0	22.42	16.50
LPI Capital Berhad	Dec	BUY	14.74	15.25	377.1	387.0	415.0	94.7	97.1	104.2	20.2	2.6	7.2	15.6	15.2	14.1	80.0	82.5	88.5	5.4	5.6	6.0	2.56	5.75	24.49	8.09	15.98	398.4	5,872.2	15.30	12.14
Syarikat Takaful Malaysia Keluarga Berhad	Dec	BUY	3.41	4.59	378.1	412.0	430.0	45.2	47.2	49.3	9.0	4.6	4.4	7.6	7.2	6.9	17.0	17.6	18.3	5.0	5.2	5.4	1.40	2.44	10.61	2.47	21.11	872.2	2,974.1	4.16	3.28
OIL & GAS																															
Bumi Armada Berhad	Dec	BUY	0.45	0.70	634.0	682.3	710.5	10.7	11.5	12.0	90.7	7.6	4.1	4.2	3.9	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.43	1.04	29.68	6.52	11.28	5,927.9	2,667.6	0.70	0.41
Deleum Berhad	Dec	BUY	1.60	1.92	74.2	81.3	82.0	18.5	20.2	20.4	62.2	9.6	0.9	8.7	7.9	7.8	7.7	6.2	6.5	4.8	3.9	4.1	1.41	1.13	8.96	11.09	16.32	401.6	642.5	1.69	1.05
Dialog Group Berhad	Jun	NEUTRAL	1.56	1.85	575.0	116.6	474.5	10.2	2.1	8.4	12.6	-79.7	306.9	15.3	75.5	18.6	4.3	2.0	2.8	2.8	1.3	1.8	1.54	1.01	3.70	1.28	1.79	5,642.7	8,802.6	2.58	1.13
Gas Malaysia Berhad	Dec	NEUTRAL	4.23	4.48	441.4	424.9	461.8	34.4	33.1	36.0	14.6	-3.7	8.7	12.3	12.8	11.8	26.2	15.2	16.5	6.2	3.6	3.9	4.02	1.05	5.28	11.56	28.21	1,284.0	5,431.3	4.55	3.42
Malaysia Marine and Heavy Engineering Holdings Berhad	Dec	BUY	0.36	0.51	121.0	103.1	113.2	7.6	6.4	7.1	-125.0	-14.8	9.8	4.7	5.5	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.41	0.87	2.86	2.92	7.47	1,600.0	568.0	0.48	0.33
Petronas Chemicals Group Berhad	Dec	SELL	3.45	3.01	1,175.0	932.0	1,307.0	14.7	11.7	16.3	-30.7	-20.7	40.2	23.5	29.6	21.1	13.0	10.0	13.0	3.8	2.9	3.8	0.70	4.91	3.04	1.55	2.33	8,000.0	27,600.0	6.34	2.75
Petronas Dagangan Berhad	Dec	BUY	21.50	22.25	1,086.6	1,123.3	1,176.8	109.4	113.1	118.5	15.3	3.4	4.8	19.7	19.0	18.2	87.0	109.1	118.6	4.0	5.1	5.5	3.67	5.86	2.96	10.11	18.51	993.5	21,359.3	21.98	16.10
Petronas Gas Berhad	Dec	NEUTRAL	17.76	18.67	1,836.3	1,938.0	2,012.0	92.8	97.9	101.7	0.9	5.5	3.8	19.1	18.1	17.5	72.0	72.0	72.0	4.1	4.1	4.1	2.51	7.07	29.64	10.33	13.61	1,978.7	35,142.3	18.58	15.20
PROPERTY & REITS																															
Al 'Aqar Healthcare REIT	Dec	NEUTRAL	1.27	1.26	58.3	68.0	70.0	6.9	8.1	8.3	-6.8	16.7	2.9	18.3	15.7	15.2	7.3	6.8	7.0	5.7	5.3	5.5	1.01	1.26	57.70	3.70	6.45	839.6	1,066.3	1.42	1.20
AXIS REIT	Dec	BUY	1.95	2.02	210.0	181.0	187.0	11.8	9.0	9.3	-5.6	-24.1	3.3	16.5	21.8	21.1	9.3	7.9	8.2	4.8	4.1	4.2	1.18	1.65	55.90	3.44	5.49	2,020.8	3,940.5	2.00	1.71
Eco World Development Group Berhad	Oct	BUY	1.90	2.10	303.5	372.0	381.0	10.3	12.5	12.8	60.2	21.4	2.4	18.4	15.2	14.8	6.0	6.0	6.0	3.2	3.2	3.2	1.15	1.65	16.47	4.17	7.60	2,974.3	5,651.2	2.16	1.40
