The Secret Sauce: Buybacks (and Cancellation) Driving Market Resilience

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Share Buybacks Across Major Markets and its Relationship with Market Performance

Strategy Report

KEY INVESTMENT HIGHLIGHTS

- Share buybacks reduce outstanding shares, which enhances EPS, improves ROE, and signals management confidence. It is considered a flexible and efficient way to return capital to shareholders without committing to recurring dividends
- Key motivations include capital allocation efficiency, offsetting dilution, tax advantages, and defending against takeovers
- Our analysis covers major indices (S&P 500, Dow Jones, STOXX 600, Nikkei, STI, SET, FBM KLCI) from 2020–2024 to assess the relationship between buybacks and market performance
- U.S. markets lead globally, with the S&P 500 averaging 1.7% buybacks as percentage of market capitalisation and 14.2% annual performance, while Asia shows rising activity, particularly in Japan and Singapore
- Buybacks often accelerate during market downturns, cushioning valuations and supporting long-term performance.
- Dividends generally remain unaffected, as companies with strong earnings and balance sheets can raise both dividends and buybacks
- Malaysia lags with near-zero buybacks, presenting an opportunity to adopt disciplined buyback and cancellation strategies to enhance shareholder value and market resilience

INTRODUCTION

Share buybacks, also known as stock, repurchases, occur when a company purchases its own shares from the open market or through private transactions. These shares are either held as treasury stock or cancelled, reducing the total number of shares outstanding. This reduction in share count can have several financial and strategic implications.

Key Motivations Behind Buybacks

1. **Capital Allocation Efficiency**: Companies with surplus cash often face a choice between reinvesting in operations, paying dividends, or repurchasing shares. Buybacks are seen as a flexible and efficient way to return capital to shareholders.
2. **Earnings Per Share (EPS) Enhancement**: By reducing the number of outstanding shares, buybacks increase EPS, which can positively influence stock prices and investor perception.
3. **Market Signaling**: Buybacks can signal that management believes the stock is undervalued, boosting investor confidence.
4. **Tax Efficiency**: In some jurisdictions, capital gains from share price appreciation (often driven by buybacks) are taxed more favorably than dividends.
5. **Offsetting Dilution**: Companies that issue stock-based compensation often use buybacks to offset the dilution of existing shareholders.
6. **Defense Against Takeovers**: Reducing the number of shares available in the market can make hostile takeovers more difficult.

Pros

- **Increased Demand**: The company becomes a buyer in the market, increasing demand for its shares.
- **Improved Financial Ratios**: Metrics like EPS and return on equity (ROE) improve, making the stock more attractive.

- **Investor Sentiment**: Buybacks are often interpreted as a sign of financial health and confidence, which can positively influence market sentiment.
- **Capital Allocation Efficiency:** Buybacks allow companies to return excess cash to shareholders without committing to recurring dividends

Cons

- **Opportunity Cost:** Funds used for buybacks could be invested in growth, R&D, or acquisitions.
- **Debt-Funded Buybacks:** Using borrowed funds for buybacks can increase financial risk, especially in volatile markets.
- **Market Timing Risk:** If buybacks are executed when shares are overvalued, it can destroy shareholder value.
- **Reduced Liquidity:** Fewer shares in circulation can reduce trading volume and liquidity.

SUMMARY OF ANALYSIS

Understanding the relationship between share buybacks and index performance.

On a broad base level, we analysed U.S.' S&P 500 and Dow Jones, European STOXX 600, Japan's Nikkei, Singapore's Straits Times Index (STI), Stock Exchange of Thailand (SET), and Malaysia's FBM KLCI. The purpose of our analysis is to comprehend whether a relationship exists between share buyback programs and market performance. To understand the intensity of share buybacks in a given index, we summed the total annual buybacks and divided it by the index's market capitalization at the end of the year. Therefore, the higher this percentage, the more intense the index's components participate in share buybacks. We compared this with the index's annual performance and other fundamental metrices such as EPS, ROE, dividend payout ratios, PER, and an indexed dividend per share (2019=100).

Table 1: Comparison of Yearly Average of Share Buybacks and Performance of Indices

	Av. yearly share buybacks as % of market cap (2020 – 2024)	Av. yearly performance (2020 – 2024)	EPS 5-year CAGR	Av. yearly ROE
S&P 500	1.7%	14.2%	7.6%	16.9%
Dow Jones	1.5%	8.8%	5.4%	19.9%
STOXX600	1.0%	4.8%	6.4%	11.0%
Nikkei	1.2%	11.8%	9.6%	8.7%
STI	0.3%	3.7%	7.5%	8.3%
SET	0.1%	-1.9%	-4.9%	7.7%
FBM KLCI	0.0%	0.9%	4.3%	9.2%

Source: Bloomberg, MBSBR

Advanced markets saw more buybacks.

Over 2020–2024, the S&P 500 averaged ~1.7% of market capitalisation in annual buybacks and delivered average annual price performance of ~14.2%, while the Dow Jones averaged 1.5% buybacks with 8.8% annual performance and the STOXX 600 averaged 1.0% buybacks with 4.8% annual performance. Based on the data, we can surmise that advanced market seems to deploy share buybacks more intensely. We postulate that this could be a feature and a preferred method for rewarding shareholders.

Asia is not far behind.

Meanwhile, Nikkei averaged 1.2% in buybacks with 11.8% annual performance, amid broader governance and capital efficiency improvements. The STI averaged 0.3% and 3.7% annual performance across the same period.

Repurchases and cancellations can lift ROE and support valuations.

The data suggests that markets with sustained buybacks show higher or improving ROE (e.g., S&P 500, Dow Jones, STOXX 600). ROE levels in buyback active markets (S&P 500, Dow, STOXX

600) hold up strongly on average. This is understandable as buybacks can reinforce ROE via denominator discipline (especially with cancellation).

Data suggests that there is correlation.

Based on our observation period of 5 years (2020 to 2024), the data suggest that there is a correlation between share buybacks and average yearly performance of the indices. Nevertheless, the correlation is not perfect and should not be overstated as other factors also have influence, but the directional pattern is evident. Indexes that normalize buybacks tend to exhibit better per share earnings dynamics and index performance over time, other macro factors notwithstanding. The only exception that we observed was SET, which had share buybacks, but it did not perform well. This could be due to the fact that earnings were also trending downwards.

The evidence can be observed more clearly from a year-on-year view of the indices:

Table 2: Comparison of Share Buybacks and Performance of Indices

	S&P 500		Dow Jones		STOXX600		Nikkei		Strait Times Index		SET		FBMKLCI	
	Share buybacks as % of market cap	Gains (yoy)	Share buybacks as % of market cap	Gains (yoy)	Share buybacks as % of market cap	Gains (yoy)	Share buybacks as % of market cap	Gains (yoy)	Share buybacks as % of market cap	Gains (yoy)	Share buybacks as % of market cap	Gains (yoy)	Share buybacks as % of market cap	Gains (yoy)
2020	1.3%	16.3%	1.0%	7.2%	0.2%	-4.0%	0.8%	16.0%	0.3%	-11.8%	0.2%	-8.3%	0.1%	2.4%
2021	2.1%	26.9%	1.8%	18.7%	0.6%	22.2%	0.9%	4.9%	0.4%	9.8%	0.0%	14.4%	0.0%	-3.7%
2022	2.8%	-19.4%	2.3%	-8.8%	1.5%	-12.9%	1.5%	-9.4%	0.4%	4.1%	0.0%	0.7%	0.0%	-4.6%
2023	2.0%	24.2%	1.8%	13.7%	1.3%	12.7%	1.1%	28.2%	0.2%	-0.3%	0.1%	-15.2%	0.0%	-2.7%
2024	1.8%	23.3%	1.4%	12.9%	1.4%	6.0%	1.6%	19.2%	0.2%	16.9%	0.1%	-1.1%	0.0%	12.9%
2025	0.4%	7.1%	0.4%	4.6%	0.7%	7.8%	0.9%	0.0%	0.2%	9.9%	0.2%	-14.4%	0.0%	-7.4%

Source: Bloomberg, MBSBR

Advanced markets deploy buybacks more consistently.

