Ready for Kick-off

Statistical Analysis of Past Market Performance Amid the Greatest Show on Earth (i.e. the World Cup)

Authors

Imran Yassin Yusof
Head of Research
imranyassin@mbsb.com

Strategy Report

KEY INVESTMENT HIGHLIGHTS

- We found that only four positive full-year FBM KLCI performance during World Cup years since 1978, but with a slightly positive 0.4% average. We conclude that World Cup tournaments did not drive markets; macro shocks, commodity cycles, crises, policy changes, and global risk appetite mattered more
- During actual World Cup periods, performance was better, with seven positive instances from twelve tournaments and median gain of 0.7%
- For 2HCY26, we view external risks from Middle East tensions, supply-chain disruptions, inflation pressure, and possible US rate tightening could hold sway over the market
- We recommend starting with a balanced defensive 4-4-2 equity formation: four defensive anchors, four stabilising midfielders, and two selective growth forwards
- The starting XI includes Tenaga (BUY, TP: RM16.40), YTL Power (BUY, TP: RM5.65), 99 Speed Mart (BUY, TP: RM4.37), CelcomDigi (BUY, TP: RM3.54), CIMB (BUY, TP: RM9.29), Hong Leong Bank (BUY, TP: RM30.50), MR DIY (BUY, TP: RM2.13), MISC (BUY, TP: RM9.22), Gamuda (BUY, TP: RM5.60), and Inari (BUY, TP: RM2.95)
- If risks fade, strategy can rotate to 3-5-2, adding cyclicals while preserving defensive discipline through five named substitute candidates if conditions improve. MISC could be replaced with PChem (BUY, TP: RM6.60)

Yearly Market Performance on a World Cup Year

Kicking off the greatest show on Earth.

Football fans around the world will be eagerly waiting for the start of the 2026 FIFA World Cup with Mexico, the US and Canada being host country for this year's edition. This year's FIFA World Cup 2026 kicks off this morning (Malaysian time), with Mexico winning against South Africa with a 2-0 score at Estadio Azteca in Mexico City. The tournament runs until the final on 19 July 2026.

Looking at market performance during a World Cup year.

We believe that the World Cup will provide a welcome distraction with the hope of beautiful football being played. Nevertheless, we are also interested in observing market performance in a given World Cup year. We observed data of the main benchmark, FBM KLCI (or KLCI), in each World Cup year dating back from 1978, due to availability of data.

World Cup was not a driver for performance.

Based on our observations of past 12 World Cups, the FBM KLCI saw 4 years of positive performance during World Cup years. Nevertheless, the average performance during all 12 World Cup years still showed slightly positive because strong years such as in 1978, 2006 and 2010 which offset many of the smaller negative years. Here, we should note that the pattern was not really "World Cup-driven" as big macro events mattered much more such as the early-1980s downturn, 1994 sell-off, post-Asian Financial Crisis period, and later global/local market cycles.

Table 1: Market Performance during World Cup Years

World Cup Year	KLCI y-o-y performance	Main drivers
1978	+37.8%	Strong domestic growth and commodity/export momentum. Malaysia's real GDP grew strongly with 1978 GDP growth around 6.7%. Palm oil exports also expanded sharply, with a 25.6% increase.
1982	-23.5%	Global recession and commodity-price collapse. The early-1980s global downturn badly hit non-oil primary commodities where Malaysia was still exposed to primary commodities such as rubber, tin and palm oil, so weaker terms of trade and risk appetite weighed on equities.
1986	+8.1%	Late-cycle recovery expectations despite recession stress. Malaysia was still dealing with the 1985/86 commodity shock, high external rates, weaker commodity prices and financial-sector stress. However, by late 1986, the policy response such as austerity, currency adjustment, privatisation, promotion of FDI, reduced foreign borrowings and improving commodity conditions helped markets start discounting recovery into 1987.
1990	-10.0%	Profit-taking and external shock despite strong GDP. Malaysia's economy was actually strong in 1990, with GDP growth around 9%–10%, driven by domestic demand, private investment and FDI. However, equity sentiment was hit by external risks with the Gulf crisis/oil-price shock after Iraq's invasion of Kuwait, slowing industrial economies and risk-off behaviour.
1994	-23.9%	End of the "Super Bull" run. The KLCI had surged in 1993 and peaked in early January 1994, helped by credit, liquidity, IPO excitement, retail speculation and privatisation themes. The reversal came as sentiment turned, authorities tightened trading/speculation rules, and leveraged/speculative positions unwound.
1998	-1.4%	Asian Financial Crisis crash, then policy-driven rebound. The headline full-year decline looks small only because the starting point was already crisis-depressed. Nevertheless, policy response helped the market rebound sharply into year-end.
2002	-7.2%	Global uncertainty overwhelmed domestic recovery. Malaysia's economy recovered in 2002, with real GDP expanding 4.2%, supported by domestic demand, low interest rates and improved commodity prices. However, equity sentiment was hurt by global concerns with weaker US growth, lower corporate earnings, US accounting scandals and Middle East tensions.
2006	+21.8%	Broad-based capital-market expansion and confidence rebuild. Malaysia's capital market expanded strongly in 2006 due to improved investor confidence on stronger governance, deregulation and liberalisation.
2010	+19.3%	Post-GFC recovery and liquidity. The KLCI benefited from the global and domestic rebound after the 2008/09 financial crisis. Fiscal stimulus and improving domestic/external conditions also helped revive risk appetite.
2014	-5.7%	Oil-price collapse, weaker ringgit and macro fears**.** The KLCI hit record highs around mid-2014 but saw drawdown late in the year as Brent crude collapsed. There was also China/Eurozone slowdown concerns and Ukraine-related geopolitical tensions.
2018	-5.9%	Uncertainty stemming from GE14 result and trade-war pressure. The first change of federal government triggered uncertainty over policy. Meanwhile, 2018 also saw weakness driven by US-China trade tensions.
2022	-4.6%	Global rates shock, Ukraine war and China lockdowns. Worries over possible recession risk, higher global rates, China's strict Covid lockdowns and Russia's invasion of Ukraine.
Average	0.4%	
Median	-5.1%	

