US MIDTERMS – Congress Turns Blue

Confirmation of our Outlook Assumptions Despite Tech. Sell off

Authors

Imran Yassin Yusof
Director/Head of Research
imranyassin@mbsb.com

Strategy Report

KEY INVESTMENT HIGHLIGHTS

- Democrats won both congressional chambers, confirming the report's assumption and strengthening the pathway towards S1: Phased Negotiated Accommodation of our scenario analysis.
- The technology-led sell-off reflects fears of AI taxes, tighter data-centre rules and weaker returns from capital expenditure, rather than recession concerns.
- A Middle East ceasefire should lower geopolitical risk, Brent crude, freight costs, inflation expectations and bond yields, supporting earnings and equity valuations.
- We continue to advocate a balanced strategy: selective technology exposure alongside utilities, construction, telecommunications, healthcare and essential consumption.
- Our prelim. end-CY27 FBM KLCI target remains 1,850 points, supported by growth and earnings.
- Key risks include market weakness, hyperscaler cuts and escalation.
- Reiterate top picks for 4QCY26 and prelim. 2027: CelcomDigi (BUY, TP: RM3.54), 99 Speed Mart (BUY, TP: RM4.37), Sarawak Plantation (BUY, TP: RM5.36), KPJ Healthcare (BUY, TP: RM3.70), SD Guthrie (BUY, TP: RM7.65), Nestlé (BUY, TP: RM118.9), Tenaga Nasional (BUY, TP: RM16.31), Gamuda (BUY, TP: RM5.60).

EXPECTED US MID TERMS RESULTS

The US midterm result.

The 3 November 2026 US midterm elections delivered Democratic control of both the House of Representatives and the Senate, ending unified Republican control of the federal government. The result creates divided government for the remaining two years of President Donald Trump's term, with the Republicans maintains the presidency while the Democrats assume control of the legislative branch when the new Congress convenes on 3 January 2027.

Democrats control over the congressional agenda, committee chairmanships, investigations and the passage of legislation.

The result gives the Democrats control over the congressional agenda, committee chairmanships, investigations and the passage of legislation through both chambers. More importantly for the Middle East conflict, the party will control the appropriations process through which military expenditure is approved, restricted or made subject to conditions. However, the election did not give the Democrats complete control of the federal government. President Donald Trump retains the authority of the executive branch and the power to veto legislation. The Democrats can therefore influence, constrain and scrutinise foreign policy, but they cannot unilaterally determine it.

The election created a congressional counterweight.

The same distinction applies to domestic policy. Democratic control increases the likelihood that proposed taxes and restrictions affecting artificial intelligence and data centres will progress through congressional committees and reach a vote. Nevertheless, passing both chambers does not guarantee implementation because legislation must still receive presidential approval or sufficient congressional support to override a veto.

The scale and breadth of the victory also provided a clearer political signal than a narrow change of control would have done. Voters gave the Democrats a mandate to challenge the administration, but that mandate contains several overlapping concerns, including the cost of living, the Middle East conflict, the effect of AI on employment, rising electricity costs and the rapid expansion of data centres.

The result increases policy probability before it increases policy certainty.

THE MIDTERMS CONFIRM THE OUTLOOK

The Democratic sweep of the House of Representatives and Senate confirms one of the important political assumptions underlying our 4QCY26 and 2027 outlook. The result gives the Democrats control over congressional committees, appropriations and the legislative agenda when the new Congress convenes. While foreign policy remains led by the executive, Congress now has greater capacity to attach conditions to military funding, compel testimony, investigate the conduct of the conflict and influence sanctions policy.

Confirms our underlining assumptions.

The result should therefore not be interpreted as invalidating our scenario framework. It strengthens the institutional pathway through which congressional pressure could move the US towards a negotiated settlement with Iran. A Democratic Congress cannot compel the administration, Iran or other regional actors to accept an agreement. However, it can raise the political and financial cost of a prolonged confrontation.

From an assumption to an electoral fact.