Across the five-year period, share buybacks varied significantly among indices, with U.S. markets (S&P 500 and Dow Jones) consistently showing higher buyback activity compared to Asian and European markets. Again, comparing with performance of the indices suggest correlation with share buybacks. Nevertheless, higher buybacks in 2022 did not prevent losses, suggesting external factors (e.g., interest rate hikes) also have a strong influence, and in this instance, outweighed buyback effects.

Asia's leaders are catching up.

Nikkei saw a gradual rise from 0.8% share buyback as percentage of market capitalization in 2020 to 1.6% in 2024. There was also exceptional growth in 2023 (28.2%) suggesting additional factors whereby Japanese market performance was also driven economic reforms and currency dynamics.

Market drawdowns often see buyback acceleration.

An interesting note was that we saw acceleration of share buybacks during market drawdowns (e.g., 2022 rate hike year in the US). This suggests disciplined companies exploiting lower valuations to repurchase more shares, thereby cushioning indices and improving long term per share metrics.

Table 3: Comparison of Dividend Payout Ratio and Indexed DPS

	S&P500		Dow Jones		Stoxx 600		Nikkei		STI		SET		FBMKLCI	
	Div. payout ratio	Indexed DPS (2019=100)	Div. payout ratio	Indexed DPS (2019=100)	Div. payout ratio	Indexed DPS (2019=100)	Div. payout ratio	Indexed DPS (2019=100)	Div. payout ratio	Indexed DPS (2019=100)	Div. payout ratio	Indexed DPS (2019=100)	Div. payout ratio	Indexed DPS (2019=100)
2020	58.9%	100.4	59.9%	97.1	115.3%	63.6	55.5%	91.4	76.3%	82.5	77.4%	77.5	61.3%	84.9
2021	33.6%	103.1	37.6%	99.2	50.9%	99.8	26.6%	108.0	56.7%	77.4	78.5%	87.7	48.2%	133.4
2022	35.1%	114.8	41.7%	108.4	50.8%	113.7	39.5%	131.0	50.6%	108.7	60.4%	91.1	80.7%	122.9
2023	36.5%	119.7	49.8%	115.3	50.9%	122.0	49.3%	137.4	54.1%	134.3	57.1%	90.8	43.2%	128.4
2024	37.4%	124.9	46.2%	111.2	65.4%	132.2	33.7%	146.4	62.2%	143.4	40.0%	97.2	41.9%	126.0

Source: Bloomberg, MBSBR

Dividends were not affected by share buybacks.

While share buybacks are a form of shareholder reward, we observe that it does not necessarily cannibalise dividends. Dividend payout ratios do not universally fall while patterns vary year by year depending on earnings performance. Meanwhile, dividends per share generally continue to rise over time even alongside repurchases indicating that buybacks do not necessarily crowd out cash distributions. Indeed, where earnings quality and balance sheet strength exist, companies have raised both over time. We conclude that dividend payout can remain healthy while buybacks help smooth per share trajectory.

Next, we analyse deeper four select markets, U.S. S&P 500, Japan Nikkei, Singapore STI and FBM KLCI.

U.S. – S&P500

Leads in share buybacks.

The United States leads the world in share buyback activity. Looking at the past 5 years, 2024 saw share buybacks of companies in S&P 500 amounted to USD935.8b, the highest ever during the period. Buybacks remain concentrated among mega caps. Having said that, almost all the S&P 500 components have done share buybacks in the past 5 years with 477 out of 503 companies (95%) have had some form of share repurchases. Hence, we postulate that share buybacks is a prevalent feature of the S&P 500, and investors are particularly accustomed (and may even prefer) share buybacks by S&P 500 companies.

Table 4: Comparison of companies with and without share buy backs (2020-2025) – S&P 500

With share buybacks	477
Without share buybacks	26
Total	503

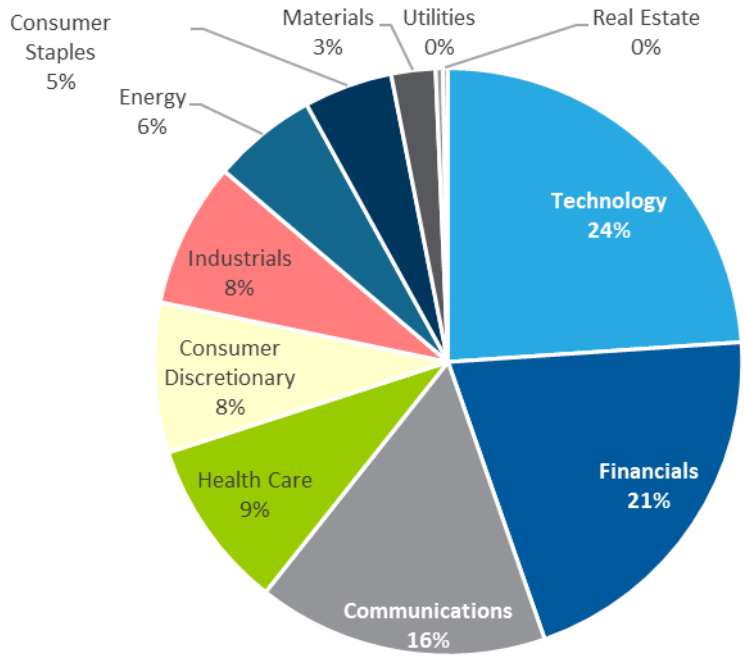
Source: Bloomberg, MBSBR

Table 5: Top 10 companies with share buy backs (2020-2025) – S&P 500

Company	Sector	Total share buybacks (USD 'm)
APPLE INC	Technology	379,606
ALPHABET	Communications	280,250
META	Communications	141,953
MICROSOFT	Technology	102,251
NVIDIA	Technology	67,865
BANK OF AMERICA	Financials	65,833
VISA	Financials	64,103
WELLS FARGO & CO	Financials	58,710
JPMORGAN CHASE & CO	Financials	57,871
EXXON MOBIL CORP	Energy	57,728

Source: Bloomberg, MBSBR

Chart 1: Share buybacks by industry – S&P 500

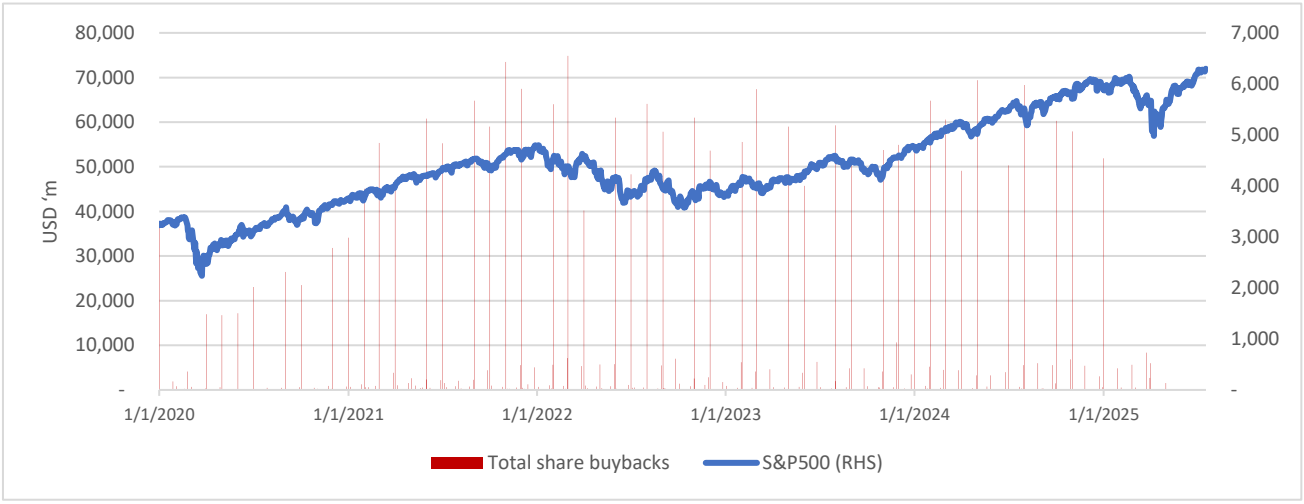


Source: Bloomberg, MBSBR

Based on the time series relating to daily total buybacks to the S&P 500 Index, PE ratio, and index dividend yield, it suggests that periods where elevated share repurchases coincide with resilient index levels and richer valuations, while dividend yields drift lower as prices rise. This pattern aligns with the notion that buybacks both express confidence and absorb supply, contributing to multiple support when fundamentals are also expected to see strength.

