MBSB RESEARCH

Looking Out For a Hawkish Turn

Market Outlook: 2HCY26 Update



30 June 2026

MALAYSIA EQUITY

KDN : PP 10744/05/2013 (033520)

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TABLE OF CONTENTS

Executive summary 1

A. Market Performance
i. Market review 2
ii. Macro economic outlook 8
iii. Market outlook 19
iv. Stock selection 23

B. Sectors Outlook
i. Banking *(Strong dividend outlook and NIM optimism)* 26
ii. Construction *(Project execution as the key; Pending for better visibility)* 27
iii. Consumer *(Leaning toward defensive staples and value-driven retailers)* 29
iv. Healthcare (*Defensive and stable despite higher medical inflation and risk of supply chain disruptions*) 31
v. Insurance *(Life insurance growth's solid recovery momentum)* 33
vi. Oil & Gas *(Dependent on the resolution of the Middle East conflict and data centre boom)* 34
vii. Plantation *(Roller coaster ride)* 36
viii. REITs (*Compelling yield spreads reinforce optimism*) 37
ix. Telecommunication (*Attractive dividend yield)* 38
x. Utilities (Power) and RE (*Sustained demand growth; strong RE pipeline*) 39
xi. Automotive (*The replacement cycle cools)* 42
xii. Property (*Cautiously steady outlook*) 43
xiii. Technology (*The external environment remains a concern*) 44
xiv. Transportation *(An uneven recovery)* 46

Appendix
Table i: MBSB Research stock universe 48
Table ii: Performance of various markets in local currency (% change) 50
Table iii: Performance of various markets in US Dollar (% change) 50
Table iv: Performance by sectors (% change) 51
Table v: Regional earnings and valuations 51
Table vi: Performance of MBSBR's stocks under coverage 52

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1HCY26 IN BRIEF

- Malaysian equities had a constructive start to CY26, but momentum was disrupted by the US-Israel/Iran conflict and Strait of Hormuz disruption, which brought geopolitics, energy prices and supply-chain risks back into focus.
- The FBM KLCI was nevertheless resilient, supported by commodity-linked sectors as higher oil and commodity prices cushioned the impact of the conflict. AI-led optimism also supported global technology and semiconductor-linked markets.
- By June, market attention shifted from geopolitics to a more hawkish US Fed as energy, freight and input-cost pressures raised inflation concerns. This triggered profit-taking, Ringgit weakness and foreign fund outflows.

2HCY26 OUTLOOK - LOOKING FOR A HAWKISH TURN

- We expect 2HCY26 to begin cautiously as markets price in the possibility of a US rate hike. However, we believe any hike is likely to be an "adjustment hike" rather than the start of a prolonged tightening cycle, as inflation pressure is mainly supply-driven rather than demand-led.
- If the hike is one-and-done and the US Fed signals that further hikes are not its base case, policy uncertainty could clear, and equities may recover later in 2HCY26.

MALAYSIA REMAINS DEFENSIVE

- Malaysia's fundamentals remain supportive, with 2026 GDP growth revised to +4.5%, underpinned by domestic demand, E&E exports, investment activity, travel-related services and resilient consumption. Inflation is expected to remain manageable, while BNM is expected to keep OPR at 2.75%.

INDEX TARGETS

- **FBM KLCI**: 1,770 points
- **FBM Emas Shariah**: 12,900 points
- **FBM70**: 18,600 points
- The revisions reflect US Fed rate-hike risk, Ringgit weakness, foreign fund outflows and lingering geopolitical uncertainty.

STRATEGY

- Adopt an optimistic but cautious stance, balancing defensive resilience with selective recovery and growth exposure.

30 June 2026

KLCI (29/6/2026) : 1,665.91
2026 TARGET : 1,770.00

SECTOR VIEW

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

TOP BUYS

STOCK	Target Price (RM)	Total Return (%)
Petronas Chemicals	6.60	67.6%
Hong Leong Bank	30.50	45.4%
YTL Power	5.65	39.8%
CelcomDigi	3.54	36.4%
Inari Amertron	2.95	36.3%
Gamuda	5.60	34.1%
Mr D.I.Y.	2.13	34.0%
CIMB Group	9.29	31.6%
99 Speed Mart	4.37	24.3%
Tenaga Nasional	16.40	18.2%

A. MARKET PERFORMANCE

I. MARKET REVIEW

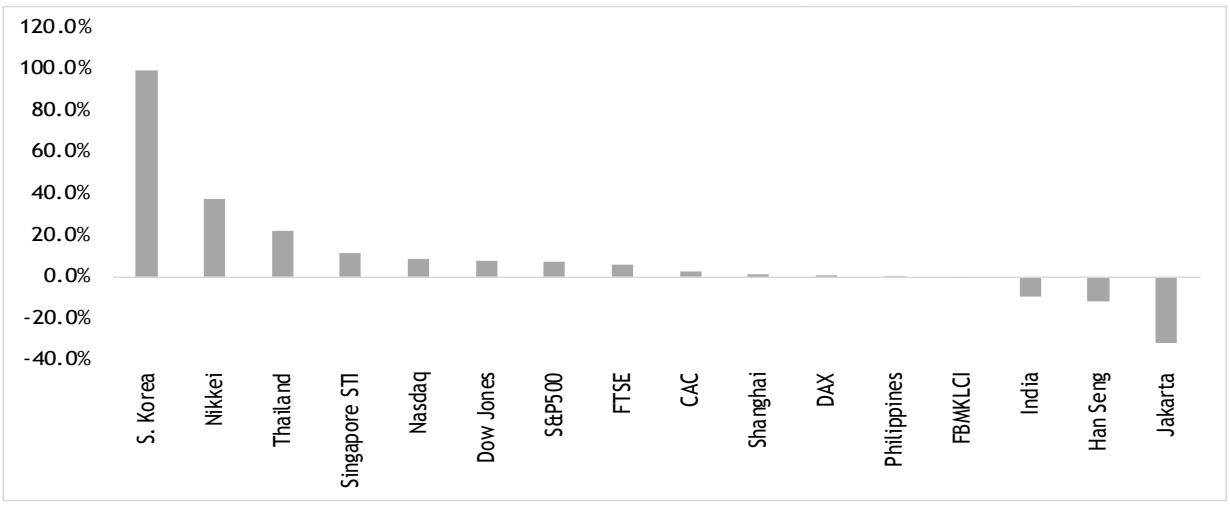
Possible recovery once the US Fed has done its "adjustment hike". 1HCY26 was a resilient but volatile period for Malaysian equities, where the FBM KLCI began the year on a constructive footing, before the US-Israel/Iran conflict and Strait of Hormuz disruption brought geopolitics and energy risks back into focus. Despite this, the market held up better than expected. However, by June, we saw investor focus shifted from geopolitics to a more hawkish US Fed, as higher oil, freight and supply-chain costs raised inflation concerns and caused markets to price in possible rate hikes rather than cuts; this triggered profit-taking, Ringgit pressure and foreign fund outflows. For 2HCY26, we expect a cautious start, with US Fed action and Ringgit weakness as key risks, but we opine that any US rate hike may be an "adjustment hike" rather than the start of a prolonged tightening cycle. If the hike is one-and-done and policy uncertainty clears, markets could recover later in 2HCY26, with Malaysia remaining relatively defensive due to domestic demand, E&E exports, travel-related services, resilient earnings, and undemanding valuations.

MARKET REVIEW OF 1HCY26

Positive momentum was interrupted by the Middle East conflict… The FBM KLCI entered CY26 on a constructive note, supported by the clearing of tariff-related uncertainties, rate-cut expectations, VMY2026, renewable energy projects and AI-related investments, which were expected to support the domestic market. However, the market's early optimism was tested when the conflict between the US-Israel alliance and Iran escalated in late Feb-26, bringing geopolitics back to the centre. This was a key downside risk that we flagged at the start of the year, as any renewed conflict in the Middle East was expected to have repercussions on the energy market and, depending on duration, the broader global economy, especially with the closure/disruption of the Strait of Hormuz.

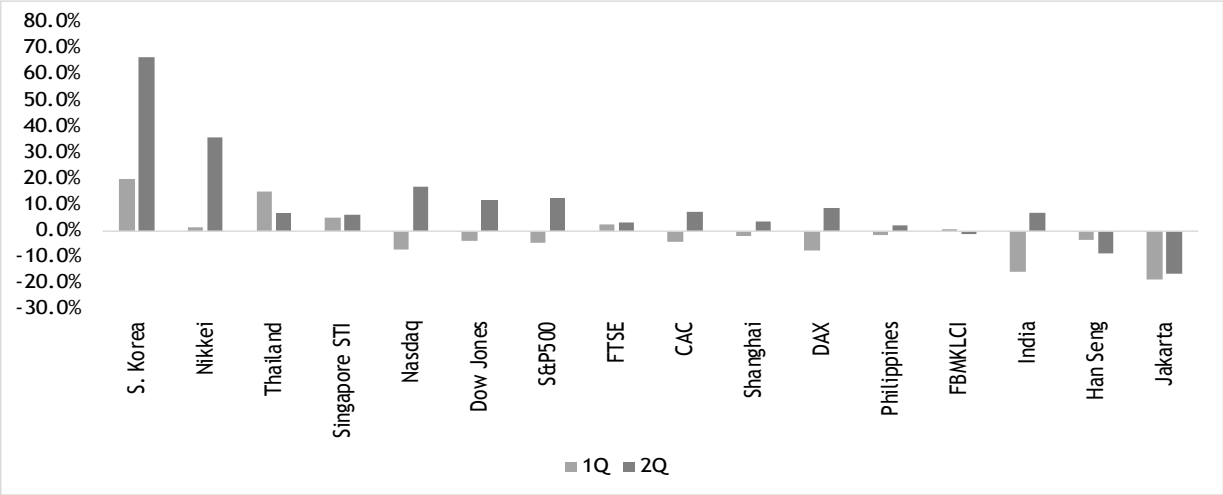
…but markets were surprisingly resilient, though. Despite the volatility caused by the Middle East conflict, the FBM KLCI was surprisingly resilient, and on 7 May 2026, it reached its conflict-period peak of 1,758.85 (YTD peak: 1,771.25 on 21 January 2026). The impact of the conflict on the FBM KLCI was moderated by the rise in commodity prices, particularly oil. Commodity-linked sectors such as plantation, energy and industrial products & services helped cushion the market, as investors rotated into beneficiaries of higher commodity prices.

Chart 1: Comparison of Performance of FBM KLCI and Regional Peers (YTD as at 26 June 2026)



Source: Bloomberg, MBSBR

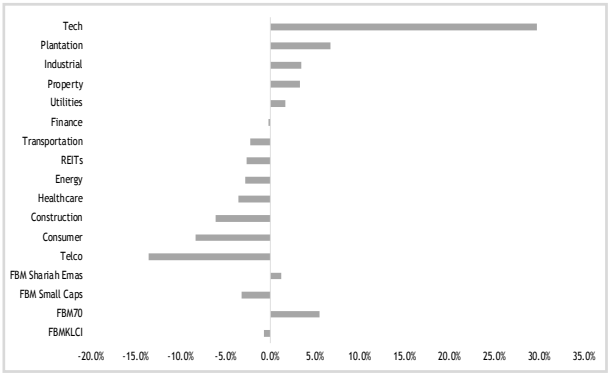
Chart 2: Comparison of Quarterly Performance of FBM KLCI and Regional Peers (as of 26 June 2026)



Source: Bloomberg, MBSBR

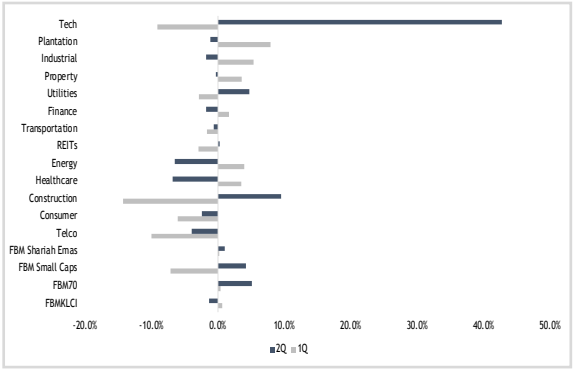
AI-led frenzy in tech. Sentiment improved when markets priced in progress towards de-escalation, including reports of an agreement/MOU to end the conflict, reopen the Strait of Hormuz and extend a ceasefire. This reduced fears of an immediate worst-case energy shock and helped risk appetite recover. At the same time, AI investment kept global risk appetite alive. While geopolitics weighed on sentiment, the global AI theme continued to provide important support to equity markets. 1HCY26 saw US equities and Asian semiconductor-linked markets benefit from strong data-centre demand, chip spending and cloud infrastructure investments. This also helped explain why global equities remained resilient despite the oil shock and geopolitical uncertainty. The performance of KOSPI (+66.5%qoq) in 2QCY26 highlights this.

Chart 3: Comparison of Performance of Bursa Malaysia Sectoral Indices (YTD as at 26 June 2026)



Source: Bloomberg, MBSBR

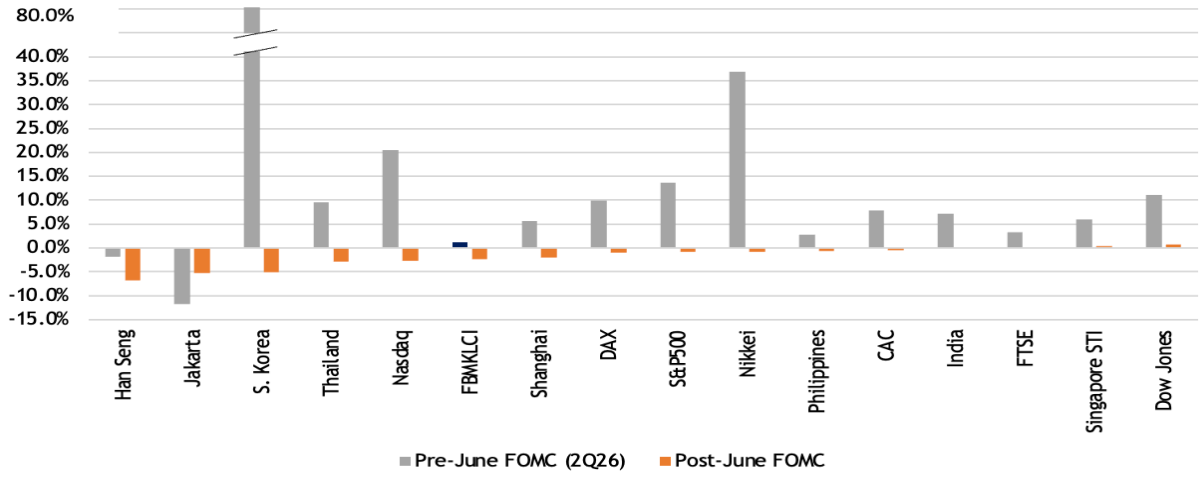
Chart 4: Comparison of Quarterly Performance of Bursa Malaysia Sectoral Indices



Source: Bloomberg, MBSBR

US Fed took a more hawkish turn. Nevertheless, a delayed impact of the conflict started to manifest as the inflation concern was broader than headline oil prices. The closure of the Strait of Hormuz raised costs across transport, energy, petrochemicals and industrial supply chains, which increased the risk that higher energy prices would pass through into broader goods and services inflation. The Hormuz shock was already becoming visible in inflation data, with US CPI rising 0.6%mom and 3.8%yoy in April, the highest since May 2023. This points to a change in the expectation of US rates, which not only could stay higher for longer but could even rise again as markets begin to price in a more hawkish US Fed.

Chart 5: Comparison of Performance of FBM KLCI and Regional Peers Pre- & Post-June'26 FOMC



Source: Bloomberg, MBSBR

Table 1: Comparison of Performance of Bursa Malaysia Sectoral Indices

	Pre-June'26 FOMC	Post-June'26 FOMC
FBMKLCI	1.2%	-2.5%
FBM70	7.4%	-2.1%
FBM Small Caps	6.2%	-1.8%
FBM Shariah Emas	3.0%	-1.9%
Plantation	-2.3%	1.2%
REITs	0.1%	0.2%
Consumer	-2.3%	-0.2%
Telco	-2.3%	-1.6%
Transportation	1.1%	-1.7%
Property	2.0%	-2.3%
Construction	12.2%	-2.4%
Energy	-4.1%	-2.4%
Utilities	7.6%	-2.7%
Finance	1.3%	-3.1%
Healthcare	-3.7%	-3.3%
Tech	47.8%	-3.4%
Industrial	3.1%	-4.8%

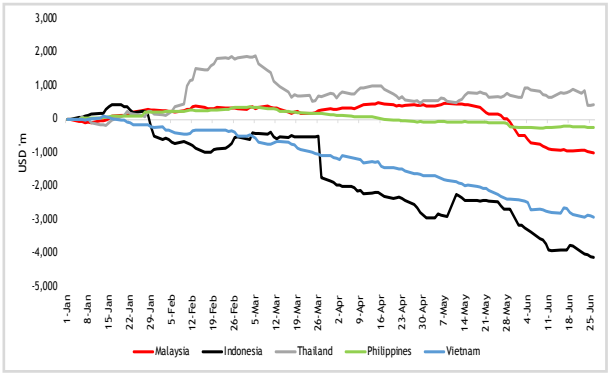
Source: Bloomberg, MBSBR

Change in the market's interpretation of the Fed's next move. Earlier in the year, investors had expected the US Fed's next step to be a rate cut. However, by June, the combination of higher energy prices, disrupted shipping flows, rising input costs and sticky inflation caused investors to reassess that view. The Federal Reserve kept its benchmark rate unchanged at 3.5%-3.75% in Jun-26, while also removing language that previously suggested a cutting bias. Market commentary subsequently noted that the market was pricing some probability of rate hikes rather than cuts, as investors viewed the Fed as needing to defend its inflation credibility if supply shocks became embedded in inflation expectations. With that, we saw renewed profit-taking in global markets towards the end of June, with the FBM KLCI falling to around

1,663-1,668 points after having traded above 1,700 earlier in the month. This suggests that while the MOU and de-escalation helped reduce one source of uncertainty, the market remained sensitive to global rates. A possible US rate hike would pressure equity valuations, strengthen the US dollar, tighten financial conditions and reduce appetite for emerging-market risk assets, including Malaysia.

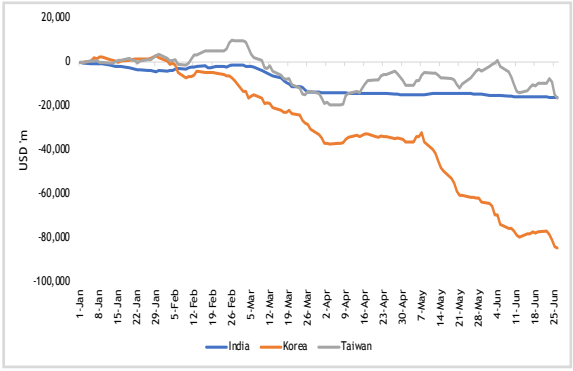
Fed has a stronger influence on fund flows. The heightened expectations of a US rate hike in 2HCY26 led to foreign funds' net selling of all the markets that we tracked (except for Thailand). We did not observe this trend even during the height of the conflict, possibly due to commodity-linked and AI-thematic play. This led us to conclude that the US Fed (and rates) have a stronger influence on foreign fund movement going forward.

Chart 6: Cumulative Foreign Fund Flows into ASEAN 5 (YTD as at 26 June 2026)



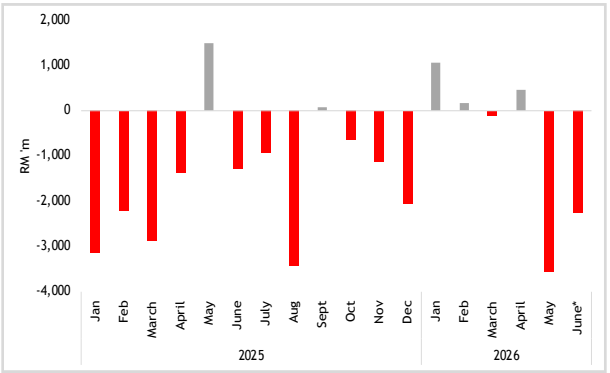
Source: Bloomberg, MBSBR

Chart 7: Cumulative Foreign Fund Flows into K.I.T. (YTD as at 26 June 2026)



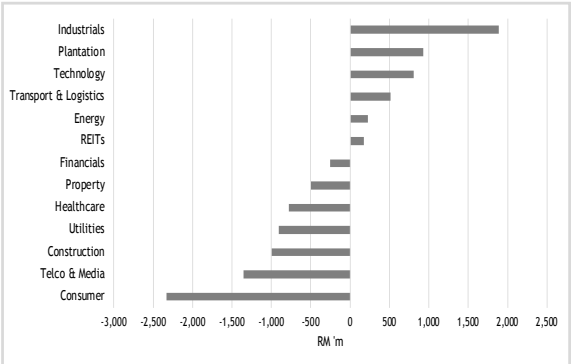
Source: Bloomberg, MBSBR

Chart 8: Monthly Foreign Fund Flows into Bursa Malaysia



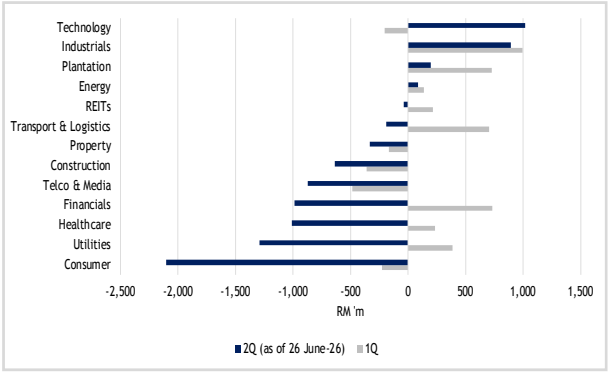
Source: Bursa Malaysia, MBSBR; * = as of 26 June 2026

Chart 9: Foreign Fund Flows into Bursa Malaysia (sectoral breakdown) - YTD as of 26 June 2026



Source: Bursa Malaysia, MBSBR

Chart 10: Quarterly Foreign Fund Flows into Bursa Malaysia (sectoral breakdown)



Source: Bursa Malaysia, MBSBR

THEMES AND RISKS 2HCY26

Watch for US Fed action in 2HCY26. Going into 2HCY26, we expect the market to remain focused on the possibility of a US rate hike, as the earlier rate-cut expectation has faded, replaced by renewed inflation risks. The concern is that the Strait of Hormuz disruption has not only lifted oil prices but also raised shipping and logistics costs, which could feed into broader supply-chain inflation. The concern is no longer only the first-round impact of higher energy prices, but also the second-round impact as higher fuel, freight and input costs seep into other parts of the economy. In the near term, a US rate hike would be negative for equities, particularly emerging markets, as it could strengthen the US dollar, lift bond yields, compress valuations and reduce risk appetite. For Malaysia, this could translate into renewed foreign flow volatility. As such, we may see a volatile market in 3QCY26.

Weaker Ringgit could weigh on sentiment, but the impact should be manageable. A key transmission channel from the US Fed to Malaysia will be the currency. A softer Ringgit typically weighs on local equities through several channels. First, it reduces foreign investors' total return in US dollar terms, which may discourage inflows or accelerate outflows. Second, it raises imported cost pressures. Third, it may keep investors cautious on rate-sensitive sectors as bond yields adjust to higher global rates. Nevertheless, we believe the impact should be manageable, provided the Ringgit weakness does not become disorderly.

However, we believe any US rate hike could be an "adjustment hike". While inflation risks have risen, we do not think the current environment warrants a prolonged hiking cycle. The likely driver of the rate hike is a supply-side shock, i.e. higher energy prices, shipping disruption and cost pass-through, rather than an overheating demand cycle. A demand-driven inflation problem would require a longer tightening cycle to cool consumption, employment and credit growth. In contrast, a supply-driven inflation shock may require only a limited policy response if the Fed believes inflation expectations need to be anchored, but underlying demand is not excessively strong. As such, if the US Fed does hike, we believe it may be an "adjustment hike" to anchor inflation expectations and preserve policy credibility, rather than the beginning of a sustained tightening campaign. This is especially so if the Middle East situation continues to de-escalate and the Strait of Hormuz gradually normalises, allowing oil and freight costs to ease in the later part of the year.

Equity markets may recover once policy uncertainty clears. The main issue for markets in June was not merely higher rates but uncertainty over the US Fed's reaction function. Once the Fed delivers a hike (assuming it clearly signals that further hikes are not its base case), sentiment may improve and investors may re-enter risk assets. Historically, equities tend to stabilise when policy uncertainty peaks and the rate path becomes clearer. In this context, a one-and-done hike could become a clearing event for markets, especially if accompanied by easing oil prices, reduced supply-chain pressure and resilient corporate earnings.

Malaysia should remain relatively defensive. We expect Malaysia to remain relatively resilient in 2HCY26, supported by stable domestic fundamentals. Malaysia's growth remains underpinned by domestic demand, household spending, investment activity, E&E exports and travel-related services. Inflation has also remained moderate, although upside risks remain if energy prices stay elevated. These factors should provide a buffer against external volatility, even if foreign flows turn cautious around the US rate decision.

Domestic themes should regain attention after the US Fed event. Once the market digests the US rate hike, investors may refocus on domestic Malaysian catalysts. These include VMY2026, renewable energy projects, construction activity, data-centre investments and resilient consumption. If external volatility eases in 2HCY26, these themes could re-emerge as drivers of sector rotation, particularly in hospitality, REITs, consumer, construction, utilities and technology-related counters.

Our base case: cautious early 2HCY26, recovery later. We expect 2HCY26 to begin on a cautious note as markets price in the possibility of a US rate hike. The immediate reaction may still be negative, especially for emerging markets and rate-sensitive sectors. However, if the hike is delivered as a one-and-done move, and if the US Fed signals that it is not embarking on a sustained tightening cycle, we believe markets could recover in the later part of 2HCY26. For Malaysia, the recovery would likely be supported by healthy domestic growth, resilient earnings, undemanding valuations and renewed focus on domestic catalysts once external policy uncertainty clears.

II. MACRO ECONOMIC OUTLOOK

GLOBAL: GROWTH TO MODERATE AMID ENERGY-DRIVEN INFLATION AND GEOPOLITICAL RISKS

Easing headwinds but still not out of the woods. The global economy remains vulnerable to being thrown off course as the conflict in the Middle East aggressively dampens momentum, while the easing of headwinds remains unclear. Over the last six months, systemic structural headwinds like rising trade barriers have been effectively neutralised by powerful tailwinds from technology and AI-driven spending, loose financial conditions, and ongoing policy support. However, the fluid geopolitical situation in the Middle East remains a key source of uncertainty. While risks of further escalation may have eased somewhat, the outlook remains fragile, with any renewed tensions likely to reignite commodity price pressures, lift inflation expectations, and trigger renewed risk-off sentiment in global financial markets.

Global growth outlook moderates amid Middle East friction. The latest global economic growth is projected to slow to +3.1% in 2026 (2025: +3.3%) and to improve slightly to +3.2% in 2027. The latest forecast for 2026 reflects a downward revision from +3.3% in the previous forecast, trailing the +3.7% long-term historical baseline. While strong data carryover and reduced tariff barriers have provided a partial cushion, the growth downgrade heavily reflects escalating disruptions from the Middle East conflict. However, given the fluidity of the situation, the forecast assumes a limited duration of the Middle East conflict, while remaining susceptible to unforeseen developments. The IMF's scenario analysis underscores significant downside risks to the 2026 baseline. A prolonged period of elevated energy prices could slow global growth to around +2.5%. In a more severe scenario—characterised by sustained disruptions to regional energy production and transport infrastructure—global growth could fall to around +2.0% as energy shortages and supply constraints weigh heavily on global economic activity.