We opine that this distinction is important. Our outlook did not assume that a Democratic victory would immediately end hostilities. It assumed that control of Congress would improve the conditions for negotiation by creating a counterweight to the administration, particularly over appropriations, sanctions, oversight and the authorisation of continued military activity. The larger-than-expected Democratic victory may provide the incoming congressional leadership with more room to manage differences within its own caucus. Moderates may place greater emphasis on fiscal discipline and national security, while progressives may demand stronger restrictions on military funding and faster action on technology regulation. A larger majority reduces dependence on every individual member but does not remove those internal differences, however.

Congress cannot end the conflict alone, but it can alter its political sustainability.

Our 4QCY26 & Prelim. 2027 Outlook considered four possible political and geopolitical pathways after the US midterm elections. The scenarios were not intended as four unrelated forecasts. They represented different ways in which the administration, Congress and external actors could interact after the election. Recall our scenarios as below:

Recalling our four scenarios.

S1: Phased Negotiated Accommodation

- Under S1, congressional control creates sufficient pressure for the administration to enter a structured and reciprocal negotiation. The process would likely begin with limited measures rather than a comprehensive settlement.
- These could include conditions on offensive funding, indirect negotiations, temporary sanctions relief, restrictions on military activity and verifiable safe-passage arrangements.
- The settlement would be phased because neither side could make all the required concessions simultaneously without appearing politically weak. Measures would therefore need to be reciprocal, reversible and independently verifiable.
- **Political pressure creates a pathway towards reciprocal concessions.**

- The economic transmission under S1 would be favourable: Reduced Military Risk; Improved Maritime Security; Lower Oil, Freight and Insurance Costs; Lower Inflation Expectations; Less Pressure on the Federal Reserve; Lower UST and MGS Yields; Broader Equity Re-rating
- The Democratic sweep increases the probability of this scenario. However, evidence must come from actual negotiations, appropriations decisions and physical improvements in shipping rather than from the election result alone.

S2: Coercive Containment

- Under S2, Congress constrains further escalation but is unable to produce a durable political settlement. Military activity becomes more limited and selective, while sanctions, maritime pressure and intermittent retaliation continue.
- The conflict would remain contained rather than resolved. Oil and shipping risk premiums could decline from crisis levels but would not disappear because commercial operators would still face the possibility of renewed disruption.
- Containment lowers the temperature without removing the risk.

S3: Executive-Congressional Confrontation

- Under S3, the administration resists congressional restrictions, while Congress uses appropriations, investigations and oversight to challenge the existing policy. The result would be domestic institutional confrontation rather than coordinated foreign policy.
- Such a confrontation could delay funding decisions, weaken policy credibility and create uncertainty over whether US commitments would survive changes in appropriations or legal challenges. Iran and other external actors could exploit these divisions by delaying concessions or testing the limits of US resolve.
- Political control without policy coordination can produce paralysis.

S4: Externally Forced Escalation

- Under S4, events outside Washington overwhelm domestic political preferences. A major attack, shipping incident, Israeli action, Iranian retaliation or renewed Houthi escalation could force the administration and Congress into a more aggressive response.
- This is the tail-risk scenario because it is less dependent on the intended policy of either US political party. Operational accidents and actions by regional participants could accelerate the conflict before congressional restraints become effective.
- External events can override electoral mandates.

Our revised scenario assessment.

We opine that the result shifts the probability distribution towards S1 and away from a prolonged policy of unconstrained military escalation. S2 remains the principal alternative if the Democrats can contain the conflict but cannot deliver a comprehensive settlement. S3 becomes the main domestic political risk, while S4 remains an event-driven tail risk.

EQUITY MARKET REACTION (OR OVERREACTION?)

The equity market is pricing a different Democratic policy.