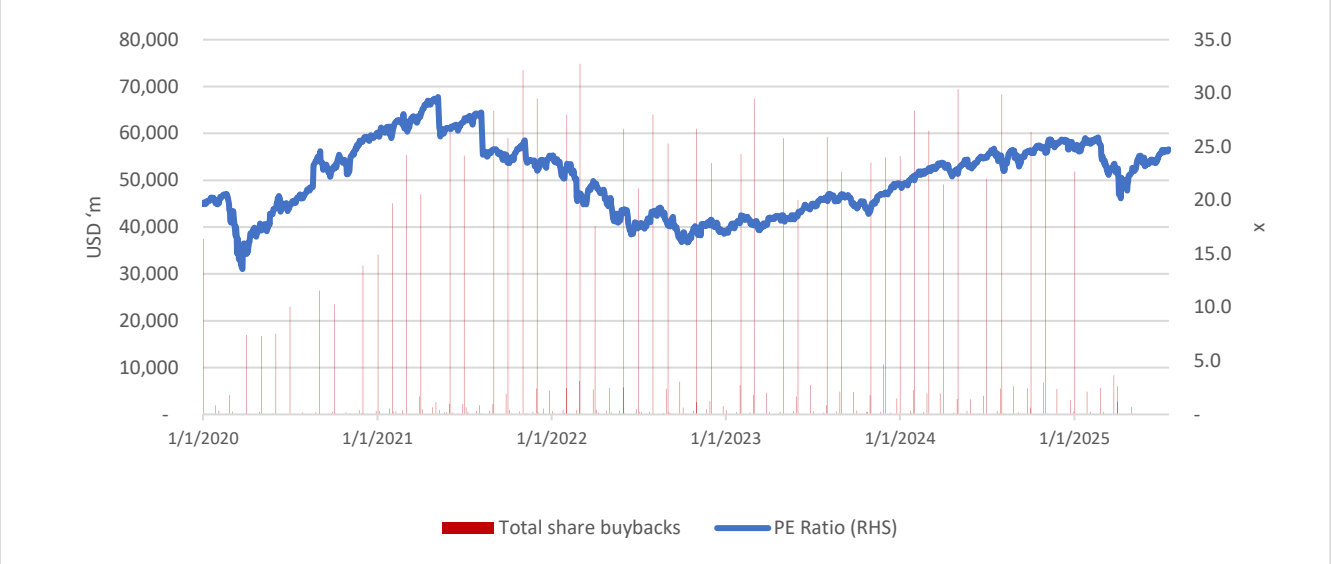
Share buybacks and index performance seems to be moving in tandem.

Chart 2: Comparison of Daily Total Share Buybacks and S&P500 Index (YTD as of 17 July 2025)



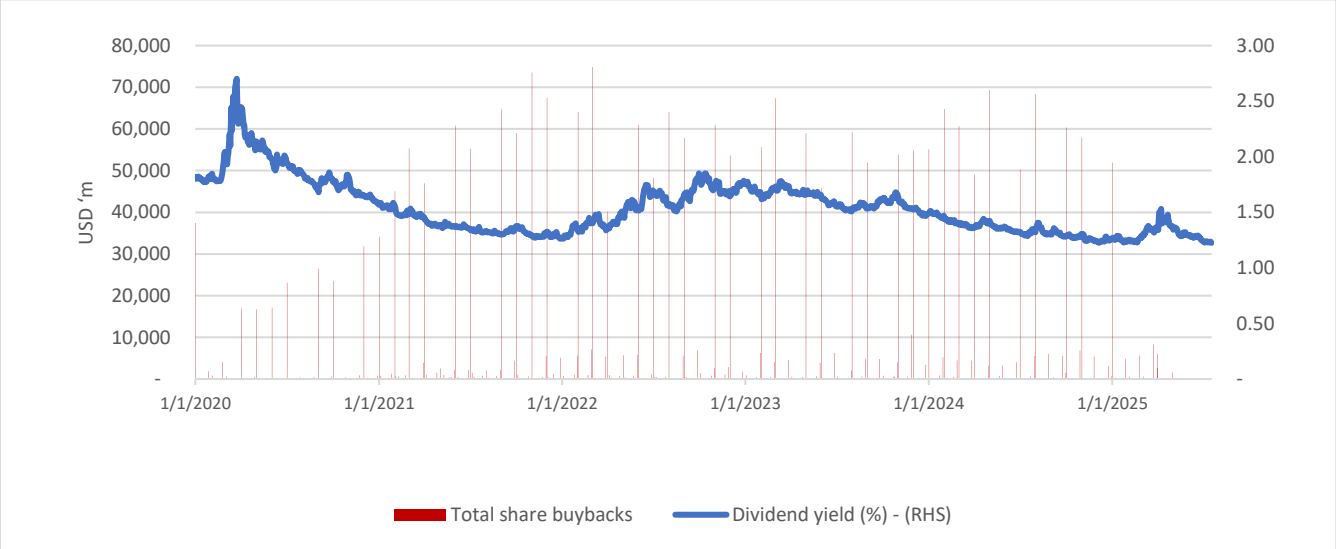
Source: Bloomberg, MBSBR

Chart 3: Comparison of Daily Total Share Buybacks and S&P500 PE Ratio (YTD as of 17 July 2025)



Source: Bloomberg, MBSBR

Chart 4: Comparison of Daily Total Share Buybacks and S&P500 Index Dividend Yield (YTD as of 17 July 2025)



Source: Bloomberg, MBSBR

Dividends are not neglected.

Given the prevalence of share repurchases amongst S&P 500 companies, one may think that cash dividends have remained stagnant. However, indexing the S&P 500 dividend per share (DPS) over a five-year period shows a 24.9% increase, despite persistently large buybacks. This provides evidence of the complementarity between cash dividends and repurchases in mature, cash generative sectors.

Share buybacks have a counter cyclical element.

We also found that the peak of buyback activity was during or after drawdowns in the S&P 500 (e.g., 2022). We believe that this suggests share buybacks are not only pro cyclical but have a counter cyclical element, consistent with value-oriented timing. This behavior supports EPS (and price) and, by reducing free float, can tighten supply into subsequent recoveries.

From our analysis, we surmise that companies with stable cash flows and investment grade balance sheets can prudently layer buybacks alongside regular dividends. The index impact emerges when multiple heavyweights participate with credible cancellation and clear hurdle rates (e.g., buy below intrinsic value or below a target EV/EBITDA/PE threshold).

Layering buybacks with dividends.

JAPAN

We understand that the recent spate of share buybacks in Japan was driven by government's efforts of restructuring corporate Japan. The Tokyo Stock Exchange (TSE) and Japan's Financial Services Agency have pushed companies to improve capital efficiency and address low price-to-book (P/B) ratios especially for firms trading below 1.0x P/B. This comes on the heel of Japan's market restructuring (from 2022) and the Council of Experts' follow ups in 2023–2025 which created an expectations framework: emphasizes cost of capital awareness and disclose cost of capital thinking, act on excess cash/low PBR, and engage investors. TSE continually publishes materials (good/lagging case lists, surveys, "future initiatives") to keep pressure on improvement and deepen investor relations quality. Meanwhile, companies are unwinding cross-shareholdings (a legacy of Japan's keiretsu system) and using proceeds for buybacks, which boosts transparency and shareholder value.