Table 2: GDP Growth Forecast for Selected Economies

	2023	2024	2025e	2026f
World Economy	**3.5**	**3.3**	**3.3**	**3.1**
Advanced Economies	**1.8**	**1.8**	**1.7**	**1.8**
USA	2.9	2.8	2.1	2.3
Euro area	0.5	0.9	1.4	1.1
UK	0.4	1.1	1.4	0.8
Japan	1.4	(0.2)	1.1	0.7
Developing Economies	**4.7**	**4.3**	**4.4**	**3.9**
China	5.4	5.0	5.0	4.4
India	6.5	7.3	6.4	6.5
Indonesia	5.0	5.0	5.1	5.0
Philippines	5.5	5.7	4.4	4.1
Malaysia*	3.5	5.1	5.2	4.7
Thailand	2.0	2.5	2.4	1.5
ASEAN-5	4.1	4.6	4.5	4.1

*Note: 2026f figure refers to IMF's projection, not MBSBR's projection
Source: IMF World Economic Outlook

Energy-driven global price shocks due to supply disruptions. Global headline inflation has been revised upward, with consumer prices expected to increase faster at +4.4% in 2026 before moderating to +3.7% in 2027. Under a standard adverse scenario, persistent energy shocks would propel global inflation to +5.4%. However, in a severe tail-risk scenario involving physical damage to regional energy infrastructure, headline inflation is projected to breach the +6.0% threshold by 2027. Crucially, these aggregated global revisions mask a high degree of cross-country dispersion; while the baseline changes appear modest on a global scale, the actual economic impact is disproportionately concentrated. The adverse impact will be most severely felt within the immediate conflict zone and across vulnerable, commodity-importing emerging markets and developing economies with pre-existing fiscal fragilities. Supply disruptions arising from the ongoing conflict in the Middle East have prompted an upward revision of our Brent crude oil price forecast previously to USD80-90 per barrel (earlier forecast at the start of the year: USD50-60 pb). This mainly reflects the upward pressures due to the increased geopolitical risk premium. Over the medium term, we expect these premium pricing pressures to ease sequentially if the global supply conditions improve. On another note, while we project crude palm oil (CPO) prices to average around RM4,300 per tonne, we see potential upside risks from higher production costs linked to elevated energy prices, although moderate demand growth should help contain excessive price increases. However, the impact of El Niño on CPO prices operates through a delayed supply-side shock that triggers a structural deficit in the global edible oil market, causing prices to rise and leading to inflationary concerns.

Potentially tighter financial market due to rising inflation risk. Global central banks face a challenging balancing act, pivoting away from policy easing toward a tighter stance. Central banks have raised rates and may tighten further to anchor resurgent inflation. This hawkish turn, while necessary to prevent price spirals, directly dampens the growth outlook by escalating borrowing costs for businesses and households alike. To mitigate this contractionary impact, governments are increasingly deploying fiscal buffers, such as expanded subsidy allocations and the release of strategic national reserves, to insulate consumers from energy-driven shocks. Overall, we expect central banks to maintain a distinct hawkish tilt as upside inflationary risks persist. This is underscored by a rising Producer Price Index (PPI), which signals significant cost-push pressures that are highly likely to translate into higher headline consumer prices over the coming quarters. However, the pressures to hike interest rates could also taper down as energy-related price pressures ease following the US-Iran peace deal and the reopening of the Strait of Hormuz (should it hold).

Global outlook constrained by unresolved downside concerns. Although a recent diplomatic deal has eased immediate geopolitical concerns and pulled down global inflation expectations, the broader risks to the outlook remain fundamentally tilted to the downside. This localised de-escalation keeps energy markets contained for now, but any escalation of the Middle East crisis remains a severe risk factor capable of pushing crude oil above USD100 per barrel and fracturing global growth. Concurrently, countries' vulnerabilities are intensifying under the surface. The severe fiscal strain of financing domestic energy subsidies while servicing legacy debt in a restrictive high-interest-rate environment continues to sharply deteriorate the fiscal positions of many vulnerable nations. This raises significant concerns regarding sovereign creditworthiness, as higher borrowing costs limit the ability of governments to cushion their economies against more severe shocks. Ultimately, these compounding pressures could ignite instability in financial markets, where heightened volatility and a sharp retreat in investor sentiment may further tighten global liquidity and stall the path to recovery. Global trade and manufacturing activities could face renewed constraints as the US government shifts toward imposing new, sector-specific tariffs. This ongoing protectionist risk persists despite a recent reprieve from the US Supreme Court, which nullified the broad reciprocal tariffs introduced last year. On the upside, global activity could be lifted by accelerating AI-related investment. If rapid adoption drives strong productivity gains and business dynamism, this tech wave could successfully transition into a sustainable, long-term growth cycle.

US: FED ON A HAWKISH PATH TO CONTAIN INFLATION AMID RESILIENT GROWTH AND STABLE JOB MARKET

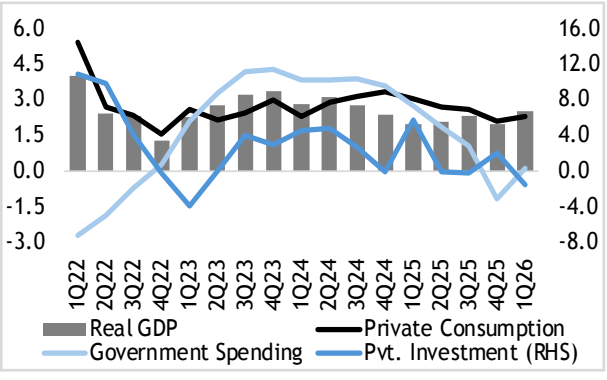
Growth is moderate but still resilient. We expect the US economy to continue expanding at a moderate pace of +2.1% in 2026 (2025: +2.8%) as resilient household spending, business investment and fiscal support offset the drag from restrictive interest rates. Domestic demand remains supported by a healthy labour market, positive wage growth and continued investment in AI, digital infrastructure and manufacturing. Although higher tariffs and energy prices are likely to increase business costs and weigh on consumer purchasing power, recent economic data suggest the economy continues to display resilience, despite earlier concerns about weakness in the job market and renewed inflationary pressures.

The labour market remains supportive. The labour market remains broadly healthy despite signs of gradual cooling. With filings for unemployment benefits remaining relatively low, the stable unemployment rate at 4.3%, and more than +100K payroll growth in recent months, continue to indicate a broad stability in the US job market. Wage growth has moderated but remains sufficient to support household incomes and consumption. Overall, labour market conditions appear balanced, reducing concerns over an imminent recession while allowing domestic demand to remain relatively resilient. Firm growth in retail sales also suggests overall resilience in US consumer spending, although sentiment weakened due to expectations of a higher inflation outlook.

Sticky inflation points to another Fed hike. Inflation has re-emerged as the dominant policy challenge. Rising energy prices, higher import tariffs and resilient domestic demand are expected to keep inflation above the Fed's +2% target. The latest FOMC projection reinforced this assessment, with policymakers revising inflation forecasts upward despite a modest downgrade to 2026 GDP growth. More importantly, the median projected path for the federal funds rate has shifted higher, signalling a more hawkish policy stance. We expect the Fed to maintain a restrictive policy stance over the coming months, with the possibility of one additional rate hike in the latter part of 2026 should inflation remain stubbornly elevated while labour market conditions stay resilient.

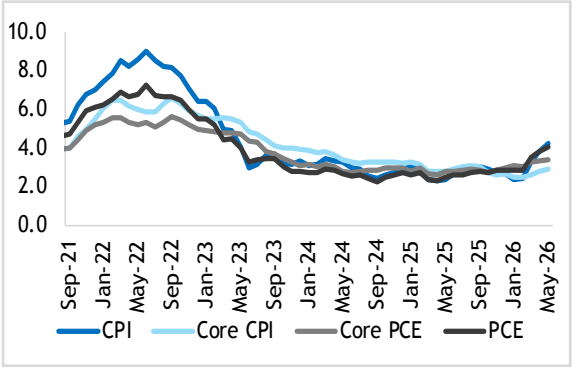
Risks remain tilted toward inflation. Although downside risks to growth persist from trade tensions, higher production costs and policy uncertainty, inflation risks currently present the greater challenge for policymakers. Broad-based tariffs, elevated energy prices and resilient domestic demand could keep inflation expectations elevated and delay the return to the Fed's inflation target. Consequently, monetary policy is expected to remain restrictive for longer, increasing borrowing costs and tightening financial conditions. Nevertheless, provided the labour market remains stable and consumer spending continues to expand, the US economy is expected to avoid a sharp slowdown despite a more restrictive policy environment.

Chart 11: US: Quarterly Real GDP Growth (YoY%)



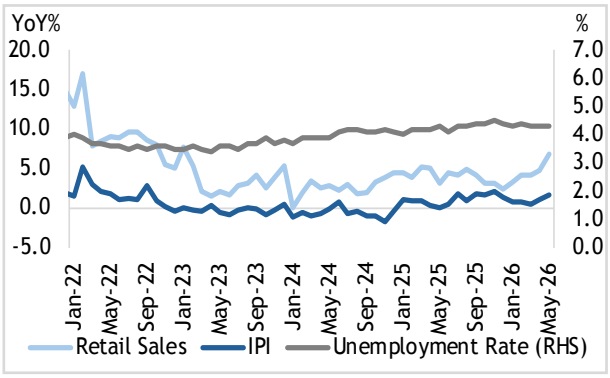
Source: Macrobond, MBSBR

Chart 12: US: CPI and Core PCE Inflation (YoY%)



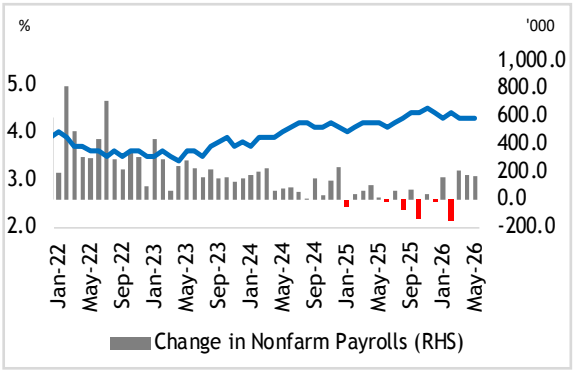
Source: Macrobond, MBSBR

Chart 13: US: Selected Economic Indicators (YoY%)



Source: Macrobond, MIDFR

Chart 14: US: Unemployment Rate (%) vs. Nonfarm Payrolls (in thousands)



Source: Macrobond, MIDFR

CHINA: MODERATION IN GROWTH AS DOMESTIC DEMAND REMAINS FRAGILE

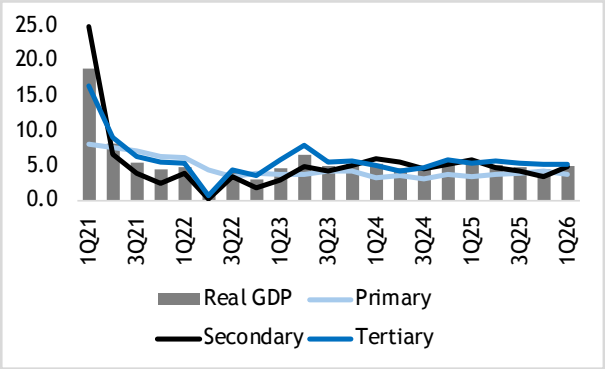
Expect growth to moderate. China's economic growth is expected to moderate to around +4.5% in 2026 (2025: +5.2%), reflecting persistent structural challenges despite resilient industrial production and exports. The government's growth target of around +4.5-5.0% signals policymakers' willingness to tolerate a slower but more sustainable pace of expansion while prioritising economic restructuring and financial stability. Although economic activity remained relatively resilient in the first half of the year, supported by strong manufacturing output and exports, domestic demand continues to lag, suggesting that the recovery remains uneven.

Fragile and subdued domestic demand. Household spending remains subdued despite policy support, with the slight contraction in retail sales in May-26 reinforcing signs of cautious consumer sentiment and weak spending. Muted inflation and persistent weakness in the property market continue to constrain household confidence, while elevated precautionary savings limit the effectiveness of policy stimulus. Nevertheless, China's manufacturing sector continues to benefit from resilient global demand for AI-related products, semiconductors and other technology exports, alongside temporary inventory rebuilding by overseas customers seeking to diversify supply chains.

Targeted policy support to continue. We expect policymakers to maintain a broadly accommodative policy stance but refrain from aggressive monetary easing. Instead, support is likely to remain focused on targeted fiscal and structural measures to stimulate domestic consumption, including consumption incentives, trade-in programmes and support for services spending, while further policy initiatives are expected to stabilise the property sector and facilitate the completion of unfinished housing projects. The People's Bank of China (PBOC) is likely to maintain policy rates broadly unchanged, relying instead on targeted liquidity facilities, structural lending programmes and selective reserve requirement ratio (RRR) adjustments to support priority sectors without significantly increasing financial leverage.

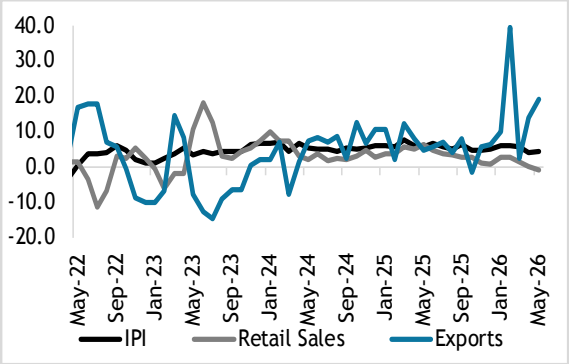
Structural challenges remain. Downside risks to China's outlook remain elevated. The prolonged adjustment in the property sector continues to weigh on investment, local government finances and private sector confidence, while persistent deflationary pressures highlight still-weak domestic demand. Externally, ongoing trade tensions, potential tariff measures and slower global growth continue to cloud the export outlook. Although resilient manufacturing and targeted policy support should help cushion the slowdown, China is expected to continue relying on gradual structural reforms rather than broad-based macroeconomic stimulus to sustain medium-term growth.

Chart 15: China: Quarterly Real GDP Growth (YoY%)



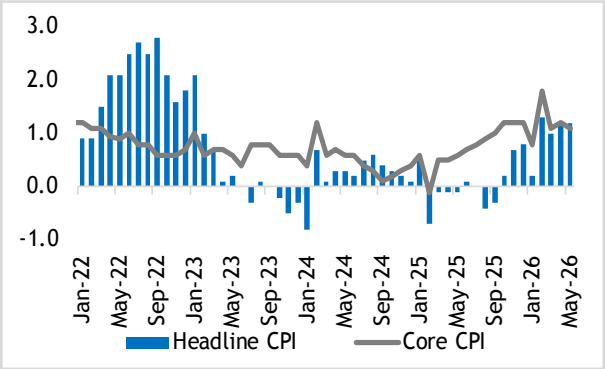
Source: IMF, MBSBR

Chart 16: China: Selected Economic Indicators (YoY%)



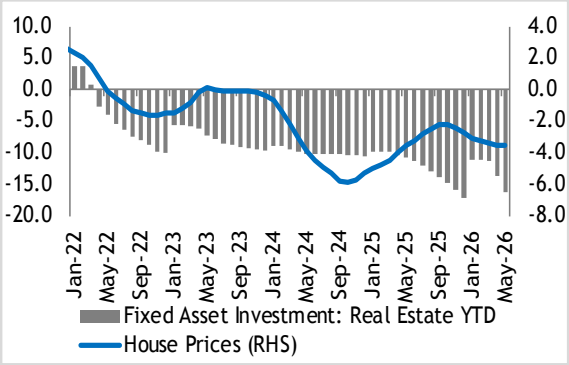
Source: Macrobond, MBSBR

Chart 17: China: CPI Inflation (YoY%)



Source: Macrobond, MBSBR

Chart 18: China: House Price vs. Fixed Asset Investment in Real Estate (YoY%)

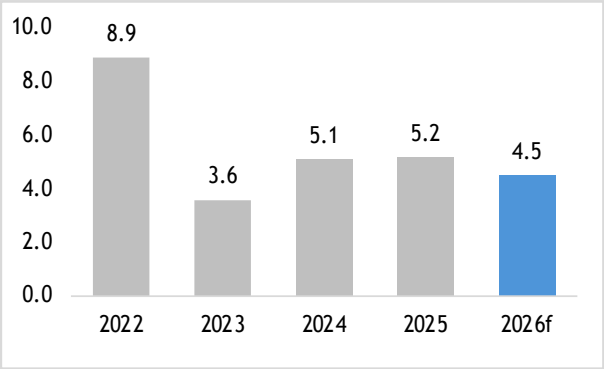


Source: Macrobond, MBSBR

MALAYSIA: DOMESTIC RESILIENCE AMID A VOLATILE GLOBAL BACKDROP

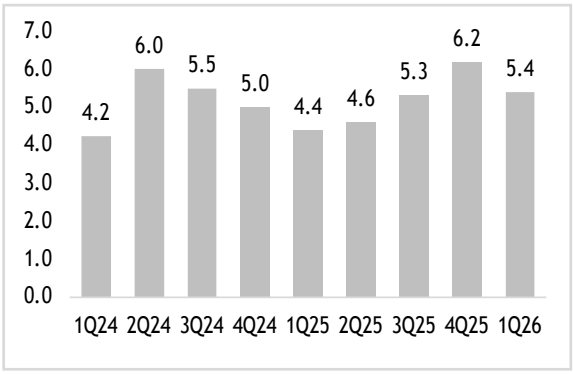
Domestic demand remains the growth anchor, cushioning external headwinds. We tweak our 2026 GDP growth forecast slightly higher to +4.5% (previous forecast: +4.2%), while still expecting overall growth to moderate from the strong +5.2% expansion recorded in 2025. The upward revision reflects stronger-than-expected economic performance in the first half of the year, underpinned by robust export growth in recent months and continued resilience in domestic demand. Going forward, private consumption is expected to remain the principal driver of economic activity, supported by a resilient labour market, steady wage growth, supportive fiscal measures and tourism-related spending under Visit Malaysia Year 2026 (VM2026). Meanwhile, industrial and investment activities are expected to remain supportive, driven by ongoing infrastructure projects, continued expansion in high-value investments and resilient demand from both domestic and external markets for commodities and manufactured goods. Nevertheless, growth momentum is likely to moderate in the second half of 2026 as elevated cost pressures, persistent global trade uncertainty and geopolitical risks continue to weigh on business activity and consumer spending.

Chart 19: Malaysia's Annual GDP Growth (YoY%)



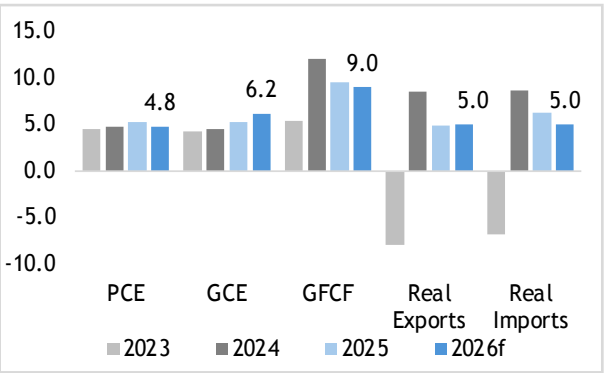
Source:Macrobond, MBSBR

Chart 20: GDP Growth Quarterly Growth (YoY%)



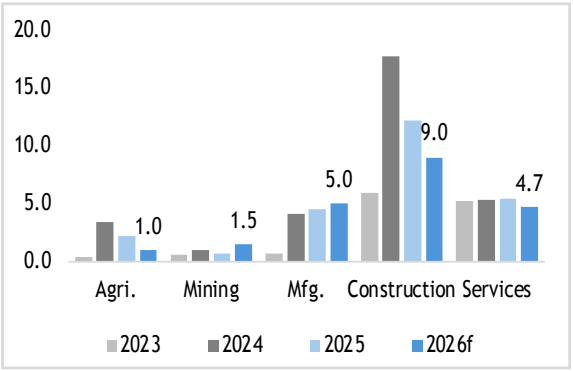
Source: Macrobond, MBSBR

Chart 21: GDP Growth by Expenditure (YoY%)



Source: Macrobond, MBSBR

Chart 22: GDP Growth by Supply (YoY%)



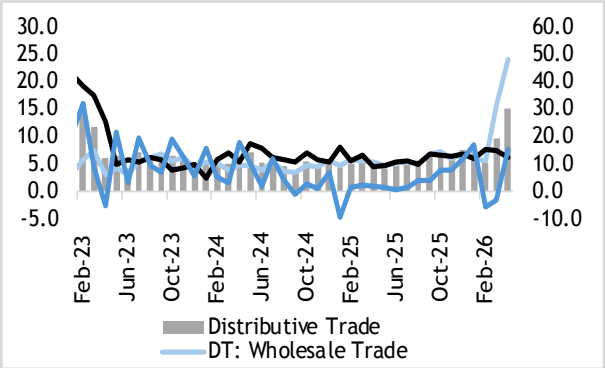
Source: Macrobond, MBSBR

Domestic resilience to persist & anchor growth. We expect domestic demand to remain the key pillar supporting Malaysia's economic growth in 2026, underpinned by a resilient labour market, steady income growth and sustained consumer spending. Retail trade is projected to expand by +5.5% (2025: +6.1%), supported by healthy employment conditions, rising wages, the second phase of the civil servant salary adjustment, as well as government cash assistance such as STR and SARA. Labour market conditions are expected to remain favourable despite some signs of softening recently, with the unemployment rate averaging 3.0% this year. We expect positive impacts on the job market from the implementation and progress of the 13th Malaysia Plan (13MP), the National Semiconductor Strategy (NSS), the New Industrial Master Plan 2030 (NIMP 2030), GEAR-UP initiatives, and investments in high-value sectors such as semiconductors, data centres and cloud services. Meanwhile, tourism-related activities are expected to provide an additional boost to household spending, supported by Visit Malaysia Year 2026 (VM2026), resilient regional tourist arrivals and continued strength in domestic tourism.

Risks to domestic demand. Nevertheless, domestic demand faces increasing downside risks from heightened global trade uncertainty, geopolitical tensions and elevated cost pressures, which could weigh on consumer confidence and discretionary spending. In addition, persistent external uncertainties and potential trade restrictions on export-oriented industries may soften employment and income growth, particularly in the manufacturing sector and related industries. Despite these challenges, Malaysia's resilient labour market, supportive fiscal measures and diversified sources of domestic demand are expected to cushion the impact of external headwinds and sustain private consumption growth throughout 2026. Meanwhile, the downside

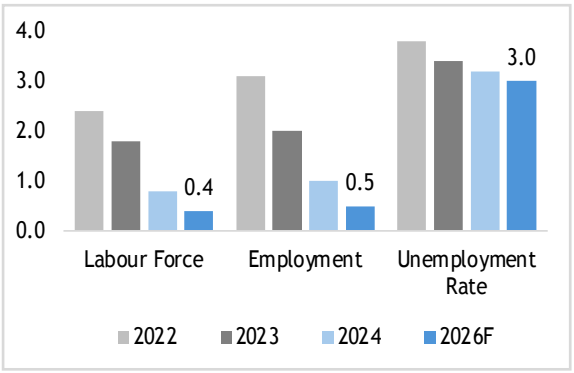
risks could be partly offset by continued expansion in domestic industrial capacity following strong foreign direct investment inflows in recent years, alongside resilient external demand for technology products and temporary inventory rebuilding by global manufacturers seeking to strengthen supply chain resilience.

Chart 23: Distributive Trade Sales Performance (YoY%)



Source: Macrobond, MBSBR

Chart 24: Labour Market Forecasts (%)



Source: Macrobond, MBSBR

Positive outlook across sectors. Malaysia's sectoral outlook for 2026 remains broadly positive, underpinned by the implementation of the 13th Malaysia Plan (13MP), the New Industrial Master Plan 2030 (NIMP 2030), the National Semiconductor Strategy (NSS), Budget 2026 initiatives and the Johor–Singapore Special Economic Zone (JS-SEZ), which continue to support investment, industrial upgrading and productivity enhancement. The services sector is expected to remain the primary growth driver, supported by a resilient labour market, rising incomes, tourism activities under Visit Malaysia 2026 and continued expansion in digital-related services. However, the services sector will be affected by a moderate rise in consumer spending amid higher living costs. Manufacturing growth is likely to remain supported by resilient domestic demand and sustained global demand for electrical and electronic (E&E) products, particularly AI- and data centre-related investments, despite lingering uncertainties surrounding global trade policies and geopolitical developments.

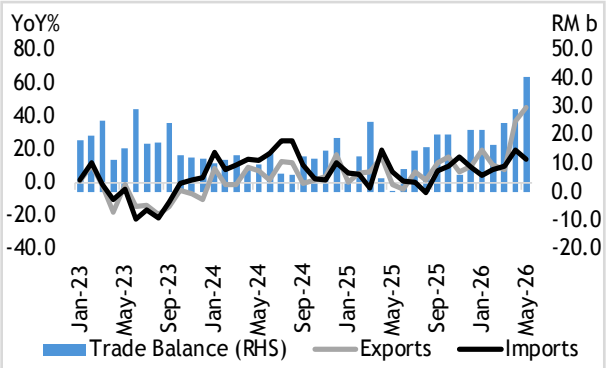
Boost from investment and higher demand amid heightened cost pressures. The construction sector is expected to continue expanding on the back of an ongoing infrastructure pipeline, private investment projects, and continued development of data centres, although growth is likely to moderate due to elevated input costs and execution risks. Meanwhile, the mining sector is likely to record modest growth, supported by stable crude oil and LNG production as well as relatively favourable energy prices, while the agriculture sector is expected to remain steady as firmer commodity prices are partly offset by higher production costs and weather-related uncertainties. Overall, despite elevated external headwinds, Malaysia's diversified economic structure and ongoing structural reforms are expected to continue supporting broad-based sectoral expansion in 2026.

Stronger-than-expected performance despite uncertainty. Malaysia's external trade is poised for a strong performance this year. We have revised our forecasts upward, expecting goods exports to expand more strongly by +14.0% (2025: +6.4%) and import growth to also accelerate to +9.0% (2025: +6.0%). This optimistic adjustment captures recent outperformance in trade volumes and the higher commodity and component prices. Export momentum will be driven by a combination of resilient re-export activity and structural tailwinds from the global tech cycle, which continues to fuel intense demand for E&E components. The higher commodity prices also boost the export values for commodity products, particularly petroleum products and LNG. However, tightening of US trade policies, supply bottlenecks, and high inflation eroding

final demand present downside risks to the export outlook. Meanwhile, imports will expand consistently due to healthy domestic absorption. This inward momentum is underpinned by robust private consumption, steady progress on localised investment projects, and Malaysia's strategic position in the global production network.

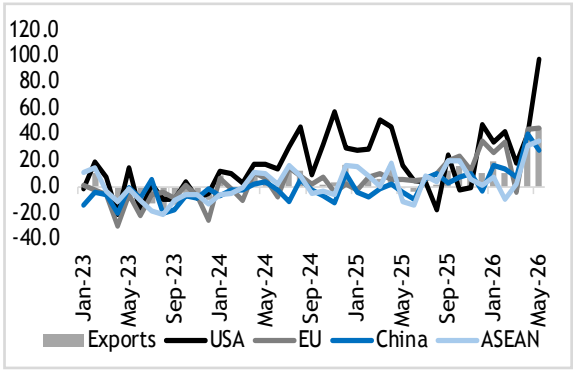
External risks and changes in US tariffs. Despite a robust start to the year, Malaysia's export trajectory remains highly vulnerable to external policy shifts. While the US Supreme Court's nullification of last year's reciprocal tariffs provided temporary legal relief, protectionist risks have quickly re-emerged via Washington's push for a broad-based global tariff under Section 122 authority. Furthermore, Malaysia and several other countries face US scrutiny and allegations over the use of forced labour and structural excess capacity in the manufacturing sector. Affirmative findings from the probes would result in the US imposing retaliatory duties, and once again could destabilise the external trade outlook. Destination-wise, outbound shipments will be supported by a multi-market strategy, targeting both existing and new markets.