Glomac Berhad	Apr	NEUTRAL	0.32	0.32	23.6	15.6	16.7	3.1	2.0	2.2	-25.1	-33.9	7.2	10.4	15.8	14.7	1.5	1.3	1.3	4.7	3.9	4.1	0.20	1.56	6.55	0.88	1.26	767.5	245.6	0.48	0.31
IGB REIT	Dec	BUY	2.48	2.48	579.8	386.0	534.0	16.1	10.7	14.7	11.5	-33.6	38.3	15.4	23.3	16.8	10.7	9.8	11.2	4.3	3.9	4.5	2.11	1.18	61.65	6.72	9.07	3,621.6	8,981.5	2.52	1.83
IOI Properties Group Berhad	Jun	NEUTRAL	1.94	1.79	2,061.8	393.0	550.0	37.5	7.1	10.0	48.0	-80.9	39.9	5.2	27.2	19.4	5.0	5.0	5.0	2.6	2.6	2.6	0.45	4.28	13.37	0.85	1.62	5,506.1	10,681.9	2.46	1.63
KLCCP Stapled Group	Dec	NEUTRAL	8.82	8.40	498.2	829.0	838.0	27.6	45.9	46.4	25.6	66.4	1.1	32.0	19.2	19.0	44.5	42.4	42.8	5.0	4.8	4.9	2.91	3.03	48.46	4.44	6.05	1,805.3	15,923.0	9.02	7.39
Mah Sing Group Berhad	Dec	BUY	1.17	1.37	240.7	260.0	294.0	9.5	10.2	11.5	7.6	6.5	13.1	12.3	11.5	10.2	4.0	4.8	5.2	3.4	4.1	4.4	0.77	1.52	10.32	3.44	6.54	2,560.1	2,995.4	1.97	1.01
Matrix Concepts Holdings Berhad	Mar	BUY	1.35	1.59	244.3	214.1	266.0	13.0	16.4	14.2	-1.0	25.9	-13.4	10.4	8.2	9.5	6.5	7.7	8.5	4.8	5.7	6.3	1.14	1.19	18.04	6.77	9.68	1,877.0	2,534.0	1.63	1.15
Pavilion REIT	Dec	BUY	1.60	1.69	409.9	327.0	336.0	11.2	8.3	8.6	-11.6	-25.6	2.8	14.3	19.2	18.7	9.3	8.2	8.2	5.8	5.1	5.2	1.19	1.35	38.66	3.58	6.52	3,921.5	6,274.5	1.65	1.22
S P Setia Berhad	Dec	NEUTRAL	1.11	1.17	576.0	393.0	433.0	10.2	7.9	8.7	111.7	-22.7	10.2	10.9	14.1	12.8	2.9	2.5	2.5	2.6	2.3	2.3	0.42	2.65	7.42	1.42	2.48	5,003.1	5,553.4	1.80	1.00
Sunway REIT	Dec	BUY	2.06	2.10	524.8	383.0	402.0	15.0	11.2	11.7	61.5	-25.5	5.0	13.7	18.4	17.6	20.0	9.2	9.5	9.7	4.5	4.6	1.22	1.69	49.93	3.55	6.52	3,424.8	7,055.1	2.22	1.55
Sunway Berhad	Dec	NEUTRAL	4.65	4.86	1,153.1	904.0	959.0	16.7	14.5	15.4	44.6	-13.2	6.1	27.8	32.0	30.2	6.3	7.0	7.0	1.3	1.5	1.5	2.11	2.21	11.47	2.87	5.67	6,225.4	28,947.9	5.10	3.51
UOA Development Berhad	Dec	BUY	1.77	1.98	287.3	306.0	323.0	11.0	11.7	12.3	0.0	6.0	5.6	16.1	15.2	14.4	20.0	10.0	10.0	11.3	5.6	5.6	0.81	2.18	56.07	4.79	5.24	2,623.8	4,644.1	1.93	1.65
TRANSPORT																															
- Aviation																															
Capital A Berhad	Dec	BUY	0.85	1.12	-501.2	490.7	595.6	-11.7	11.3	13.7	-262.5	-196.7	21.4	n.a.	7.5	6.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.46	-1.85	28.70	1.60	-4.90	4,337.9	3,665.5	1.09	0.64
Swift Haulage Berhad	Dec	BUY	0.40	0.43	39.8	31.8	34.1	4.5	3.6	3.9	-35.5	-19.5	7.2	8.7	10.9	10.1	1.6	1.3	1.3	4.1	3.3	3.3	0.47	0.84	4.44	1.84	4.33	874.1	345.3	0.55	0.35