Stemming from government led corporate reorganization.

As a result of this, we saw record authorizations in May 2024 —over JPY5.7t worth of share buybacks. Of the 225 constituents of Nikkei index, 172 companies (76.4%) have done share repurchase in the past 5 years. We opine that aggressive buybacks (often with cancellations in Japan) support price levels and accelerate the re-rating catalyst tied to governance reform.

Majority involve in share buybacks.

Table 6: Comparison of companies with and without share buy backs (2020-2025) – Nikkei

With share buybacks	172
Without share buybacks	53
Total	225

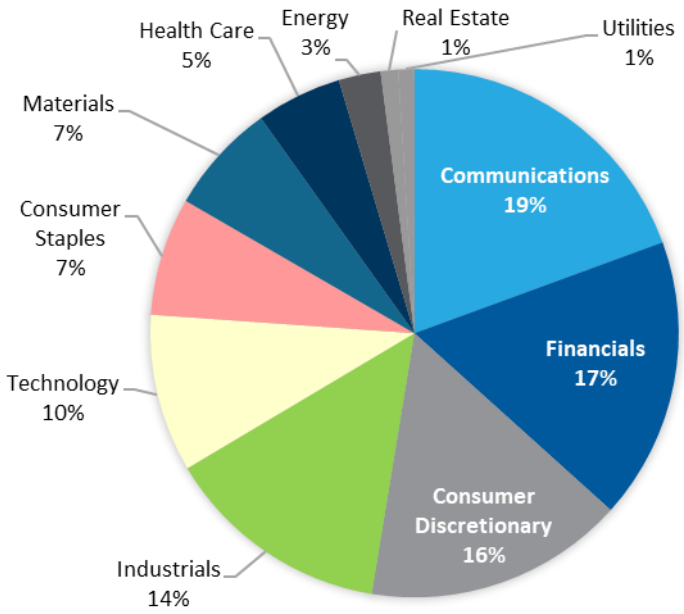
Source: Bloomberg, MBSBR

Table 7: Top 10 companies with share buy backs (2020-2025) – Nikkei

Company	Sector	Total share buybacks (JPY'b)
SOFTBANK GROUP CORP	Communications	4,142
TOYOTA MOTOR CORP	Consumer Discretionary	2,415
HONDA MOTOR CO LTD	Consumer Discretionary	1,605
MITSUBISHI UFJ FINANCIAL GRP	Financials	1,570
NTT INC	Communications	1,474
RECRUIT HOLDINGS CO LTD	Industrials	1,469
KDDI CORP	Communications	1,286
MITSUBISHI CORP	Consumer Staples	1,250
MITSUI & CO LTD	Materials	1,035
JAPAN POST HOLDINGS CO LTD	Financials	950

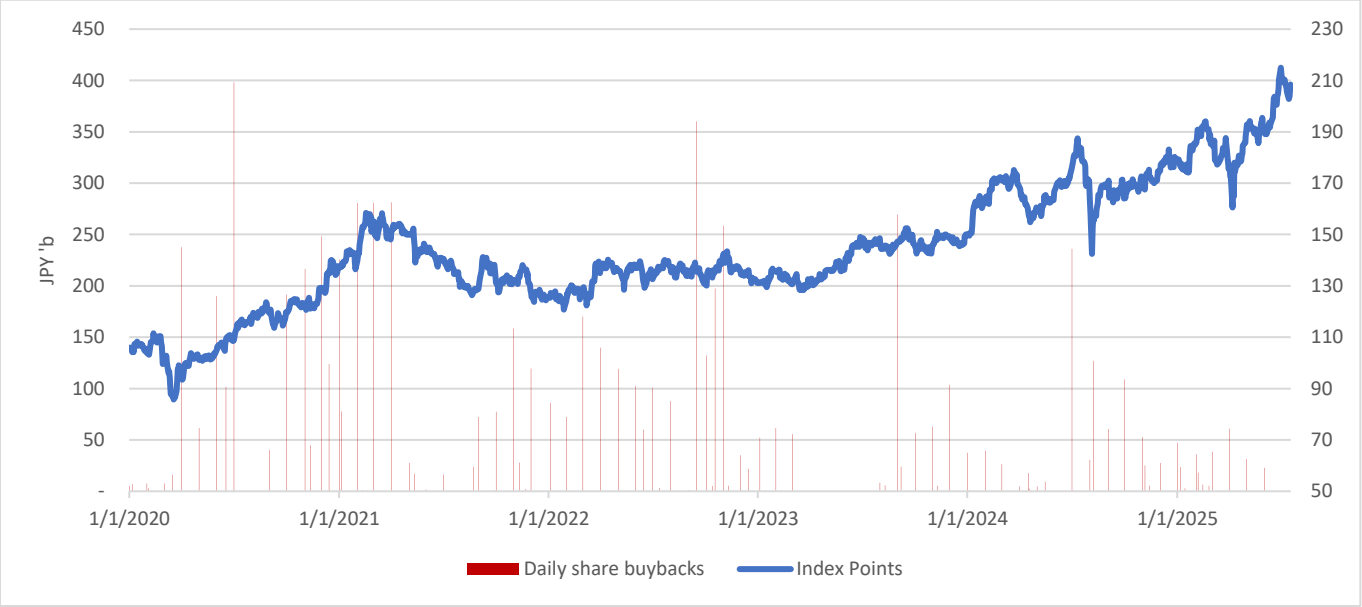
Source: Bloomberg, MBSBR

Chart 5: Share buybacks by industry – Nikkei



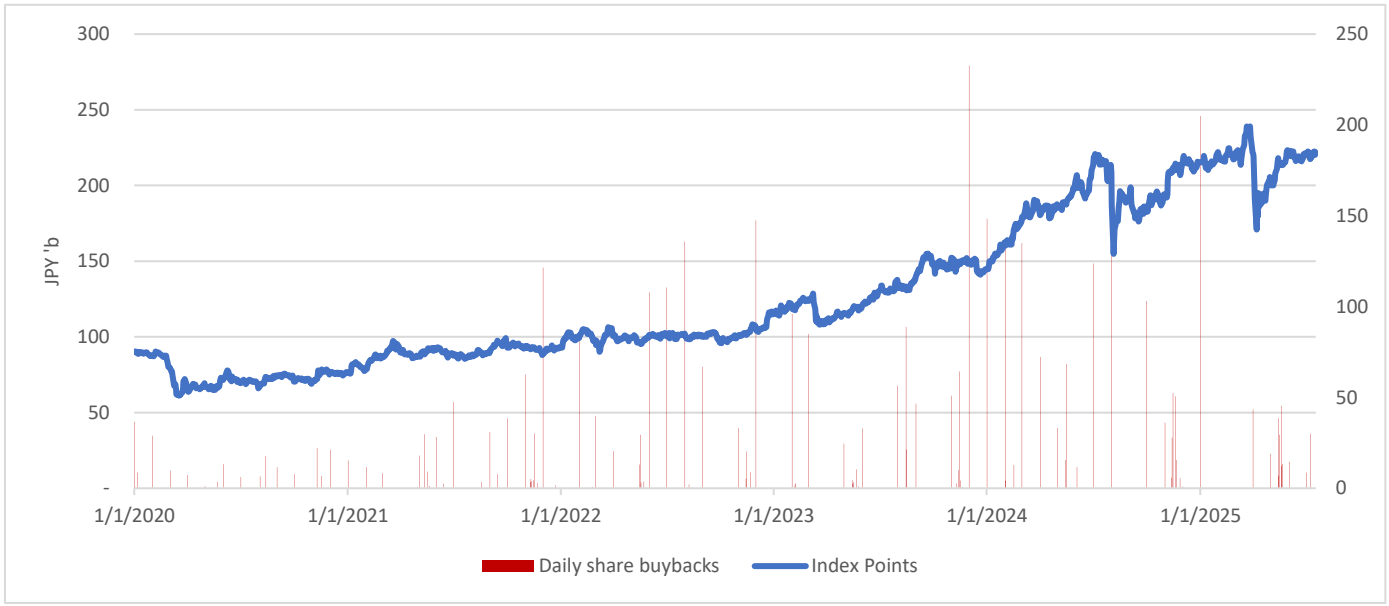
Source: Bloomberg, MBSBR

Chart 6: Comparison of Daily Total Share Buybacks and Nikkei Index (YTD as of 17 July 2025)



