Market and Elections

Statistical Analysis of Past Market Performance Amid General Elections

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Strategy Report

KEY INVESTMENT HIGHLIGHTS

- Historically, early elections are common: 79% of Malaysia's past 14 general elections were called before full parliamentary term, with the average parliament lasting about 4 years and 2 months.
- Using FBMKLCI data from GE5 to GE15, the study reviews market behaviour over five pre-election windows: 1 year, 6 months, 3 months, 1 month, and 2 weeks before polling.
- Our findings show mixed results, with only about 47% of observations recording positive overall performance, suggesting elections alone do not reliably predict market direction.
- However, markets often reached a peak before polling day, indicating an upward run-up may occur during election periods, though not necessarily because of elections themselves.
- We believe that external factors remain more important for equities at current juncture and recommend defensive positioning. We maintain our 2026 targets of 1,800 for FBM KLCI, 13,100 for FBM Emas Shariah, and 18,900 for FBM 70.

BACKGROUND

Drumbeat of an early election getting louder.

The market has been rife with rumours of an early general election since the start of the year. Media reports in the past couple of weeks have only amplified this drumbeat. According to statements made in the media, it is said that YAB Prime Minister Datuk Seri Anwar Ibrahim is considering calling a snap election at the Pakatan Harapan Convention 2026, on 17 May 2026.

Historically, more early elections than not.

Scouring past parliament and election data, we found that an early election in Malaysia is not unique experience. In fact, of all 14 previous parliamentary editions, i.e. prior to current parliament edition, only 3 went the full term or near full term. This means 79% of general elections (Ges) have been called early (or a snap election).

Earliest GE was 19 months before, and latest GE was 6 months before end parliament terms.

The earliest GE called was GE4, which was called after the dissolution of 3rd parliament of Malaysia, 19 months before its due date. This was followed by GE5 which was called 17 months before the due date of 4th parliament of Malaysia. Meanwhile, the latest (beside going full term) was in GE2, called 6 months before the full term of 1st parliament of Malaysia. The next latest was GE10, called 7 months before the end of the 9th parliament of Malaysia.

Average duration of past 14 parliaments.

Looking back at the past 14 editions of the parliament of Malaysia, we observed that the shortest parliament duration was during the 3rd parliament with a duration of 3 years and 5 months, while the longest was during 12th parliament with a duration of 4 years and 11 months. Our calculation of the average parliament of the past 14 editions (excluding current 15th parliament of Malaysia), gives an average duration of 4 years and 2 months.

Table 1: General Elections and Parliament Editions of Malaysia

GE	GE Date	Parliament	Start Date	End Date	Duration	Months Early	Classification
1	Aug-59	1st	11-Sep-59	1-Mar-64	4y 5m	6	Snap Election
2	Apr-64	2nd	18-May-64	20-Mar-69	4y 10m	2	~Full Term
3	May-69	3rd	20-Feb-71	31-Jul-74	3y 5m	19	Snap Election
4	Aug–Sep'74	4th	4-Nov-74	12-Jun-78	3y 7m	17	Snap Election
5	Jul-78	5th	31-Jul-78	29-Mar-82	3y 8m	16	Snap Election
6	Apr-82	6th	14-Jun-82	19-Jul-86	4y 1m	11	Snap Election
7	Aug-86	7th	6-Oct-86	5-Oct-90	~4y	12	Snap Election
8	Oct-90	8th	3-Dec-90	6-Apr-95	4y 4m	8	Snap Election
9	Apr-95	9th	7-Jun-95	11-Nov-99	4y 5m	7	Snap Election
10	Nov-99	10th	20-Dec-99	4-Mar-04	4y 2m	10	Snap Election
11	Mar-04	11th	17-May-04	13-Feb-08	3y 9m	15	Snap Election
12	Mar-08	12th	28-Apr-08	3-Apr-13	4y 11m	1	~Full Term
13	May-13	13th	24-Jun-13	7-Apr-18	4y 9m	3	~Full Term
14	May-18	14th	16-Jul-18	10-Oct-22	4y 3m	9	Snap Election
15	Nov-22	15th	19-Dec-22	Ongoing	Ongoing	—	Ongoing

Source: Dewan Rakyat membership records (1st–15th Parliament), Malaysia parliamentary archives, historical general election data, Malaysia Federal Constitution, MBSBR

MARKET PERFORMANCE DURING GENERAL ELECTIONS

More interested in market performance.

While we observed past data, it must be said that we are in no position to predict or forecast the term of current parliamentary edition as it depends on many factors that take precedence, rather than statistical observations. For us, it is more interesting to observe market performance during the past GEs.

Observation from GE5 due to availability of market data.

Time period of our observation is from GE5 to GE15. The reason for starting our observation from GE5 is due to the availability of market data. In terms of market performance (by using KLCI/FBMKLCI as a proxy), we looked at 5 periods before the GEs which are the period 1 year, 6 months, 3 months, 1 month, and 2 weeks before the GEs. One point noting is that we made some adjustments to the start date and end date of our observation given that some polling dates fell on weekends etc.

