Maybank Investment Bank

STRATEGY

Malaysia

Malaysia Strategy

Tailwinds amid tailspins

Seize the opportunity during the tailspin

The KLCI has drifted further since our last report with added global volatility amid foreign outflows. Despite external uncertainties, we believe there are opportunities to be seized on home ground. Strong domestic catalysts still hold for the banks, consumer and healthcare sectors, not forgetting tourism. The investment upcycle phase should still form a growth base for data centres and industrial properties. Our top picks are Public Bank, AMMB, Aeon, Farm Fresh, KPJ, Gamuda, YTLP, Eco World, ITMAX and Solarvest. Amid volatile markets, we also favour defensive picks with yields in Tenaga, Gas Malaysia and MISC.

Banking on domestic strength

We believe the Malaysia market still holds strength from domestic-centric policy drivers, particularly the consumer sector though there appears to be a lagged effect from positive initiatives from government policies. Malaysia is also going through an investment upcycle phase with FDI coming to fruition. We believe committed data centre investments are not at risk but due to Trump's protectionist policies which are expected to be further expanded on 2 April, future investments may face delays. We believe data centre demand is real and should find some reprieve when polices are made clearer. We also see tourism as a near term catalyst.

Long-term performers even amid volatility

Taking a step back, with the KLCI trading below our bear case scenario, we do believe there are opportunities to accumulate stocks for the long term. On the stocks which we believe have been severely penalised on recent global concerns, we reiterate our BUYs on YTLP, Gamuda, IJM and Eco World. Our analysis suggests that if investors aim to outperform the market over 10-years, banks is the sector to invest in. Our team has been on a discovery spree and we have identified companies under our "Discovery+" banner which fit our Johor theme namely SDS, Farm Price and CBH. Within the oil & gas space, we had a look at Steel Hawk. We also offer defensive names such as Tenaga, Gas Malaysia and MISC which have stable earnings, attractive dividend yields and strong balance sheets.

Solid picks still on the table

Our 2025 year-end KLCI target of 1,700 (15x CY26E PER) appears bullish on current market conditions but we believe that if the government delivers on its' guided policy initiatives in a timely manner, this should catalyse the broad support required to re-rate the market higher. We remain positive on banks, consumer and healthcare (hospitals), selectively positive on construction, oil & gas (FPSO), aviation, REITs, renewable energy and Tech-EMS. Our top picks are Public Bank, YTLP, Gamuda, AMMB, KPJ, Frontken, ITMAS, Aeon, ATECH and Solarvest. Our bear case scenario for the KLCI is at 1,560 (14x CY26E PER based on 5% earnings growth).

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Current KLCI:	1,513.6 (25 Mar 2025)
2025 YE KLCI target:	1,700 (unchanged)

M'sia equities growth & valuation

		2024	2025E	2026E
KLCI @ 1,513.6	**PE (x)**	**15.2**	**14.3**	**13.3**
Earnings Growth	(%)	9.7	6.1	7.0
Research Universe	**PE (x)**	**14.9**	**14.0**	**13.0**
Earnings Growth	(%)	13.0%	6.4%	7.8%

Source: Maybank IBG Research (as of 25 Mar 2025)

Top BUYs

Stock	BBG Ticker	Share Price (MYR)	Target Price (MYR)	*Upside (%)*
Public Bank	PBK	4.44	5.30	19.4%
YTL Power	YTLP	3.44	4.70	36.6%
Gamuda	GAM	4.02	4.95	23.1%
AMMB Holdings	AMM	5.60	6.45	15.2%
KPJ Healthcare	KPJ	2.64	3.00	13.6%
Frontken Corp	FRCB	3.76	5.30	41.0%
ITMAX System	ITMAX	3.77	4.50	19.4%
AEON Co. (M)	AEON	1.35	2.00	48.1%
Aurelius Tech	ATECH	3.10	3.73	20.3%
Solarvest	SOLAR	1.66	2.14	28.9%

Source: Maybank IBG Research (share price on 25 Mar 2025)

Top SELLs

Stock	BBG Ticker	Share Price (MYR)	Target Price (MYR)	*Down-side (%)*
Astro Malaysia	ASTRO	0.17	0.10	41.2%
Berjaya Food	BFD	0.34	0.25	26.5%
Lotte Chemical	TTNP	0.42	0.39	7.1%

Source: Maybank IBG Research (share price on 25 Mar 2024)

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Banking on domestic strength

Revisiting our themes. Our five themes we had laid down in the 2025 outlook and lookout strategy remain intact. Amid external uncertainties, domestic drivers should remain the key catalysts for the equity market.