Source: Bloomberg, Various, MBSBR

Performance of Markets During the World Cup Period

We noticed an interesting pattern when we were observing the market's year-on-year performance in a given World Cup year. When we studied the performance of the market during the World Cup period (about a month between June-July with the exception of November-December in 2022 due to it being in Qatar), we saw that there were more instances of positive market performance. In our observation, there were 7 instances of positive performance during the World Cup period amongst the 12 World Cup years.

Interestingly, more positive market during World Cup period.

While our observation yielded interesting results, we cannot infer that the market was mainly driven by the World Cup. We opine that the climate and themes of the year were probably the factors that drove the market during those periods. For example, the strong performance between 30 May 1986 to 27 June 1986 (+18.4%) was likely due to the theme of late-cycle recovery expectations (see above). Similarly, the -12.5% drawdown during 10 June 1998 to 10 July 1998 was likely due to the Asian Financial Crisis of 97/98.

Likely influenced by other factors.

Table 2: FBMKLCI Performance During World Cup Period

Start of World Cup		End of World Cup		Return
Date	FBM KLCI/KLCI	Date	FBM KLCI/KLCI	
1-Jun-78	144.46	23-Jun-78	151.86	5.1%
11-Jun-82	293.89	9-Jul-82	274.54	-6.6%
30-May-86	190.17	27-Jun-86	225.07	18.4%
8-Jun-90	588.09	6-Jul-90	593.86	1.0%
17-Jun-94	1,038.04	15-Jul-94	1,012.11	-2.5%
10-Jun-98	489.86	10-Jul-98	428.62	-12.5%
31-May-02	741.76	28-Jun-02	725.44	-2.2%
9-Jun-06	915.40	7-Jul-06	925.56	1.1%
11-Jun-10	1,294.67	9-Jul-10	1,324.31	2.3%
12-Jun-14	1,873.87	11-Jul-14	1,883.15	0.5%
14-Jun-18	1,761.78	13-Jul-18	1,721.93	-2.3%
18-Nov-22	1,449.32	16-Dec-22	1,478.54	2.0%
Average				0.4%
Median				0.7%

Source: Bloomberg, various, MBSBR

Strategy – Formation to Navigate External Challenges

This year's World Cup will be played with the backdrop of external or uncertain external environment. Geopolitical situation has not cleared with the Iran-US conflict remains unresolved with the possibility of reigniting given the exchange of strikes this week. This has led to Iran closing the Straits of Hormuz again, with no ships allowed to pass through (even with a toll). Furthermore, we expect that there will be a lag impact to the conflict in the form of supply chain disruption that may manifest in 2HCY26.

A World Cup marred by geopolitics and its impact.

It is expected that the possible supply chain disruption will cause inflationary pressures going forward. In fact, the US inflation intensified further in May-26, as the annual headline CPI inflation accelerated for the third consecutive month to reach a three-year high of +4.2%yoy

Feed into inflation and US rate expectation.