The immediate market reaction has not been driven primarily by foreign policy. It has been driven by technology policy. The sell-off intensified after investors began to consider what Democratic congressional control could mean for AI infrastructure, data-centre approvals, tax incentives, antitrust policy and the treatment of workers displaced by automation. The market reaction was concentrated among semiconductor, AI infrastructure and data-centre-related

companies. Nvidia fell -9.3% on Thursday, while AMD declined -17.3%, Micron -17.5%, Broadcom -10.4% and Core Weave -10%. By Friday morning, US technology stocks were already showing signs of recovery.

The sell-off was sharp, but concentrated.

We opine that the sectoral concentration is important. A broad rejection of the midterm outcome should have produced more persistent weakness across banks, industrials, consumer companies and domestically orientated small-capitalisation stocks. Instead, the largest declines occurred among companies most directly exposed to AI capital spending and the data-centre construction cycle. This suggests that the market was not immediately pricing a recession. It was repricing the expected distribution of AI profits.

The election was the catalyst, not the only cause.

The AI trade had already weakened before the election. We understand that the Goldman Sachs broad AI basket had fallen -15% in October and more than -24% from its peak before the immediate post-election session. The sector was already confronting high interest rates, heavy capital expenditure and growing questions over the returns generated by the AI build-out.

Political risk arrived when the AI trade was already vulnerable.

The election accelerated an existing de-rating because it introduced another uncertainty into an already fragile investment case. Investors were previously asking whether AI revenue would grow quickly enough to justify datacentre, semiconductor and energy expenditure. They are now also asking whether governments will permit AI companies to retain the resulting economic rents.

AI may continue to grow even as returns fall short of current expectations.

The proposed "Make AI Work for Americans Act**"** would establish an Artificial Intelligence Horizon Fund financed through taxes on digital advertising, AI usage and AI excess profits. The proceeds would support workforce training, entrepreneurship, unemployment assistance and other measures addressing AI-related labour disruption. For investors, the proposed taxes could affect the AI economic model at three levels: reducing the cash flow available to finance AI investment, raising the cost of commercial adoption and limiting the economic rents ultimately retained by shareholders. AI may therefore continue to grow even as returns to shareholders fall short of current expectations.

Data centres have also become politically sensitive.

Data centres have also become politically sensitive because of their electricity and water consumption, land use, grid requirements and tax incentives. Proposals to reduce tax breaks, impose a data-centre excise tax and introduce automation-related levies reflect growing concern over the local economic and environmental costs of AI infrastructure. While data centres support national productivity and technological leadership, their resource requirements are experienced locally, creating resistance to new projects. Project approvals and access to power, water and land could therefore become increasingly important constraints on the AI supply chain.

Democratic control of does not guarantee proposals will become law.

Nevertheless, Democratic control of Congress does not guarantee that these proposals will become law. The Republican administration retains the presidential veto, while divisions within the Democratic caucus could result in higher tax thresholds, phased implementation and exemptions for research, domestic investment, smaller developers and national-security applications. The market is therefore pricing a possible direction of policy rather than a final legislative outcome. While the first proposals reveal increasing political pressure to regulate

and redistribute AI profits, the eventual economic burden could be materially less severe than investors initially fear.

A knee-jerk reaction, but not an irrational one.

We regard the technology drawdown as a knee-jerk reaction before the legislative process, final tax rates and practical implementation became clear. However, we believe that the knee-jerk does not mean that the concerns are entirely unfounded. The AI sector was already priced for rapid demand growth, successful monetisation and continued access to inexpensive capital. Political uncertainty arrived when the sector was facing growing questions over capital intensity and returns. The combination justified a higher risk premium, even if the magnitude of the first adjustment may have been excessive. Evidence of an overshoot would include a recovery in profitable hyperscalers and semiconductor companies, while speculative and highly leveraged AI infrastructure names remain under pressure.

THE MARKET MAY BE PRICING THE WRONG TIME HORIZON

Potential medium-term benefit is less visible.

The short-term cost of the Democratic victory is already visible in technology valuations, as investors price the possibility of higher AI-related taxes, tighter regulation and greater scrutiny of data-centre investment. The potential medium-term benefit is less visible because it depends on congressional pressure translating into progress towards a negotiated settlement in the Middle East.