Chart 25: External Trade Performances (YoY%)



Source: Macrobond, MBSBR

Chart 26: Exports by Major Markets (YoY%)

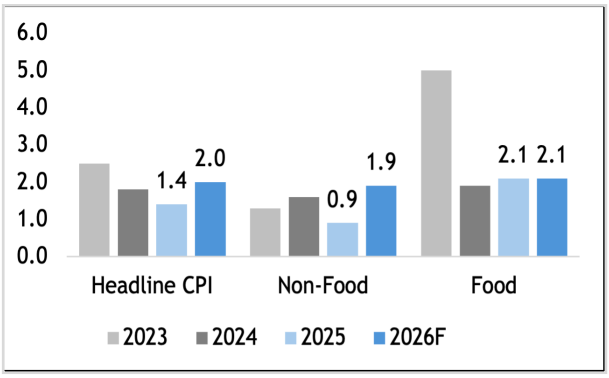


Source: Macrobond, MBSBR

Inflationary pressure remained a concern. We anticipate heightened domestic inflationary pressures driven by elevated global oil prices, which continue to elevate both business operating costs and retail consumer prices. While the government has reiterated its commitment to maintaining subsidised RON95 prices at current levels to insulate consumers, the fiscal burden is growing but has subsided as oil prices have eased. Should global crude prices remain elevated for an extended period, any eventual upward adjustment to the subsidised fuel cap will directly feed into CPI inflation; however, the current lower oil prices reduce this probability. Consequently, significant upside price risks persist, particularly for segments excluded from the BUDI95 targeted subsidy framework who face the immediate impact of recent hikes in unsubsidised fuel prices. Meanwhile, businesses are not fully shielded from the oil price hikes. As MSMEs face a surge in unsubsidised fuel costs, the resulting spike in logistics and operational overheads will likely trigger a cost pass-through to consumers, as evidenced by the cost pressures in Malaysia surging in Apr-26 as PPI rebounded to +5.4%yoy (Mar-26: +1.1%yoy), marking the second straight month of inflation after 12 months of deflation. The turnaround in PPI reflects that producer prices have been rising at the fastest pace since August 2022, signalling producer-level cost pressures intensifying amid mounting disruptions from the war in Iran. Furthermore, elevated fertiliser costs are expected to seep into the food supply chain, driving up production expenses. Consequently, we anticipate sustained inflationary pressure driven primarily by these supply-side disruptions. Meanwhile, core inflation's gradual uptrend points to a mild build-up in demand from robust consumer spending; however, stable and moderate readings in recent months indicate these pressures remain well contained. We assume the renewed rise in cost pressures and gradual buildup in demand pressures would push inflation higher than we previously expected; therefore,

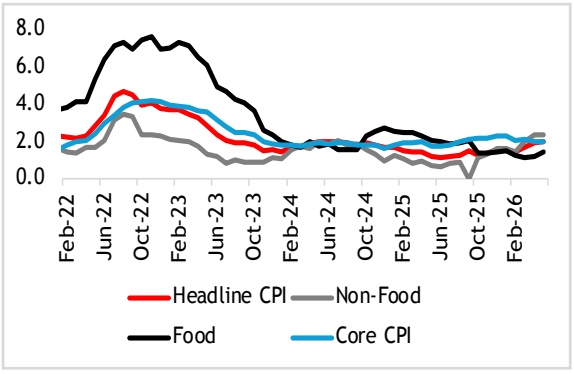
we keep our inflation forecast for the year higher at +2.0% (previous forecast: +1.8%). We also foresee that inflation performance might be moderated, especially in the 2HCY26, due to the base effect from the stronger inflation figures last year.

Chart 27: Inflation Forecast (YoY%)



Source: Macrobond, MBSBR

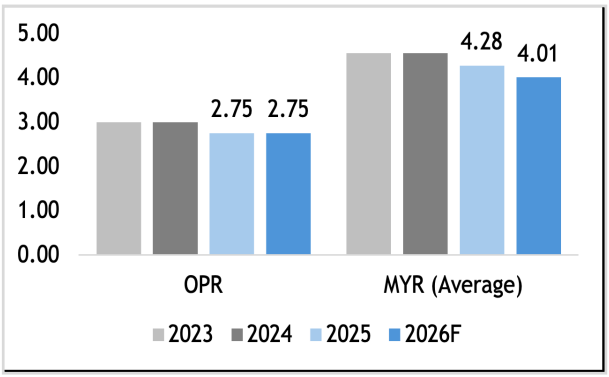
Chart 28: Inflation by Major Components (YoY%)



Source: Macrobond, MBSBR

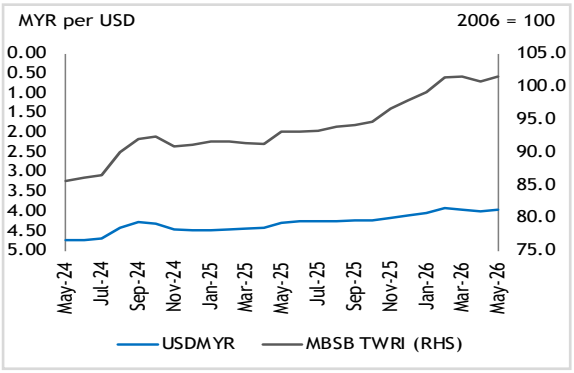
OPR to remain unchanged. Backed by steady domestic growth dynamics and well-contained inflation, Bank Negara Malaysia (BNM) is expected to maintain a steady policy posture, keeping the Overnight Policy Rate (OPR) at 2.75% through year-end. We opine that BNM's latest decision to keep OPR unchanged after the May-26 monetary policy meeting reflects confidence that Malaysia's domestic economic growth remains resilient while inflation stays manageable, despite heightened external vulnerabilities from geopolitical risks which drive up domestic cost pressures. Policymakers flagged uncertainties from heightened tensions in the Middle East, noting that sharp increases in energy prices and supply chain disruptions weighed on global growth momentum and could cause domestic inflation to edge higher. At the moment, we maintain our 2026 inflation forecast at +2.0%, albeit with an upside bias from higher energy and production costs. Nevertheless, we believe supply-driven inflation will not prompt BNM to raise the OPR as demand-pull inflation remains well-contained because consumers trim their discretionary spending to absorb higher energy-related costs. Under these conditions, an OPR hike would impose an unfavourable dual burden on households and businesses by increasing debt-servicing costs and further tightening domestic financial conditions. Only if domestic demand proves unexpectedly resilient despite the inflationary backdrop, resulting in broader demand-driven price pressures, would there be greater scope for BNM to raise the OPR to keep inflation under control.

Chart 29: Monetary Policy & USDMYR Forecast (%)



Source: Macrobond, MBSBR

Chart 30: USDMYR vs MBSB Trade-Weighted Ringgit Index (TWRI)

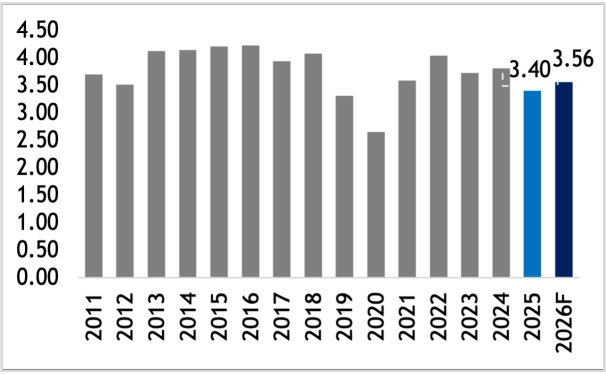


Source: Macrobond, MBSBR

We expect the ringgit to weaken from the previous expectations. The near-term outlook for the ringgit exchange rates would be heavily influenced by external headwinds, driven by the strong bullish momentum and prospects supporting the US dollar. Safe-haven flows stemming from global geopolitical instability, coupled with higher inflation, support the US Fed in tightening its monetary policy setting. As the Fed maintains a higher-for-longer policy stance, the widening nominal interest rate differential favours the greenback over emerging market currencies, triggering portfolio capital outflows from local fixed-income assets. This pressure is mirrored in the yield spread between the 10-year US Treasury (UST10) and 10-year Malaysian Government Securities (MGS10), where a compressed or negative spread risks accelerating debt market outflows and validates Bank Negara Malaysia's cautious stance. Nonetheless, any severe structural downside for the ringgit may be limited by robust domestic macroeconomic strength, with a resilient GDP growth trajectory, a healthy labour market, and sustained foreign direct investment (FDI) inflows effectively capping excessive currency depreciation. In addition, the robust exports and higher trade surplus are also supportive of the ringgit outlook. A more upside boost to the ringgit could come from a possible improved inflation outlook, as the expected rate hike by the Fed may only be an "adjustment hike" rather than a series. Given that the local currency has been trading weaker than our previous expectation, we adjust our ringgit forecast to be relatively weaker; we expect the ringgit to average around RM4.01 in 2026 (previous forecast: RM3.92) and move towards RM4.03 by end-2026 (previous forecast: RM3.85).

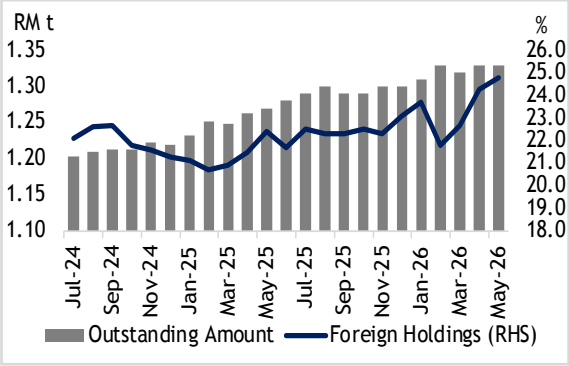
10Y MGS yield to end year towards 3.56%. We adjust our year-end 2026 forecast for the 10-year Malaysian Government Securities (MGS) yield to 3.56%, slightly higher than our previous forecast of 3.50%. Following the recent repricing in the bond market, the spread between the 10-year MGS yield and the OPR has widened and normalised from +50-60bps previously to around +80-90bps, close to the historical average of +98bps recorded over 2015–2025. While MGS yields are expected to remain sensitive to movements in US Treasury (UST) yields amid the Fed's higher-for-longer policy stance, we expect the recent upward adjustment in domestic yields to partially reverse, reflecting improved investor confidence in Malaysia's fiscal position and economic fundamentals. In addition, expectations of renewed foreign inflows into the Malaysian debt market are likely to support demand for government bonds, allowing the 10-year MGS yield to ease modestly towards 3.56% by year-end. Nevertheless, near-term volatility is expected to persist as markets continue to assess global trade uncertainty, inflation risks, and the trajectory of US monetary policy.

Chart 31: Average 10-Year MGS Yield Forecast (%)



Source: Bloomberg, MBSBR

Chart 32: Share of Foreign Holdings of Total Outstanding Government Bonds (%)



Source: Macrobond, Bondstream, MBSBR

Table 3: Selected Macroeconomic Data: Past Performance and Latest Projection (%)

(YoY %) Unless Stated Otherwise	2022	2023	2024	2025	2026F
Real GDP	8.9	3.6	5.2	5.2	4.5
Govt. Consumption	5.1	4.3	4.6	5.3	6.2
Private Consumption	11.3	4.6	4.8	5.3	4.8
Gross Fixed Capital Formation	6.8	5.4	12.1	9.6	9.0
Govt. Investment	5.3	8.5	11.1	10.3	8.0
Private Investment	7.2	4.5	12.4	9.4	6.0
Exports of goods & services;	14.5	-7.9	8.6	4.9	5.0
Goods Exports	11.0	-12.5	5.9	2.9	5.5
Services Exports	58.3	32.9	24.2	15.2	5.5
Imports of goods & services;	16	-6.8	8.7	6.3	5.0
Goods Imports	14.4	-10.9	9.6	6.6	4.9
Services Imports	25.7	16.1	5.0	5.0	5.5
Net Exports	-1.5	-22.2	6.7	-15.6	5.0
Agriculture etc.	1.3	0.4	3.4	2.2	1.0
Mining & Quarrying	3.5	0.6	1.0	0.7	1.5
Manufacturing	8.2	0.7	4.2	4.5	5.0
Construction	5.1	5.9	17.7	12.2	9.0
Services	11.3	5.2	5.3	5.4	4.7
Exports of Goods (f.o.b)	24.9	-8.0	5.7	6.0	14
Imports of Goods (c.i.f)	31.0	-6.4	13.2	5.5	9.0
Headline CPI Inflation (%)	3.4	2.5	1.8	1.4	2.0
Current Account, % of GDP	3.2	1.1	1.4	1.6	2.5
Fiscal Balance, % of GDP	-5.6	-5	-4.1	-3.8	-3.8
Federal Government Debt, % of GDP	60.1	64.3	64.6	65.3	65
Unemployment Rate (%)	3.8	3.4	3.3	3.0	3.0
Brent Crude Oil (Avg), USD per barrel	102	82.2	79.9	68.2	80 - 90
Crude Palm Oil (Avg), MYR per tonne	5,262	3,813	4,194	4,305	4,300
USD/MYR (Avg)	4.4	4.56	4.56	4.28	4.01
USD/MYR (End-period)	4.35	4.59	4.47	4.06	4.03
MGS 10-Yr Yield (Avg)	4.07	3.86	3.83	3.58	3.58
MGS 10-Yr Yield (End-period)	4.04	3.73	3.84	3.53	3.56
Overnight Policy Rate (%)	2.75	3.00	3.00	2.75	2.75

Source: Macrobond, National Sources, MBSBR

III. MARKET OUTLOOK

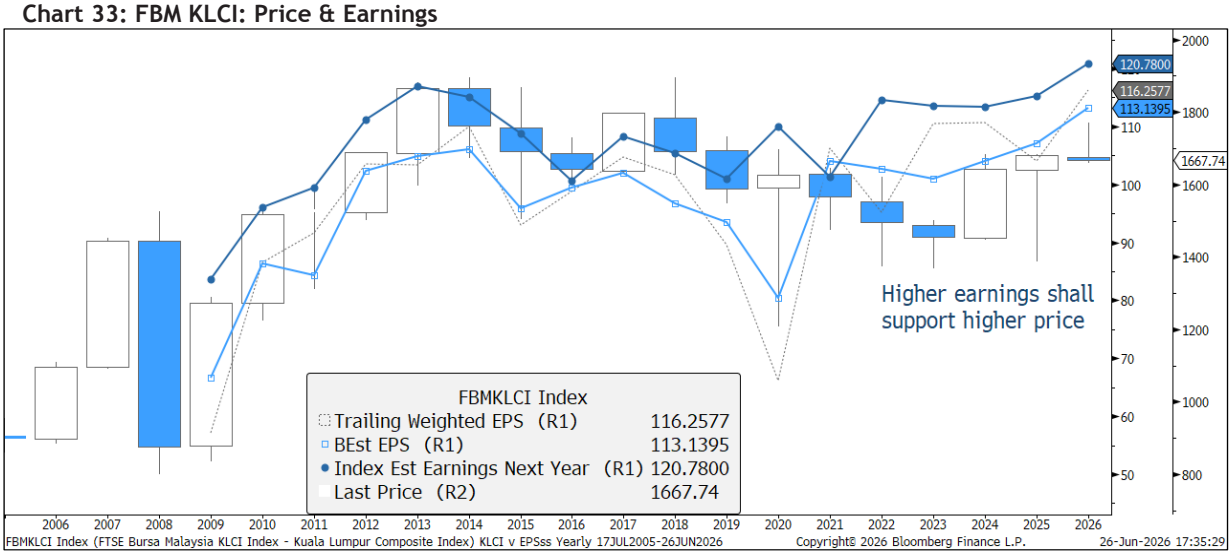
A washed-out 1HCY26 on hawkish US rate outlook. The FBM KLCI fell -0.7% in 1HCY26 (until 26 June). As recent as May, the FBM KLCI was up by more than +5%ytd. However, all the gains were wiped out during the past six weeks (since mid-May) as the US interest rate outlook turned hawkish while the USD/MYR rate began to climb and foreign funds were exiting the local listed equities in earnest.

In 2HCY26, expect the market to adopt an optimistic, albeit cautious posture. Going forward into 2HCY26, we expect the local equity market to adopt an optimistic, albeit cautious, posture. The optimism shall be underpinned by several tailwinds, namely a healthy macro as well as a corporate earnings outlook and supported by relatively undemanding equity valuations. However, we also reckon the positive vibe would be moderated by prevailing headwinds, particularly the likelihood of a Fed rate hike as well as lingering uncertainties over the still unsettled conflict in the Middle East.

TAILWINDS

Sanguine economic growth outlook… In 2HCY26, we expect Malaysia economy to see continued expansion in domestic demand. In view of robust growth in 1H26 and better-than-expected export performance recently, we raised our 2026 GDP estimate for Malaysia (from +4.2%) to +4.5%.

Chart 33: FBM KLCI: Price & Earnings



Source: MBSBR, Bloomberg (G15); *Note: Both Y-axes are scaled to the Price/Earnings ratio of 16.0x

…and positive earnings growth. Similarly, the local corporate earnings in 2026 shall be supported by domestic drivers amid external uncertainties. The consensus currently expects FBM KLCI earnings to grow by +8.8% this year to 113.1 points.

Market supported by relatively undemanding valuations. Moreover, the PER valuation of the local equity market is undemanding. The FBM KLCI is currently trading at 1,668 points or PER26 of 14.7x, a historically inexpensive valuation vis-à-vis its 10-year average PER of 16.0x.

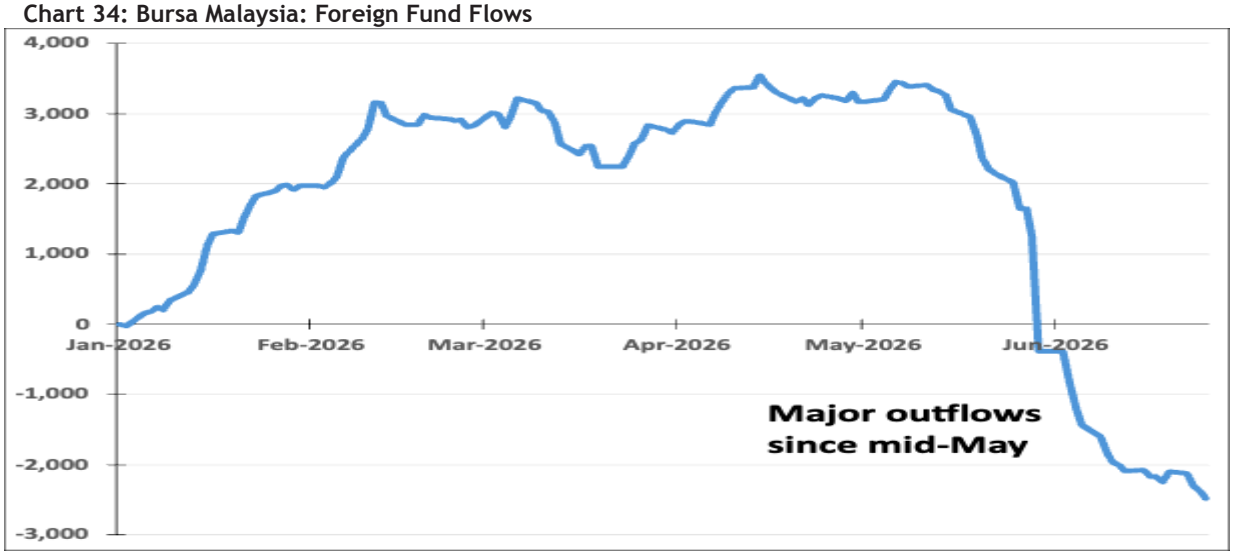
HEADWINDS

Fed rate hike in the offing... Despite substantially lower crude oil prices in reaction to the US-Iran MOU, the interest rate futures market currently implies (as per CME FedWatch aggregated probabilities) a high chance of a +25bp rate hike in September 2026.

...as energy prices seep into other parts of the economy. Since early this year, the US interest rate outlook has shifted from dovish to hawkish [early-Jan to mid-Mar: 2 cuts; mid-Mar to early-Apr: 1 cut; early-Apr to mid-May: 0 cuts; mid-May to present: 1 hike]. The shift was initially driven by the primary effects of higher energy prices but is now attributable to secondary effects as energy costs seep into other parts of the economy. Recently, the US Fed sharply raised its median core PCE inflation forecast for 2026 to 3.3% (up from 2.7% in March).

Weaker Ringgit. Consequent to the prospect of a Fed rate hike, the greenback began to strengthen against major currencies, with the US Dollar index (DXY) rising from its May low of around 98 points to more than 101 points recently, the highest level since May last year. Similarly, the Ringgit weakened against the US Dollar as the USD/MYR rate climbed from the May low of circa 3.91 to as high as 4.15 recently, the highest level since November last year.

Chart 34: Bursa Malaysia: Foreign Fund Flows



Source: Bursa Malaysia, MBSBR

Outflow of foreign funds. Consequent to the weaker Ringgit, foreign funds net sold local listed equities. Since mid-May, the cumulative net selling amount has been -RM5.8b. Moreover, total foreign fund flow year-to-date dropped from above +RM3b around mid-May to below -RM2.0b recently.

INDEX TARGETS

Favourable Middle East outcome... Our baseline scenario (as outlined in the 2QCY26 outlook report) foresaw the benchmark Brent crude oil at USD100-120pb during the peak conflict period, and subsequently averaged USD90pb for the year as conflict intensity started to unwind. Thus far, the actual outcome is more favourable than expected, with Brent crude oil trading at less than USD75pb.

...and healthy fundamentals... Against the above backdrop, the FBM KLCI should retain its upward mid-term price trend, underpinned by expectations of (1) continued healthy GDP growth and (2) a recovery in earnings growth in 2026.

Chart 35: FBM KLCI: Trend Channels

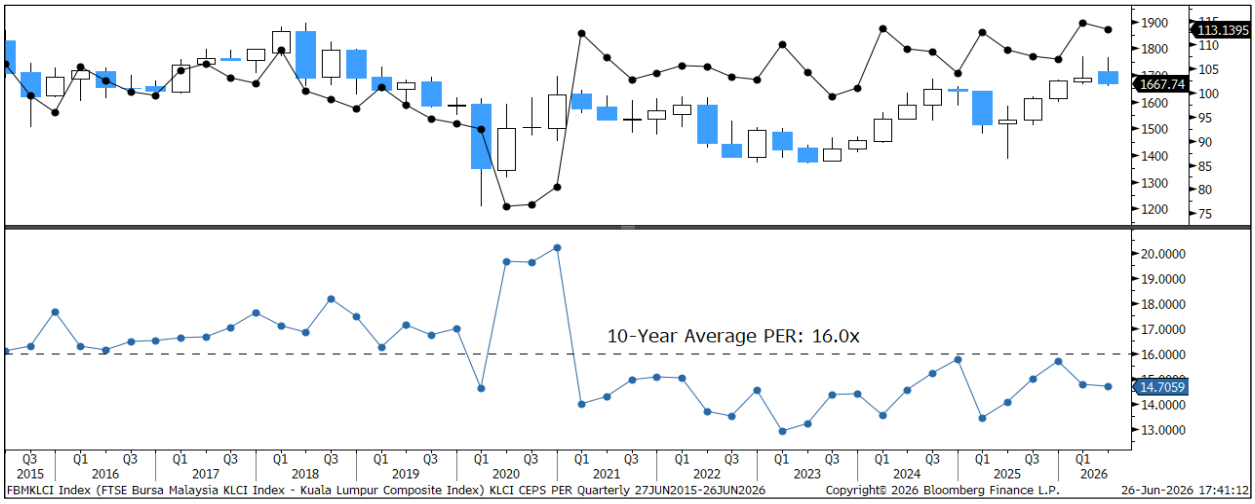


Source: TradingView, MBSBR

...against headwinds from a potential US rate hike. However, the prospect of a US rate hike (i.e. tighter financial liquidity) has adversely impacted our currency performance, fund flows, and equity valuations. Consequently, the FBM KLCI is losing price momentum and may fail to sustain its upward mid-term price trend.

FBM KLCI

Calendar Year	Earnings (Points)
CY2026 (E)	113.1

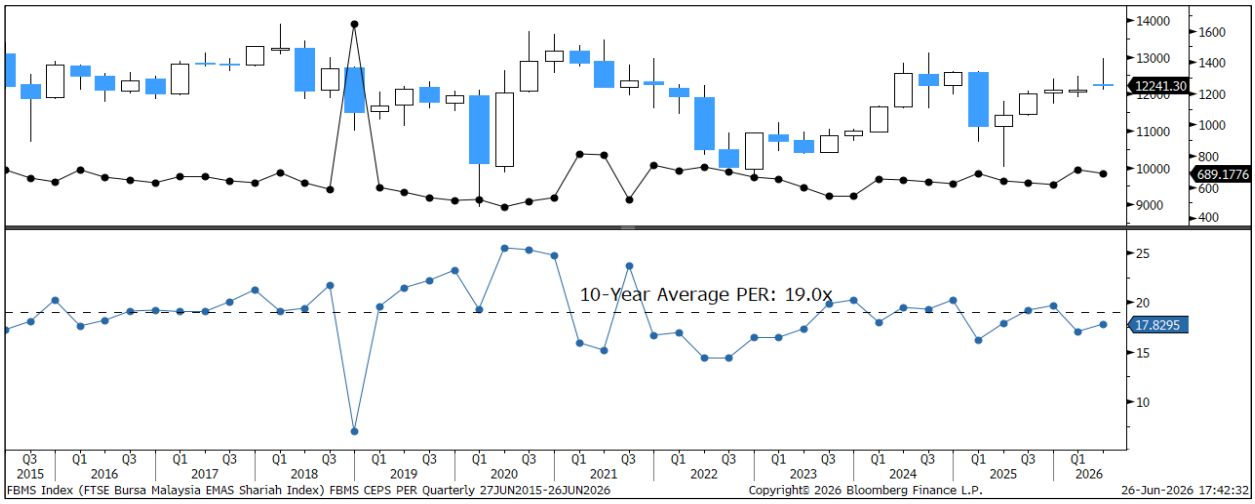


Source: MBSBR, Bloomberg (G5)

Revise down the FBM KLCI 2026 target (from 1,800 points) to 1,770 points. In view of the moderating factors mentioned above, we cut our FBM KLCI 2026 baseline target to 1,770 points or PER26 of 15.6x (based on the 2026 consensus earnings estimate of 113.1 points).