Theme 1: External uncertainties. 1H25 looks more unsettled as far as external noises are concerned with Trump's policies relating to tariffs being more disruptive than expected. That said, we believe committed investments should remain sound, particularly related to data centres. We have not seen any significant halts in such investments to date. The semiconductor side had been in turmoil the past few quarters, as underscored by weak 4Q24 results and a challenging operating outlook. Domestically, the Malaysian government has the National Semiconductor Strategy (NSS) as a catalyst of the longer term.

Theme 2: Domestic-centric consumer drivers. We remain positive on the consumer sector, driven by government-led initiatives to boost disposable income. An expected stable interest rate environment is also conducive for both consumption and investment. We remain positive on the consumer and banking sectors as well as domestic-centric plays.

Theme 3: State-driven activities. 2025 started with a bang with the official Johor-Singapore Special Economic Zone (JS-SEZ) agreement signed in January. Further details on incentives were subsequently announced. Market awaits further investment commitments to the zone. We also see a pick-up in momentum in Negeri Sembilan with the Malaysia Vision Valley 2.0 revisited.

Theme 4: Investment realisation. Based on data up to end 2024, this theme stays intact but risks lie ahead should Trump's tariff tantrums be more severe than expected. That said, approved and committed investments are unlikely to diverge. in our view. Trade diversion and diversification strategies remain a strategic priority for businesses. Government initiatives contained in the National Energy Transition Roadmap (NETR) are still seeing traction with catalytic projects on track, while the New Industrial Master Plan (NIMP) and National Semiconductor Strategy (NSS) should set the country on a long term growth path.

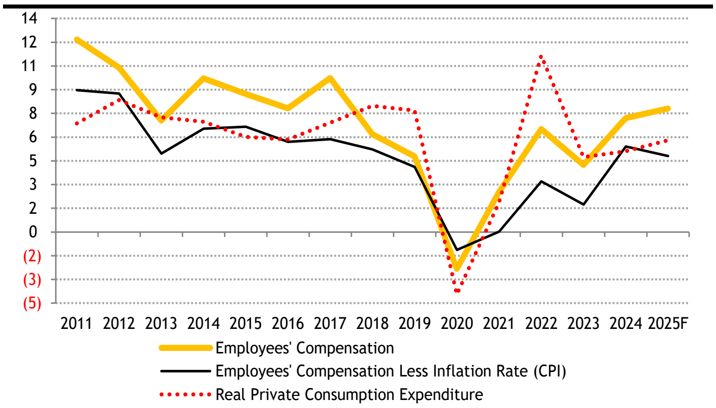
Theme 5: Corporate restructuring. While we have not seen much traction in 1Q25, we do believe there are plans to execute multiple restructurings through the year. The initial phase of the Gear-up programme may not have an immediate direct impact on the capital markets but the related positive repercussions and uplifts will be more evident over time. We would focus more on companies that would see improved performance and efficiencies over time.