(Apr-26: +3.8%yoy), matching market consensus. This upward trajectory was primarily driven by supply-side shocks which caused energy costs to surge +23.5%yoy, anchored by a +40.5%yoy spike in gasoline prices and a +58.9%yoy leap in fuel oil, amid ongoing conflicts in the Middle East. As such, the uptrend in price pressures led to the market expecting policy tightening in the latter part of the year even if market participants broadly anticipate the Fed to keep its benchmark policy rate steady between 3.50% and 3.75% at the upcoming meeting next week. And this is mirrored by the tightening by other central banks. As for Malaysia, we expect that inflation to remain manageable given our subsidy policy and we expect OPR to be maintained at 2.75% at current juncture.

External factors to continue hold sway over equity market.

For now, we expect external factors to continue hold sway over equity market sentiment namely the Middle East conflict and its impact. Referring to the scenario analysis presented in our 2QCY26 outlook report, we reckon Scenario 2 as a situation we were, and are still in. However, the danger now is that the situation may devolve into our Scenario 3 should the situation further escalate. This is where the intensity of the conflict increases which leads to sustained supply tightness, keeping oil prices elevated at USD100–120 per barrel for an extended period. At this level, the global economy faces stagflationary conditions, with persistently high inflation eroding real incomes and dampening consumption and investment.

Translating strategy to football formations.

In the spirit of the World Cup, we translate our equity strategy into football tactical formations in light of our expectation for 2HCY26. Firstly, we lay out a few football terminology and nomenclature, and how it can relate to equity strategy.

In general, football players can be classified into 3 positions (we exclude the goalkeeper as that is more or less a given and may not be relatable) and we translate those positions to sector/stock type as the analogy is useful because it separates stocks by tactical role:

- Defenders: defensive earnings, recurring demand, dividend support and lower volatility.
- Midfielders: portfolio stabilisers, value names, yield stocks and recovery beneficiaries.
- Forwards: higher-beta growth names with stronger upside potential.

In addition, a football team will be able to have substitutes (in our case, tactical rotation candidates to be introduced when market conditions improve).

A football formation of 10 outfield players is made of a combination of the positions. For example, a football team can have a formation of 4 defenders, 4 midfielders and 2 forwards, or a formation of 3 defenders, 4 midfielders and 3 forwards. The nomenclature for these formations is written in the form of “no. of defenders - no. of midfielders - no. of forwards”. In our example, it will be written 4-4-2 and 3-4-3 respectively.

Understanding the different formations.

In general, football teams use different formations to help a team solve different problems, either part of the team’s strategy, responding to their opponent or looking to control an area of the pitch. Some formations are more defensive, while others are more attacking. Typically, a formation with more defenders is more defensive and more forwards are more attacking. In simple terms, a formation is how a team balances risk and reward.

Typical football formations.

Below are some of the typical formations employed in modern football and how we can then translate it to investment strategies:

Formation	Football Term		Investment Term		Risk level
	Style	Rationale	Portfolio style	Best market condition	
5-3-2	Defensive	Defensive third	Defensive / capital preservation	Sharp slowdown, high rate risk, foreign selling	Low
4-4-2	Balanced	Balanced shape	Balanced defensive	Slower growth, uncertain rates, mixed market	Moderate-low
3-5-2	Balanced	Midfield control	Midfield-control / recovery	Macro risk fading, market breadth improving	Moderate
4-3-3	Attacking	Wide attacking areas	Quality growth	Earnings upgrades, stronger risk appetite	Moderate-high
3-4-3	Aggressive	High pressing and attacking overloads	Aggressive growth / risk-on	Bull market, strong liquidity, high beta leadership	High

Finding a starting "formation" to play amidst the challenges.

We opine that the whole formation analogy works because both football and investing are about positioning. A football manager asks, "Do I need to defend, control, or attack?" while an investor may ask, "Do I need capital preservation, balanced exposure, or growth?"

Given our expectation of a possible slower economic backdrop in 2HCY26 and the risk of a possible US interest rate hike in 4QCY26, we believe the portfolio should begin in a **4-4-2** formation. This provides sufficient defensive protection while retaining selected exposure to growth through two forwards.

Why 4-4-2?

In football terms, this is not the time to start with a high defensive line. The better approach is to keep shape, absorb volatility, and counterattack selectively through stocks with visible growth drivers.

The 4-4-2 formation gives us:

1. Four defensive anchors to reduce volatility.
2. Four midfielders to maintain income, value and recovery exposure.
3. Two forwards to participate in upside if the market improves.
4. One flexible player, who can shift from defence to midfield.

However, formation can change during the game.

However, a football manager needs to be agile and willing to change a formation depending on the situation on the pitch. Mirroring this, should macro risks fade, for example, if Fed rate-hike risk eases, geopolitical situation improves, inflationary pressures contained and market breadth improves, we opine that it is feasible to tactically switch to a **3-5-2** formation. This allows investors to dominate the "midfield" through more value, cyclical and recovery exposure, without fully abandoning the defensive spine.