FBM EMAS SHARIAH

Calendar Year	Earnings (Points)
CY2026 (E)	689.2

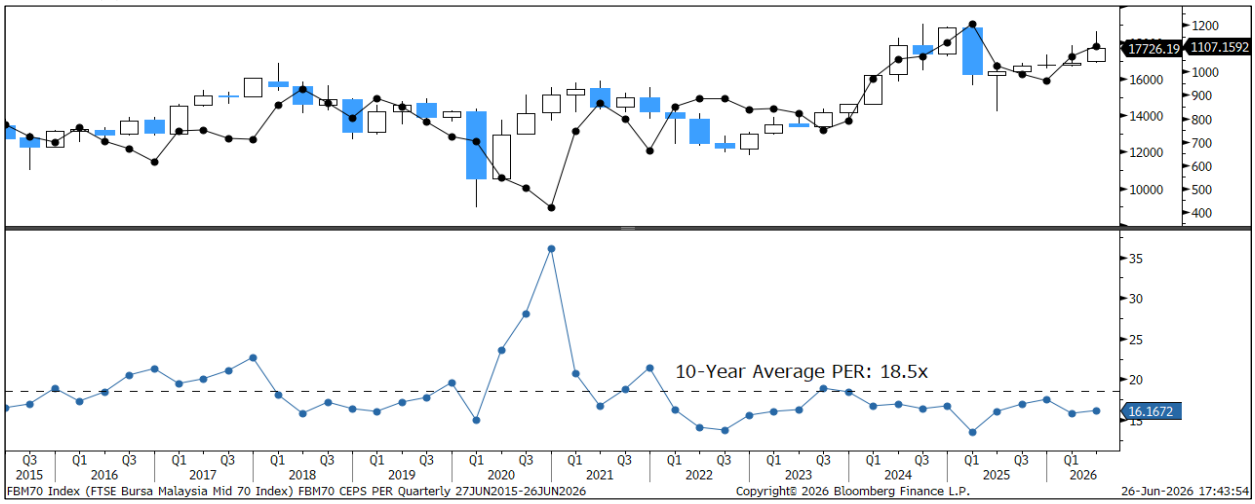


Source: MBSBR, Bloomberg (G6)

Revise down the FBM Emas Shariah 2026 target (from 13,100 points) to 12,900 points. Likewise, in view of the moderating factors mentioned above, we cut our FBM Emas Shariah 2026 baseline target to 12,900 points or PER26 of 18.7x (based on the 2026 consensus earnings estimate of 689.2 points).

FBM 70

Calendar Year	Earnings (Points)
CY2026 (E)	1,107.2



Source: MBSBR, Bloomberg (G7)

Revise down the FBM 70 2026 target (from 18,900 points) to 18,600 points. Similarly, in view of the moderating factors mentioned above, we cut our FBM70 2026 baseline target to 18,600 points or PER26 of 16.8x (based on the 2026 consensus earnings estimate of 1,107.2 points).

IV. STOCK SELECTION

Adopt an optimistic but cautious stock selection strategy. Going into 2HCY26, we recommend adopting an optimistic, albeit cautious stance. Our optimism is supported by healthy domestic macro fundamentals, positive corporate earnings expectations and relatively undemanding valuations. However, our positive view is moderated by external headwinds, particularly the likelihood of a US Fed rate hike, Ringgit weakness, foreign fund outflows and lingering uncertainties over the Middle East conflict. As such, we opine that a stock selection should not be overly aggressive but should balance defensive resilience with selective exposure to recovery and growth opportunities.

Sector preference for 2HCY26. Overall, we prefer sectors that offer either defensive earnings visibility or clear domestic recovery catalysts. These include utilities, consumer, banking, telecommunications, construction and selected technology. We also see scope for renewed interest in domestic themes such as VMY2026, renewable energy projects, construction activity, data-centre investments and resilient consumption once the market digests the US Fed event.

Starting with a defensive core. We believe defensive names should remain the foundation in 2HCY26, especially as markets may remain volatile in 3QCY26 while investors price in the possibility of a US rate hike. A higher US rate environment could strengthen the US dollar, pressure the Ringgit, tighten liquidity conditions and dampen emerging-market risk appetite. In Malaysia, this could translate into renewed foreign flow volatility. Therefore, stocks with regulated earnings, recurring demand, dividend support and lower earnings volatility should help cushion downside risks.

Utilities and essential consumer names remain preferred defensive anchors. Within the defensive space, we favour **Tenaga Nasional (BUY, TP: RM16.40)**, **YTL Power (BUY, TP: RM5.65)** and **99 Speed Mart (BUY, TP: RM4.37)**. Tenaga Nasional offers regulated utility earnings and dividend support, making it suitable during uncertain market conditions. YTL Power provides defensive utility exposure with additional growth optionality from structural growth themes. Meanwhile, 99 Speed Mart benefits from essential retail demand and value-seeking behaviour, which should remain resilient even if households turn more cautious.

Add selective value and recovery exposure. While defensiveness remains important, we do not recommend a purely defensive portfolio at the current juncture, given that the market may recover after the US Fed's adjustment hike. Malaysia's economic backdrop remains supportive, with growth underpinned by domestic demand, household spending, investment activity, E&E exports and travel-related services. In addition, local corporate earnings are expected to recover in CY26. This supports selective exposure to value and recovery names that can benefit if sentiment improves after the US Fed event.

Financials and telcos should provide balance. We favour **CIMB (BUY, TP: RM9.29)**, **Hong Leong Bank (BUY, TP: RM30.50)** and **CelcomDigi (BUY, TP: RM3.54)** as core value and stabilising exposures. CIMB should benefit if risk appetite improves, foreign flows return, and financials begin to lead the market again. Hong Leong Bank offers quality banking exposure, balance-sheet strength, resilient earnings and dividend support. CelcomDigi provides recurring telco revenue, with potential upside from merger synergies and 5G monetisation.

Consumer value names remain relevant. We also like **Mr DIY (BUY, TP: RM2.13)** as a defensive consumer name with recovery characteristics. The stock benefits from value-for-money spending and downtrading behaviour, while still offering growth exposure through store expansion and resilient household essentials demand. This makes it suitable for a market environment where consumers remain supported, but investors are still cautious about discretionary spending.

Increase exposure to recovery beneficiaries if macro risks fade. We recommend selective exposure to cyclical and recovery names on the premise of the possibility that the Middle East situation continues to de-escalate, oil and freight costs ease, and the US Fed signals that any rate hike is an "adjustment hike" rather than the start of a sustained tightening cycle. In this context, **Petronas Chemicals (BUY, TP: RM6.60)** is preferred as it provides industrial and chemicals recovery exposure if macro risks fade and global demand sentiment improves.

Retain selected growth exposure. We believe investors should retain selective growth exposure to participate in market recovery later in 2HCY26. The market could recover once US Fed policy uncertainty clears, particularly if the rate hike is perceived as one-and-done and accompanied by easing oil prices, reduced supply-chain pressure and resilient corporate earnings. In this scenario, growth names with clear domestic or global thematic drivers could outperform. Given this backdrop, we favour **Gamuda (BUY, TP: RM5.60)** and **Inari Amertron (BUY, TP: RM2.95)**. Gamuda provides infrastructure and construction growth exposure, supported by order book execution and domestic project catalysts. Inari Amertron offers technology and semiconductor-cycle exposure, which could benefit if global risk appetite improves and AI-related investment momentum continues to support technology names.

Below are our top picks for 2HCY26 that we believe will benefit from both defensive resilience and renewed upside in recovery sectors:

Table 4: Overall Top Stock Picks (Ranked by Total Return)

	Rec.	Price (RM) @ 26/6/26	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
Petronas Chemicals	BUY	4.02	6.60	64.2%	3.4%	67.6%	4	Y
Hong Leong Bank	BUY	21.68	30.50	40.7%	4.7%	45.4%	4	Y
YTL Power	BUY	4.10	5.65	37.8%	2.0%	39.8%	3	Y
CelcomDigi	BUY	2.70	3.54	31.1%	5.3%	36.4%	4	Y
Inari Amertron	BUY	2.20	2.95	34.1%	2.2%	36.3%	4	Y
Gamuda	BUY	4.25	5.60	31.8%	2.4%	34.1%	4	Y
Mr D.I.Y.	BUY	1.63	2.13	30.7%	3.3%	34.0%	3	Y
CIMB Group	BUY	7.41	9.29	25.4%	6.3%	31.6%	4	Y
99 Speed Mart	BUY	3.55	4.37	23.1%	1.2%	24.3%	2	N
Tenaga Nasional	BUY	14.34	16.40	14.4%	3.9%	18.2%	4	Y

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

Additional Shariah picks to complement the core list. Beyond our existing preferred names, we also highlight **Petronas Gas (BUY, TP: RM19.25)**, **Telekom Malaysia (BUY, TP: RM8.31)**, **Sunway Construction (BUY, TP: RM8.19)** and **Life Water (BUY, TP: RM1.63)** as additional Shariah-compliant picks. These names complement our 2HCY26 strategy by adding defensive utility exposure, recurring telco income, construction beta and a direct bottled-water demand theme. We prefer Life Water given its clearer near-term catalyst from hotter and drier weather conditions, while still fitting the broader defensive-consumption theme.

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

	Rec.	Price (RM) @ 26/6/26	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
Petronas Chemicals	BUY	4.02	6.60	64.2%	3.4%	67.6%	4	Y
CelcomDigi	BUY	2.70	3.54	31.1%	5.3%	36.4%	4	Y
Inari Amertron	BUY	2.20	2.95	34.1%	2.2%	36.3%	4	Y
Gamuda	BUY	4.25	5.60	31.8%	2.4%	34.1%	4	Y
Mr D.I.Y.	BUY	1.63	2.13	30.7%	3.3%	34.0%	3	Y
Tenaga Nasional	BUY	14.34	16.40	14.4%	3.9%	18.2%	4	Y
Sunway Construction	BUY	7.32	8.19	11.9%	6.3%	18.2%	4	Y
Telekom Malaysia	BUY	7.46	8.31	11.4%	5.0%	16.4%	4	Y
Petronas Gas	BUY	17.54	19.25	9.7%	4.1%	13.9%	4	Y
Life Water	BUY	1.46	1.63	11.6%	1.5%	13.2%	3	N

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

For small-mid cap exposure, we highlight additional **Ranhill Utilities (BUY, TP: RM2.56)**, **Pekat Group (BUY, TP: RM2.03)**, **Samaiden Group (BUY, TP: RM1.88)**, **Matrix Concepts (BUY, TP: RM1.55)**, **Leong Hup International (BUY, TP: RM1.07)**, **Deleum (BUY, TP: RM1.65)** and **Zetrix AI (BUY, TP: RM1.24)**. These names provide a balanced mix of defensive utility exposure, renewable energy growth, domestic property demand, essential food consumption, energy services recovery and selective technology upside.

Table 6: Top Small-Mid Caps Stock Picks (Ranked by Total Return)

	Rec.	Price (RM) @ 26/6/26	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
Zetrix	BUY	0.77	1.24	61.0%	5.6%	66.6%	4	Y
Deleum	BUY	1.14	1.65	44.7%	7.9%	52.6%	4	Y
Leong Hup	BUY	0.76	1.07	41.7%	3.8%	45.6%	2	N
Samaiden	BUY	1.37	1.88	37.2%	2.2%	39.4%	3	Y
Inari Amertron	BUY	2.20	2.95	34.1%	2.2%	36.3%	4	Y
Matrix Concepts	BUY	1.19	1.55	30.3%	6.1%	36.3%	3	Y
Ranhill Utilities	BUY	1.93	2.56	32.6%	0.5%	33.2%	3	Y
Pekat Group	BUY	1.69	2.03	20.1%	0.6%	20.7%	-	-
Sunway Construction	BUY	7.32	8.19	11.9%	6.3%	18.2%	4	Y
Life Water	BUY	1.46	1.63	11.6%	1.5%	13.2%	3	N

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

B. SECTORS OUTLOOK

I. BANKING

Strong dividend outlook and NIM optimism.....Maintain POSITIVE

Analyst: ***Samuel*** *Woo Choong Yi*

We remain POSITIVE on the banking sector, premised on strong dividend outlook and NIM optimism. The conflict in the Middle East seems to have come to a de-escalation phase, but it may take time for cost pressures to fully normalise. Hence, we can expect some lingering downsides in future. The main problems lie largely in asset quality/provisioning, though loan growth and OPEX inflation pressure may also throw a wrench into plans.

Some degree of asset quality irritation. To clarify, we do expect some degree of asset quality irritation, largely from the SME and retail categories. As mentioned previously, it will take some time for supply chain disruptions to normalise upon the reopening of the Straits of Hormuz and expect these issues to manifest in subsequent quarters. Regardless, we are not expecting anything overly dramatic, with most banks keeping it cool in the last results briefing — and we doubt banks will set aside too large a chunk of overlays, as most of the uncertainty seems to be already past us.

Loan growth - latest banking stats remain extremely reassuring. We opine, though, that the loan growth slowdown would be a bigger issue. However, the latest banking stats remain extremely reassuring, particularly at the business loan end. Banks which will continue to face the most pressing loan growth issues are MAY and CIMB, but this is due to forex fluctuations, rather than a cooling loan pipeline. More importantly, banks have more flexibility to regrow their higher-yielding loan segments, as the brunt of asset quality concerns is assuaged.

NIM is expected to see a bit more positivity as we can safely rule out any further rate cuts. Rate hikes are a possibility in light of rising inflation, but we do not expect anything this year, at the current juncture. The liquidity situation is tightening, though there remains a fair amount of cheap CASA in the market, and banks are once again free to regrow the higher-yielding segments of their loan book. What is less positive is the NOII situation. While fee income could see some promise, the normalisation of non-fee income has weighed heavily on 1QCY26 results. Regardless, most banks are guiding a stronger investment outlook ahead.

Fundamentally, the banking sector remains sound, though what started off as a great year is now merely a decent one after the events of recent months. Profitability and growth may take a bit of a hit, but it is nothing that banks cannot shrug off. Banking names remain very strong defensive picks, especially given the local segment's high capitalisation and dividend yields (capital freed from Basel implementation) in 2HCY26, which adds a little bit of upside to dividend payouts. From a valuation standpoint, local banks remain cheap, especially after the IDX's recent rally.

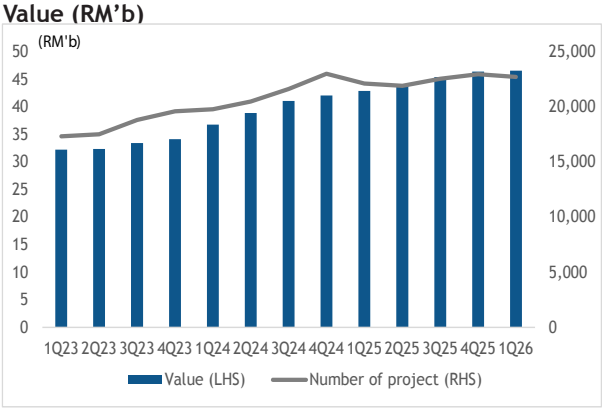
Top Picks. Our top picks remain **HL Bank (BUY, TP: RM30.50)** for its high loan growth, defensive qualities, and excellent NOII growth potential, as well as **CIMB (BUY, TP: RM9.29)** for its high dividend yields (bolstered by special dividends, optimism on NIM and ROE enhancement upon completion of Thai restructuring activities.

II. CONSTRUCTION

Project execution as the key; Pending for better visibility .....Maintain POSITIVE

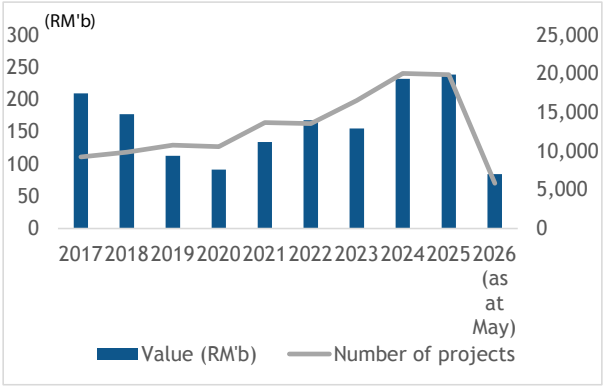
Analyst: ***Ming San*** *Soong*

Chart 36: Quarterly No. of Construction Projects and Value (RM'b)



Source: DOSM, MBSBR

Chart 37: Annual No. of Construction Projects and Value (RM'b)



Source: CIDB, MBSBR

Riding on a sustained growth trajectory. Data from the Department of Statistics Malaysia (DOSM) showed that for 1QCY26, Malaysia's construction sector showed strong growth, expanding +8.5%, hitting RM46.5b, maintaining positive momentum in 4QCY25 with a +10.3%yoy growth, driven by widespread project execution. For the eighteenth consecutive quarter, the construction sector remained on a positive trajectory, largely flattish +0.33%qoq in 1QCY26, moderating from +2.13%qoq in 4QCY25. The value of work done rose to RM46.5b, involving a total of 22,716 projects. Out of these, construction of buildings made up RM24.4b or 52.4% of the work done, followed by construction of utility projects at RM8.30b (17.8%) and construction of roads and railways at RM6.11b (13.1%). The Klang Valley is still where most of the activities are centred, with 33.7% of the work done. Johor came in second at 20.4%, followed by Sarawak at 9.8%.

Gradually Unlocking DC opportunities. Malaysia continues to strengthen its position as a regional data centre (DC) hub, supported by robust investment inflows and favourable global industry trends. DC construction awards reached RM6.5b in 1HCY26, which is already at 70% of CY25 awards (RM9.3b). According to MIDA, approved investments in the Information and Communications subsector reached RM38.9b in 1QCY26, of which RM34.6b (88.9%) came from 33 data centre and cloud computing projects, reflecting sustained demand driven by AI adoption and digital transformation. Looking ahead, we estimate another RM20b–28b of DC-related construction opportunities could gradually materialise, supported by committed power demand and phased DC campus development. During 1QCY26, TNB signed three new electricity supply agreements totalling 800MW, raising the total power requirement from uncompleted DC projects to 3.8GW. This underscores the significant scale of investments still progressing through the approval and development cycle. Assuming a 70% IT load conversion ratio, the 2.0GW ESA-approved pool could support about 1.4GW of IT capacity. By applying a construction cost assumption of RM20m per MW, this translates to a potential contract value of around RM28b.

Eyeing the mega projects roll out in 2HCY26. Our economics team has maintained their forecasted +9.0% growth for the construction sector in CY26. Despite continuous fiscal consolidation as seen in the reduction of development expenditure under Budget 2026, amounting to RM81b (-5.8%), it remains meaningful, with a focus on crucial projects. Among the major infrastructure projects, the upcoming major milestone will be Penang LRT (Mutiara Line), which has been initially delayed due to intense lobbying. The pending tender finalisation includes: a) systems package, estimated at RM3b and is expected to draw strong bids from established civil contractors

such as IJM Corp, Sunway Construction, WCT Holdings and MRCB, given its high-value marine and structural scope, and b) Package 2 of the Penang LRT, estimated at RM5b-6b, which spans a 5km cross-channel bridge connecting Komtar to Penang Sentral. The RM16.8b Penang Mutiara Line LRT remains on track, with construction reaching 8.99% and operations targeted for Dec-31. While the Package 2 tender has been delayed, the Transport Ministry confirmed that the progress of civil works under Package 1 remains on schedule. Meanwhile, we anticipate further progress on the Penang International Airport expansion (WP3) and the Johor Bahru E-ART project, while the water infrastructure segment is set to see a steady rollout of high-value projects, including the Perak and Sabah water schemes, Sungai Rasau Phase 2 and Langat 2 Phase 2. On 9 Jun 2026, PAAB issued pre-qualification notices for the first two packages of the RM3.7b Langat 2 Phase 2 project. Together with Sungai Rasau, the projects will add 2,260MLD to Selangor's water supply capacity. Meanwhile, MRT3 is expected to remain relatively muted in 2HCY26 as land acquisition progresses, with major tender activities likely commencing in CY27. With an estimated RM31.0b in civil works across three main packages, MRT3 remains the sector's largest medium-term infrastructure catalyst.

RMK-13: Multi-sector infrastructure and development catalysts. The 13th Malaysia Plan (RMK-13) sets out a substantial multi-year pipeline anchored by a projected RM430.0b federal development allocation (RM86.0b/year average), complemented by RM120.0b in GLIC funding and RM61.0b in PPP and private capital, with public investment projected to grow by about +3.6% per annum and to average roughly RM112.9b per year. Key priorities include the expansion of public transport infrastructure, with major rail projects such as LRT3 in the Klang Valley, the RTS Link linking Johor to Singapore, the ECRL, and the Penang Mutiara Line, together with feasibility studies for the TransBorneo Railway in Sabah and Sarawak, positioning rail as a core mobility strategy for both Peninsular Malaysia and East Malaysia. This is supported by accelerated Transit-Oriented Development initiatives across Kuala Lumpur, Selangor, Negeri Sembilan, Johor and Penang, as well as along the ECRL corridor, which are expected to stimulate demand for mixed-use developments and to fast-track housing delivery through IBS and GBI compliance.

Building material cost inflation. Channel checks revealed that prices of building materials, particularly cement, are inching up, mainly due to a surge in diesel costs. Bulk cement prices have remained stagnant over the past 6 months at RM410/metric tonne, following the +6.5%mom increase in Dec-25. We gather that this is largely due to the stringent enforcement by the Ministry of Transport (MOT) through the Road Transport Department (JPJ) against overloaded commercial vehicles, causing a tighter demand for delivery trucks, while geopolitical tensions in the Middle East further exacerbated supply chain pressures. Meanwhile, average prices of steel bars have been on the uptrend, rising +13.3%yoy to about RM2,360/metric tonne in May-26. Despite the ongoing cost hike, we believe large-cap contractors are well-positioned to manage construction cost inflation through favourable contract structures. Besides cost-plus arrangements, rise-and-fall (VOP) clauses allow higher material costs to be passed through to clients, while the fixed-price subcontract model and prudent project contingencies help preserve margins.

Maintain POSITIVE. We maintain our **POSITIVE** stance on the construction sector, backed by a resilient private sector demand and accelerating public project execution. Despite construction cost hikes brought about by cost inflation, we expect the impact on sector earnings to remain manageable, particularly for larger contractors with stronger contractual protections and a more favourable project mix. Data centre (DC) demand also remains structurally strong, with contractors continuing to secure hyperscale mandates as part of Southeast Asia's ongoing digital infrastructure boom, supported by robust leasing demand, cost competitiveness, and long-term client partnerships. Coupled with active industrial job flows and the multi-year public infrastructure roadmap under RMK-13 – including large-scale public transport infrastructure expansion, flood mitigation, and the projected RM430.0b federal development allocation, we expect earnings visibility to strengthen into CY26.

Top picks. Our top picks for the construction sector are **Gamuda (BUY, TP: RM5.60), Sunway Construction (BUY, TP: RM8.19), IJM Corp (BUY, TP: RM2.82)** and **Malayan Cement (BUY, TP: RM10.00)**. We continue to

prefer contractors with high-quality order books, project execution capability, strong balance sheets and clear earnings visibility into FY27-FY29. We believe large-cap contractors remain well on track to achieve their FY26 replenishment targets, with both Gamuda and Sunway Construction having secured 60-70% of their full-year order book replenishment targets. We continue to view Gamuda as our preferred long-term infrastructure play given its diversified domestic and overseas exposure, growing recurring income base and balanced earnings profile. Meanwhile, Sunway Construction is the key proxy to the structural data centre theme, supported by its sizeable DC order book, strong execution track record and attractive dividend yield. IJM, on the other hand, offers a recovery opportunity, with further re-rating likely to hinge on stronger earnings delivery over the coming quarters, while its shareholder distribution programme provides additional valuation support. Finally, Malayan Cement stands out as the primary beneficiary of Malaysia's multi-year infrastructure pipeline.

III. CONSUMER

Leaning toward defensive staples and value-driven retailers.....Maintain POSITIVE

Analyst: MBSB Research Team

Resilient spending, but increasingly price-led. Retail spending held up in April even as it normalised sequentially. Retail trade rose +6.3%yoy to RM70.95b in Apr-26 (Mar-26: RM72.01b), easing -1.5%mom off the stronger March base. Growth was broad-based, led by other specialised stores (+6.7%yoy), non-specialised stores (+6.1%yoy), F&B & tobacco (+5.7%yoy) and household equipment (+3.5%yoy), indicating that both staples-linked and selected discretionary categories continued to hold. The month-on-month softness across all key segments, non-specialised stores -2.2%, other specialised -2.3%, household equipment -1.4% and F&B & tobacco -0.8%, reflects post-festive normalisation after Ramadan and Hari Raya. Cumulatively, 4MCY26 retail trade grew +6.9%yoy to RM283.21b. Company results reinforce that consumers are still spending but trading carefully: **99 Speedmart (BUY, TP: RM4.37)** posted 1QFY26 revenue growth of +17.5%yoy on +18.0%yoy transactions and +11.1% SSSG, with F&B still 74.4% of revenue, while **MR D.I.Y. (BUY, TP: RM2.13)** grew revenue +9.3%yoy on +12.3%yoy transactions and +1.6% SSSG. A relevant detail is MR D.I.Y.'s basket size falling -2.6%yoy, indicating that footfall and frequency are driving the topline. We read the broader picture as growth that is increasingly price-led rather than volume-led, which favours high-frequency, essentials-anchored formats over discretionary names reliant on basket expansion.

Cost narrative rotating from oil to food and climate. The input-cost environment that was dominated by Middle East oil, freight and PET resin pressures in 1HCY26 has eased from peak levels, but we do not regard cost risk as resolved. Our in-house assumption still has Brent averaging USD80-90/bbl in CY26, and geopolitical risk remains fluid. More importantly, the next cost wave is likely to come from food-security and climate-related risks, particularly El Niño, shifting the pressure from energy and logistics toward agricultural inputs, water availability, feed costs and utilities. Key watchpoints span wheat, sugar, CPO, cocoa, coffee, dairy, corn, soybean meal, PET resin and fertiliser. This will affect the coverage unevenly, penalising agri-input-heavy manufacturers while leaving general-merchandise and logistics-led names relatively cushioned, continuing to support our essentials-weighted posture into the second half.

El Niño is both a demand catalyst and a margin risk. Hotter, drier weather should lift demand for bottled water, RTD beverages, isotonic drinks, chilled products and air-conditioned retail destinations, positive for **Life Water Sabah (BUY, TP: RM1.63), Spritzer (NEUTRAL, TP: RM2.45) and F&N (NEUTRAL, TP: RM28.43)**, and supportive of chilled and convenience categories at retailers such as 99 Speedmart and **AEON (BUY, TP: RM1.47)**. The same conditions, however, pressure crop yields, livestock productivity, water availability and electricity consumption, creating input-cost risk for packaged-food players exposed to wheat, sugar, CPO, coffee, cocoa and dairy, including **Nestlé Malaysia (NEUTRAL, TP: RM95.70), Hup Seng (BUY, TP: RM1.09), F&N and Oriental Kopi (BUY, TP:**

RM1.06). For bottled water names, the demand uplift is the clearer signal, but water-source reliability, utility tariffs and logistics execution are operational watchpoints, and the same drought that drives demand can threaten the raw water supply needed to meet it. We see El Niño as a two-sided theme of 2HCY26: a topline tailwind for beverage and value retail, a margin headwind for commodity-based manufacturers.

Input costs: mix turning less favourable. Commodity prices were mixed in May-26, but pressure has become more pronounced across selected inputs. Wheat rose +18.9%yoy and +6.6% month-on-month, pointing to continued pressure for flour-based producers. Cocoa remained sharply lower year-on-year at -53.0% but rebounded +22.1%mom to USD4,201/mt, signalling near-term volatility after the earlier correction. Sugar was mixed, with raw sugar still -10.7%yoy but +9.6%mom and white sugar broadly stable. Coffee stayed favourable year-on-year, with Arabica -28.6%yoy and Robusta -33.1%yoy, sustaining some relief for beverage players despite a marginal Robusta uptick month-on-month. CPO remained elevated at +26.6%yoy (-1.1%mom), which is a double-edged input: a headwind for palm-based users such as **Hup Seng (BUY, TP: RM1.09),** but a tailwind for the commodity-linked earnings of **PPB Group (BUY, TP: RM11.20)** via Wilmar and **QL Resources (BUY, TP: RM4.11)** via POCE. PET resin surged +59.8%yoy and +3.2%mom to USD1,323/mt, a margin headwind for bottled water players such as **Life Water (BUY, TP: RM1.63)** and **Spritzer (NEUTRAL, TP: RM2.45)**, though we expect to see PET prices normalise heading into 2HCY26 as crude oil prices decrease and supply traffic normalises through the Strait of Hormuz. While lower coffee, cocoa and sugar versus last year still offer an offset, the rise in PET resin, wheat and CPO points to a less favourable cost environment for F&B manufacturers into the coming months.

