Optimism Amid Uncertainties

Rising FBM KLCI Consensus Bottom-Up Target

Authors

MBSB Research Team
research@mbsb.com

Strategy Report

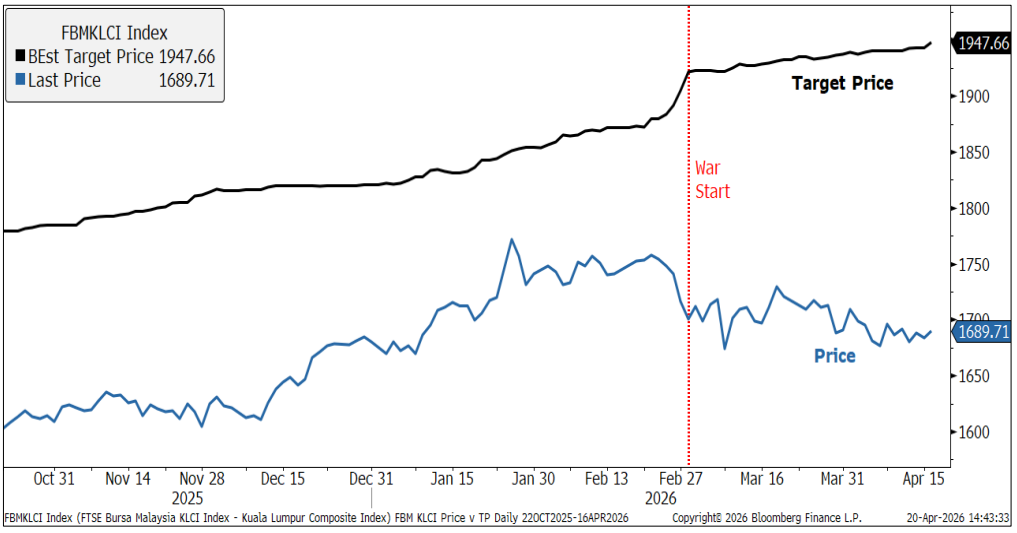
KEY INVESTMENT HIGHLIGHTS

- FBM KLCI consensus bottom-up target risen from 1,905 points end-February to 1,948 points end last week
- Its 30 constituents seen 21 higher, 1 unchanged, and 8 lower TPs since March this year
- Petronas Chemicals Group, the TP outperformer being beneficiary of higher petrochemicals product prices
- Gamuda, the TP underperformer as 1HCY26 earnings came in at 38% of consensus full-year estimate
- Robust 1QCY26 GDP growth (advance estimate) supportive of equity TP optimism
- In our view, we are likely in Scenario 2-type situations
- Expect below average valuations persisting due to external uncertainties
- Maintain FBM KLCI 2026 target at 1,800 points or PER26 of 15.8x
- Maintain FBM Emas Shariah 2026 target at 13,100 points or PER26 of 14.0x
- Maintain FBM 70 2026 target at 18,900 points or PER26 of 17.4x

Rising FBM KLCI bottom-up target

Despite uncertainties engendered by the Middle East war, the FBM KLCI consensus bottom-up target has been rising from 1,905 points as of end-February this year to 1,948 points at the end of last week. As a result, the spread between FBM KLCI consensus bottom-up target and its price has widened from +188 point to +252 points during the corresponding period.

FBM KLCI



Source: Bloomberg, MBSBR

More than two-third constituents seen higher TPs

Of the 30 constituents in FBM KLCI, more than two-third, or 21 companies, seen higher consensus target price (TP) since March this year. Meanwhile, only 8 companies have their TP lowered and 1 company with unchanged TP.

TP gainers

Petronas Chemicals Group saw the largest percentage rise in TP at 89% (or from RM3.08 to RM5.82) as it is seen as a major beneficiary of favourable feedstock and higher petrochemicals product prices. Other TP gainers were commodity-related companies (e.g. KL Kepong, SD Guthrie, PPB Group, Press Metal) as well as banking (e.g. RHB Bank, Hong Leong, Public Bank, Maybank), healthcare (e.g. IHH, Sunway Health) and utilities (e.g. YTL Power, Tenaga).