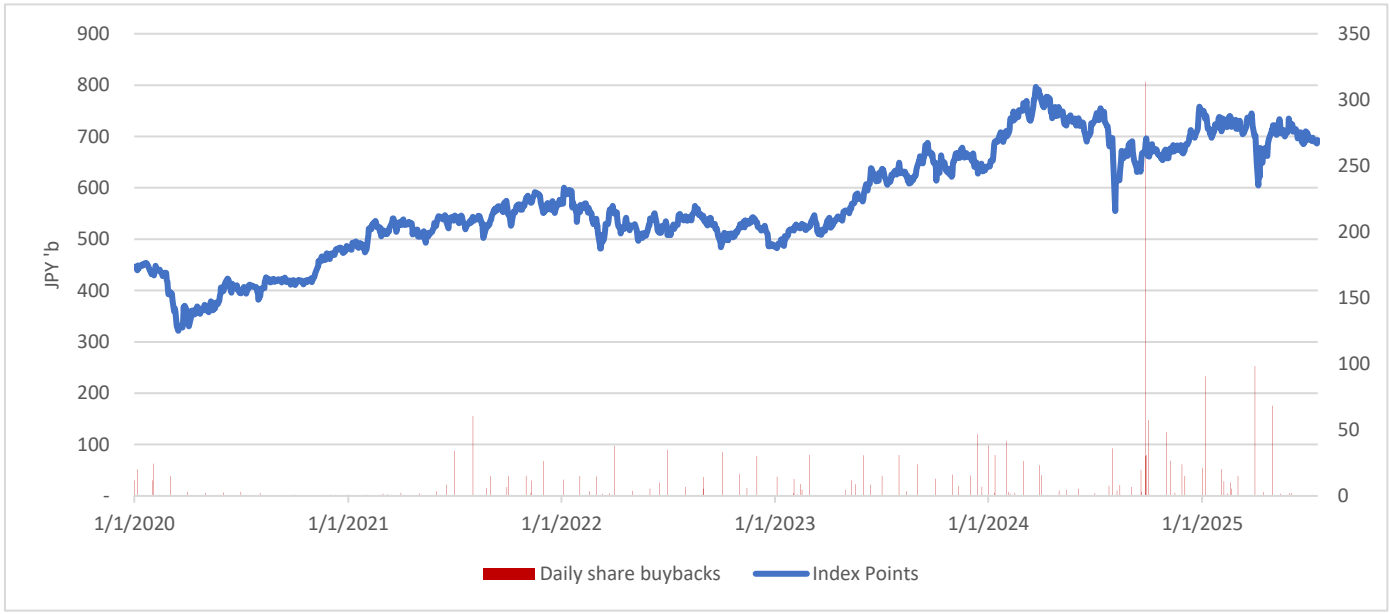
Source: Bloomberg, MBSBR

Chart 7: Comparison of Daily Total Share Buybacks and Nikkei Index PE Ratio (YTD as of 17 July 2025)



Source: Bloomberg, MBSBR

Chart 8: Comparison of Daily Total Share Buybacks and Nikkei Index Dividend Yield (YTD as of 17 July 2025)



Source: Bloomberg, MBSBR

In terms of performance, the Nikkei averaged ~+11.8% average annual performance, over the past 5 years as on average we saw share buybacks amounts to ~1.2% of market capitalisation. While many factors are at play, the trajectory is consistent with ongoing corporate reforms and a more active capital return culture, in which buybacks are one of several tools to improve per share outcomes and market efficiency.

Performance in tandem with corporate reforms and share buybacks.

Similar observation of S&P 500, we saw overall DPS for Nikkei jumped by +46.4% during 2019 to 2024 period. Again, we believe this underscores that repurchases did not preclude dividend growth; rather, it coincided with a regime focused on capital efficiency and shareholder value, boosting the market's re-rating catalyst.

Again, dividends were not neglected.

Based on what we analyze in Japan, we conclude that policy nudges that encourage capital efficiency (without dictating payout forms) can catalyze healthier corporate behaviours. A supportive ecosystem for buyback and cancel programs can be part of that shift—especially if paired with transparent disclosures and governance expectations.

Policy nudges can catalyze healthier corporate behaviours.

SINGAPORE

The Singapore Straits Times Index (STI), much like the KLCI, had been range bound for the past ten years. However, we observed a breakout in 2024 which coincides with some banks initiating share buybacks with cancellation. We opine this implies a non-trivial role for repurchases in index support. This also; (i) underscores heavyweight leadership effects and, (ii) suggests cancellation enhances signal credibility and index sensitivity.

STI, much like the KLCI, had been range bound for the past ten years.

Based on corporate news we saw three major banks in Singapore announcing share buybacks and cancellation programs:

Recent share buybacks and cancellation announcement.

- DBS (Nov-24): established a SGD3b buyback, explicitly canceling repurchased shares—first time cancellation rather than re-use for ESOPs; its board framed it as part of a multi-year capital management toolkit alongside progressive ordinary dividends, special dividends and a bonus issue.
- UOB (Feb-25): launched a SGD3b capital return package, including SGD2b of buybacks with cancellation, plus special dividends to mark its 90th anniversary.
- OCBC (late 2024 into 2025): remained active in daily buybacks, but management highlighted dividends as the preferred shareholders return channel.

Meanwhile, a government-supported initiative was launched in 2024, Singapore Value-Up Program. It aims at boosting the value of Singapore-listed companies and improving the overall attractiveness of the Singapore stock market. It was introduced by Temasek Holdings and Singapore Exchange (SGX), with support from Monetary Authority of Singapore (MAS). As we observed, it is a Temasek-led value creation with Temasek and its portfolio companies are taking the lead in value-unlocking efforts (e.g., through restructuring, mergers, divestments). We understand companies like Keppel Corp and Sembcorp Industries have already executed major moves to improve returns and valuations.

Government-supported initiative: Singapore Value-Up Program.

Part of the Singapore Value-up Program is to encourage capital efficiency. This is done via promoting the use of share buybacks, dividends, and spin-offs to reward shareholders and improve return on equity (ROE). It focuses on better capital allocation and unlocking non-core assets.

Encourage capital efficiency.

Another key feature is enhancing transparency and investor communication. Hence, there is a push for better disclosure of business strategies and capital return policies. It aims to help investors better understand the long-term value of listed companies.

Enhancing transparency and investor communication.

We understand that the Singapore Value-up Program is a long-term reform and not to be construed as quick fixes. This is not a one-off stimulus, but a multi-year effort to: (i) re-rate undervalued stocks, (ii) attract more retail and institutional investors, and (iii) strengthen Singapore's position as a regional financial hub.

A long-term reform and not to be construed as quick fixes.

Across 2020–2024, STI averaged ~0.3% buybacks (amount as percentage of market capitalization) and ~3.7% yearly performance. We observed that of the 30 constituents of the STI, 18 out of 30 companies (60%) have performed share buybacks.

Most involve in share buybacks.