Currency remains a partial buffer for import-heavy names. The Ringgit stayed stronger year-on-year in May-26, averaging 3.95/USD, appreciating +7.4%yoy and +0.6%mom, and firmer against the yuan at 0.58/CNY (+1.7%yoy, broadly flat mom). Stronger currency levels continue to cushion landed input costs for import-reliant producers, particularly for USD-denominated commodities and China-sourced merchandise. This remains positive for names with meaningful import exposure, most directly **MR D.I.Y. (BUY, TP: RM2.13)** given its China-sourced base, where the CNY/MYR dynamic supports procurement cost stability, while also partly offsetting cost pressure for F&B manufacturers exposed to imported raw materials and packaging.

Food security reinforces the defensive staples theme. We expect staples to stay relatively resilient in 2HCY26 as households continue to prioritise affordable food, beverages and essentials. Poultry and eggs remain core affordable proteins, supporting demand for **Leong Hup International (BUY, TP: RM1.07)** and **QL Resources (BUY, TP: RM4.11)**. Feed cost, particularly corn and soybean meal, remains the principal risk, with prices strengthening further in May-26, with soybean meal rising +6.8%yoy and +1.1%mom to USD353/mt, while corn increased +10.2%yoy and +3.7%mom to USD19,043/mt. Integrated producers should be better positioned than smaller independents through scale, procurement leverage, feedmill integration and closed-house farming systems. **PPB Group (BUY, TP: RM11.20)** is also strategically relevant under a food-security lens through its grains exposure and Wilmar stake, with the latter increasingly a positive swing factor in a high-CPO environment. We continue to prefer integrated food players with scale and defensive demand, while remaining watchful of price-control risk should food inflation accelerate, given the political sensitivity of poultry, eggs, flour and cooking oil.

Tourism is supportive, but the uplift is proving more measured than targeted. Visit Malaysia 2026 remains a positive demand driver for retail, F&B, beverages, bottled water and mall footfall, benefiting **AEON, Oriental Kopi (BUY, TP: RM1.06), F&N, Spritzer and Life Water Sabah**. That said, the data so far argues for tempered expectations: tourist arrivals reached 10.6m in 5MCY26, up only +1.1%yoy, a continued tailwind, but well short of the sharp surge implied by the full-year target. We read this as a reason to treat tourism as a supportive structural backdrop rather than a near-term earnings catalyst, and to avoid over-relying on it to offset any potential domestic discretionary caution. The uplift is also likely to be uneven, accruing to local F&B concepts, malls, bottled water and affordable retail in tourist-heavy locations rather than lifting the sector broadly. For

Padini (BUY, TP: RM2.13), tourism and mall footfall provide some support, but the earnings story still hinges on domestic apparel demand and cost discipline.

Downtrading remains the key behavioural theme. We expect consumers to stay value-conscious through 2HCY26 as cost-of-living pressures, food-inflation risk and cautious sentiment persist, a behaviour that benefits **99 Speedmart, MR D.I.Y., Leong Hup and Life Water Sabah.** 99 Speedmart is the clearest trade-down proxy, capturing essentials, value and frequent household purchases; MR D.I.Y. benefits from affordable household spending, procurement scale and its "Always Low Prices" positioning; Leong Hup benefits from resilient, affordable-protein demand across ASEAN; and Life Water Sabah benefits from essential beverage demand, ASP hikes, dry-season demand and tourism. These names offer the best combination of demand resilience, pricing relevance and defensive volume growth, and, importantly, the value/volume rotation visible in the retail and basket-size data is a structural tailwind for them rather than a cyclical one.

Maintain POSITIVE; top picks remain 99 Speedmart, MR D.I.Y., Leong Hup and Life Water Sabah. We keep our POSITIVE sector stance but recommend leaning toward defensive staples and value-driven retailers in 2H26. The domestic backdrop remains supportive, but cost risks are rotating rather than disappearing. El Niño, food security, feed costs, PET resin, utilities and potential price controls are the key watchpoints. Our preferred names are **99 Speedmart (BUY, TP: RM4.37)** for essentials-led trade-down exposure, **MR D.I.Y. (BUY, TP: RM2.13)** for resilient value retail and procurement scale, **Leong Hup International (BUY, TP: RM1.07)** for defensive affordable-protein demand, and **Life Water Sabah (BUY, TP: RM1.63)** for essential beverage demand, Sabah's water-security premium and ASP-driven margin support. Should spending confidence recover more decisively, higher-beta beneficiaries would include **AEON (BUY, TP: RM1.47)**, and **Padini (BUY, TP: RM2.13)**, but for now we prefer to stay positioned around value, essentials and defensive volume growth.

IV. HEALTHCARE

Defensive and stable despite higher medical inflation and risk of supply chain disruptions.....Maintain POSITIVE

Analyst: MBSB Research Team

Global healthcare enters a paradox of high cost amid strong operations. While we are **POSITIVE** on the healthcare sector, 2HCY26 has a potential downside risk of high-cost pressures against robust operations. Global medical trends show that healthcare cost among global private service providers had risen by an estimated +10.3% in 1HCY26. We expect this double-digit cost inflation would remain in 2HCY26, with ASEAN surging higher to an estimate of +14%. These cost spikes are driven heavily by the adoption of advanced therapeutic drugs, adoption of advanced AI-based medical machines and the supply-chain friction caused by shipping bottlenecks and global tariff policies. Moving into 2HCY26, we opine that service providers and medical insurers will continue to balance low- and high-acuity care, both measures to combat cost pressures and keep profit margins on a reasonable level. Additionally, the healthcare sector had actively embedded AI – currently at roughly 86% – into administrative and clinical workflow, as well as in innovating drugs and advancing medtech at roughly 86%. In 2HCY26, we expect this effort to continue across the globe.

For our local front, we separate our outlook into the following subsectors:

SERVICE PROVIDERS

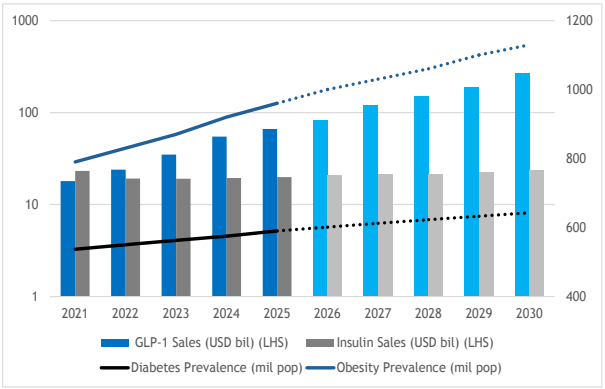
Robust domestic demand and medical tourism recovery to anchor growth amid chronic worker shortages. Local hospital players are expected to see a strong domestic demand, high revenue intensity, and robust inpatient billings, backed by: (i) the expansion of specialized Centres of Excellence (COEs) which capture high-margin,

Medical tourism is also a major trend for service providers, following the support of the Malaysia Year of Medical Tourism 2026. We expected the slight slowdown of medical tourist arrivals in 1HCY26 - due to high travel expenses caused by higher Jet Fuel and Diesel prices and lesser visitors from the Middle East - to recover its momentum in 2HCY26. However, both public and private healthcare service providers continue to severe worker shortages, which could impact how care is delivered, subsequently determining their profit margins. Moving into 2HCY26, we expect the strategies undertaken by the private sector could mitigate this challenge, which includes: (i) enhancing Ambulatory Services and home-based care networks, (ii) automation of administrative workflows through AI, and (iii) improved regulations and laws regarding specialties training and MOs' permanent contracts.

PHARMACEUTICALS

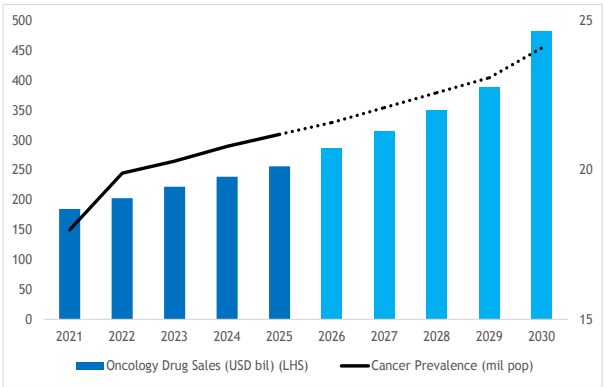
Sustaining localisation of generics and biologics manufacturing despite external supply chain risks. Pharmaceuticals subsector is expected to be in the right trajectory towards reducing import dependency, in line with the NIMP 2030 plan. Generics are highly localised (as of writing, approximately 79% are locally manufactured), but biopharmaceuticals are still importing biologics and vaccines. Nonetheless, major local pharmaceutical players are in the steady path of transitioning away from highly saturated generics into specialised, high-margin and Halal-certified biopharmaceuticals. This transition is also apt as demand for premium and precise care, as well as NCD prevalence, are on the rise. The risks, however, remain to be: (i) the potential 10% US tariff on pharmaceutical imports, (ii) elevated freight costs, and (iii) supply chain delays for imported APIs. We opine that the risks would largely be mitigated once the Middle East naval conflicts soften, in addition to diversification of suppliers and the aggressive adaption of automation for the manufacturing plants and warehouses.

Chart 38: Glp-1 & Insulin Sales (Usd Bil) Vs Diabetes & Obesity Prevalence (Mil Population)



Source: MBSBR

Chart 39: Oncology Drug Sales (Usd Bil) Vs Cancer Prevalence (Mil Population)



Source: MBSBR

GLOVES

Glove sector to recover from pandemic-lows as market share shifts due to US tariffs on Chinese glovemakers. In 1HCY26, Malaysia's glove manufacturing sector has hit a monumental structural inflection point. The 120% US tariff on Chinese-made medical gloves has effectively priced China completely out of North America. The difference of ASP for the gloves in China had shoot past USD25 per 1000 pcs on average, while Malaysia's still hovers at USD20 per 1000 pcs on average. Despite the geopolitical tensions in the Middle East had somewhat contributed to higher shipping rates and higher raw material prices, we believe ASPs would maintain at a competitive level throughout 2HCY26 in addition to rising utilisation rates (up to 80%-90%) and adaptation of automation in the manufacturing plants. We opine that national market share will reclaim nearly 50% of global demand by the end of CY26. Nonetheless, we expect glove companies to maintain their tight cost control and mitigation from nitrile latex gloves to rubber latex gloves to sustain a reasonable profit margin until the end year.

Maintain POSITIVE. All in all, we maintain our **POSITIVE** stance on the sector. Malaysia's healthcare sector is expected to effectively balance regional medical inflation and persistent labor shortages against robust operational strategies. The private hospital segment is poised to capture high-margin, high-complexity care through specialized CoEs and medical tourism market. Meanwhile, the pharmaceutical subsector continues its steady, structural transition toward high-margin, halal-certified biopharmaceuticals to mitigate global supply chain and tariff risks.

As such, our **TOP PICKS** for the sector are **IHH Healthcare (BUY, TP:RM10.18)** and **Pharmaniaga (BUY, TP:RM1.44)**. We like IHH for its expansion on its high-margin specialties – namely oncology, cardiology and orthopaedics – which would cater for domestic patients and medical tourists, subsequently providing the group an opportunity to increase their profit margins. IHH is also actively deploying mitigation strategies through Ambulatory Care services and AI automation to address the worker shortage issue. For Pharmaniaga, the group is expected to benefit from the focus on the NIMP 2030 in localising drug manufacturing, including generics and biologics, as well as the higher global demand for diabetic and oncology drugs. The group is also expected to shift towards manufacturing high-margin, Halal-certified biopharmaceuticals, in line with its conession with MOH to supply human insulins.

V. INSURANCE

Life insurance growth's solid recovery momentum.....Maintain POSITIVE

Analyst: ***Samuel*** *Woo Choong Yi*

We remain positive on the sector, premised on life insurance growth's solid recovery momentum (which should persist) as well as promising advances in the battle against medical inflation. However, we may see short-term irritation from cost inflation and its impact on the claims ratio. The general segment's growth prospects may also be impacted by tepid purchasing activity, but upon de-escalation of the conflict, this should normalise eventually.

Seemingly not worried about rising cost pressure. In theory, rising cost pressure should put pressure on premium growth – but no one seems to be overly worried. The most direct segment hit by cost inflation will be the motor segment, purely due to the oil price surge disincentivising the act of driving. Realistically, the fire segment should be hit as well, as property and manufacturing businesses will sideline or delay expansion plans until building material prices come down. Large ticket purchases, such as housing, are also harder to commit to for the average cash-strapped consumer. However, for now, insurers under our coverage are not expecting too dramatic a decline – economic indicators such as loan growth remain extremely solid. We do not expect healthcare premiums to be as negatively affected, especially as the rollout of base MHIT products provides cheaper alternatives for cash-strapped individuals.

Rising claims due to cost inflation. The main problem is rising claims due to cost inflation — we think this will impact healthcare and motor segments the hardest, as it involves the import of foreign drugs, medical equipment and car parts. Also, the MYR has weakened in recent weeks, which could also result in some negative impact. Medical inflation is the greater of two difficulties — motor insurance is single-premium and renewable every year, hence, cost pressure can be passed onto consumers more easily.

The longer-term outlook of medical inflation has become more promising. That being said, the longer-term outlook of medical inflation has become more promising. A lot of it is due to the successful co-pay programme rollout, but now the government seems to be a lot more active in rolling out initiatives to target healthcare inflation (most of which fall under the RESET scheme). These include the DRG payment system, base MHIT products, MyPriMe and a reference guide for common private healthcare procedures. At the very least, these initiatives foster dialogue and coordination between the three main parties — regulators, insurers and healthcare institutions.

Top Picks remain **ALLZ (BUY, TP: RM23.69)** for AGIC's aggressive scaling and ALIM's growth recovery and outperformance of its health claims ratio. We also like **STMB (BUY, TP: RM 4.51)** for its general side's strong growth potential and healthy dividend yields.

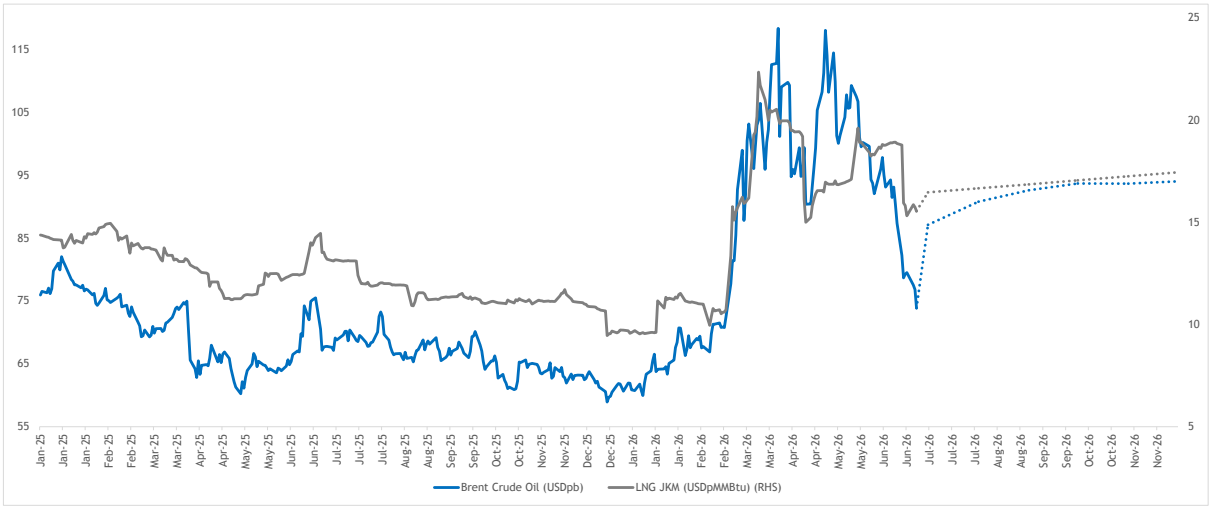
VI. OIL & GAS

Dependent on the resolution of the Middle East conflict and data centre boom.....Maintain POSITIVE

Analyst: MBSB Research Team

Brent crude oil price normalising to a reasonable range in 2HCY26. The Oil & Gas (O&G) sector is caught in the middle between the geopolitical tensions in the Middle East – which had proven to be volatile with the spike in Brent crude oil price in comparison to CY25 average (+29% from CY25 average of USD68.03pb) – and the technological shifts that attempt to balance the profitable fossil fuel and green renewable energy. After prices swinging between USD98pb to USD102pb in 1HCY26, we assume that a gradual de-escalation of the US-Iran war would occur, leading to the full or partial reopening of vital shipping lanes in 2HCY26. Hence, we expect Brent to cool down and settle in a range of USD80-90pb. Nevertheless, fundamentals may shift to a surplus of oil and gas in the market, as the geopolitical tensions had caused a backlog of barrels, by both closure of the Strait of Hormuz and increased production in the Americas. This would contrast to a headwind in demand as global economy is still in the middle of normalising after the initial shock of the war. Additionally, while Brent crude may ease, products like Diesel and Jet Fuel are likely to remain tight and expensive due to refineries facing lower throughputs in 1HCY26.

Chart 40: Brent Crude (Usdpb) Vs Lng Jkm (USDpMMBtu)



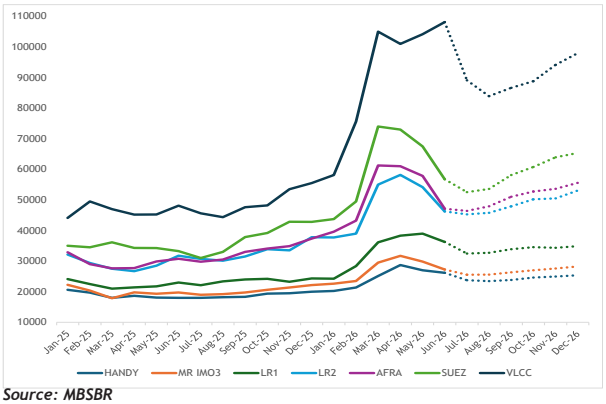
Source: MBSBR

Upstream

Upstream to continue benefitting from the elevated oil price and upstream capex. The priority of the upstream players in 2HCY26 is expected to be that of an operational recovery. Overall PETRONAS capex was relatively subdued in the first half of the year, but the Brent crude oil price that surged due to the US-Iran conflict is still relatively elevated, and we opine that this could contribute to a wave of deferred projects moving into active execution until the end-year. PETRONAS is expected to continue sustaining domestic production at approximately 2mboepd by increasing deepwater explorations and frontier fields off Sabah and Sarawak. As such, we opine that local OGSE players would benefit from the E&P division. However, OGSE market had been fragmented since early

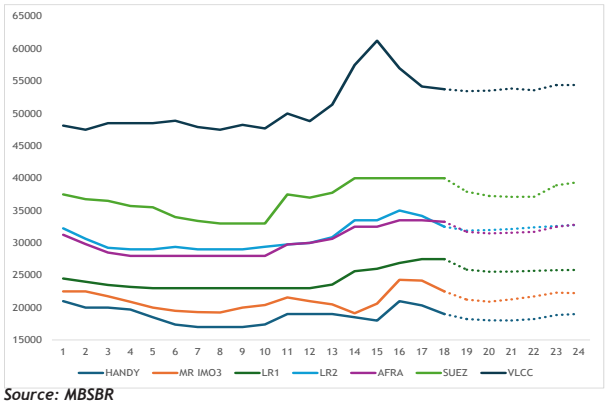
in the year. We expect demand for Hook-up and Commissioning (HUC), offshore fabrication, well services, and transportation and installation (T&I) would gain on the back backlogged projects. Conversely, demand for OSVs and traditional jack-up rigs could see a softening, as PETRONAS would prioritise the initial exploration phase which could take 5-10 years' to complete.

Chart 41: Short-Term Charter Rates (USDpd)



Source: MBSBR

Chart 42: Long-Term Charter Rates (USDpd)



Source: MBSBR

Midstream

Midstream players likely to see better utilisation and infrastructure improvements. The US-Iran conflict had proven the importance of the midstream division of the O&G sector, in terms of storage and transportation. The bottleneck in transportation of oil and gas to and from the Middle East region had increased the utilisation rates of tank terminals, both offshore and onshore. The volatile geopolitical landscape makes regional strategic storage assets incredibly valuable, providing midstream players with highly predictable, defensive lease revenues. Malaysia is also tapping into the complex offshore gas fields by investing in FLNG infrastructure, refinery facilities and pipeline networks. With LNG JKM price expected to average at USD15-16pMMBtu in CY26 (approximately +27%yoy), LNGC and regasification players could leverage on these improvements in 2HCY26. Additionally, the data centre boom is providing opportunities to onshore storage players and pipeline operators to optimise their infrastructure in tandem with their high demand for electricity, subsequently calling for more natural gas volumes for power generation. Moving into 2HCY26, we expect the midstream to remain robust, notably in storage and LNG transportation, while gas pipelines are expected to benefit from the 6-month laggard of MRP gas pricing, which is expected to elevate in tandem with the USD90-110pb Brent price in 1HCY26.

Downstream

Downstream resilience may be fragmented due to the low refinery throughput in 1HCY26. We opine that the downstream division would see mixed opportunities in 2HCY26. Plant maintenance and major turnarounds - notably in the Pengerang Integrated Complex in Johor – are expected to commence, following deferred maintenance in prior cycles. This could generate a strong order book for downstream OGSE players. On the flipside, due to the lower global refinery throughputs in 1HCY26, Diesel and Jet Fuel may see a deficit in volume until the end year, making their prices painfully higher for buyers. This would be a challenge for Malaysia's recent announcement of subsidising Diesel under a new MyKad-based rollout wherein eligible consumers can purchase Diesel at RM2.10/l; potentially risking its fiscal sustainability. However, petrochemical players are aggressively diversifying to counteract these refining margins. We expect 2HCY26 to see an acceleration in specialised biofuel refining, including the Sustainable Aviation Fuel (SAF) and advanced product engineering, as well as specialized thermal intelligent fluids designed for EV batteries and data centre immersion cooling.

Maintain POSITIVE. All in all, we maintain POSITIVE for the sector in 2HCY26. Malaysia's O&G sector is navigating a complex transition as global Brent crude prices cool down from +USD100pb highs amid a gradual easing of Middle East geopolitical tensions. Locally, this environment creates a highly segmented outlook, with the midstream division expected to remain the most resilient and highly defensive, capitalized by elevated tank terminal utilization and structural LNG demands from the regional data centre boom.

Our **TOP PICKS** are **Dialog Group (BUY, TP:RM2.55)** and **MISC (BUY, TP:RM9.22)**. We favour Dialog for its onshore terminal assets, which could not only benefit the group in terms of lease revenues but also the contribute to the data centre boom. Additionally, Dialog's EPCC segment could benefit from the plant turnarounds and deferred maintenance at the Pengerang Integrated Complex. Meanwhile, MISC has the capability to tap into the FLNG and LNG transportation demand, as it possesses one of the largest LNGC fleets in the region. This leverage bodes well for the group to continue benefitting from the higher LNG prices amid the resilient demand for the commodity domestically and regionally.

VII. PLANTATION

Roller coaster ride.....Maintain POSITIVE (Tactical)

Analyst: MBSB Research Team

Output could turn volatile at the onset of El Niño. Based on MPOB data, Malaysia's palm oil production remained relatively stable in 5MCY26, increasing to 7.38m tonnes (+1.5%yoy) from 7.27m tonnes a year ago, underpinned by stronger output from East Malaysia, particularly Sarawak (+4.5%yoy) and Sabah (+6.9%yoy). FFB receipts reached 37.1m tonnes (+3.1%yoy), translating into a stable average yield of 6.33 tonnes/ha. Meanwhile, mill performance remained encouraging, with average OER holding above the 20% threshold at 20.17%, supported by smoother estate operations and quicker crop evacuation amid favourable weather conditions, allowing fresher fruitlets with higher oil content to reach the mills.

Looking ahead, with the inter-monsoon and pollination periods gradually ending, drier weather conditions are expected to emerge from July onwards, according to MET Malaysia. This should support harvesting, manuring and crop evacuation activities, potentially lifting estate productivity in the near term. Nevertheless, with a very strong El Niño expected to gain traction in 2HCY26, production trends could turn more volatile in the coming quarters as moisture stress gradually begins to affect crop development and future yield formation.

High carry-forward stocks keep inventory levels elevated. Malaysia's ending stockpile in 5MCY26 increased to 2.43m tonnes (+22.4%yoy), despite decent production and stronger exports of 6.44m tonnes (+31.1%yoy). As a result, the stock-to-usage ratio remained elevated at approximately 14.0%, suggesting domestic supply continued to outpace consumption requirements. Notably, PO price was maintained at a sizeable discount to SBO, with the SBO-PO spread averaging around USD635/tonne in May and USD497/tonne in April 2026. While such a wide price advantage would typically encourage substitution demand, export momentum is expected to improve in the coming months as buyers gradually replenish inventories. Coupled with the anticipated slowdown in production growth following the onset of a very strong El Niño in 2HCY26, this should help facilitate a gradual drawdown in stockpile levels going forward

Looking at inventory levels across major importing nations, the top 3 consumers, namely India, China and Pakistan, continued to build stocks, with all 3-recording double-digit year-on-year growth as buyers took advantage of the widened veg-oil price spread. Based on 5M26 data, total edible oil inventories in key importing countries such as China, India and Bangladesh increased further, driven largely by stronger accumulation of PO, SBO and SFO. In

contrast, RSO inventories continued to decline, reflecting shifting consumption preferences and relative pricing dynamics.

- **China's** total edible oil inventories increased+ 5.1%ytd, primarily driven by a sharp recovery in PO stocks (+114.2%ytd), while RSO inventories continued to decline (-57.7%ytd), reflecting a shift towards more competitively priced alternatives.
- **India's** total edible oil inventories rose +3.8%ytd, supported by significant stock accumulation in SFO (+99.0%ytd) and PO (+39.7%ytd), partially offset by a decline in SBO inventories (-17.6%ytd)
- **Pakistan's** total edible oil inventories are expanding +24.9%ytd, largely attributable to stronger PO stockpiling activities (+39.7%ytd).

Onwards, we expect PO restocking activities to remain robust in the coming months as major importing countries continue rebuilding inventories ahead of the anticipated supply tightening from the onset of a very strong El Niño in 2HCY26. Demand is also expected to receive seasonal support from festive-related consumption, particularly the Mooncake Festival (Sept), Deepavali (Nov) and Christmas-year-end celebrations. In addition, offshore refiners are likely to secure feedstock requirements earlier to protect refining margins, which should underpin export demand and facilitate a gradual drawdown in global edible oil inventories.

Maintain (tactical) POSITIVE. That said, cost pressures are expected to build in 2HCY26, particularly for upstream planters, following the recent spike in urea prices and higher diesel-linked logistics expenses. Downstream players may also face margin compression from elevated freight and insurance costs. Despite these headwinds, we maintain our **(tactical) POSITIVE** stance on the sector with an unchanged CY26 CPO price assumption of RM4,300/tonne. Looking ahead, CPO price volatility in 2HCY26 will largely hinge on 3 key factors: i) the magnitude and duration of the US-Iran conflict, which could influence the POGO spread and energy-linked support for PO; ii) whether the emerging El Nino develops into a strong or very strong event; and iii) the direction of the Ringgit, where any further appreciation could erode PO's price competitiveness against rival edible oils.