Tasco Berhad	Mar	BUY	0.50	0.68	61.7	26.2	49.6	7.7	3.3	6.2	-32.0	-57.6	89.6	6.4	15.1	8.0	2.4	1.3	1.9	4.7	2.5	3.8	0.62	0.80	2.59	1.38	3.70	800.0	396.0	0.98	0.46
- Ports																															
Westports Holdings Berhad	Dec	NEUTRAL	5.31	4.43	898.0	938.1	974.4	26.3	27.5	28.6	15.2	4.5	3.9	20.2	19.3	18.6	10.9	0.2	0.2	2.0	0.0	0.0	4.93	1.08	40.02	12.06	24.57	3,410.0	18,107.1	5.60	4.00
- Shipping																															
MISC Berhad	Dec	BUY	7.62	8.13	1,193.5	2,419.5	2,498.3	26.7	54.2	56.0	-43.9	103.0	3.3	28.5	14.1	13.6	36.0	36.0	36.0	4.7	4.7	4.7	0.91	8.36	18.28	4.00	6.32	4,463.7	34,013.7	8.97	6.50
UTILITIES																															
Ranhill Utilities Berhad	Jun	SELL	1.19	1.02	52.8	74.6	64.8	4.1	5.8	5.0	0.0	41.1	-13.1	29.2	20.7	23.8	3.5	3.8	4.3	2.9	3.2	3.6	1.96	0.61	3.27	2.52	7.43	1,295.9	1,542.2	1.68	1.08
Samaiden Group Berhad	Jun	BUY	1.19	1.59	16.1	21.7	23.7	3.9	4.8	5.3	50.6	23.2	9.2	30.3	24.6	22.5	0.0	1.5	1.0	0.0	1.3	0.8	4.08	0.29	9.55	10.47	16.14	448.2	533.4	1.33	0.91
Tenaga Nasional Berhad	Dec	BUY	14.26	16.40	4,698.6	4,490.0	4,857.0	81.0	77.0	83.3	68.8	-4.9	8.2	17.6	18.5	17.1	51.0	54.0	60.0	3.6	3.8	4.2	1.39	10.29	7.91	2.19	7.18	5,829.1	83,123.6	15.24	12.66
YTL Power International Berhad	Jun	BUY	3.90	4.51	3,403.4	2,801.0	2,144.0	41.9	33.2	25.4	67.6	-20.9	-23.5	9.3	11.7	15.3	7.0	8.5	6.5	1.8	2.2	1.7	1.58	2.47	12.57	4.20	14.07	8,437.9	32,907.9	5.34	2.83
AUTO																															
Bermaz Auto Berhad	Apr	NEUTRAL	0.80	0.75	345.6	155.9	167.1	29.6	13.4	14.4	12.7	-54.9	8.0	2.7	6.0	5.5	19.0	0.0	9.3	23.9	0.0	11.7	1.43	0.55	5.94	9.22	21.21	1,158.7	921.1	2.50	0.73
MBM Resources Berhad	Dec	BUY	4.70	5.36	333.4	305.8	299.6	85.3	78.2	76.6	0.7	-8.3	-2.0	5.5	6.0	6.1	60.0	35.2	34.5	12.8	7.5	7.3	0.80	5.88	12.30	11.16	12.01	390.9	1,837.2	6.69	4.38
Tan Chong Motor Holdings Berhad	Dec	SELL	0.48	0.34	-214.2	-130.7	-105.0	-32.9	-20.1	-16.1	66.4	-39.0	-19.7	n.a.	n.a.	n.a.	1.0	1.0	1.0	2.1	2.1	2.1	0.12	3.85	-6.28	-2.57	-5.20	651.6	309.5	0.89	0.28
BUILDING MATERIAL																															
- Cement																															
Malayan Cement Berhad	Jun	BUY	4.99	7.49	428.7	635.4	583.8	32.6	47.0	43.2	168.6	44.0	-8.1	15.3	10.6	11.6	4.0	10.0	10.0	0.8	2.0	2.0	1.01	4.93	14.29	5.94	10.07	1,352.9	6,750.7	5.95	4.21
- Timber																															
Ta Ann Holdings Berhad	Dec	NEUTRAL	3.70	3.98	180.6	184.5	175.2	41.0	41.9	39.8	14.8	2.2	-5.0	9.0	8.8	9.3	35.0	35.0	25.0	9.5	9.5	6.8	0.87	4.27	11.18	6.90	9.06	440.5	1,629.7	4.67	3.60