Table 8: Comparison of companies with and without share buy backs (2020-2025) – STI

With share buybacks	18
Without share buybacks	12
Total	30

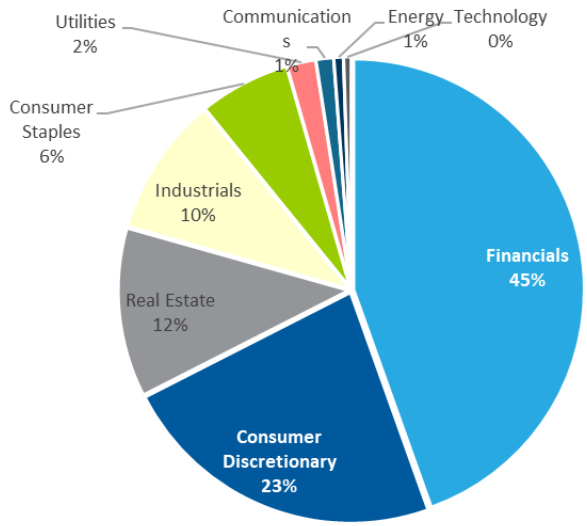
Source: Bloomberg, MBSBR

Table 9: Top 10 companies with share buy backs (2020-2025) – STI

Company	Sector	Total share buybacks (SGD 'm)
JARDINE MATHESON HOLDINGS	Consumer Discretionary	2,115
OVERSEA-CHINESE BANKING CORP	Financials	1,372
DBS GROUP HOLDINGS LTD	Financials	1,002
HONGKONG LAND HOLDINGS LTD	Real Estate	994
UNITED OVERSEAS BANK LTD	Financials	853
CAPITALAND INVESTMENT LTD/SI	Financials	750
WILMAR INTERNATIONAL LTD	Consumer Staples	587
KEPPEL LTD	Industrials	519
SEMBCORP INDUSTRIES LTD	Utilities	186
SINGAPORE TECH ENGINEERING	Industrials	164

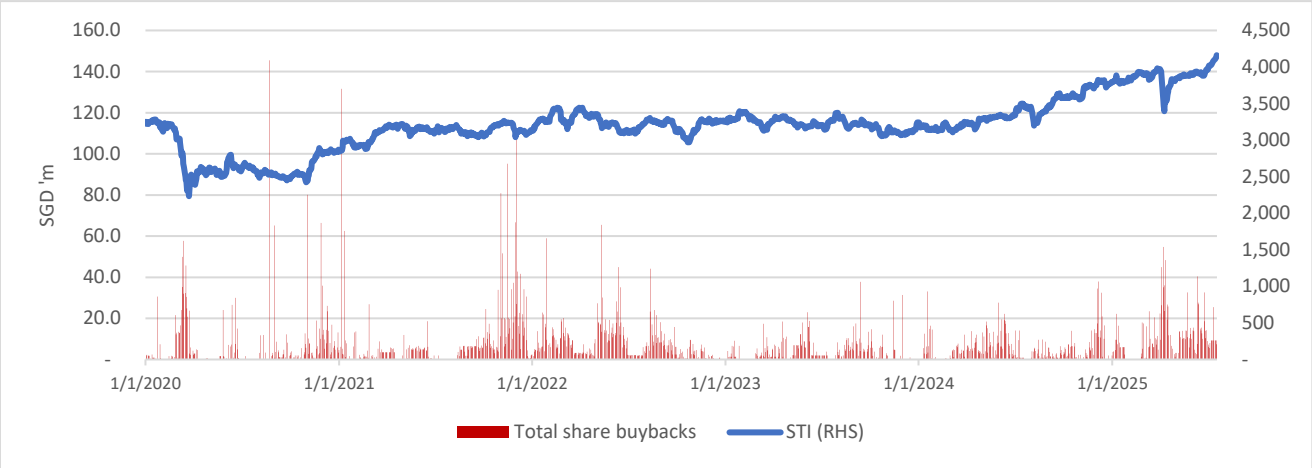
Source: Bloomberg, MBSBR

Chart 9: Share buybacks by industry – STI



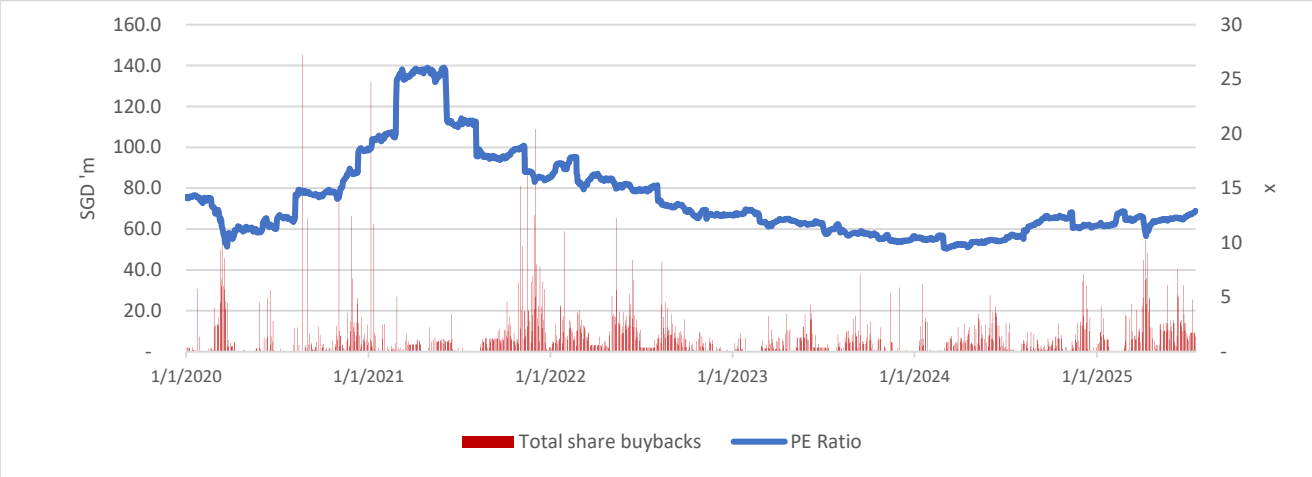
Source: Bloomberg, MBSBR

Chart 10: Comparison of Daily Total Share Buybacks and STI (YTD as at 17 July 2025)



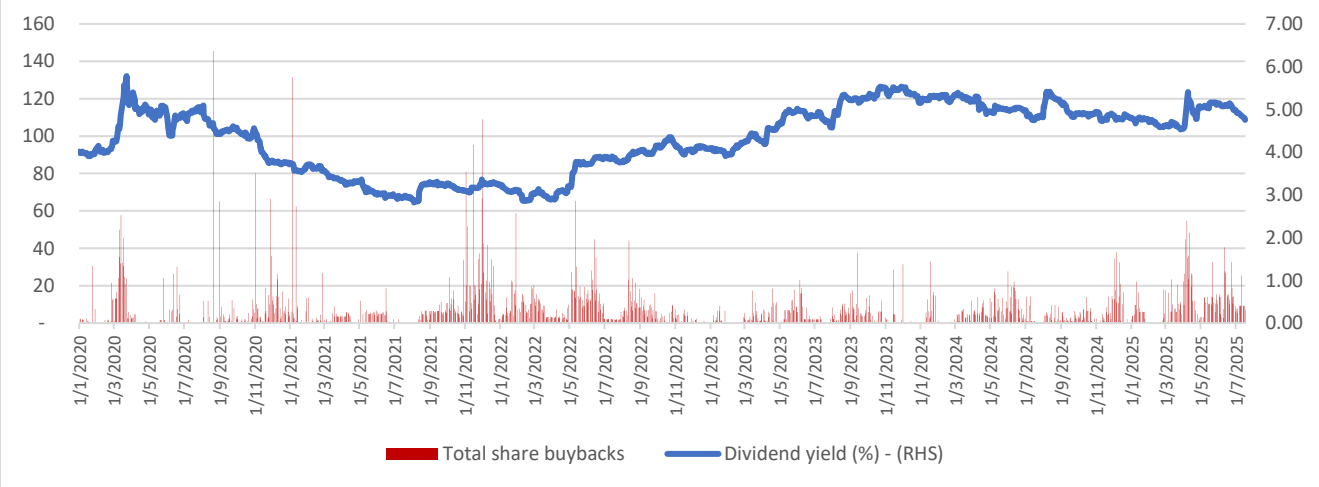
Source: Bloomberg, MBSBR

Chart 11: Comparison of Daily Total Share Buybacks and STI PE Ratio (YTD as at 17 July 2025)



Source: Bloomberg, MBSBR

Chart 12: Comparison of Daily Total Share Buybacks and STI Dividend Yield (YTD as at 17 July 2025)



Source: Bloomberg, MBSBR

STI surged into late 2024 on the back of record bank profits and clear payout roadmaps. While volatility returned in early 2025 amid rate cut path uncertainty and global tariff risk, we observed that the period suggests that cancellation-based buybacks can buttress an index. We also saw that large cap financials (often high dividend payers with surplus capital) are well placed to complement dividends with cancellation backed buybacks, enhancing EPS durability, capital flexibility, and index dynamics when multiple heavyweights act in concert

What we can conclude.