VIII. REITS

Compelling yield spreads reinforce optimism.....Maintain POSITIVE

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

Positive earnings outlook intact. Earnings of all six REITs under our coverage in 1QCY26 were well within expectations. Earnings of REITs, particularly retail REITs, reported stellar earnings in 1QCY26, boosted by higher consumer spending for the festive season. Notably, IGB REIT reported highest earnings growth of +27.1%yoy in 1QCY26 due to festive boost from Chinese New Year and Hari Raya Aidilfitri as well as contribution from the newly acquired Mid Valley Southkey Mall. Meanwhile, Sunway REIT recorded the second-highest earnings growth of +10%yoy, lifted mainly by its retail division. On the other hand, as a healthcare-focused REIT, Al-'Aqar Healthcare REIT continues to deliver steady earnings growth of +9.6%yoy in 1QCY26 due to contributions from newly acquired assets. Going forward, we remain positive on the earnings outlook for REITs in 2HCY26 as the positive rental reversion outlook is largely intact.

Retail REITs benefit from sustained consumer spending. We expect the outlook for retail REITs to remain stable in 2HCY26, supported by resilient consumer spending. Retail sales in Malaysia remained robust at RM70.95b (+6.3%yoy) in April 2026, lifting total consumer spending to RM283.2b (+6.9%yoy) in 4MCY26. While retail spending may moderate somewhat in the coming months amid rising inflationary pressures, we believe it will continue to

record growth, supporting the rental reversion prospects of retail REITs. Retail REITs generally achieved positive mid-single-digit rental reversions in 2025, and we expect a similar trend to persist in 2026. Overall, we anticipate continued earnings growth for retail REITs, underpinned by stable consumer spending.

Wider yield spread underpins REITs' attractiveness. Gross aggregate yield of KL REIT Index increased to 5.5% in June 2026 from 5.1% in May 2026 amid declining share prices of REITS. The increase in gross aggregate yield of KL REIT Index has widened the yield spread between gross aggregate yield of KL REIT Index and 10-year MGS yield to 189bps in June 2026 from 160bps in May 2026. The current yield spread of 189bps is higher than the 8-year average yield spread of 163bps. We believe the widening yield spread will continue to enhance the attractiveness of REITs as income-generating assets. As such, we expect REITs to remain appealing to investors seeking stable and attractive yields.

Maintain POSITIVE on REITS. We maintain our POSITIVE stance on the REITS sector, supported by its healthy underlying fundamentals and resilient earnings outlook. We expect REIT earnings to remain underpinned by the favourable backdrop of the retail industry, particularly for retail-focused REITs. In addition, we believe REITs will continue to be favoured by investors given their defensive characteristics, stable earnings profile, and recurring income streams. These attributes should continue to support investor demand and provide downside support to REITs' share prices. Our top picks for the sector are **Pavilion REIT (BUY, TP: RM2.00)** and **Axis REIT (BUY, TP: RM2.17).**

IX. TELECOMMUNICATION

Attractive dividend yield .....Maintain POSITIVE

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

Anticipating no let-up in earnings performance. We are maintaining our **POSITIVE** stance on the telecommunication sector with preference on the Mobile Number Operators (MNOs) i.e. **Celcomdigi Bhd (TP: RM3.54)** and **Maxis Bhd (TP: RM3.30)**. We also have **BUY** recommendation for **Telekom Malaysia (TP: RM8.31)**. Our **NEUTRAL** call only resides with **Axiata (TP: RM2.07)** given the group's overall performance would also remain vulnerable to the macro headwinds, unfavourable forex movement as well as various regulatory risks in all the countries the group has. Notably, both XLSmart and LinkNet are still in loss-making positions.

Resilient service revenue. For the MNOs, we are seeing sustained service revenue performance. Contribution from postpaid and prepaid segments be supported by more rational competition between the two, with potential price war risk from UMobile. However, the risk would be manageable premised on the strong 4G proposition. CelcomDigi boasts the widest 4G availability and geographic reach, while Maxis provides the most reliable and consistent 4G speeds, especially in urban centers like the Klang Valley. Meanwhile, we also anticipate no let-up from TM's unifi segment.

Better demand from enterprise solutions. Taking cue from recent 1QCY26 results, enterprise segments remain an important pillar of revenue growth. For Maxis, the group saw higher subscription in IoT and other fixed network solutions while the higher momentum for CDB was supported by IoT, cloud and cybersecurity services as well as low base effect. TM's B2B segment saw a marginal +0.4%yoy revenue expansion as the group maintain its leadership in the Government segment as well as shift in focus for the enterprise segment on recurring and higher-value new core.

Spend where it matters. We expect capital spending (Capex) on infrastructure to persist in order to deliver superior network performance. TM's capex will be on the fixed-line and national fiber infrastructure provider

while the MNOs will focus its attention on the mobile network infrastructure. On operational aspect (Opex), telcos are striving to maintain a favourable cost structure to boost profitability. Celcomdigi is going through a structural cost transformation across COGS and Opex that will lead to savings of RM450m. Maxis has also shown continuous operational efficiencies since 2023 in-tandem with management and operational reboot while TM's, cost to revenue has been stable at slightly above 80%.

Anticipating manageable setback for the MNOs from the inclusion of DNB's financial. With the progressive development on DNB, we view that Maxis, CDB and YTL would be in a better position to drive the operation and performance of DNB. With the gradual improvement pace in DNB, we foresee limited downside risk (of around RM80m) in FY26 as equity accounting would only take place earliest by 4QCY26. While full year FY27 may see higher recordings of DNB loss, we believe that this could be overcome by a combination of controlled cost discipline and/or earnings-accretive acquisitions, especially from Maxis' perspective. Note that we should see higher cost savings impact from CDB's structural cost transformation effort in FY27.

MNOs valuations are undemanding. On a year-to-date basis, the telcos' share price has underperformed. Maxis, CDB and Telekom Malaysia has declined by -13.4%, -12.4% and -6.0% respectively. Correspondingly, from valuation perspective, we view that both Maxis and Celcomdigi's current EV/EBITDA of 8.0x is notably below the five-year mean. Meanwhile, Telekom Malaysia are currently trading nearer to the five-year mean.

Heightened dividend commitment. Last but not the least, given the defensive nature of the sector, much of the attention has been given to the dividend. In view of this, some of the telcos made some changes to the dividend payout plan. On a recent note, Telekom Malaysia has revised upward its dividend policy to at least 75% from previously 40% to 60% of PAT which takes effect from 2026 onwards. In addition, the dividend payment will be declared and paid quarterly which mimicked that of the MNOs. Nonetheless, the dividend payment is still made bi-annually. With the changes above, we view that telcos' dividend is now attractive with yield of at least five percent.

X. UTILITIES (POWER) AND RENEWABLE ENERGY

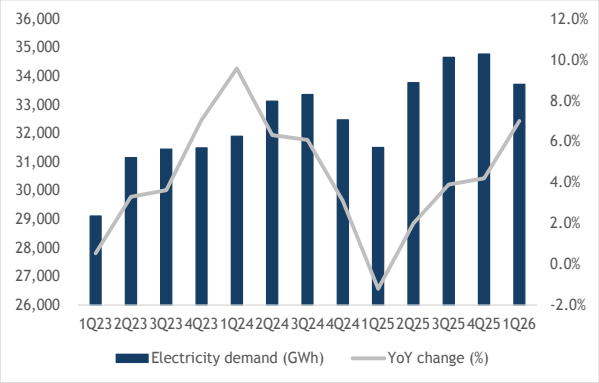
Sustained demand growth; strong RE pipeline.....Maintain POSITIVE

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

Electricity demand to remain strong. Electricity demand has remained stellar over the past several quarters, hovering above the 31,000GWh mark since 2QCY23, in tandem with the stronger consumption as economic activities accelerate. 1QCY26 saw electricity demand grew +7.0%yoy to 33,710GWh, driven largely by the commercial sector. While this was -3.1%qoq lower than 4QCY25, the first quarter is usually lower due to the shorter month in February and the festive period. We expect demand to improve in the subsequent quarters, and we expect data centres to continue being a key player for electricity consumption. We expect electricity demand to remain robust in CY26, with an expected growth of +5.4% to 141,873GWh.

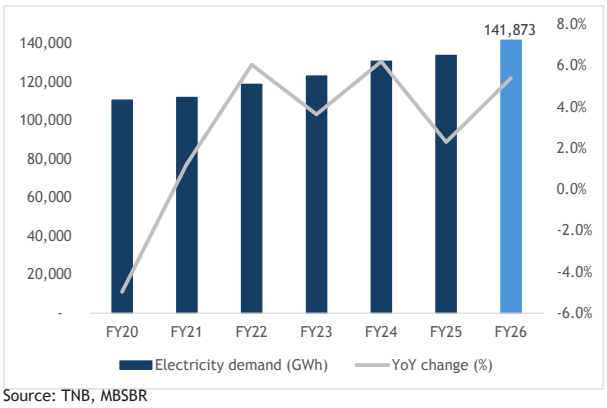
Demand from DCs ramping up. As at Mar-26, TNB has secured a cumulative pipeline for DCs of approximately 8.3GW. It currently has 36 projects in the system, with a total maximum demand of 4.5GW. The actual energy consumption from these data centers has more than doubled year-on-year, surging from 0.8TWh to 1.8TWh, reflecting the rapid scaling of activity in this segment and correspondingly, load utilisation has accelerated substantially, rising from 845MW in Mar-25 to 1.05GW in Mar-26, indicating a steady, robust and highly predictable ramp-up of operational capacity. This will anchor the structural demand growth moving forward. We continue to emphasise that actual DC load does not materialise linearly but ramps up in stages as racks and computing infrastructure are installed progressively. This is nevertheless a positive development, as it gives the system operator and utilities better visibility for generation, transmission and distribution planning over the medium term.

Chart 43: Quarterly Electricity Demand



Source: TNB, MBSBR

Chart 44: Annual Electricity Demand



Source: TNB, MBSBR

New generation capacity. The tender for NEWGEN26, is expected to close on 1 July 2026. This is for the new gas-fired generation capacity in the year 2029 to 2031. While there are no details yet on the capacities, this is a constructive signal that the government and regulator are staying proactive on capacity planning rather than waiting for reserve margins to tighten materially. Recall that under NEWGEN25, Category 1 saw nine existing gas power plants with a total of 4.89GW receiving extensions while the key award for Category 2 was the new 1.4GW combined-cycle power plant in Paka, Terengganu by the consortium of TNB Power Generation and Aurora Power Generation. For NEWGEN26, we expect Tenaga to be a potential beneficiary, alongside other independent power producers (IPPs) such as YTL Power International and Malakoff Corporation. We view the upcoming new generation capacities as crucial, in terms of strengthening the national supply security and to provide visibility for the country's electricity generation growth pipeline.

Insulated from price fluctuations through AFA. Despite a ceasefire agreement, tensions in the Middle East continues to flare and this caused commodity prices to remain elevated. Coal at USD143.40/MT, is +34.6% higher than what it was a year ago while gas has moderated slightly to EUR40.78/MWh, but still +23.3%yoy higher than a year ago. Recall that ST 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 starting Jul-25. 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, as compared to a six-month lag in the past. The AFA allows automatic monthly tariff adjustment based on current fuel prices and foreign exchange rates, allowing for more responsive and up-to-date tariff settings. This provides better clarity on Tenaga's cash flow prospects, helping to improve cash flow by at least 2% and ensures that its regulated generation-and-retail margins remain largely insulated from volatile coal, or gas prices.

Chart 45: Coal Price Trend (USD/MT)



Source: Bloomberg, MBSBR

Chart 46: Gas Price Trend (EUR/MWh)

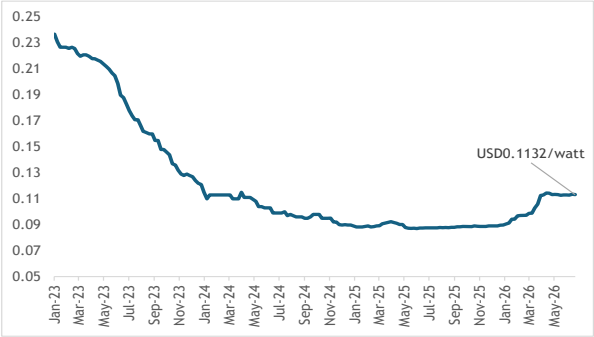


Source: Bloomberg, MBSBR

Solar EPCC players to remain busy until CY27. We remain positive on solar EPCC activity over the medium term. Most Corporate Green Power Programme (CGPP) projects should now be in the final legs of their EPCC progress, some of which are expected to reach commercial operation date (COD) by the year end. Following this, solar EPCC companies will be kept busy until CY27 with sizeable solar farm EPCC projects under LSS5 and LSS PETRA 5+. The latter saw a capacity of 1,975MWac approved by the ST, which we estimate could generate up to RM5.9b of EPCC opportunities. We can also expect the ST to soon announce the bidding cycle for LSS6 in 2HCY26, which may add another 2GW of solar capacity, and mandated battery energy storage system (BESS) requirements to enhance the grid stability. We can also expect the tenders for the second phase of MyBeST during the second half of the year. Under the first phase of MyBeST, ST shortlisted bidders for four grid-connected BESS projects, each with a capacity of 100MW/400MWh, all targeted for commissioning in 2027. We view this as an important milestone, as Malaysia's first wave of grid-scale BESS will help improve flexibility, reduce curtailment risk and support higher solar penetration over time. The rollout of BESS will directly enhance grid reliability and support higher renewable energy (RE) penetration, particularly for solar. With increasing curtailment risk and the rising need for fast-response balancing capacity, BESS is poised to complement future LSS programmes, where storage is expected to become a mandatory requirement for new plants. Over the medium term, we foresee the emergence of more solar-plus-storage hybrids.

Rising module prices remain manageable. We note that solar panel prices from China have remained relatively stable at USD0.11/watt since the removal of VAT export rebates for solar PV products starting 1st April in a move to moderate excessive price competition and address overcapacity. Before the removal of the rebates, prices were in the range of USD0.09/watt. We do not expect any major impact at the moment, especially for utility-scale solar projects as larger players typically have procurement arrangements with locked-in pricing while most EPCC companies have the flexibility for cost past through in their contracts.

Chart 47: Solar Panel Prices (USD/Watt)



Source: Bloomberg, MBSBR

Clear and firm policies under NETR. The CGPP, LSS5, LSS5+ and Solar ATAP 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. We have previously estimated that solar will be increasingly dominant accounting for 25%/39%/52%/58% share of the capacity mix in 2035/2040/2045/2050, growing at CAGR of 14% between 2025-2050. This underpins a multi-year growth story for solar EPCC companies and also asset-owners, through power generation over the long-term.

Maintain POSITIVE. We maintain our **POSITIVE** stance on the Utilities sector and the RE subsector, underpinned by a sustained electricity demand growth, clearer tariff visibility and a strong multi-year RE pipeline. Demand fundamentals remain robust, supported by the commercial sector and an accelerating ramp-up in data centre load which provides long-term visibility for generation, transmission and distribution investments. Sector catalysts

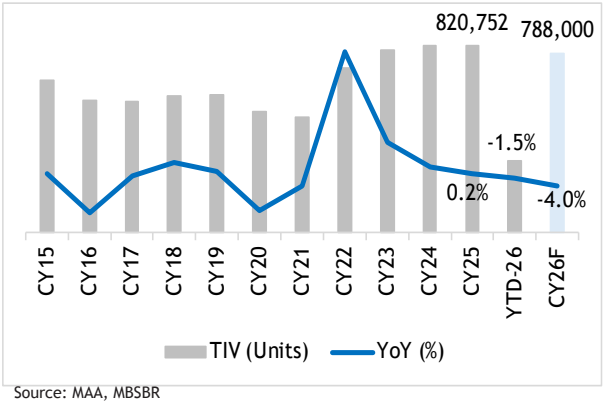
will intensify in 2026 with the award of new gas-fired generation capacity, the anticipated launch of LSS6 which is expected to incorporate mandatory BESS requirements and the upcoming award of the 400MW/1,600MWh Malaysia Battery Energy Storage Technology (MyBEST) programme, which will mark the beginning of Malaysia's grid-scale storage deployment, further improving system flexibility and enabling higher RE penetration. Our **BUY** calls are **Tenaga Nasional (TP: RM16.40), YTL Power (TP: RM4.94), Pekat (TP: RM2.00)** and **Samaiden (TP: RM1.73)**.

XI. AUTOMOTIVE

The replacement cycle cools.....Maintain NEUTRAL

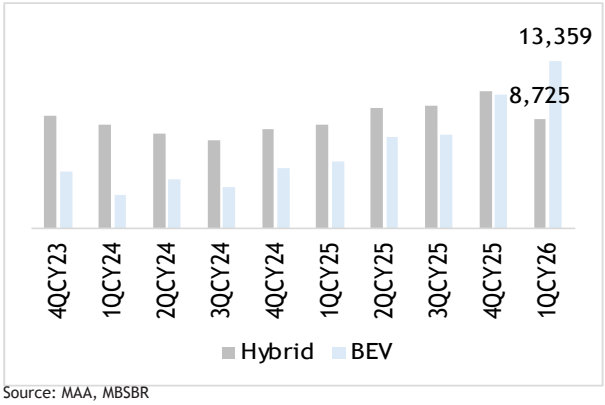
Analyst: ***Amalia*** *Zarir*

Chart 48: Annual TIV Trend (Units)



Source: MAA, MBSBR

Chart 49: Quarterly Hybrid and BEV Sales (Units)



Source: MAA, MBSBR

EV policy shifts towards localisation. Malaysia's EV market continues to gain traction, with EV penetration reaching 7.3% of TIV in 1QCY26, although actual adoption is likely higher as sales from major brands such as Tesla, Zeekr and XPeng are excluded from Malaysian Automotive Association (MAA) data. The EV policy landscape has also shifted from driving adoption to accelerating localisation, following the expiry of CBU EV tax incentives and the implementation of new import requirements from 1 July 2026, which mandate a minimum RM200k CIF value and 180kW motor output for imported EVs. These requirements effectively reposition CBU EVs into the premium segment, with retail prices expected to exceed RM300k, making CKD EVs relatively more competitive. While importers may benefit from a near-term inventory clearance before the policy takes effect, demand is expected to gradually pivot towards locally assembled EVs, alongside ICE, hybrid and used vehicles once existing CBU inventories are depleted. We view the policy as largely positive for OEMs with established or expanding local assembly capabilities, while brands that remain dependent on CBU imports could face greater pricing and competitiveness challenges.

Macro stability to cushion demand moderation. We expect the macro backdrop to remain supportive of vehicle demand, with headline CPI forecast to edge up to +2.0% in CY26 (CY25: +1.4%), while the OPR is expected to remain unchanged at 2.75% and unemployment is stable at around 3.0%, supporting consumers' purchasing power. The implementation of the Hire Purchase (Amendment) Act 2026 on 1 June 2026, is also expected to improve transparency and fairness in vehicle financing by abolishing flat interest rates and the Rule of 78, which front-loads interest payments during the early stages of a loan, potentially enhancing consumer confidence in hire purchase financing. Meanwhile, the weaker JPY (down -2.5% year-to-date against the MYR) continues to provide a cost tailwind for auto players with Japanese sourcing exposure. **Tan Chong (SELL, TP: RM0.34)** derives the

bulk of its Nissan imports in JPY, with additional exposure to the THB (down -4.5% against the MYR) and minimal USD exposure (up +0.7% year-to-date), while **Bermaz Auto (NEUTRAL, TP: RM0.85)** benefits through its CBU Mazda imports, which accounted for 45% of domestic Mazda sales in FY26 (FYE April). **MBM Resources (BUY, TP: RM6.14)** also stands to gain indirectly via its 22.6%-owned associate, Perodua, which sources part of its components in JPY, supporting margins.

Government maintains the current BUDI95 allocation. The government has maintained the BUDI95 subsidised RON95 quota at 200 litres per month, with no immediate plans to restore the previous 300-litre allocation despite easing tensions in West Asia. Finance Minister II Datuk Seri Amir Hamzah Azizan said the government will continue monitoring the durability of the recent US-Iran ceasefire and its impact on global oil prices over the next 60 days before reviewing the quota, reflecting a cautious approach to subsidy management. The decision is supported by usage data showing that fewer than 1% of the programme's 14.0m users exceed the 200-litre monthly quota, while nearly 90% consume less than 200 litres, with average monthly usage at around 100 litres. Separately, the government recently expanded the BUDI MADANI framework to diesel, introducing a nationwide subsidised diesel price of RM2.10/litre from 1 July 2026, via the same MyKad verification mechanism used for BUDI95. Eligible private diesel vehicle owners will share the same 200-litre monthly fuel quota across both RON95 and diesel, with an additional 100-litre allocation available for qualifying pick-up truck and SUV owners, while commercial vehicles will continue to receive subsidised diesel under the SKDS fleet card programme.

Maintain NEUTRAL. Total industry volume (TIV) declined -1.5%yoy to 315.6k units in 5MCY26, equivalent to 40% of our full-year forecast, broadly in line with expectations. However, we expect sales momentum to moderate in 2HCY26, with our full-year forecast implying a steeper -4.0%yoy decline, as the replacement cycle normalises following four consecutive years of record vehicle sales. Meanwhile, year-to-date total industry production (TIP) fell at a faster pace of -4.1%yoy to 287.5k units, suggesting that recent sales have been supported by CBU inventory. We maintain our FY26 TIV forecast of 788k units (-4.0%yoy), broadly in line with the MAA's projection of 790k units (-3.8%yoy), while continuing to favour **MBM Resources (BUY, TP: RM6.14)** as our top sector pick, supported by Perodua's resilient mass-market demand, favourable JPYMYR movements benefiting associate earnings, an undemanding valuation (trading at -1.0SD below its 5-year mean) and an attractive dividend yield of +10.1%.

XII. PROPERTY

Cautiously steady outlook.....Maintain NEUTRAL

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

Rising inflationary pressures could moderate buying sentiment. Total loan application for purchase of property was stable in 4MCY26, increasing by 1.8%yoy. Overall, buying sentiment is still holding up well amid rising oil prices globally, as Malaysia still maintains fuel subsidies for RON95 and the logistics sectors. Nevertheless, we are cautious about the buying sentiment going forward, as the knock-on effects of higher oil prices could weigh on property buying sentiment. We think that rising inflation and living costs may reduce consumers' purchasing power in 2HCY26, especially on big-ticket items.

Tepid new sales outlook for developers. Most of the developers registered subdued new property sales in 1QCY26 due to the festive period. We reckon that new property sales will pick up from a lower base in 1QCY26 as buying sentiment normalises. Nevertheless, we believe the outlook for property sales will largely depend on how inflation in Malaysia evolves in 2HCY26, as inflation is a key factor that influences homebuyers' purchasing power and overall buying sentiment toward properties. We think that the new sales outlook will be generally tepid in 2HCY26 amid an increasingly inflationary environment.

Higher cost pressure to be more prominent in 2HCY26. 1QCY26 earnings of developers were somewhat softer than expected, with three companies reporting earnings growth while three companies reported earnings decline. The mixed earnings of developers were partly dragged by a narrowing margin. Going forward, we see that developers may continue facing margin compression in 2HCY26 as higher fuel costs are expected to drive up construction material prices and increase developers' overall construction costs. We also see limited ability of developers to pass on higher construction costs to homebuyers, as buying sentiment is likely to be tepid.

The property market faces rising overhang risk. According to data released by the National Property Information Centre (NAPIC), unsold completed residential units increased to 32,801 units in 1QCY26 from 30,471 units in 4QCY25. The higher residential overhang was owing to higher unsold completed residential units in KL, Malacca and Pahang. Similarly, serviced apartment overhang has also risen to 19,263 units in 1QCY26 from 18,752 units in 4QCY26 as serviced apartment overhang in KL and Johor increased. Overall, we see the increasing property overhang as a downside risk to the sector, as higher levels of unsold completed properties may dampen developers' appetite for new launches going forward.

Maintain NEUTRAL on the property sector. We think that buying sentiment may moderate going forward if inflation trends higher. Besides, we see that cost pressure may weigh on the earnings of property companies in 2HCY26. Hence, we maintain our **NEUTRAL** stance on the sector. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM1.25), Matrix Concepts (BUY, TP: RM1.55)** and **IOI Properties Group (BUY, TP: RM4.64).** We remain sanguine on the outlook for Mah Sing Group, supported by the resilient sales of affordable homes. For Matrix Concepts, the MVV City development remains the near-term catalyst, while contributions from Sendayan developments and Klang Valley developments will keep earnings growth stable. For IOI Properties Group, the active land monetisation of non-core landbank will unlock the value of its landbank and support earnings growth. That, coupled with the listing of IOIPG REIT, is expected to reduce the net gearing of IOI Properties Group.

XIII. TECHNOLOGY

The external environment remains a concern.....Maintain NEUTRAL

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

Fundamental intact, but risk abound. We are keeping our NEUTRAL recommendation on the technology sector. We view that the fundamental of the semiconductor industry is turning more favourable due to the profound impact on AI. This is also in-line with the monthly sales figure shared by GSS which continues to make progress towards WSTS' 2026 sales forecast of USD1.5tn. At this juncture, we view that the AI-led revenue does not form the largest segment of total revenue. Nonetheless, we anticipate it will form a bigger chunk eventually. The smartphone market continues to show heightened challenges, led by memory shortage and geopolitical tensions. However, we view that Apple, Samsung and Huawei are in a better position as compared to their peers. There are also concerns on tariff and forex may impede the earnings performance. Given the rebound in share price performance since the beginning of the year, it appears that the market has priced-in the positivity at this juncture. All factors considered, our top pick for the sector is **Inari Amertron Bhd (Buy, TP:RM2.95).** We anticipate a strong rebound in the RF business in 2H26. In addition, we view that the group's opto business may potentially grew at a faster pace as compared to the RF business. The more favourable business conditions may also translate into better profit margin. We could also see potential M&A updates since the Lumiled deal falls through.

GSS monthly hit above USD100b mark. The global semiconductor sales (GSS) for the month of April 2026 came in +11%yoy higher to USD110.5b. With this, the GSS posted an increased on a month-to-month basis for the 14th consecutive month. Geographically, higher sales were seen across all markets. This is on track to hit the

World Semiconductor Trade Statistics (WSTS) full year 2026 sales forecast of USD1.5tn which is driven by increasing demand for AI infrastructure, high-bandwidth memory (HBM) and accelerated computing platforms. Thus, we see not let up in sales performance in 2HCY26.

Growing AI-led revenue. At this juncture we view that AI-led revenue is yet to become the main driver for the OSAT players' revenue. For Inari, the exposure to AI lies in the opto business segment, which supports the AI data center buildouts. The segment made up about one third of the group's revenue. Meanwhile, for Unisem, referring to the latest quarterly earnings, the exposure to AI lies in the industrial/power management segment which made up 27% of the group's revenue. Note that 9% of AI-related revenue is included in this segment. Similarly, for MPI, AI penetration from the revenue is derived from the industrial segment. The industrial segment now made up 50% of the revenue, of which 13% is contributed by AI servers. We expect the AI contribution for these companies to record better growth moving forward.

Further downgrade to smartphone outlook. In recent months, both International Data Corporation (IDC) and Counterpoint are now anticipating the global shipment for the smartphone market to contract by -13.9%yoy (previous forecast: IDC:-12.9%yoy ; Counterpoint: -12.0%yoy). The contraction will potentially mark the lowest annual shipment of smartphone in more than a decade. The weaker forecast was premised on memory crisis as well as the geopolitical tension, with the latter putting further cost pressures. While there is ongoing effort to build memory capacity, especially from memory suppliers in China, we view that it would be insufficient to offset the shortage which could prolonged beyond 2026. That being said, Apple, Samsung and Huawei are in better position as compared to its peers to endure the challenges. This would be in favour of those that fall into their supply chain.