Consumption remains a key driver to growth

We expect firmer consumer spending from measures – included in Budget 2025 – to lift consumer income:

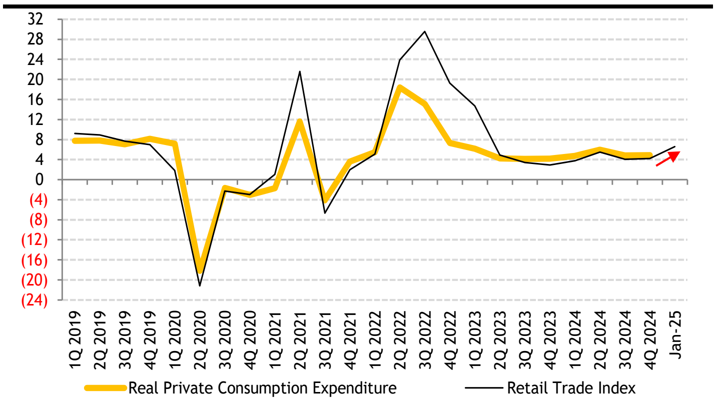
- Civil service salary revision (+7% to +15%) plus Government pension review in 2 Phases – 1 Dec 2024 & 1 Jan 2026. For Phase 1 – additional +MYR12.3b income for civil service (1.6m) and government pensioners (0.8m).
- Minimum wage hike in 2025 from MYR1,500 per month to MYR1,700 per month (4.37m workers).
- Progressive Wage Policy (PWP) i.e. scaling up under Budget 2025 (MYR200m allocation to benefit 50,000 workers) after pilot programme in June-Aug 2024 (MYR50m involving 12,500 workers).
- Higher cash handouts to lower income households i.e. 2025: MYR13b; 2024: MYR10.3b; 2023: MYR8.1b. [referred to as *Sumbangan Tunai Rahmah* (STR) and *Sumbangan Asas Rahmah* (SARA)]
- Personal income tax reliefs e.g. medical treatment; education & medical insurance; education & retirement savings; mortgage interest payment for first home; disabled persons; healthy lifestyle; elderly and childcare.
- EPF's Account 3 (10% of retirement savings) to withdraw anytime for any purpose i.e. MYR12.07b withdrawn in 2024 by 4.11m EPF members; expect MYR4b-MYR6b p.a. thereafter

Fig 1: Malaysia - Employees Compensation vs Real Private Consumption (% YoY)



Source: Department of Statistics (DOSM), Bank Negara Malaysia (BNM), Maybank IBG Research

Fig 2: Malaysia - Retail Trade Index vs Real Private Consumption (% YoY)



Source: DOSM, BNM, Maybank IBG Research

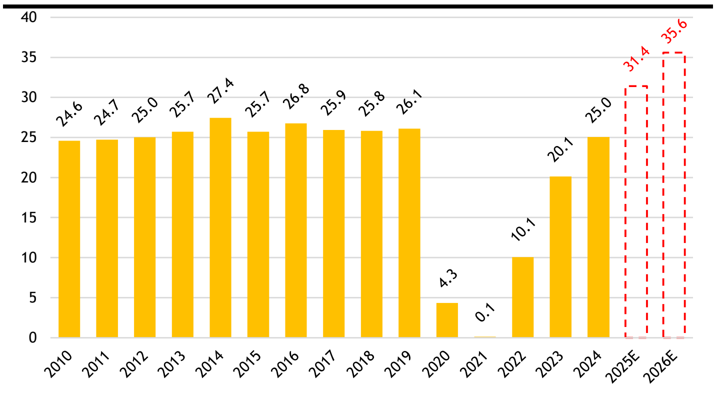
However, the positives on the macro front have yet to be felt in consumer companies. In fact, we have observed a decoupling effect in consumer stocks - we lowered earnings growth for 2025 to account for slower growth from consumer heavyweights such as Mr DIY and Nestle. But the sector is still showing positive earnings growth albeit slower from our initial expectations of 15% being revised to 5.5% post-CY24 earnings season (CY24: -2.4%). 1Q25 might see early signs of momentum pick up given festivities but we believe there will be more boost, with the full impact of civil servants' salary hikes and minimum wage increases, to be seen from 2Q25. That said, we are cognisant of cost pressures to be faced by companies (wages and utilities). We remain positive on the consumer sector, keeping Aeon and Farm Fresh as our top picks but having dropped Mr DIY (see Mr DIY 4Q results), replacing it with Padini. Separately, Heineken would also be attractive, benefiting from improved consumer discretionary spend and tourism.