MALAYSIA: FBM KLCI

Despite credible corporate earnings and decent average ROE, the FBM KLCI performance has been range-bound for the past 10 years. The FBM KLCI saw near zero average buybacks over the past 5 years (as percentage of market capitalisation) and posted +0.9% average annual performance during the period despite reasonable ROE levels. This does not mean that there have been no share repurchases amongst FBM KLCI. Nevertheless, comparatively in terms of the number and participants it was low relatively to other markets that we observed. Out of the 30 FBM KLCI constituents, only 7 have made share buybacks in the past 5-year period.

FBM KLCI saw near zero average buybacks over the past 5 years.

Table 10: Comparison of companies with and without share buy backs (2020-2025) – FBM KLCI

With share buybacks	7
Without share buybacks	23
Total	30

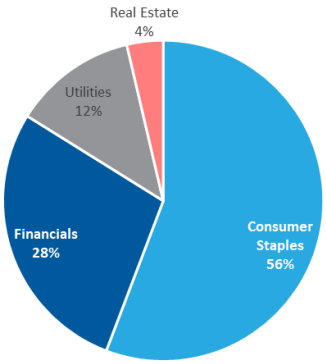
Source: Bloomberg, MBSBR

Table 11: Top 7 companies with share buy backs (2020-2025) – FBM KLCI

Company	Sector	Total share buybacks (RM 'm)
IOI CORP BHD	Consumer Staples	308.7
AMMB HOLDINGS BHD	Financials	167.3
YTL POWER INTERNATIONAL BHD	Utilities	37.9
YTL CORP BHD	Utilities	36.4
SUNWAY BHD	Real Estate	21.8
KUALA LUMPUR KEPONG BHD	Consumer Staples	13.9
QL RESOURCES BHD	Consumer Staples	9.8

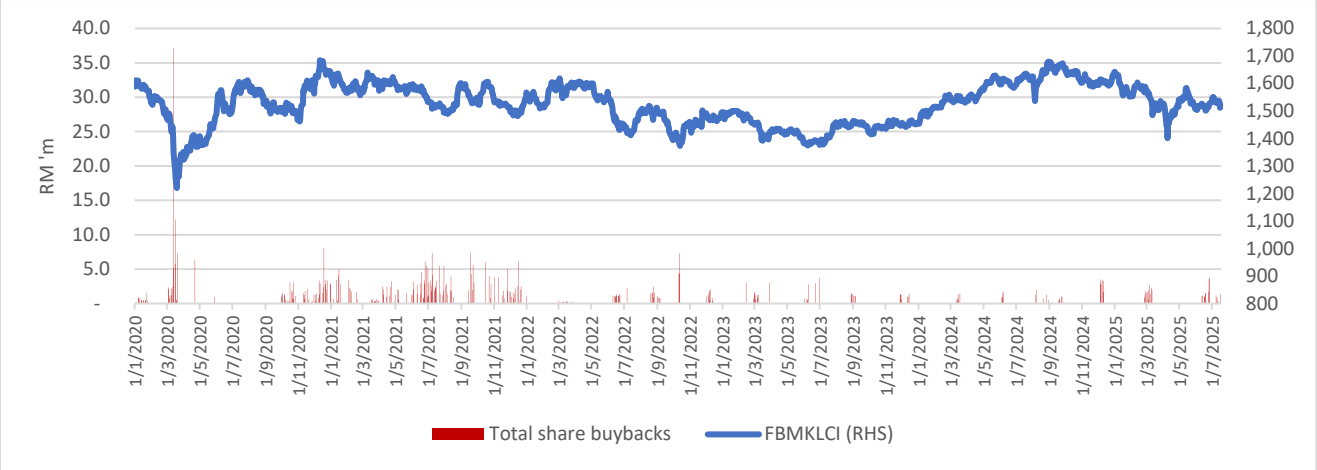
Source: Bloomberg, MBSBR

Chart 13: Share buybacks by industry – FBM KLCI



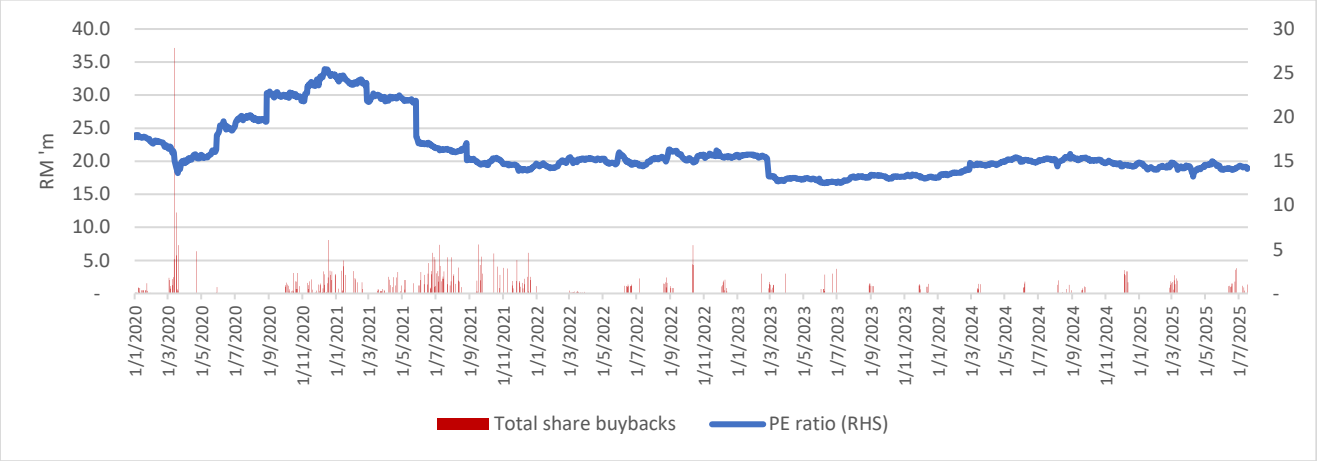
Source: Bloomberg, MBSBR

Chart 14: Comparison of Daily Total Share Buybacks and FBM KLCI (YTD as at 17 July 2025)