Source: Company, MIDFR

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

In Local Currency	Index point	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25*
KOSPI	3,079.56	3.4%	1.9%	-7.3%	-7.5%	-9.6%	3.4%	24.1%
Nikkei 225	39,584.58	20.6%	-1.9%	-4.2%	5.2%	19.2%	-10.7%	11.1%
Taiwan Weighted	22,492.34	13.2%	13.5%	-3.5%	3.6%	28.5%	-10.2%	8.7%
Mumbai Sensex 30	83,755.87	2.0%	7.3%	6.7%	-7.3%	8.2%	-0.9%	8.2%
Jakarta Composite	6,897.40	0.2%	-3.1%	6.6%	-6.0%	-2.7%	-8.0%	5.9%
Hang Seng	24,325.40	-3.0%	7.1%	19.3%	-5.1%	17.7%	15.3%	5.2%
Shanghai Composite	3,448.45	2.2%	-2.4%	12.4%	0.5%	12.7%	-0.5%	3.4%
Dow Jones	43,386.84	5.6%	-1.7%	8.2%	0.5%	12.9%	-1.3%	3.3%
Philippines Composite	6,330.65	7.0%	-7.1%	13.4%	-10.2%	1.2%	-5.3%	2.4%
FBM KLCI	**1,528.16**	**5.6%**	**3.5%**	**3.7%**	**-0.4%**	**12.9%**	**-7.8%**	**1.0%**
Straits Times	3,938.46	-0.5%	3.4%	7.6%	5.6%	16.9%	4.9%	-0.9%
SET Index	1,106.73	-2.7%	-5.6%	11.4%	-3.4%	-1.1%	-17.3%	-4.4%