Credible ceasefire would be positive for both technology and the broader equity market.

If the incoming Congress succeeds in moving US foreign policy towards our **S1: Phased Negotiated Accommodation**, a credible ceasefire would be positive for both technology and the broader equity market. It would immediately reduce the probability of a wider regional conflict, lower the geopolitical risk premium embedded in asset prices and encourage investors to rotate from safe-haven assets into equities. The reduction in uncertainty could also improve business confidence and revive investor appetite for cyclical, emerging-market and other risk-sensitive assets.

Lower oil prices should provide the clearest market evidence that the ceasefire is being treated as credible.

Lower oil prices should provide the clearest market evidence that the ceasefire is being treated as credible. A sustained decline in Brent crude would indicate that traders are removing part of the geopolitical risk premium associated with possible supply and shipping disruptions. In fact, Brent is now trading below USD100pb for the first time since early Sept-26. Lower oil prices would reduce energy and transportation costs, ease inflation expectations and lessen the pressure on central banks to maintain restrictive monetary policy. This could allow Treasury yields to decline and reduce the discount rates applied to future corporate earnings.

This would be positive for equities through both earnings and valuation channels. Lower fuel, freight and input costs would support corporate margins, while stronger household purchasing power could improve consumption. At the same time, lower bond yields would reduce companies' financing costs and increase the present value of future earnings, allowing equity valuation multiples to expand. The benefits would be particularly meaningful for technology and other long-duration growth stocks, but should also extend to consumer, industrial, transportation and interest-rate-sensitive sectors.

The effect would be particularly relevant to technology companies. Tighter taxation and regulation could weaken expected margins and reduce the proportion of future AI profits

retained by shareholders. However, lower geopolitical risk, oil prices and inflation expectations could reduce Treasury yields and the cost of capital. The eventual direction of technology stocks would therefore depend on whether the reduction in expected AI profitability is greater or smaller than the valuation benefit created by lower discount rates.

Technology could face weaker terminal margins but still command higher valuation multiples in a lower-yield environment.

The ceasefire would therefore produce two stages of market benefit. The first would be an immediate relief rally as investors price a lower probability of escalation, supply disruption and further inflation. The second and more durable re-rating would depend on evidence that the ceasefire is holding and translating into lower oil prices, safer maritime routes, declining war-risk insurance premiums, improving tanker movements and lower freight costs. A ceasefire announcement should therefore be treated as positive rather than insufficient. However, the sustainability and magnitude of the rally would depend on whether the political agreement produces physical normalisation across energy and shipping markets. We opine that markets can rally on the ceasefire; lower oil prices and improving physical flows will determine whether the rally endures.

IMPLICATIONS FOR MALAYSIAN EQUITIES

Near-term primarily driven by sentiment.

The near-term Malaysian transmission is primarily through sentiment. Bursa Malaysia technology companies remain exposed to movements in the Nasdaq, semiconductor valuations and the global willingness to own long-duration growth stocks. The decline in US semiconductor and AI infrastructure names may therefore weigh on Malaysian technology even before any change in orders or earnings becomes visible.

US policy risk becomes Malaysian valuation risk before it becomes Malaysian earnings risk.

However, a blanket negative view of Malaysian technology would be inappropriate. The impact will depend on each company's exposure to:

- AI servers and data-centre equipment;
- semiconductor testing and assembly;
- consumer electronics;
- automotive and industrial semiconductors;
- capital-equipment orders;
- project-dependent versus recurring revenue;
- customer concentration; and
- balance-sheet strength
-

Companies supported by diversified semiconductor demand and visible orders should be more resilient than names whose valuations depend principally on expectations of unconstrained AI capital expenditure.

Data-centre infrastructure remains structural.