Four types of observations.

In order to understand how the markets performed, we observed the following:

i. the overall performance (i.e. performance from the start of the period to the polling date) to understand how the market performed during the period in question up to the polling date,
ii. indexing the performance, and looking at number of days which saw gains from the start of the period in question in order to understand whether the markets have seen more positive performance or otherwise,
iii. the peak performance (i.e. performance from the start of the period to its peak) to observe how strongly the market performed during the period,

iv. number of days before the polling date that the peak is reached to observed when peak performance was reached.

i. The Overall Performance

Table 2: Overall FBMKLCI Performance During Observation Period

	FBMKLCI Performance (start-end)				
	1-year	6-month	3-mmonth	1-month	2-week
GE5	48.6%	26.8%	16.8%	0.9%	-2.1%
GE6	-33.9%	-5.6%	-19.5%	-5.3%	3.9%
GE7	-26.8%	-0.3%	18.2%	-2.5%	-1.9%
GE8	-8.3%	-12.8%	-20.6%	-14.1%	-7.3%
GE9	-2.5%	-11.0%	3.4%	5.4%	4.1%
GE10	58.1%	-5.0%	-6.2%	-2.8%	-3.4%
GE11	40.3%	17.8%	12.1%	9.6%	2.8%
GE12	12.8%	19.4%	2.4%	-5.5%	2.8%
GE13	5.5%	1.5%	-0.4%	2.6%	3.3%
GE14	5.7%	4.3%	0.3%	-0.1%	-1.5%
GE15	-12.0%	-12.0%	-1.4%	-6.0%	-0.5%
No. of GEs with +ve performance	6	5	6	4	5
Total observations (GE)	11	11	11	11	11
Percentage	54.5%	45.5%	54.5%	36.4%	45.5%

Source: Bloomberg, MBSBR

From the data, we can surmise that on average 47% of past GEs (across the time frames) saw positive performance leading up to the polling date. Of course, this is not to suggest that the GEs were the factor for the positive performance. Other factors (internal and external) may have had a bigger influence on the market performance. For example, the market performance in the lead up to GE15 (in 2022) was influenced more on US Fed interest rate hiking cycle in our view. In our opinion, more relevant timeframes to gauge are 3-month, 1-month and 2-week as speculation of dates of parliament dissolution is unlikely the further out the timeframe is.

Almost even split; GEs with positive performance and not.

Based on the observed data, we opine that GE does not seem to provide any indications on whether the market will perform positively. Our opinion is based on the fact that there were no overwhelming instances (i.e. no. of GEs) of positive performance across the various period of our observation.

GE does not seem to be a predictor of performance.

ii. Indexing the Performance

Table 3: No. of Days During Observation Period with Higher Closing Price from Price at the Start of Observation Date

	No of days indexed performance >100 (%) (i.e. positive performance)				
	1-year	6-month	3-mmonth	1-month	2-week
GE5	98.1%	99.2%	98.5%	95.5%	0.0%
GE6	30.0%	64.3%	13.8%	0.0%	90.9%

GE7	12.5%	21.7%	60.0%	40.9%	0.0%
GE8	82.5%	76.7%	30.8%	0.0%	0.0%
GE9	40.1%	4.7%	43.1%	68.2%	63.6%
GE10	99.6%	45.0%	1.5%	4.5%	0.0%
GE11	94.6%	82.9%	83.1%	95.5%	90.9%
GE12	87.5%	99.2%	70.8%	0.0%	90.9%
GE13	80.9%	31.8%	1.5%	63.6%	72.7%
GE14	89.9%	56.6%	78.5%	81.8%	0.0%
GE15	13.6%	5.4%	76.9%	4.5%	18.2%
No. of GEs with >50% of days with >100 indexed performance	7	6	6	5	5
Total observations (GE)	11	11	11	11	11
Percentage	63.6%	54.6%	54.6%	45. 5%	45. 5%

Source: Bloomberg, MBSBR

We constructed the indexed performance based on the closing price of the start date of the observation period (indexed to 100). Subsequent days performance will be in relation to the start date closing price. Index point of above 100 denotes that that day closing price was higher than the start day price (indicating positive performance). After that, we counted the number of days with positive performance (gains) vs. the number of observed days during the period, express as a percentage. The higher the percentage indicates that there have been higher number of days with positive performance. Subsequently, we counted the GEs with more than 50% of its days with indexed performance higher than 100 (denoting that there have been more days of positive performance during the observation period.

Indexed performance based on start date price.

From our observation of the data, it appears that the number of GEs with more days of positive performance and those with less days of positive performance to be almost evenly split. On average there have been 52% of GEs (across all the timeframes) that saw most of its days (from the start of observation to the polling date) with positive performance. Again, based on the observed data, we opine that GE does not seem to provide any indications on whether the market will perform positively throughout the period.