Source: Bloomberg
*as at 26th June 2025

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

In US Dollar	Index point	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25*
KOSPI	3,079.56	-1.0%	-0.6%	-2.8%	-17.4%	-21.0%	3.3%	35.2%
Taiwan Weighted	22,492.34	8.2%	11.9%	-1.1%	0.1%	19.8%	-11.3%	23.9%
Nikkei 225	39,584.58	12.3%	-7.8%	7.7%	-4.2%	6.8%	-6.4%	15.5%
Jakarta Composite	6,897.40	-2.8%	-6.0%	14.9%	-11.9%	-7.5%	-10.3%	8.6%
Mumbai Sensex 30	83,755.87	1.8%	7.3%	6.1%	-9.3%	5.2%	-0.9%	8.0%
FBM KLCI	**1,528.16**	**2.6%**	**3.7%**	**18.6%**	**-8.2%**	**15.9%**	**-7.1%**	**5.8%**
Shanghai Composite	3,448.45	0.5%	-3.0%	16.4%	-3.4%	9.6%	0.1%	4.7%
Straits Times	3,938.46	-2.7%	2.9%	13.7%	-0.8%	12.8%	6.8%	4.5%
Hang Seng	24,325.40	-3.2%	7.4%	19.9%	-5.1%	18.3%	15.1%	4.3%
Philippines Composite	6,330.65	5.4%	-10.6%	18.1%	-13.0%	-3.2%	-4.3%	3.6%
Dow Jones	43,386.84	5.6%	-1.7%	8.2%	0.5%	12.9%	-1.3%	3.3%
SET Index	1,106.73	-8.5%	-6.6%	26.6%	-8.6%	-1.2%	-16.7%	0.0%

Source: Bloomberg
*as at 26th June 2025

APPENDIX

Table iv: Performance by sectors (% change)

	Index point	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25*
Construction	293.11	16.3%	18.2%	7.6%	8.7%	60.7%	-14.0%	10.4%
Reits	898.67	3.5%	2.0%	3.6%	1.8%	11.4%	-2.0%	5.3%
Telecommunications & Media	486.41	4.5%	0.1%	-5.2%	-3.6%	-4.4%	-12.2%	1.9%
Utilities	1,645.59	16.9%	15.3%	-1.8%	4.4%	38.3%	-11.2%	1.5%
Technology	51.03	2.0%	18.1%	-23.0%	10.5%	2.5%	-22.6%	1.5%
Property	1,001.59	16.9%	7.3%	-0.6%	5.6%	31.5%	-11.3%	-0.4%
Consumer Products & Services	483.63	3.1%	2.4%	-2.6%	-3.6%	-0.8%	-11.6%	-0.5%
Industrial Products & Services	151.98	3.8%	9.0%	-9.6%	-0.3%	2.0%	-13.1%	-0.8%
Plantation	7,329.02	4.0%	-4.2%	2.8%	6.5%	9.1%	-2.8%	-1.5%
Energy	732.68	16.5%	0.3%	-11.4%	-2.8%	0.6%	-7.9%	-3.3%
Financial Services	17,737.10	6.0%	1.1%	10.5%	-0.6%	17.6%	-4.1%	-3.5%
Transport & Logistics	986.42	7.1%	11.1%	-4.5%	1.0%	14.7%	-3.2%	-4.5%
Healthcare	1,709.59	2.1%	10.0%	-4.8%	17.9%	25.9%	-22.7%	-7.8%
FBM 100	1,528.16	5.6%	3.5%	3.7%	-0.4%	12.9%	-7.8%	1.0%
FBM Emas	11,181.36	7.0%	5.2%	1.9%	2.0%	17.0%	-9.5%	0.7%
FBM KLCI	11,398.80	6.9%	5.6%	0.9%	2.1%	16.3%	-9.8%	0.4%
FBM Small Cap	15,241.78	5.8%	11.5%	-10.0%	3.5%	9.8%	-13.3%	-2.2%