Expectations priced in. On a year-to-date basis, share price performance of local Outsourced Semiconductor Assembly and Test (OSAT) companies has increased between by +25%ytd to +55%ytd despite experience a decline towards the end of May 2026. Premised on this, the current PER valuation has surpassed the five-year mean which indicated that the market has priced in the potential rebound in earnings. Notably, Inari, Unisem and MPI posted year-over-year contraction in its latest quarterly earnings. Should there any let up in earnings performance in the 2HCY26, we do not discount the possibility that the PER valuation could normalised further towards the five-year mean.

Another tariff threats? On a recent note, the USD has proposed a 10% tariff on imports from Malaysia in view of alleged forced labour trade practices in global supply chains. According to the the Investment, Trade and Industry Minister, Malaysia had participated actively in both investigations by submitting written comments, attending public hearings and taking part in consultation sessions. Should this take place, it would inadvertently increase the export cost for companies residing in Malaysia which would impact the exporter's profitability.

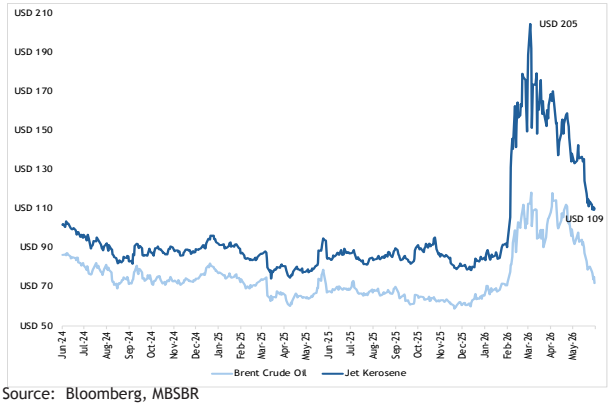
Forex to continue to undermine the companies' profitability? During the 1QCY26, we observed that the weaker USD has partially impacted the semiconductor's earnings performance. Note that in 1QCY26 USDMYR came in at RM3.966 as opposed to RM4.45. For 2QCY26, it inched marginally higher to RM4.00. Moving forward, our in-house projection suggests that USDMYR should trend at around this level for 2H26. This will led to an average of RM4.01 for 2026 with year-end rate coming in at RM4.03. Premised on this, we anticipate that forex will remain a concern for the semiconductor companies.

XIV. TRANSPORTATION

An uneven recovery.....Maintain NEUTRAL

*Analyst: **Amalia** Zarir*

Chart 50: Brent Crude Oil vs. Jet Fuel



Source: Bloomberg, MBSBR

AVIATION

Airport expansion to support sustained traffic growth. Passenger demand continued to strengthen in May-26, with MAHB's Malaysian airport network handling 7.9m passengers, driven primarily by international travel. KLIA alone recorded 4.9m passengers, including 3.6m international travellers (+2.0%yoy), supported by stronger regional connectivity and new routes, particularly from China, reinforcing Malaysia's role as a regional aviation hub under the Visit Malaysia 2026 campaign. MAHB has recently committed more than RM11.0b in capital expenditure over the next 5 years to expand and modernise its airport network, with key projects including increasing KLIA's long-term capacity beyond 100m passengers annually, expanding Penang International Airport's capacity from 6.5m to 12.0m passengers, and raising Kota Kinabalu International Airport's capacity from 9.0m to 12.0m passengers. These investments should alleviate capacity constraints, enhance operational efficiency and support long-term traffic growth.

Jet fuel prices are trending lower. We expect the outlook for airlines to improve in 2HCY26 as the US-Iran ceasefire has eased concerns over fuel costs, with jet fuel prices retreating to around USD110/bbl currently from a peak of USD205/bbl in late Mar-26. Based on **AirAsia X Berhad's (Non-rated)** operational updates, Malaysia AirAsia had reduced 2QCY26 capacity by approximately -10.0%yoy during the period of elevated fuel costs. As fuel prices normalise, the airline has started to reverse these measures, having lowered fares by -5.0% with a further -30.0% reduction planned over the next 2 months, while capacity is expected to recover from 3QCY26. The initial response has been encouraging, with bookings improving by +3.0 to +5.0% while maintaining a healthy year-to-date load factor of 82%, indicating resilient underlying demand. Separately, AirAsia is also in the process of reinstating its fuel hedging programme, which we view positively. Overall, while we expect 2QCY26 earnings to remain affected by previously elevated fuel costs, the combination of lower fuel prices, fare normalisation, capacity recovery and disciplined fuel hedging should support a sequential earnings recovery from 3QCY26 onwards.

PORT & LOGISTICS

Fuel cost pressures linger. Westports Holdings Berhad (NEUTRAL, TP: RM5.49) is expected to remain relatively resilient, supported by its strong intra-Asia exposure (62% of CY25 throughput) and the continued stability of its Middle East-linked services. Direct exposure to the Middle East remains limited at less than 5% of total volumes, although Asia-Europe routes account for around 17% of throughput. As shipping lines continue to reroute vessels away from conflict-affected areas, cargo is increasingly diverted through alternative Southeast Asian hubs,

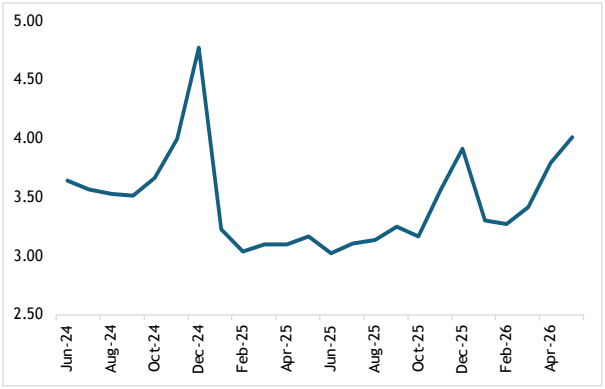
potentially leading to more uneven cargo flows and intermittent congestion. Management has reportedly remained selective by rejecting shipments with unclear destinations to maintain manageable yard utilisation and minimise congestion risks. Nevertheless, earnings remain sensitive to fuel costs. Although Singapore MOPS gasoil, the benchmark for Westports' diesel procurement, has eased from its conflict-driven peak following the US-Iran ceasefire, it closed last week at USD111.61/bbl, still +22.1% above the USD91.42/bbl recorded in late Feb-26, indicating that diesel costs remain elevated despite the recent moderation in prices. Fuel accounted for 19% of Westports' operating costs in 1QFY26, compared with 23% in FY22 during the onset of the Russia-Ukraine conflict. While Westports is seeking approval from the Ministry of Transport (MOT) for a partial fuel cost pass-through mechanism, the timing and outcome remain uncertain.

Chart 51: Ocean Freight Rates (USD/FEU)



Source: Drewry, Bloomberg, MBSBR

Chart 52: Air Freight Rate (USD/kg)



Source: Drewry, Bloomberg, MBSBR

Freight costs stay elevated. The US-Iran ceasefire has eased the immediate disruption to global freight markets, but recovery remains slow. Xeneta estimates that around 10% of global container shipping capacity remains affected by the Strait of Hormuz disruption, with only limited container ship transits recorded and carriers still focused on extracting trapped vessels and crews rather than restoring full networks. Although capacity is gradually returning on major trade lanes, Xeneta expects ocean supply chains to require at least 3 months to recover, reflecting ongoing schedule disruption, vessel repositioning and elevated war-risk costs. As a result, freight rates remain well above pre-conflict levels. Drewry's World Container Index (WCI) has increased from USD1,899 per 40ft container in late Feb-26, to USD4,166 on June 25, 2026 (+119.4%), while Drewry's average air freight rate (updated monthly) rose +22.6% to USD4.02/kg in May-26 since the start of the conflict.

Maintain NEUTRAL. Tasco Berhad (BUY, TP: RM0.56) remains our top pick, supported by its attractive valuation at -1.0SD below its five-year historical mean. Tasco is relatively well insulated from freight rate volatility through its parent company's Strategic Forward Pricing mechanism, which compensates the Group whenever tender rates fall below cost, with pricing terms reassessed quarterly. This provides a meaningful cushion given that historically 80% of its freight forwarding business operates on a tender basis. Beyond this, we expect earnings to be supported by an improving contract logistics division, driven by recently secured customers. That said, the cold supply chain segment is likely to remain a drag in the near term due to lingering boycott-related headwinds and the gradual recovery following the loss of a major customer.

APPENDIX

Table i: MBSB RESEARCH STOCK UNIVERSE as at 29 June 2026

	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	
					FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25							High (RM)	Low (RM)
CONSTRUCTION																															
Cahya Mata Sarawak Berhad	Dec	NEUTRAL	1.06	1.16	65.7	114.2	139.6	6.1	10.6	13.0	-48.8	73.8	22.2	17.3	10.0	8.2	3.0	3.0	3.0	2.8	2.8	2.8	0.33	3.19	10.29	2.46	3.17	1,075.5	1,140.1	1.63	1.05
Gamuda Berhad	Jul	BUY	4.25	5.60	1,003.2	1,001.6	1,503.2	17.6	16.8	25.2	111.4	-4.6	50.1	24.1	25.3	16.9	10.0	10.0	10.0	2.4	2.4	2.4	2.00	2.13	6.27	3.31	8.27	5,964.0	25,346.9	5.80	3.70
IJM Corporation Berhad	Mar	BUY	2.28	2.82	403.4	3.2	445.8	11.5	0.1	12.7	-32.8	-99.2	14,031.5	19.8	2,533.3	17.9	7.0	7.0	28.0	3.1	3.1	12.3	0.80	2.84	0.05	0.01	0.03	3,505.2	7,991.8	3.13	2.05
Malaysian Resources Corporation Berhad	Dec	BUY	0.32	0.40	47.3	38.2	38.7	1.1	0.9	0.9	-25.9	-19.3	1.3	30.2	37.4	36.9	1.0	1.0	1.0	3.1	3.1	3.1	0.31	1.03	3.19	0.40	0.83	4,467.5	1,429.6	0.57	0.26
Pekat Group Berhad	Dec	BUY	1.69	2.03	45.1	52.5	57.0	6.9	7.4	8.0	100.9	8.2	8.6	24.7	22.8	21.0	1.0	1.0	1.0	0.6	0.6	0.6	3.79	0.45	8.61	7.14	15.33	708.4	1,197.3	1.90	1.11
Sunview Group Berhad	Sep	SELL	0.37	0.32	6.4	6.4	8.9	1.2	1.2	1.5	-42.4	0.0	26.0	31.2	31.2	24.8	0.0	0.0	0.0	0.0	0.0	0.0	2.08	0.18	2.80	1.42	3.63	603.6	220.3	0.44	0.30
Sunway Construction Group Berhad	Dec	BUY	7.32	8.19	361.8	411.8	469.8	27.7	30.9	35.3	91.3	11.5	14.1	26.4	23.7	20.7	27.5	46.0	46.0	3.8	6.3	6.3	12.06	0.61	7.71	9.31	47.59	1,331.2	9,744.3	7.56	4.64
WCT Holdings Berhad	Dec	NEUTRAL	0.40	0.43	48.1	61.1	67.3	3.1	3.9	4.3	-83.8	27.3	10.1	13.0	10.2	9.3	0.0	0.0	0.0	0.0	0.0	0.0	0.19	2.15	3.03	0.78	1.59	1,558.9	623.6	0.91	0.35
CONGLOMERATE																															
YTL Corporation Berhad	Jun	BUY	2.03	3.44	1,953.0	1,727.0	1,709.0	17.7	14.9	14.7	-9.6	-15.8	-1.0	11.5	13.7	13.8	4.5	5.0	5.0	2.2	2.5	2.5	1.28	1.58	5.73	1.76	6.47	11,624.6	23,598.0	2.82	1.58
TELECOMMUNICATIONS																															
Axiata Group Berhad	Dec	NEUTRAL	2.11	2.07	364.6	1,133.2	1,312.5	4.0	12.3	14.3	-61.2	208.3	15.8	52.8	17.1	14.8	10.0	11.0	12.1	4.7	5.2	5.7	0.97	2.17	9.64	2.28	4.71	9,188.2	19,387.2	2.79	1.84
CelcomDigi Berhad	Dec	BUY	2.70	3.54	1,513.5	1,752.0	1,957.0	12.9	14.9	16.7	10.3	15.8	11.7	20.9	18.1	16.2	14.7	14.2	15.9	5.4	5.3	5.9	2.00	1.35	13.52	4.80	10.96	11,731.5	31,675.1	3.95	2.65
Maxis Berhad	Dec	BUY	3.48	4.05	1,561.0	1,607.0	1,719.0	19.9	20.5	21.9	11.8	3.1	7.0	17.5	17.0	15.9	17.5	17.0	17.0	5.0	4.9	4.9	4.44	0.78	15.11	7.14	26.14	7,835.1	27,266.1	4.36	3.22
Telekom Malaysia Berhad	Dec	BUY	7.46	8.31	1,713.0	1,877.7	1,931.2	44.6	48.9	50.3	-15.2	9.7	2.8	16.7	15.2	14.8	31.0	37.5	38.8	4.2	5.0	5.2	2.81	2.66	15.82	9.18	17.45	3,837.7	28,629.5	8.26	6.47
TECHNOLOGY																															
D&O Green Technologies Berhad	Dec	SELL	0.34	0.39	-228.2	29.3	38.9	-18.4	2.4	3.1	-711.6	-112.8	32.8	n.a.	14.2	10.7	0.0	0.0	0.0	0.0	0.0	0.0	1.07	0.31	2.96	2.01	4.11	1,239.5	415.2	1.60	0.32
Inari Amertron Berhad	Jun	BUY	2.20	2.95	218.7	207.4	310.2	5.8	5.4	8.1	-27.8	-6.2	49.6	38.1	40.6	27.1	5.5	4.9	7.4	2.5	2.2	3.4	3.03	0.73	15.34	6.10	6.71	3,824.0	8,412.7	2.67	1.21
Zetrix AI Berhad	Dec	BUY	0.77	1.24	870.7	1,098.8	1,260.7	11.3	13.9	15.9	19.6	22.8	14.7	6.8	5.5	4.8	3.1	4.3	4.9	4.1	5.6	6.4	1.44	0.54	82.29	19.78	29.48	7,914.7	6,094.3	1.03	0.64
Unisem (M) Berhad	Dec	NEUTRAL	4.52	3.91	86.7	117.6	169.5	5.4	7.3	10.5	42.8	35.8	44.1	84.2	62.0	43.0	8.0	5.0	8.0	1.8	1.1	1.8	3.49	1.29	6.28	3.78	5.59	1,613.1	7,291.1	5.38	2.15
PLANTATION																															
Genting Plantations Berhad	Dec	BUY	5.26	5.80	354.5	339.7	332.1	39.5	37.9	37.0	9.7	-4.2	-2.2	13.3	13.9	14.2	14.0	25.0	25.0	2.7	4.8	4.8	0.97	5.42	10.09	3.77	6.76	897.1	4,718.8	5.33	4.63
IOI Corporation Berhad	Jun	BUY	4.27	4.42	1,520.6	1,269.1	1,270.0	24.5	20.2	20.2	37.1	-17.6	0.1	17.4	21.1	21.1	10.5	10.5	10.0	2.5	2.5	2.3	2.09	2.05	11.20	7.00	10.05	6,285.2	26,837.8	4.45	3.67
Kuala Lumpur Kepong Berhad	Sep	NEUTRAL	21.30	20.15	817.3	1,215.5	1,135.8	73.9	109.1	102.0	36.1	47.7	-6.6	28.8	19.5	20.9	60.0	61.0	57.0	2.8	2.9	2.7	1.69	12.61	4.86	3.83	7.85	1,113.7	23,720.9	23.18	18.60
PPB Group Berhad	Dec	BUY	9.29	11.20	-2,732.4	1,225.3	1,383.5	-192.1	86.2	97.3	-324.2	-144.9	12.9	n.a.	10.8	9.5	42.0	40.0	40.0	4.5	4.3	4.3	0.60	15.56	22.59	5.08	5.39	1,421.2	13,202.9	12.28	8.23
Sarawak Plantation Berhad	Dec	BUY	3.79	3.98	105.8	91.1	108.9	37.9	32.6	39.0	15.0	-13.9	19.5	10.0	11.6	9.7	20.0	25.0	20.0	5.3	6.6	5.3	1.26	3.01	15.94	8.16	10.93	279.0	1,057.5	3.88	2.38
SD Guthrie Berhad	Dec	BUY	6.03	7.00	2,503.0	2,826.1	2,799.2	36.2	40.9	40.5	15.7	12.9	-1.0	16.7	14.8	14.9	18.1	18.0	18.0	3.0	3.0	3.0	2.35	2.57	13.53	8.90	13.54	6,915.7	41,701.8	6.45	4.58
TSH Resources Berhad	Dec	NEUTRAL	1.17	1.28	183.4	134.6	157.1	14.0	10.8	12.7	42.2	-22.4	16.7	8.4	10.8	9.2	5.0	2.5	2.5	4.3	2.1	2.1	0.78	1.51	12.69	5.04	6.27	1,241.5	1,452.6	1.43	1.07
HEALTHCARE																															
Hartalega Holdings Berhad	Mar	BUY	1.01	1.24	74.5	103.0	131.0	2.2	3.0	3.8	489.2	38.5	27.3	46.3	33.4	26.3	0.6	0.0	12.0	0.6	0.0	11.9	0.78	1.30	4.82	2.10	2.33	3,407.5	3,441.5	1.67	0.80
IHH Healthcare Berhad	Dec	BUY	8.54	10.18	2,101.0	2,701.0	2,765.0	23.8	30.6	31.3	-21.1	28.4	2.4	35.9	27.9	27.3	10.5	11.0	12.0	1.2	1.3	1.4	2.53	3.37	10.49	4.69	7.92	8,836.2	75,460.7	10.48	6.42
Kossan Rubber Industries Berhad	Dec	BUY	1.02	1.37	152.8	135.0	169.0	6.0	5.4	6.7	29.7	-11.1	25.2	16.9	19.1	15.2	4.0	2.2	2.4	3.9	2.2	2.4	0.70	1.46	7.72	3.30	3.62	2,522.0	2,572.5	1.51	0.94
KPJ Healthcare Berhad	Dec	NEUTRAL	3.26	3.35	365.9	401.0	444.0	8.4	9.1	10.0	3.2	8.2	10.7	38.9	36.0	32.5	4.1	4.5	4.5	1.3	1.4	1.4	5.06	0.64	9.42	4.98	13.34	4,426.3	14,429.7	3.53	2.34
Pharmaniaga Berhad	Dec	BUY	1.18	1.44	48.5	114.0	154.0	6.7	8.7	11.7	-75.4	29.7	35.1	17.6	13.6	10.0	0.0	5.2	7.1	0.0	4.4	6.0	3.33	0.35	2.90	5.07	24.83	1,311.4	1,547.5	1.70	0.65
Top Glove Corporation Berhad	Aug	BUY	0.69	0.88	105.3	261.0	295.0	1.3	3.3	3.7	-261.7	148.5	13.0	52.3	21.0	18.6	0.5	0.6	0.8	0.7	0.9	1.2	1.14	0.60	7.47	4.16	5.46	8,018.1	5,492.4	0.88	0.53
CONSUMER (F&B, Retail)																															
99 Speed Mart Retail Holdings Berhad	Dec	BUY	3.55	4.37	607.3	707.0	816.0	7.2	8.4	9.7	28.2	16.4	15.4	49.1	42.2	36.5	2.0	4.2	4.9	0.6	1.2	1.4	15.95	0.22	6.18	17.05	42.06	8,400.0	29,820.0	4.15	2.07
AEON Co. (M) Berhad	Dec	BUY	1.06	1.47	133.8	142.6	167.7	9.5	10.2	11.9	4.5	6.6	17.6	11.1	10.4	8.9	4.5	4.1	6.0	4.2	3.9	5.7	0.71	1.48	3.32	2.46	7.12	1,404.0	1,488.2	1.45	1.01
Fraser & Neave Holdings Berhad	Sep	NEUTRAL	27.70	28.43	508.5	522.3	576.4	138.9	142.4	157.2	-6.3	2.5	10.4	19.9	19.5	17.6	63.0	65.0	65.0	2.3	2.3	2.3	2.60	10.64	10.05	9.30	13.46	366.8	10,159.8	36.82	25.52
Hup Seng Industries Berhad	Dec	BUY	0.96	1.09	49.8	48.7	57.7	6.2	6.1	7.2	-13.5	-2.3	18.5	15.4	15.8	13.3	4.0	5.2	6.1	4.2	5.4	6.4	4.36	0.22	12.34	19.57	29.41	800.0	768.0	1.12	0.91
Leong Hup International Berhad	Dec	BUY	0.76	1.07	501.1	533.8	589.6	14.0	15.9	17.6	19.5	13.4	10.5	5.4	4.7	4.3	1.0	2.9	3.2	1.3	3.8	4.2	0.98	0.77	6.05	8.16	14.97	3,352.0	2,530.7	0.84	0.58
Life Water Berhad	Jun	BUY	1.46	1.63	30.0	41.9	48.1	6.0	8.9	10.2	n.a.	47.6	14.8	24.3	16.5	14.4	0.0	2.2	2.5	0.0	1.5	1.7	3.31	0.44	24.22	12.49	20.07	473.2	690.8	1.69	0.76
Mr D.I.Y. Group (M) Berhad	Dec	BUY	1.63	2.13	632.7	671.8	751.0	6.7	7.1	7.9	11.0	6.1	11.8	24.4	23.0	20.6	6.0	5.4	6.2	3.7	3.3	3.8	8.36	0.20	13.56	17.13	33.31	9,477.5	15,448.3	1.92	1.44
Nestlé (Malaysia) Berhad	Dec	NEUTRAL	95.84	95.70	513.0	565.1	639.7	218.8	241.0	272.8	23.6	10.1	13.2	43.8	39.8	35.1	220.0	236.8	254.1	2.3	2.5	2.7	39.48	2.43	8.21	15.50	98.01	234.5	22,474.5	122.20	75.08
Oriental Kopi Holdings Berhad	Sep	BUY	0.94	1.06	60.8	70.9	89.5	3.3	3.5	4.5	n.a.	9.1	26.2	28.9	26.5	21.0	1.0	1.1	1.3	1.1	1.2	1.4	6.41	0.15	15.72	16.45	24.16	2,000.0	1,880.0	1.61	0.82
Padini Holdings Berhad	Jun	BUY	1.44	2.13	154.8	140.2	153.2	15.7	14.2	15.5	5.6	-9.4	9.3	9.2	10.1	9.3	8.6	9.5	9.5	6.0	6.6	6.6	1.13	1.27	7.24	6.84	11.83	986.9	1,421.1	2.10	1.37
QL Resources Berhad	Mar	BUY	3.72	4.11	455.1	450.4	505.5	12.5	12.3	13.9	3.9	-1.0	12.5	29.8	30.1	26.8	6.0	2.5	5.5	1.6	0.7	1.5	4.05	0.92	6.39	7.38	11.97	3,641.2	13,545.2	4.68	3.28
Spritzer Berhad	Dec	NEUTRAL	2.90	2.45	90.8	97.5	111.9	14.3	15.2	17.5	27.7	6.9	14.8	20.4	19.0	16.6	9.5	4.6	5.3	3.3	1.6	1.8	1.41	2.06	14.84	11.30	14.83	640.1	1,856.2	3.12	1.52
Spritzer	Mar	Buy	3.70	4.28	455.1	484.8	517.1	12.5	13.3	14.2	3.9	6.5	6.7	29.7	27.9	26.1	6.0	5.3	5.7	1.6	1.4	1.5	4.04	0.91	6.88	8.21	13.64	3,650.3	13,505.9	4.90	3.57
BANKING																															
Affin Bank Berhad	Dec	NEUTRAL	2.23	2.39	540.2	559.0	615.0	21.3	21.3	23.4	5.2	-0.2	10.0	10.5	10.5	9.5	0.0	8.7	9.4	0.0	3.9	4.2	0.46	4.82	12.61	0.45	4.57	2,626.4	5,856.9	2.82	2.21
Alliance Bank Malaysia Berhad	Mar	BUY	4.73	5.92	750.7	826.5	894.0	47.3	49.3	51.7	8.7	4.3	4.8	10.0	9.6	9.2	18.9	19.8	21.3	4.0	4.2	4.5	0.83	5.70	20.22	0.90	9.37	1,730.2	8,184.0	5.59	4.26
AMMB Holdings Berhad	Mar	BUY	6.40	7.63	2,001.2	2,100.8	2,098.0	60.6	63.5	63.5	7.2	4.9	-0.1	10.6	10.1	10.1	30.2	47.5	34.9	4.7	7.4	5.5	0.98	6.55	23.88	1.01	9.71	3,306.2	21,159.4	6.85	5.00
Bank Islam Malaysia Berhad	Dec	NEUTRAL	2.13	2.30	557.2	527.0	545.0	24.6	23.3	24.0	-2.4	-5.4	3.4	8.7	9.2	8.9	14.5	13.9	14.4	6.8	6.5	6.8	0.60	3.53	10.35	0.51	6.53	2,266.5	4,827.6	2.55	2.10
CIMB Group Holdings Berhad	Dec	BUY	7.41	9.29	7,859.6	7,742.0	8,048.0	73.1	71.6	74.5	1.1	-2.0	4.0	10.1	10.3	10.0	47.1	46.5	48.2	6.4	6.3	6.5	1.16	6.37	21.33	0.99	10.77	10,808.2	80,088.6	8.95	6.39
Hong Leong Bank Berhad	Jun	BUY	21.68	30.50	4,273.4	4,476.0	4,751.0	208.5	206.5	219.2	1.9	-1.0	6.1	10.4	10.5	9.9	96.0	102.6	108.9	4.4	4.7	5.0	1.09	19.96	39.61	1.42	11.39	2,167.7	46,996.1	25.80	18.84
Hong Leong Financial Group Berhad	Jun	BUY	18.50	27.78	3,254.7	3,299.0	3,498.0	286.9	288.1	305.4	1.8	0.4	6.0	6.4	6.4	6.1	72.0	64.9	68.8	3.9	3.5	3.7	0.63	29.56	28.85	0.93	6.98	1,145.2	21,187.0	23.10	15.82
Malayan Banking Berhad	Dec	BUY	10.80	12.01	10,513.9	10,365.0	10,805.0	87.1	85.7	89.3	4.1	-1.6	4.2	12.4	12.6	12.1	63.0	61.7	64.3	5.8	5.7	6.0	1.44	7.48	22.26	0.98	10.70	12,095.3	130,629.6	12.42	9.39
Public Bank Berhad	Dec	NEUTRAL	4.83	4.96	7,224.4	7,113.0	7,574.0	37.4	36.6	39.0	1.5	-2.0	6.5	12.9	13.2	12.4	22.5	27.6	29.4	4.7	5.7	6.1	1.59	3.05	28.16	1.27	11.39	19,410.7	93,753.6	5.18	4.18
RHB Bank Berhad	Dec	BUY	8.22	9.17	3,363.2	3,354.0	3,428.0	77.1	76.9	78.6	7.1	-0.3	2.2	10.7	10.7	10.5	50.0	45.8	46.6	6.1	5.6	5.7	1.08	7.58	22.81	0.94	9.81	4,361.9	35,854.9	8.65	6.11
FINANCIAL SERVICES (INSURANCE & OTHER FINANCIAL)																															
Bursa Malaysia Berhad	Dec	NEUTRAL	8.52	8.85	250.2	289.3	311.1	30.9	35.7	38.4	-19.3	15.7	7.5	27.6	23.8	22.2	28.0	34.0	36.5	3.3	4.0	4.3	9.08	0.94	41.22	8.97	36.14	809.3	6,895.2	9.18	7.48
Allianz Malaysia Berhad	Dec	BUY	21.04	25.69	660.1	948.0	961.0	363.6	514.5	521.5	-9.4	41.5	1.4	5.8	4.1	4.0	152.5	88.5	89.7	7.2	4.2	4.3	0.65	32.40	14.93	3.11	15.08	184.3	3,876.8	23.30	17.26
LPI Capital Berhad	Dec	NEUTRAL	15.10	15.42	367.8	395.0	421.0	92.3	99.2	105.7	-2.5	7.4	6.6	16.4	15.2	14.3	80.0	267.6	89.8	5.3	17.7	5.9	2.45	6.17	18.28	7.99	16.07	398.4	6,015.6	15.78	14.10
Syarikat Takaful Malaysia Keluarga Berhad	Dec	BUY	3.25	4.51	384.7	389.0	408.0	44.2	44.6	46.8	-2.2	1.0	4.9	7.4	7.3	6.9	18.5	17.8	18.7	5.7	5.5	5.8	1.20	2.70	9.47	2.15	16.96	872.2	2,834.6	3.58	3.01