Tighter regulation does not remove the physical requirements of AI. AI still requires electricity, grid connections, buildings, cooling systems, water treatment, fibre networks, cybersecurity and backup power. Even a more regulated industry must continue investing in secure and efficient infrastructure. For Malaysia, the more durable exposure remains in the physical infrastructure surrounding data centres. This includes **Tenaga Nasional (BUY, TP: RM16.31), YTL Power (BUY, TP: RM5.98), Gamuda (BUY, TP: RM5.60), Sunway Construction (BUY, TP: RM9.28), IJM Corporation (BUY, TP: RM3.32), CelcomDigi (BUY, TP: RM3.54) and Maxis (BUY, TP: RM4.31)**.

The principal risk is not an immediate collapse in demand. It is that hyperscalers become more selective, projects take longer to approve, and customers demand higher investment returns before committing additional capital. The offset is that a successful S1 outcome could lower fuel, financing and imported equipment costs while improving the wider investment environment.

EQUITY STRATEGY

The midterm outcome reinforces rather than displaces the strategy set out in our 4QCY26 & Prelim. 2027 Outlook. Our underlying Malaysian equity view remains supported by resilient domestic growth, healthy corporate earnings, and continued investment in infrastructure, technology-related manufacturing and data centres. The US election result potentially improves the external side of that investment case by raising the probability of geopolitical de-escalation, although near-term uncertainty over Democratic AI policy may continue to weigh on technology valuations.

Reinforces our 4QCY26 & prelim. 2027 strategy.

Our 4QCY26 Outlook adopted an optimistic but cautious posture, reflecting the tension between strong domestic fundamentals and external pressures from elevated oil prices, global bond yields, monetary tightening and foreign fund outflows. That framework remains appropriate. The US midterm result reduces one source of political uncertainty, but investors must still distinguish between the immediate policy risk to AI-related companies and the potential medium-term benefit from a negotiated settlement in the Middle East.

Optimistic but cautious posture.

We continue to favour a balanced approach rather than an outright cyclical positioning. The first side should retain selective exposure to technology, construction and infrastructure companies supported by actual demand, visible orders and strong balance sheets. The second should comprise utilities, telecommunications, healthcare and essential-consumption companies offering recurring earnings, dividend support and lower sensitivity to US technology regulation. This is consistent with the 4Q outlook's preference for visible earnings, recurring demand, pricing power and direct exposure to Malaysia's domestic investment cycle. The midterm result strengthens the external catalyst, but domestic earnings resilience remains the foundation of our strategy.

Continue to favour a balanced approach.

The structural technology outlook remains intact, supported by recovering semiconductor, datacom and photonics demand, alongside continued investment in AI, semiconductors and digital infrastructure. However, the Democratic victory introduces near-term valuation uncertainty as investors assess possible AI taxes, tighter data-centre regulation and greater scrutiny of technology capital expenditure. This could transmit weakness in US technology stocks to Bursa Malaysia technology valuations even before any effect appears in orders or earnings. We remain selective rather than broadly negative. Preference should be given to companies with diversified end-markets, strong net-cash positions, visible utilisation and limited dependence on a single AI customer or project. A credible Middle East ceasefire and sustained decline in Brent crude would ease inflation expectations and Treasury yields, potentially supporting a selective re-rating of long-duration technology stocks. **Inari (BUY, TP: RM2.95) is our only BUY call in the sector.**

Technology: NEUTRAL, Selective.

Utilities and Grid Infrastructure: POSITIVE, Structural

Utilities remain a preferred structural exposure, supported by regulated returns, grid investment and rising electricity demand from data centres. Tenaga Nasional remains a principal beneficiary, while YTL Power offers additional exposure to power generation and digital infrastructure. Although greater scrutiny of US data centres could moderate the pace of hyperscaler investment, it would not remove the power requirements of AI training, inference, cloud computing and broader digitalisation. A credible ceasefire would strengthen the investment case by lowering energy and financing costs. Moderating bond yields would also increase the relative attractiveness of recurring utility earnings and dividend income. The AI debate may change the pace of investment, but it does not remove the need for electricity and grid capacity.