It appears to be evenly split again.

iii. Peak Market Performance

Table 4: FBMKLCI Peak (i.e. Highest) Gains During Observation Period

	FBMKLCI Performance (start-peak)				
	1-year	6-month	3-mmonth	1-month	2-week
GE5	52.1%	29.8%	19.6%	3.3%	0.0%
GE6	17.7%	20.5%	2.7%	0.0%	6.3%
GE7	5.1%	9.0%	29.2%	6.5%	0.0%
GE8	23.3%	17.3%	6.8%	0.0%	0.0%
GE9	16.2%	1.3%	3.4%	5.4%	4.1%
GE10	85.8%	11.6%	0.3%	0.6%	0.0%
GE11	42.2%	19.4%	13.7%	11.1%	4.2%
GE12	20.1%	27.2%	9.1%	0.0%	3.5%
GE13	6.1%	2.0%	0.1%	2.6%	3.3%
GE14	8.0%	6.6%	2.4%	2.0%	0.0%
GE15	1.3%	0.3%	6.5%	0.1%	0.5%

No. of GEs reaching peak before polling date	11	11	11	8	6
Total observations (GE)	11	11	11	11	11
Percentage	100.0%	100.0%	100.0%	72.7%	54.5%

Source: Bloomberg, MBSBR

It should be noted here that 0% in the above data denotes that the peak was at the start of the time period which suggest that the market peaked as we enter the observation period. The data suggests that the market saw its peak before the polling date or on the polling date as a majority of GEs did see gains (i.e. the highest gains) during the period.

Market saw peaks during observation period.

Taking the data in table 3 with those in table 1, we can also suggest that the market saw an upward trajectory before reversing. What is more important that there were no instances which the market did not see any upward trajectory or fell in a downward trajectory during the observation period. However, we note that, again, this is not to suggest that the GEs were the main factor for this performance.

Market trajectory was more upwards rather than downwards.

iv. Days Before Polling Date of Reaching the Peak

Table 5: FBMKLCI Peak (i.e. Highest) Gains During Observation Period

	Peak achieved (days before polling date)				
	1-year	**6-month**	**3-mmonth**	**1-month**	**2-week**
GE5	17	17	17	17	14
GE6	272	82	82	31	6
GE7	267	24	24	24	15
GE8	65	65	65	29	14
GE9	196	175	-	-	-
GE10	125	125	79	14	14
GE11	2	2	2	2	2
GE12	33	33	33	29	8
GE13	86	86	86	-	-
GE14	16	16	16	16	15
GE15	221	171	55	28	5
Average	**118**	**72**	**42**	**17**	**8**

Source: Bloomberg, MBSBR

We should note that 0 here denotes that the peak was on the polling date itself (or just before if the polling date was on a weekend). From the data, it can be suggested that the market saw its peak before the polling date based on our observations of almost all the highest gains during the various GEs were reached before the polling date. From all the observations, only 5 instances where market peaked on polling date.

Market peak before polling date.

The data also suggest that the market peak around the middle of the time period as observed by the average of when the market peaked before the polling date. Take 3-month observation period for example, with the market peaking on average of 42 days (across all GEs in observation), vs. circa 90 days from observation start date to polling date.

Peak in the middle of period.

Again, this is not to suggest that the GEs were the only or even the main factor for the positive performance as we mentioned above. In fact, while the average suggests market peaking at the middle of the observation period, the data has no strong evidence that it is a normal distribution across the GEs. For example, take 3-month period again, there were 5 GEs which

Not a normal distribution.

the market peaked before the average, and 5 GEs which the market peaked after. This highlight, in our view, that other factors were also at play in influencing market performance.

CONCLUSION

Our views are formed based on past historical data only, and we did not take into account other factors such as GDP growth, interest rate movements, etc. Having said that, we noted that market did see positive performance during period of GEs. However, we cannot conclude conclusively that the GEs have been one of the factors (or even a factor) in this positive performance.

View based on statistical analysis of historical data.

What is more interesting amongst our findings is that the market did see its peak performance during the observed period. This may suggest that in a given year of any GE, the market have the possibility of finding its peak, based on the frequency of this observation. Nevertheless, this peak can be reached regardless of whether it is a GE year or not. The conventional wisdom is that our market would get excited with the mere mention of a general election. However, based on our observation, the market performance (i.e. the FBM KLCI) prior to polling date have been rather mixed.

Interesting is reaching peak.

For now, we expect external factors to continue hold sway over equity market sentiment namely the Middle East conflict and its impact. 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.

External factors to continue hold sway over equity market.

Meanwhile, with the still current backdrop of external uncertainties and cloudy outlook, we are recommending investors to tactically seek cover amongst defensive sectors in case situation turns for the worse. While this stability and attractive dividend yields should moderate the downside risks.

Defensive cover amidst external uncertainties.

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