Below is our pick for the starting XI (with BUY calls) based on our 4-4-2 starting formation.

The starting XI

Position	Stock	Target Price (RM)	Rationale
Defender	Tenaga Nasional	16.40	Core defensive utility anchor. Suitable for uncertain 2HCY26 conditions due to regulated earnings profile, dividend support and lower earnings volatility.
Defender	YTL Power	5.65	Defensive utility exposure with additional growth optionality. Provides portfolio stability while still offering upside from structural growth themes.
Defender	99 Speed Mart	4.37	Defensive consumer name. Benefits from essential retail demand and value-seeking/downtrading behaviour during a slower economic environment.
Defender / Midfielder Hybrid	CelcomDigi	3.54	Starts as a defender in the 4-4-2 due to recurring telco revenue. Can move into midfield in a 3-5-2 if macro risk fades, supported by merger synergies and 5G monetisation potential.
Midfielder	CIMB	9.29	Better suited if risk appetite improves, foreign flows return, or financials begin to lead the market.
Midfielder	Hong Leong Bank	30.50	Quality banking midfielder. Offers balance-sheet strength, resilient earnings and dividend support, giving a more defensive financial anchor alongside CIMB.
Midfielder	MR DIY	2.13	Defensive-consumer midfielder. While it has growth characteristics, it also benefits from downtrading behaviour as consumers look for value-for-money products during softer macro conditions.
Midfielder	MISC	9.22	Deep-lying midfield stabiliser. Provides large-cap quality, dividend support, transport/logistics exposure and lower cyclical risk.
Forward	Gamuda	5.60	Infrastructure and construction growth striker. Provides upside from orderbook growth, infrastructure execution and domestic project catalysts.
Forward	Inari Amertron	2.95	Technology forward. Adds semiconductor and tech-cycle exposure, giving a growth kicker if risk appetite improves.

Source: MBSBR

The substitute bench.

In a game of football, players are allowed to be substituted due to injuries, performance or strategy/formation changes. Similarly, we opine of possible stock substitutes (in our case, we are limiting to 5) depending on the macro situation. For example, should the macro risk fades, then we can switch to a 3-5-2 formation, with CelcomDigi moving into midfield and replacing MISC with Petronas Chemicals. Below are our list of substitutes with BUY calls.

Sub	Stock	Target Price (RM)	Likely Comes On For	Tactical Role	Rationale
1	Petronas Chemicals	6.60	MISC	Cyclical industrial midfielder	First-choice sub if macro risk fades. Adds industrial / chemicals recovery exposure.
2	Sunway Construction	7.90	Gamuda / rotation with Gamuda	Construction attacker	Offers more direct construction beta.
3	SD Guthrie	7.00	MISC / PChem	Plantation / commodity midfielder	Comes on if CPO / plantation rotation becomes the preferred theme.

4	Zetrix AI	1.24	Inari	High-beta tech forward	Late attacking substitute if the market turns clearly risk-on.
5	Petronas Gas	19.25	YTL Power / Tenaga / CelcomDigi	Defensive substitute	Used if volatility returns and we need to protect the portfolio.

Source: MBSBR

We view portfolio formation as a tactical expression of market conviction. A 5-3-2 formation would represent a defensive capital-preservation strategy, suitable for a sharp slowdown or higher-for-longer rate environment. A 4-3-3 or 3-4-3 formation would represent a more aggressive growth strategy, appropriate only when market breadth improves and risk appetite returns decisively.

Overall, we believe the 4-4-2 formation offers the most appropriate starting point for 2HCY26, balancing defensive resilience with selective growth exposure. The macro-opponent still looks difficult, with slower growth risks and possible US rate uncertainty arguing against an overly aggressive setup. Hence, the strategy should begin compact: protect the back line, control the middle, and keep enough firepower up front through selective growth names. Should the tempo of the market change, i.e. with rate risk easing, risk appetite returning and market breadth improving, the switch to 3-5-2 provides a clear and disciplined pathway to increase cyclical and recovery exposure without abandoning the defensive spine. In short, we start 2HCY26 in 4-4-2 because the match still requires discipline, but we keep the bench ready, push CelcomDigi into midfield when conditions improve, and move into 3-5-2 when the opportunity to take control of the game appears.

Conclusion – a balanced defensive approach for 2HCY26.

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) 197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad

MBSB INVESTMENT BANK (formerly known MIDF INVESTMENT BANK): GUIDE TO RECOMMENDATIONS

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

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