Construction: POSITIVE, Selective

Construction remains a principal growth exposure, supported by domestic infrastructure, industrial expansion, Budget 2027, the 13th Malaysia Plan and data-centre investment. Gamuda, Sunway Construction and IJM Corporation should continue to benefit from transport, water, flood mitigation, healthcare, industrial and Johor-Singapore Special Economic Zone projects. The baseline outlook for 7.5% construction growth in 2027 also remains considerably stronger than the projected 4.6% expansion in overall GDP.

US data-centre policy uncertainty could delay the conversion of prospective projects into awarded contracts, but domestic infrastructure provides an alternative source of order replenishment. Preference should remain with contractors offering visible order books, disciplined bidding, manageable execution risk and cost pass-through protection. Lower oil, freight and financing costs following a credible ceasefire would further improve project economics. Domestic infrastructure provides the earnings foundation, while data centres supply an additional growth option.

Telecommunications: POSITIVE, Defensive Growth

Telecommunications offer recurring cash flows, dividend support and exposure to the connectivity required by digitalisation, cloud adoption and data-centre expansion. CelcomDigi remains a preferred exposure because of its improving operational efficiency, recurring earnings and dividend profile, while Maxis provides similar defensive characteristics. Demand for fibre, mobile capacity and enterprise connectivity should remain resilient regardless of whether AI develops under a more regulated policy environment.

Healthcare and Essential Consumption: POSITIVE, Core

Healthcare and essential consumption should remain at the core of the portfolio because their earnings are supported by recurring domestic demand and have limited direct exposure to US technology policy or AI capital expenditure. **KPJ Healthcare (BUY, TP: RM3.70)** should benefit from rising private-sector utilisation, medical tourism, capacity expansion and potential public-private collaboration. Within consumer stocks, **99 Speed Mart (BUY, TP: RM4.37) and Nestlé (BUY, TP: RM118.90)** provide exposure to essential and value-oriented spending rather than more volatile discretionary consumption. A successful ceasefire would add another layer of support through lower oil, freight and insurance costs. This would ease imported inflation, improve household purchasing power and reduce input and distribution expenses. Essential retailers could therefore benefit from stronger sales volumes and better cost conditions, while healthcare demand should remain relatively inelastic. Recurring demand provides downside resilience, while lower imported inflation adds a potential earnings catalyst.

Retaining our baseline market target.

The US midterm result does not require a reduction in our preliminary end-CY27 FBM KLCI target of **1,850 points**. The target is based on forecast index earnings of **120.1 points**, representing 6.6% earnings growth, and a forward PER of **15.4x**.

The result arguably strengthens one of the assumptions supporting that target. Under S1, the 4Q outlook expects Brent crude to moderate towards **USD75-85 per barrel** in 2027, Malaysia's GDP to grow by **4.6%**, inflation to remain manageable at **2.2%** and the OPR to remain unchanged at **2.75%**.

A credible ceasefire and sustained decline in Brent crude would indicate that the market is moving closer to this baseline. Lower energy, freight and insurance costs would support corporate margins and household purchasing power, while easing inflation expectations could reduce pressure on UST and MGS yields. This would reinforce both sides of the FBM KLCI target by supporting earnings and permitting a higher valuation multiple. The midterm result supports the pathway to 1,850 points, but lower oil prices would provide the necessary market confirmation.

We also maintain our top picks as below:

OVERALL TOP PICKS

	Rec.	Price (RM) @ 6/11/26	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good ?
CelcomDigi	BUY	2.51	3.54	41.0%	5.7%	46.7%	4	Y
99 Speed Mart	BUY	3.08	4.37	41.9%	1.4%	43.2%	2	N
Sarawak Plantation	BUY	3.95	5.36	35.7%	6.3%	42.0%	3	N
KPJ Healthcare	BUY	2.74	3.70	35.0%	1.8%	36.9%	4	Y
SD Guthrie	BUY	6.00	7.65	27.5%	3.3%	30.8%	4	Y
Nestlé	BUY	94.16	118.90	26.3%	3.1%	29.4%	4	Y
Tenaga Nasional	BUY	13.04	16.31	25.1%	4.3%	29.3%	4	Y
Gamuda	BUY	4.82	5.60	16.2%	2.1%	18.3%	4	Y
Dialog Group*	NEUTRAL	1.97	2.23	12.7%	2.2%	14.9%	4	Y
MISC*	NEUTRAL	8.01	8.33	4.0%	4.1%	8.1%	4	Y