Source: Bloomberg
*as at 26th June 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)	
		Mar-25	Jun-25	Mar-25	Jun-25		Mar-25	Jun-25	Mar-25	Jun-25
Nikkei 225	60.7%	0.5%	-2.6%	8.4%	9.8%	20.1	18.0	20.6	16.6	18.8
Taiwan Weighted	25.8%	30.5%	22.2%	14.9%	14.3%	20.7	14.6	17.0	12.7	14.8
Hang Seng	8.0%	5.9%	5.7%	8.0%	8.2%	11.5	10.3	10.9	9.6	10.1
FBM KLCI	**0.1%**	**1.7%**	**-1.6%**	**6.5%**	**6.4%**	**13.8**	**13.4**	**14.0**	**12.6**	**13.2**
Jakarta Comp.	18.9%	49.3%	49.0%	9.4%	11.0%	16.2	10.3	10.9	9.4	9.8
SET Index	16.7%	-0.1%	-4.4%	8.8%	7.1%	11.7	12.3	12.3	11.3	11.4
Philippines Comp.	9.2%	16.1%	13.0%	9.4%	9.4%	11.6	9.7	10.3	8.9	9.4
Shanghai Comp.	-6.4%	14.5%	21.6%	11.3%	10.5%	16.4	13.8	13.5	12.4	12.2
Straits Times	7.3%	-1.6%	-5.7%	6.5%	5.8%	12.0	12.3	12.7	11.6	12.0
Mumbai Sensex 30	17.3%	10.7%	7.6%	15.2%	12.6%	24.6	20.6	22.9	17.8	20.3
DJIA	10.1%	6.5%	3.0%	14.2%	13.5%	22.2	20.2	21.6	17.7	19.0

Source: Bloomberg
*as at 26th June 2025

Table vi: Performance of MIDFR's stocks under coverage

OUT-PERFORMERS	Share Price (RM)		% Change	TP
	26/6/2025	31/3/2025		
Tan Chong	0.48	0.32	50.8%	0.34
NEXG	0.36	0.25	46.9%	0.58
Sunway Construction	5.92	4.38	35.2%	6.44
Axiata	2.22	1.79	24.0%	1.75
Cahya Mata Sarawak	1.13	0.93	21.5%	1.33
IJM Corp	2.55	2.10	21.4%	3.74
Pekat	1.41	1.17	20.5%	1.86
Oriental Kopi	0.86	0.71	20.4%	0.83
FGV	1.30	1.09	19.3%	1.3
Petronas Dagangan	21.50	18.28	17.6%	22.25
YTL Power	3.90	3.33	17.1%	4.51
Fraser & Neave	28.32	24.30	16.5%	32.68
YTL Corp	2.27	2.00	13.5%	2.84
Sunway REIT	2.06	1.82	13.2%	2.1
Unisem	2.24	1.99	12.6%	1.6
Samaiden	1.19	1.06	12.3%	1.59
CelcomDigi	3.90	3.48	12.1%	3.76
Gamuda	4.65	4.20	10.7%	5.42
Westports	5.31	4.80	10.6%	4.43
MRCB	0.48	0.43	10.5%	0.56
IGB REIT	2.48	2.25	10.2%	2.48
Pavilion REIT	1.60	1.46	9.6%	1.69
Axis REIT	1.95	1.80	8.3%	2.02
Maxis	3.62	3.39	6.8%	4.38
Deleum	1.60	1.50	6.7%	1.92
Tenaga Nasional	14.26	13.38	6.6%	16.4
MISC	7.62	7.17	6.3%	8.13
Petronas Gas	17.76	16.88	5.2%	18.67
Allianz	19.12	18.30	4.5%	21.59
Nestlé	77.48	74.30	4.3%	77.9
KLCCP Stapled	8.82	8.49	3.9%	8.4
My E.G.	0.94	0.91	3.3%	1.25
Capital A	0.85	0.82	3.0%	1.12
Malayan Cement	4.99	4.85	2.9%	7.49
Sarawak Plantation	2.40	2.34	2.6%	2.29
Sunway	4.65	4.54	2.4%	4.86
KL Kepong	21.20	20.70	2.4%	20
LPI Capital	14.74	14.40	2.4%	15.25
IOI Corp	3.71	3.65	1.6%	4.42
Al-'Aqar Healthcare	1.27	1.25	1.6%	1.26
Dialog Group	1.56	1.54	1.3%	1.85