Table i: MBSB RESEARCH STOCK UNIVERSE as at 29 June 2026 (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	
					FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25							High (RM)	Low (RM)
OIL & GAS																															
Bumi Armada Berhad	Dec	BUY	0.33	0.48	439.0	406.0	436.0	7.4	6.8	7.4	-30.7	-7.6	7.4	4.5	4.8	4.5	0.0	1.0	1.5	0.0	3.0	4.5	0.33	0.99	25.55	4.64	6.91	5,928.0	1,956.2	0.46	0.28
Deleum Berhad	Dec	BUY	1.14	1.65	71.1	70.0	76.0	17.7	17.4	18.9	-4.2	-1.5	8.6	6.4	6.5	6.0	9.3	9.0	9.5	8.2	7.9	8.3	0.95	1.21	7.02	8.49	12.38	401.6	457.8	1.60	1.10
Dialog Group Berhad	Jun	BUY	1.85	2.55	303.8	550.0	594.0	5.4	9.7	10.5	-47.2	81.2	8.0	34.4	19.0	17.6	3.1	3.3	3.4	1.7	1.8	1.8	1.76	1.05	21.99	6.38	8.81	5,642.7	10,439.0	2.36	1.54
Gas Malaysia Berhad	Dec	NEUTRAL	5.32	5.54	381.7	397.0	409.0	30.0	30.9	31.9	-12.7	3.1	3.0	17.7	17.2	16.7	23.8	14.4	14.0	4.5	2.7	2.6	4.80	1.11	5.41	10.71	25.46	1,284.0	6,830.9	6.04	4.08
Malaysia Marine and Heavy Engineering Holdings Berhad	Dec	BUY	0.34	0.57	102.9	120.0	129.0	6.4	7.5	8.1	-14.9	16.6	7.5	5.2	4.5	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.36	0.94	6.07	3.83	8.06	1,600.0	536.0	0.49	0.31
Petronas Chemicals Group Berhad	Dec	BUY	4.02	6.60	-2,142.0	1,360.0	1,507.0	-26.8	17.0	18.8	-282.3	-163.4	10.8	n.a.	23.6	21.3	7.0	13.6	15.0	1.7	3.4	3.7	0.90	4.45	4.95	2.36	3.64	8,000.0	32,160.0	6.16	2.83
Petronas Dagangan Berhad	Dec	BUY	18.60	22.46	1,099.2	1,177.0	1,267.0	110.6	118.5	127.5	1.1	7.1	7.6	16.8	15.7	14.6	92.0	115.5	120.1	4.9	6.2	6.5	3.19	5.83	3.08	10.62	19.45	993.5	18,478.2	23.58	17.12
Petronas Gas Berhad	Dec	BUY	17.54	19.25	1,727.1	1,971.0	2,111.0	87.3	99.6	106.7	-5.9	14.1	7.1	20.1	17.6	16.4	72.0	72.0	72.0	4.1	4.1	4.1	2.44	7.19	30.92	9.95	13.40	1,978.7	34,707.0	19.30	16.62
PROPERTY & REITS																															
Al 'Aqar Healthcare REIT	Dec	BUY	1.18	1.30	55.7	66.0	66.0	6.6	7.9	7.9	-4.3	18.4	0.0	17.8	15.0	15.0	7.1	7.2	7.3	6.0	6.1	6.2	0.94	1.25	54.78	3.16	6.29	839.6	990.7	1.32	1.08
AXIS REIT	Dec	BUY	2.02	2.17	282.1	206.0	220.0	14.0	10.2	10.9	18.3	-27.1	6.8	14.5	19.9	18.6	10.6	10.2	10.6	5.2	5.1	5.2	1.20	1.69	56.04	3.85	6.02	2,024.9	4,090.3	2.24	1.80
Eco World Development Group Berhad	Oct	NEUTRAL	2.15	2.09	438.1	600.0	416.0	14.7	18.6	12.9	42.4	26.8	-30.7	14.7	11.6	16.7	7.0	8.0	8.0	3.3	3.7	3.7	1.24	1.73	20.47	4.45	9.62	3,224.7	6,933.0	2.30	1.92
IGB REIT	Dec	NEUTRAL	2.75	2.84	660.5	553.0	574.0	17.9	12.8	13.3	11.1	-28.4	3.8	15.4	21.5	20.7	11.8	11.6	12.0	4.3	4.2	4.4	1.89	1.46	78.43	6.31	8.82	4,328.7	11,904.0	3.16	2.50
IOI Properties Group Berhad	Jun	BUY	3.88	4.64	1,064.0	707.0	727.0	19.3	12.8	13.2	-48.4	-33.5	2.8	20.1	30.2	29.4	8.0	8.0	8.0	2.1	2.1	2.1	0.85	4.56	23.09	1.51	2.88	5,506.1	21,363.8	4.62	1.94
KLCCP Stapled Group	Dec	NEUTRAL	8.92	8.80	733.8	839.0	858.0	40.7	46.5	47.5	47.3	14.3	2.3	21.9	19.2	18.8	47.0	45.5	46.0	5.3	5.1	5.2	2.73	3.27	48.22	4.36	5.92	1,805.3	16,103.6	9.57	8.40
Mah Sing Group Berhad	Dec	BUY	0.97	1.25	260.1	279.0	307.0	10.2	10.9	12.0	6.5	7.3	10.0	9.5	8.9	8.1	4.5	5.0	6.0	4.6	5.2	6.2	0.62	1.57	11.09	3.46	6.83	2,560.1	2,483.3	1.29	0.93
Matrix Concepts Holdings Berhad	Mar	BUY	1.19	1.55	214.0	217.8	269.0	16.3	11.6	14.3	25.4	-28.8	23.5	7.3	10.3	8.3	8.0	6.1	7.2	6.7	5.1	6.1	0.96	1.24	15.86	5.31	9.33	1,877.0	2,233.7	1.48	1.10
Pavilion REIT	Dec	BUY	1.70	2.00	466.9	373.0	394.0	12.3	9.5	10.0	9.5	-22.7	5.6	13.8	17.9	16.9	10.0	10.1	10.2	5.9	5.9	6.0	1.24	1.38	41.38	3.80	6.79	3,928.0	6,677.5	2.03	1.56
S P Setia Berhad	Dec	NEUTRAL	0.95	0.98	510.0	433.0	478.0	8.6	8.6	9.5	-15.7	0.1	10.4	11.0	11.0	10.0	2.6	2.5	2.9	2.7	2.6	3.0	0.35	2.67	10.27	1.60	2.69	5,051.6	4,773.8	1.21	0.72
Sunway REIT	Dec	BUY	2.20	2.39	539.4	470.0	498.8	15.1	13.7	14.6	0.4	-9.0	6.1	14.6	16.0	15.1	14.5	13.3	14.0	6.6	6.1	6.4	1.30	1.70	52.55	4.41	8.00	3,424.8	7,534.6	2.67	2.02
Sunway Berhad	Dec	NEUTRAL	5.09	5.28	1,304.2	1,107.0	1,120.0	19.1	16.4	16.6	14.0	-14.1	1.2	26.7	31.1	30.7	6.0	6.0	6.0	1.2	1.2	1.2	1.41	3.60	11.28	2.85	6.51	6,760.4	34,410.5	5.98	4.57
UOA Development Berhad	Dec	NEUTRAL	1.70	1.86	474.0	363.0	382.0	18.0	13.7	14.4	63.6	-24.0	5.2	9.4	12.4	11.8	10.0	10.0	10.0	5.9	5.9	5.9	0.76	2.24	53.83	5.43	5.91	2,655.0	4,513.5	1.95	1.70
TRANSPORT																															
- Aviation																															
Capital A Berhad	Dec	BUY	0.42	0.63	13,018.1	158.4	183.0	299.8	3.5	4.1	-1,534.4	-98.8	15.5	0.1	11.7	10.1	0.0	0.0	0.0	0.0	0.0	0.0	3.10	0.13	8.48	2.09	17.19	4,474.4	1,856.9	0.65	0.23
-Logistics																															
Swift Haulage Berhad	Dec	SELL	0.38	0.35	26.4	29.0	30.4	3.0	3.5	3.6	-33.2	14.4	4.8	12.4	10.9	10.4	1.6	1.6	1.7	4.3	4.3	4.5	0.44	0.85	3.74	1.64	3.85	839.4	314.8	0.48	0.32
Tasco Berhad	Mar	BUY	0.38	0.56	26.2	37.5	39.2	3.3	4.7	4.9	-57.6	43.1	4.7	11.6	8.1	7.8	1.3	1.8	1.8	3.3	4.6	4.7	0.46	0.83	4.11	1.96	5.09	800.0	304.0	0.55	0.33
- Ports																															
Westports Holdings Berhad	Dec	NEUTRAL	5.95	5.49	998.3	1,012.6	1,112.2	29.3	29.5	32.4	11.1	0.7	9.8	20.3	20.2	18.4	10.9	0.2	0.2	1.8	0.0	0.0	4.89	1.22	32.40	11.39	24.29	3,436.5	20,447.0	6.33	5.05
- Shipping																															
MISC Berhad	Dec	BUY	7.89	9.22	1,700.2	2,948.0	3,099.0	38.1	66.0	69.4	42.7	73.3	5.1	20.7	11.9	11.4	38.0	33.2	33.5	4.8	4.2	4.2	1.04	7.57	26.45	5.56	8.49	4,463.7	35,219.0	9.04	7.12
UTILITIES																															
Ranhill Utilities Berhad	Jun	BUY	1.93	2.56	53.6	135.0	146.2	5.5	10.4	11.3	34.8	89.4	8.3	35.1	18.5	17.1	n.a.	1.0	1.0	n.a.	0.5	0.5	2.62	0.74	6.22	4.56	13.44	1,295.9	2,501.2	2.23	1.13
Samaiden Group Berhad	Jun	BUY	1.37	1.88	20.2	31.9	38.4	4.8	5.7	6.9	20.9	20.1	20.4	28.8	24.0	20.0	0.0	3.0	3.0	0.0	2.2	2.2	2.85	0.48	9.02	5.59	19.03	559.2	766.1	1.62	0.90
Tenaga Nasional Berhad	Dec	BUY	14.34	16.40	4,768.1	5,219.9	5,102.1	81.9	89.5	87.5	19.4	9.4	-2.3	17.5	16.0	16.4	53.0	55.5	56.8	3.7	3.9	4.0	1.66	8.64	7.71	2.63	9.85	5,829.1	83,589.9	14.98	12.50
YTL Power International Berhad	Jun	BUY	4.10	5.65	2,545.4	2,144.4	2,477.9	31.0	24.8	28.6	-26.3	-20.0	15.6	13.2	16.6	14.3	8.0	8.0	8.0	2.0	2.0	2.0	1.60	2.56	10.12	2.86	9.92	8,662.1	35,514.4	4.42	2.51
AUTO																															
Bermaz Auto Berhad	Apr	NEUTRAL	1.01	0.85	155.9	104.7	122.3	13.4	9.1	10.8	-54.9	-31.6	18.1	7.6	11.1	9.4	9.8	0.0	6.9	9.7	0.0	6.8	1.68	0.60	4.60	6.33	13.89	1,134.0	1,145.4	1.08	0.50
MBM Resources Berhad	Dec	BUY	4.79	6.14	339.3	335.4	342.9	86.8	85.8	87.7	1.8	-1.1	2.2	5.5	5.6	5.5	48.0	51.5	52.6	10.0	10.8	11.0	0.77	6.24	13.16	11.48	12.40	390.9	1,872.4	5.48	4.30
Tan Chong Motor Holdings Berhad	Dec	SELL	0.49	0.34	-195.3	-132.6	-123.8	-30.0	-20.3	-19.0	-8.8	-32.1	-6.6	n.a.	n.a.	n.a.	0.0	1.0	1.0	0.0	2.1	2.1	0.12	3.99	-6.29	-2.74	-5.06	651.6	316.0	0.97	0.46
BUILDING MATERIAL																															
- Cement																															
Malayan Cement Berhad	Jun	BUY	6.41	10.00	672.4	896.6	907.2	50.1	64.1	64.9	53.7	27.9	1.2	12.8	10.0	9.9	5.0	12.0	12.0	0.8	1.9	1.9	1.22	5.27	19.80	8.37	13.15	1,398.5	8,964.5	8.74	4.87
- Timber																															
Ta Ann Holdings Berhad	Dec	BUY	5.22	6.08	218.6	232.7	204.0	49.7	52.8	46.3	21.2	6.3	-12.3	10.5	9.9	11.3	30.0	40.0	35.0	5.7	7.7	6.7	1.19	4.38	12.04	8.22	10.96	440.5	2,299.2	5.80	3.69

Source: Company, MBSBR

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

In Local Currency	Index point	1Q25	2Q25	3Q25	4Q25	2025	1Q26	2Q26*
KOSPI	8,411.21	3.4%	23.8%	11.5%	23.1%	75.6%	19.9%	66.5%
Taiwan Weighted	44,571.76	-10.2%	7.5%	16.0%	12.2%	25.7%	9.5%	40.5%
Nikkei 225	69,360.88	-10.7%	13.7%	11.0%	12.0%	26.2%	1.4%	35.8%
Dow Jones	51,876.11	-1.3%	5.0%	5.2%	3.6%	13.0%	-3.6%	11.9%
Mumbai Sensex 30	77,100.47	-0.9%	8.0%	-4.0%	6.2%	9.1%	-15.6%	7.2%
SET Index	1,542.34	-17.3%	-5.9%	16.9%	-1.1%	-10.0%	15.0%	6.5%
Straits Times	5,191.73	4.9%	-0.2%	8.5%	8.0%	22.7%	5.1%	6.3%
Shanghai Composite	4,027.27	-0.5%	3.3%	12.7%	2.2%	18.4%	-1.9%	3.5%
Philippines Composite	6,072.24	-5.3%	3.0%	-6.5%	1.7%	-7.3%	-1.7%	2.1%
FBM KLCI	**1,667.74**	**-7.8%**	**1.3%**	**5.1%**	**4.2%**	**2.3%**	**0.6%**	**-1.3%**
Hang Seng	22,671.86	15.3%	4.1%	11.6%	-4.6%	27.8%	-3.3%	-8.5%
Jakarta Composite	5,896.13	-8.0%	6.4%	16.4%	7.3%	22.1%	-18.5%	-16.3%

Source: Bloomberg
as at 29 June 2026

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

In US Dollar	Index point	1Q25	2Q25	3Q25	4Q25	2025	1Q26	2Q26*
KOSPI	8,411.21	3.3%	34.8%	7.5%	19.9%	79.6%	13.9%	64.5%
Taiwan Weighted	44,571.76	-11.3%	22.1%	11.3%	8.8%	31.2%	7.4%	41.3%
Nikkei 225	69,360.88	-6.4%	18.1%	8.3%	5.9%	26.8%	-0.2%	33.5%
Dow Jones	51,876.11	-1.3%	5.0%	5.2%	3.6%	13.0%	-3.6%	11.9%
Mumbai Sensex 30	77,100.47	-0.9%	7.8%	-7.4%	4.9%	3.8%	-19.6%	7.1%
Straits Times	5,191.73	6.8%	5.2%	7.0%	8.3%	30.3%	5.1%	5.7%
Shanghai Composite	4,027.27	0.1%	4.6%	13.4%	4.2%	23.7%	-0.6%	5.0%
SET Index	1,542.34	-16.7%	-1.6%	17.1%	2.1%	-2.0%	10.7%	4.1%
Philippines Composite	6,072.24	-4.3%	4.7%	-9.6%	0.7%	-8.8%	-4.5%	0.9%
FBM KLCI	**1,667.74**	**-7.1%**	**6.7%**	**5.2%**	**8.1%**	**12.8%**	**0.8%**	**-2.3%**
Hang Seng	22,671.86	15.1%	3.2%	12.6%	-4.6%	27.5%	-4.0%	-8.6%
Jakarta Composite	5,896.13	-10.3%	9.3%	12.5%	7.2%	18.3%	-19.5%	-20.5%

Source: Bloomberg
*as at 29 June 2026

APPENDIX

Table iv: Performance by sectors (% change)

	Index Point	1Q25	2Q25	3Q25	4Q25	2025	1Q26	2Q26*
Technology	72.09	-22.6%	1.7%	12.8%	-3.6%	-14.5%	-9.1%	42.7%
Construction	280.96	-14.0%	12.6%	11.0%	-9.8%	-3.0%	-14.3%	9.5%
Utilities	1,677.85	-11.2%	2.1%	11.7%	-10.7%	-9.6%	-2.9%	4.7%
Reits	918.74	-2.0%	5.8%	3.5%	1.0%	8.3%	-2.9%	0.2%
Property	1,099.88	-11.3%	0.2%	6.2%	-0.5%	-6.0%	3.6%	-0.3%
Transport & Logistics	995.94	-3.2%	-4.6%	2.3%	1.0%	-4.5%	-1.6%	-0.6%
Plantation	8,882.98	-2.8%	-1.2%	5.8%	7.0%	8.8%	7.9%	-1.1%
Financial Services	19,663.12	-4.1%	-4.0%	3.4%	8.0%	2.8%	1.6%	-1.8%
Industrial Products & Services	179.59	-13.1%	0.4%	11.5%	1.3%	-1.6%	5.3%	-1.8%
Consumer Products & Services	492.16	-11.6%	-0.4%	6.2%	4.4%	-2.3%	-6.0%	-2.4%
Telecommunications & Media	406.17	-12.2%	2.8%	-0.2%	-4.0%	-13.6%	-10.0%	-3.9%
Energy	745.90	-7.9%	-3.0%	5.6%	-1.2%	-6.8%	3.9%	-6.5%
Healthcare	1,482.96	-22.7%	-7.2%	-7.9%	-2.9%	-35.9%	3.5%	-6.8%
FBM Small Cap	15,261.82	-13.3%	-1.8%	8.8%	-5.3%	-12.2%	-7.1%	4.2%
FBM KLCI	12,365.02	-9.8%	0.9%	4.7%	2.7%	-2.2%	0.0%	0.5%
FBM Emas	12,201.59	-9.5%	1.1%	4.4%	3.3%	-1.3%	0.6%	0.2%
FBM 100	1,667.74	-7.8%	1.3%	5.1%	4.2%	2.3%	0.6%	-1.3%

Source: Bloomberg
*as at 29 June 2026

Table v: Regional earnings and valuations

	EPS Growth (% Change)					PER				
	2024	2025 (est as of)		2026 (f'cast as of)		2024	2025 (est as of)		2026 (f'cast as of)	
		Mar-26	Jun-26	Mar-26	Jun-26		Mar-26	Jun-26	Mar-26	Jun-26
Nikkei 225	12.9%	11.4%	7.4%	-12.0%	8.0%	22.9	20.3	21.3	23.0	19.8
Taiwan Weighted	15.2%	9.6%	49.5%	23.1%	20.2%	25.4	21.2	17.0	17.2	14.1
Hang Seng	2.1%	-3.5%	4.5%	9.7%	11.7%	11.5	12.3	11.0	11.3	9.9
FBM KLCI	**-5.9%**	**2.8%**	**9.9%**	**7.2%**	**5.7%**	**16.2**	**15.7**	**14.8**	**14.7**	**14.0**
Jakarta Comp.	-7.0%	33.7%	57.5%	21.8%	13.5%	17.7	16.2	11.2	13.3	9.9
SET Index	-15.1%	11.2%	17.7%	6.7%	7.4%	17.9	14.0	15.2	13.1	14.2
Philippines Comp.	13.9%	-1.2%	5.6%	9.8%	10.0%	9.6	9.8	9.1	9.0	8.2
Shanghai Comp.	5.7%	17.5%	11.0%	11.0%	18.4%	17.5	15.2	15.8	13.7	13.3
Straits Times	2.5%	-4.6%	3.7%	8.1%	7.2%	15.5	15.4	14.9	14.3	13.9
Mumbai Sensex 30	17.1%	-11.7%	3.1%	14.7%	14.1%	18.1	24.2	17.5	21.1	15.3
DJIA	6.8%	-4.9%	7.2%	12.2%	14.0%	21.8	24.1	20.3	21.4	17.8

Source: Bloomberg
*as at 29 June 2026

Table vi: Performance of MBSBR's stocks under coverage

OUT-PERFORMERS	Share Price (RM)		% Change	TP
	26/6/2026	31/3/2026		
Unisem	4.52	2.61	73.2%	3.91
Inari Amertron	2.20	1.29	70.5%	2.95
Life Water	1.46	1.01	44.6%	1.63
Samaiden Group	1.37	0.99	39.1%	1.88
YTL Power International	4.10	3.00	36.7%	5.65
Pekat Group	1.69	1.31	29.0%	2.03
Spritzer	2.90	2.37	22.4%	2.45
MRCB	0.32	0.27	20.8%	0.40
YTL Corporation	2.03	1.69	20.1%	3.44
IOI Properties	3.88	3.32	16.9%	4.64
Sunway Construction	7.32	6.37	14.9%	8.19
Ranhill Utilities	1.93	1.68	14.9%	2.56
Bermaz Auto	1.01	0.88	14.8%	0.85
Gamuda Berhad	4.25	3.73	13.9%	5.60
WCT Holdings	0.40	0.36	11.1%	0.43
S P Setia	0.95	0.87	9.2%	0.98
Mr D.I.Y. Group	1.63	1.53	6.5%	2.13
Leong Hup International	0.76	0.71	6.3%	1.07
LPI Capital	15.10	14.22	6.2%	15.42
Sunway	5.09	4.80	6.0%	5.28
Malayan Cement	6.41	6.05	6.0%	10.00
Eco World Development	2.15	2.03	5.9%	2.09
AXIS REIT	2.02	1.92	5.2%	2.17
Telekom Malaysia	7.46	7.10	5.1%	8.31
IJM Corporation	2.28	2.19	4.1%	2.82
99 Speed Mart Retail	3.55	3.41	4.1%	4.37
Zetrix AI	0.77	0.74	4.1%	1.24
Public Bank	4.83	4.68	3.2%	4.96
Tenaga Nasional	14.34	13.90	3.2%	16.40
Sarawak Plantation	3.79	3.68	3.0%	3.98
Sunview Group	0.37	0.36	2.8%	0.32
Allianz Malaysia	21.04	20.48	2.7%	25.69
Tan Chong Motor	0.49	0.48	2.1%	0.34
IOI Corporation	4.27	4.22	1.2%	4.42
QL Resources	3.72	3.70	0.5%	4.11
Westports Holdings	5.95	5.93	0.3%	5.49
Genting Plantations	5.26	5.25	0.2%	5.80
Bursa Malaysia	8.52	8.51	0.1%	8.85
Capital A	0.42	0.42	0.0%	0.63
Tasco	0.38	0.38	0.0%	0.56
MBM Resources	4.79	4.80	-0.2%	6.14
SD Guthrie	6.03	6.05	-0.3%	7.00
IGB REIT	2.75	2.76	-0.4%	2.84
Top Glove	0.69	0.69	-0.7%	0.88
Kuala Lumpur Kepong	21.30	21.50	-0.9%	20.15
AEON Co.	1.06	1.07	-0.9%	1.47
Hong Leong Bank	21.68	21.90	-1.0%	30.50

Source : MBSBR, Bloomberg (as at 29 June 2026)

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

UNDER-PERFORMERS	Share Price (RM)		% Change	TP
	26/6/2026	31/3/2026		
Petronas Chemicals	4.02	6.07	-33.8%	6.60
D&O Green	0.34	0.44	-23.9%	0.39
PPB Group	9.29	12.00	-22.6%	11.20
TSH Resources	1.17	1.39	-15.8%	1.28
Dialog Group	1.85	2.19	-15.5%	2.55
Kossan Rubber	1.02	1.20	-15.0%	1.37
Petronas Dagangan	18.60	21.84	-14.8%	22.46
Hartalega	1.01	1.15	-12.2%	1.24
MMHE	0.34	0.38	-11.8%	0.57
Gas Malaysia	5.32	6.00	-11.3%	5.54
Bank Islam	2.13	2.40	-11.3%	2.30
Affin Bank	2.23	2.47	-9.7%	2.39
CelcomDigi	2.70	2.96	-8.8%	3.54
Padini	1.44	1.56	-7.7%	2.13
Fraser & Neave	27.70	30.00	-7.7%	28.43
Cahya Mata Sarawak	1.06	1.14	-7.0%	1.16
Oriental Kopi	0.94	1.01	-6.9%	1.06
MISC	7.89	8.44	-6.5%	9.22
Matrix Concepts	1.19	1.27	-6.3%	1.55
UOA Development	1.70	1.80	-5.6%	1.86
Malayan Banking	10.80	11.36	-4.9%	12.01
IHH Healthcare	8.54	8.98	-4.9%	10.18
Sunway REIT	2.20	2.31	-4.8%	2.39
KPJ Healthcare	3.26	3.42	-4.7%	3.35
Axiata Group	2.11	2.21	-4.5%	2.07
Bumi Armada	0.33	0.35	-4.3%	0.48
Deleum	1.14	1.19	-4.2%	1.65
Ta Ann Holdings	5.22	5.43	-3.9%	6.08
Swift Haulage	0.38	0.39	-3.8%	0.35
Pharmaniaga	1.18	1.23	-3.7%	1.44
Maxis	3.48	3.60	-3.3%	4.05
Nestlé	95.84	99.12	-3.3%	95.70
Hup Seng Industries	0.96	0.99	-3.0%	1.09
Mah Sing Group	0.97	1.00	-3.0%	1.25
AMMB Holdings	6.40	6.59	-2.9%	7.63
RHB Bank	8.22	8.44	-2.6%	9.17
Hong Leong Financial Group	18.50	18.96	-2.4%	27.78
Petronas Gas	17.54	17.96	-2.3%	19.25
Alliance Bank	4.73	4.82	-1.9%	5.92
CIMB Group	7.41	7.55	-1.9%	9.29
Pavilion REIT	1.70	1.73	-1.7%	2.00
Al-'Aqar Healthcare REIT	1.18	1.20	-1.7%	1.30
KLCCP Stapled Group	8.92	9.06	-1.5%	8.80
Syarikat Takaful Malaysia Keluarga	3.25	3.30	-1.5%	4.51
FBM KLCI	**1,667.74**	**1,690.36**	**-1.3%**	**1,770.00**
FBM HIJRAH	**13,429.43**	**13,410.51**	**0.1%**	**12,900.00**
FBM 70	**17,726.19**	**16,864.69**	**5.1%**	**18,600.00**

Source : MBSBR, Bloomberg (as at 29 June 2026)

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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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