** recently downgraded*

SHARIAH TOP PICKS

	Rec.	Price (RM) @ 6/11/26	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good ?
CelcomDigi	BUY	2.51	3.54	41.0%	5.7%	46.7%	4	Y
Inari	BUY	2.12	2.95	39.2%	3.5%	42.6%	4	Y
Sarawak Plantation	BUY	3.95	5.36	35.7%	6.3%	42.0%	3	N
KPJ Healthcare	BUY	2.74	3.70	35.0%	1.8%	36.9%	4	Y
SD Guthrie	BUY	6.00	7.65	27.5%	3.3%	30.8%	4	Y
Nestlé	BUY	94.16	118.90	26.3%	3.1%	29.4%	4	Y
Tenaga Nasional	BUY	13.04	16.31	25.1%	4.3%	29.3%	4	Y

Gamuda	BUY	4.82	5.60	16.2%	2.1%	18.3%	4	Y
Dialog Group*	NEUTRAL	1.97	2.23	12.7%	2.2%	14.9%	4	Y
MISC*	NEUTRAL	8.01	8.33	4.0%	4.1%	8.1%	4	Y

** recently downgraded*

TOP FBM70 & SC TOP PICKS

	Rec.	Price (RM) @ 6/11/26	Target Price (RM)	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good ?
Malayan Cement	BUY	5.44	9.53	75.2%	2.8%	77.9%	4	Y
Leong Hup	BUY	0.71	1.03	45.1%	3.9%	49.0%	2	N
Deleum	BUY	0.91	1.22	34.8%	9.9%	44.8%	4	Y
Genting Plantations	BUY	5.00	6.94	38.8%	5.4%	44.2%	3	N
IJM Corporation	BUY	2.51	3.32	32.3%	11.2%	43.4%	4	Y
Inari	BUY	2.12	2.95	39.2%	3.5%	42.6%	4	Y
Sarawak Plantation	BUY	3.95	5.36	35.7%	6.3%	42.0%	3	N
KPJ Healthcare	BUY	2.74	3.70	35.0%	1.8%	36.9%	4	Y
Sunway Con.	BUY	7.86	9.28	18.1%	17.3%	35.4%	4	Y
Dialog Group*	NEUTRAL	1.97	2.23	12.7%	2.2%	14.9%	4	Y

** recently downgraded*

Source: Bloomberg, MBSBR

What would change our view.

We would reassess our interpretation of the post-election drawdown as a technology-specific knee-jerk reaction if the weakness broadens materially into financials, industrials, consumer stocks and other cyclical sectors. We would also become more cautious if AI-related taxes advance without exemptions for research and domestic investment, hyperscalers reduce capital-expenditure guidance, or data-centre delays turn into widespread cancellations. These developments would suggest that policy and valuation concerns are becoming direct earnings risks for semiconductor, construction, utility and data-centre infrastructure companies.

The geopolitical thesis should be assessed against the assumptions in our 4Q outlook. A credible ceasefire should produce an immediate equity relief rally, but its durability would need to be confirmed by lower Brent crude, declining war-risk insurance premiums and improving commercial shipping activity. The constructive view would weaken if Brent remained materially above the USD75-85 per barrel S1 range, while a return towards USD95-110 under S2, or above USD110 under S3, would indicate that geopolitical disruption and inflation risks remain considerably higher than our base case assumes.

MBSB RESEARCH is part of MBSB 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 (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: 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