Source : MIDF, Bloomberg (as at 26th June 2025)

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

UNDER-PERFORMERS	Share Price (RM)		% Change	TP
	26/6/2025	31/3/2025		
Bermaz	0.80	1.11	-28.4%	0.75
D & O Green Tech	1.14	1.46	-21.9%	1.04
Tasco	0.50	0.63	-21.4%	0.68
Bumi Armada	0.45	0.55	-18.2%	0.70
Kossan	1.47	1.74	-15.5%	1.62
Hartalega	1.63	1.89	-13.8%	2.45
MBM	4.70	5.43	-13.4%	5.36
PPB Group	10.20	11.50	-11.3%	10.61
MSM	1.02	1.15	-11.3%	1.20
Top Glove	0.72	0.81	-11.1%	0.83
Bank Islam	2.31	2.56	-9.8%	2.36
AMMB	5.07	5.60	-9.5%	5.30
TSH Resources	1.09	1.20	-9.2%	1.16
Glomac	0.32	0.35	-8.6%	0.32
WCT	0.62	0.68	-8.1%	0.95
Genting Plantations	4.90	5.32	-7.9%	6.26
RHB Bank	6.31	6.84	-7.7%	6.70
Hup Seng	0.95	1.02	-7.4%	1.04
Mah Sing	1.17	1.26	-7.1%	1.37
SD Guthrie	4.58	4.91	-6.7%	5.43
S P Setia	1.11	1.18	-5.9%	1.17
Hong Leong Financial	16.38	17.40	-5.9%	20.63
Syarikat Takaful	3.41	3.62	-5.8%	4.59
Ta Ann	3.70	3.92	-5.6%	3.98
Alliance Bank	4.26	4.50	-5.4%	4.20
MMHE	0.36	0.38	-5.3%	0.51
Petronas Chemicals	3.45	3.62	-4.7%	3.01
Affin Bank	2.54	2.66	-4.6%	2.46
Ranhill Utilities	1.19	1.24	-4.0%	1.02
Leong Hup	0.61	0.64	-3.9%	0.90
KPJ	2.56	2.66	-3.8%	3.00
Sunview	0.39	0.41	-3.7%	0.54
Eco World	1.90	1.97	-3.6%	2.10
Malayan Banking	9.81	10.12	-3.1%	10.20
IHH Healthcare	6.72	6.92	-2.9%	8.18
CIMB	6.80	7.00	-2.9%	8.10
Padini	2.10	2.15	-2.3%	2.49
Pharmaniaga	0.23	0.24	-2.1%	0.48
Bursa Malaysia	7.63	7.79	-2.1%	7.90
IOI Prop	1.94	1.98	-2.0%	1.79
QL Resources	4.58	4.67	-1.9%	4.33
Gas Malaysia	4.23	4.31	-1.9%	4.48
Public Bank	4.34	4.42	-1.8%	4.77
Hong Leong Bank	19.78	20.14	-1.8%	23.09
AEON Co.	1.37	1.39	-1.4%	1.77
Swift Haulage	0.40	0.40	-1.3%	0.43
Matrix Concepts	1.35	1.36	-0.7%	1.59
Telekom Malaysia	6.51	6.55	-0.6%	6.88
Inari Amertron	2.03	2.03	0.0%	2.13
UOA Development	1.77	1.76	0.6%	1.98
Life Water	0.83	0.82	0.6%	1.00
Spritzer	1.55	1.54	0.6%	1.75
FBM KLCI	**1528.16**	**1513.65**	**1.0%**	**1,590.00**
FBM HIJRAH	**12376.36**	**11973.76**	**3.4%**	**12,900.00**
FBM 70	**16270.66**	**16276.09**	**0.0%**	**17,200.00**

Source : MIDF, Bloomberg (as at 26th June 2025)

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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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