TICKER	NAME	CONSENSUS' TARGET PRICE (TP)		% CHANGE TP
		27-Feb-26	17-Apr-26	
PCHEM MK Equity	PETRONAS CHEMICALS GROUP BH	3.08	5.82	**89.3%**
PEP MK Equity	PPB GROUP BERHAD	11.73	13.19	**12.4%**
IHH MK Equity	IHH HEALTHCARE BHD	9.12	10.02	**9.8%**
RHBBANK MK Equity	RHB BANK BHD	8.48	9.10	**7.3%**
SUNMED MK Equity	SUNWAY HEALTHCARE HOLDINGS	1.56	1.67	**7.1%**
KLK MK Equity	KUALA LUMPUR KEPONG BHD	21.41	22.70	**6.0%**
SDG MK Equity	SD GUTHRIE BHD	6.33	6.67	**5.3%**
HLBK MK Equity	HONG LEONG BANK BERHAD	25.84	26.99	**4.4%**
IOI MK Equity	IOI CORP BHD	4.38	4.57	**4.2%**
YTLP MK Equity	YTL POWER INTERNATIONAL BHD	4.17	4.32	**3.8%**
FBMKLCI Index	**FTSE Bursa Malaysia KLCI**	**1,904.76**	**1,947.66**	**2.3%**
PBK MK Equity	PUBLIC BANK BERHAD	5.37	5.45	**1.5%**
TNB MK Equity	TENAGA NASIONAL BHD	16.02	16.24	**1.4%**
PMAH MK Equity	PRESS METAL ALUMINIUM HOLDIN	8.11	8.21	**1.3%**
MAY MK Equity	MALAYAN BANKING BHD	12.60	12.72	**1.0%**
SIME MK Equity	SIME DARBY BERHAD	2.40	2.42	**0.9%**
MRDIY MK Equity	MR DIY GROUP M BHD	2.05	2.06	**0.8%**
MISC MK Equity	MISC BHD	8.73	8.79	**0.8%**
PETD MK Equity	PETRONAS DAGANGAN BHD	21.76	21.92	**0.8%**
CIMB MK Equity	CIMB GROUP HOLDINGS BHD	9.13	9.17	**0.5%**
PTG MK Equity	PETRONAS GAS BHD	18.93	19.00	**0.4%**
AMM MK Equity	AMMB HOLDINGS BHD	7.16	7.17	**0.1%**
YTL MK Equity	YTL CORP BHD	3.26	3.26	**0.0%**
99SMART MK Equity	99 SPEED MART RETAIL HOLDING	4.00	3.97	**-0.7%**
CDB MK Equity	CELCOMDIGI BHD	3.76	3.72	**-1.1%**
SWB MK Equity	SUNWAY BHD	5.70	5.63	**-1.2%**
NESZ MK Equity	NESTLE (MALAYSIA) BERHAD	115.13	113.37	**-1.5%**
MAXIS MK Equity	MAXIS BHD	4.12	4.04	**-1.9%**
AXIATA MK Equity	AXIATA GROUP BERHAD	2.89	2.80	**-3.4%**
T MK Equity	TELEKOM MALAYSIA BHD	8.28	7.96	**-3.9%**
GAM MK Equity	GAMUDA BHD	5.77	5.46	**-5.4%**

Source: Bloomberg, MBSBR

TP losers

On the other hand, Gamuda saw the largest percentage drop in TP at -5% (or from RM5.77 to RM5.46) arguably in reaction to its 1HCY26 earnings which came in at 38% of consensus full-year estimate. Other TP losers were telco companies (e.g.TM, Axiata, Maxis, CelcomDigi) as well as consumer (e.g. Nestle, 99Mart).

Macro performance supportive of TP optimism

The equity TP optimism amid external uncertainties was duly supported by Malaysia's still robust macro performance. Based on the advance estimate, Malaysia's GDP grew by +5.3%yoy in 1QCY26 which is seen as a respectable pace given external risks particularly the conflict in the Middle East. Moreover, the pace of growth exceeded our expectation of +4.8%yoy and was broad-based, with positive performance across most major industries despite global geopolitical conflicts and rising crude oil prices.

We were, and still in Scenario 2

Referring to the scenario analysis presented in our 2QCY26 outlook report, we reckon Scenario 2 as a situation we were, and are still in, where essentially a ceasefire or de-escalatory framework exists, but is fragile; the conflict is contained (no full return to sustained strikes), yet disruption remains persistent (especially via shipping/energy), and diplomacy continues under heavy mistrust and leverage tactics.

Expect below average valuations persisting

Notwithstanding the bottom-up optimism with FBM KLCI target of 1,948 points (or PER26 of 17.1x) as well as the still resilient 1QCY26 macro performance, we expect the local equity valuations to remain sub-average (with PER of FBM KLCI at below 16x). That is so as we believe the equity market sentiment would continue to be beset by external uncertainties engendered by geopolitical conflicts particularly in the Middle East as well as attendant economic fallout.

Hence, maintain (top-down) targets

We maintain our (top-down) targets as follow:

- Maintain FBM KLCI 2026 baseline target at **1,800 points** or PER26 of 15.8x.
- Maintain FBM Emas Shariah 2026 baseline target at **13,100 points** or PER26 of 14.0x.
- Maintain FBM 70 2026 baseline target at **18,900** points or PER26 of 17.4x.

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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