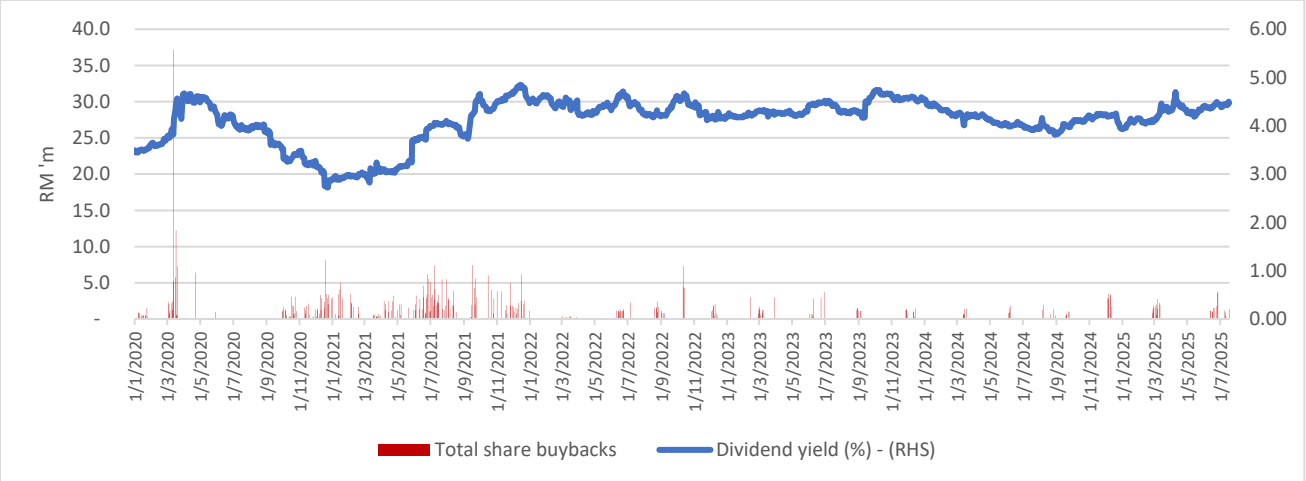
Source: Bloomberg, MBSBR

Chart 15: Comparison of Daily Total Share Buybacks and FBM KLCI PE Ratio (YTD as at 17 July 2025)



Source: Bloomberg, MBSBR

Chart 16: Comparison of Daily Total Share Buybacks and FBM KLCI Dividend Yield (YTD as at 17 July 2025)



Source: Bloomberg, MBSBR

Frequently retain repurchased shares

The key feature of Malaysian companies' share buybacks is that it frequently retains repurchased shares as treasury for ESOS or future placements. A stronger bias to cancel a proportion of repurchased shares (say, a rule based "50/50" split) could make the capital return more visible to the market and improve per share and ROE trajectories—without materially constraining ESOS flexibility. We believe the STI banks provide a regional blueprint for Malaysia to emulate.

Data suggest some counter cyclical.

From the data, we observed that during the early months of 2020, coinciding with the onset of the COVID-19 pandemic, there was a noticeable spike in buyback activity. This surge correlates with sharp declines in the FBM KLCI index, which fell from levels above 1,600 points to near 1,200 points during the market turmoil. This suggests that companies likely engaged in buybacks to cushion the impact of falling prices and restore investor confidence. However, after the initial crisis period, buyback activity normalized and remained relatively subdued. This trend reinforces the notion that buybacks in Malaysia are reactive rather than proactive, serving as a temporary measure during extraordinary circumstances rather than a long-term capital allocation strategy.

Relationship with market metrics.

The comparison of buybacks with PE ratios and dividend yields suggests that companies did not significantly alter their payout policies in favor of buybacks, even when valuations were attractive. Dividend yields remained a key focus, underscoring the market's reliance on income-based returns.

Not a dominant feature in the Malaysian equity market.

From the data we can surmise that share buybacks are not a dominant feature in the Malaysian equity market. Unlike markets such as the U.S., where buybacks are a common tool for capital management and shareholder returns, Malaysian companies generally prefer alternative methods. The data indicates that the highest level of buyback activity occurred during the pandemic period, suggesting that companies used this mechanism primarily to stabilize or support share prices during market volatility rather than as a consistent strategy for rewarding shareholders. We believe that this gap highlights untapped potential for capital return policies to complement dividends and catalyze index performance.

ADDRESSING COMMON CONCERNS

Won't buybacks starve growth?

Not if run under a capital hierarchy that funds positive-NPV growth first. The cross-market evidence shows rising dividends alongside substantial buybacks in several markets (e.g., S&P 500, STOXX 600, Nikkei, STI), indicating healthy cash generation and balanced capital return.

Are buybacks just financial engineering?

They can be, if executed at overvalued prices or debt-funded recklessly. But when used counter-cyclically at attractive valuations, with **cancellation** and clear guardrails, they accelerate per-share value creation and improve capital efficiency (ROE), as seen in the advanced market data.

Will liquidity suffer if float shrinks?

For large-cap names, modest annual buybacks (e.g., ≤1–2% of float) typically do not impair liquidity, particularly when spread over time. Meanwhile, the improvement in per-share metrics can broaden the investor base, sometimes raising overall turnover. In this we believe the execution design such as price bands, daily volume caps matter.

Is not dividend yield enough to attract investors?

Dividends are valued in Malaysia; yet global capital screens for total shareholder yield (dividends + buybacks), EPS quality, and ROE. The DPS indices show dividends can keep rising even with active buybacks—which enhance per-share compounding and index support.

CONCLUSION

Share buybacks can boost ROE, and cancellation can make it structural.

A share repurchase reduces the share count, lifting EPS (all else equal) and often boosting ROE by tightening the equity base used in the denominator—especially when cash employed was earning sub-WACC returns. If shares are cancelled, the impact is structurally embedded rather than merely held as treasury stock.

Impact on market performance.

From the data, we observed that a strong correlation between the prevalence of share buybacks and the overall performance of major indices. Markets like the S&P 500 and Dow Jones, which consistently engaged in buybacks averaging 1.5%–1.7% of market capitalization annually, recorded superior annual returns compared to markets with minimal buyback activity, such as the FBM KLCI and SET. This trend suggests that buybacks not only serve as a mechanism for capital return but also act as a stabilizing force during downturns, as observed during the 2022 rate hike cycle when buyback activity surged to capitalize on lower valuations.

Corporate and investor benefits.

From a corporate perspective, buybacks offer multiple advantages. It provides flexibility in capital allocation, enhance EPS by reducing outstanding shares, and signal management's confidence in the intrinsic value of the company. These factors collectively contribute to improved financial ratios such as ROE, which saw notable improvements in markets with active buyback programs. For investors, buybacks often translate into implicit dividends, tax efficiency, and a positive outlook on future performance, reinforcing confidence in the market.

Dividend dynamics and shareholder returns.

Interestingly, the analysis indicates that while dividend payout ratios tend to decline in markets with aggressive buyback programs, overall shareholder returns remain robust. Indexed dividend per share data from 2019 to 2024 shows that most markets experienced growth in dividends alongside buybacks, suggesting that these strategies are complementary rather than mutually exclusive when managed prudently.

Regional insights and strategic implications.

Japan's and Singapore's Value Up Programme exemplifies how policy-driven initiatives can amplify the impact of buybacks. For Japan, its corporate reform programme, launched in 2023, has spurred record-breaking repurchases exceeding JPY10t in the first half of 2025, alongside significant corporate restructuring and de-listings. This underscores the potential for regulatory frameworks to influence corporate behaviour and market outcomes.

A pivotal role.

Our analysis of share buybacks across various markets from 2020 to 2025 underscores its pivotal role in shaping market performance, investor sentiment, and corporate financial strategies. Evidence from advanced markets such as the United States, Japan, and Europe demonstrates that share repurchase programs, when executed strategically, can significantly enhance shareholder value and support index resilience during periods of volatility.

Compelling argument for share buybacks and cancellation.

Share buybacks—when married to cancellation, discipline, and transparency—may be seen as quick fixes, but it is a mature capital allocation tool that coexists with dividends, improves per share economics, and supports indices over time. The comparative data across the US, Europe, Japan, and Singapore highlights this. We believe that for Malaysia, the opportunity is to elevate from a dividend only culture to one that also values total shareholder yield and per share compounding, by embedding credible buyback and cancel programs at the heart of blue-chip capital frameworks. With execution discipline and ecosystem support, the FBM KLCI can position itself for a more durable breakout when macro tailwinds align.

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STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

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