We expect a neutral impact to the consumer sector from the much-anticipated RON95 subsidy rationalisation expected to be announced by mid-2025 as there should be sufficient disposable income and cash buffers from government initiatives highlighted above.

Tourism could be a near term catalyst

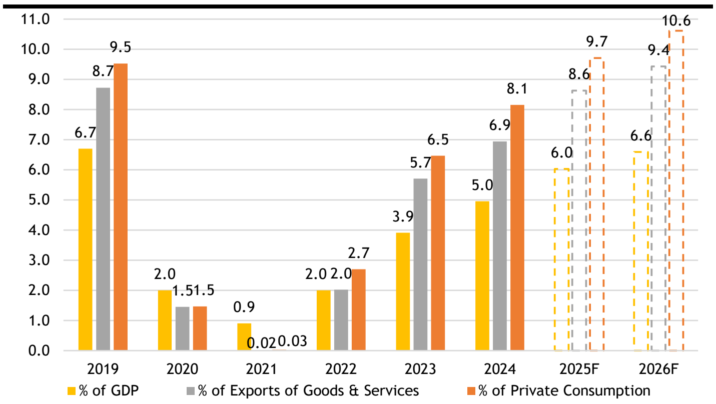
Tourism recovery looks on track with projected tourist arrivals to hit new highs in 2025-2026. Further traction is expected as momentum builds up for Visit Malaysia Year 2026 (see Malaysia Tourism sector report). The government is targeting foreign tourist arrivals to 31.4m/35.6m and foreign tourism receipts of MYR125.5b/147.1b for 2025-2026. Proxies include Genting Malaysia, KLCCP Stapled Group, Pavilion Reit, AAX. Separately, medical tourism could play an important role in patient intake driven by growing demand which is especially notable from Indonesia. Besides Penang, Johor would also be a hub to attract medical tourism.

Fig 3: Tourist arrivals (millions)



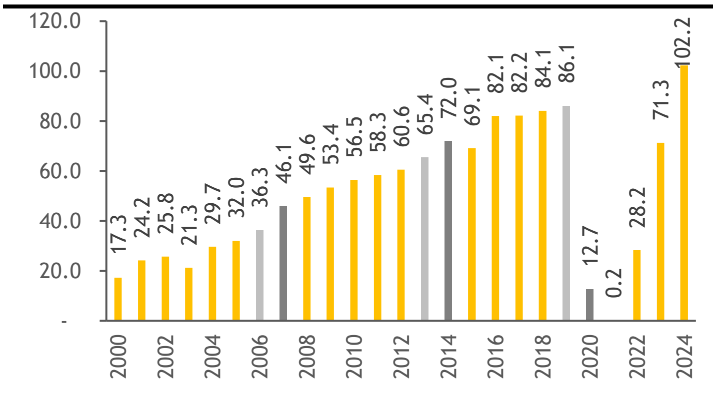
Source: DOSM, CEIC, Maybank IBG Research

Fig 4: Tourism Revenue's Shares of GDP, Exports, Private Consumption



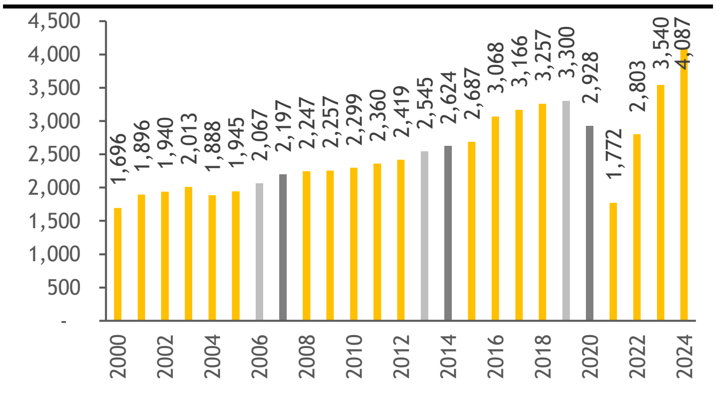
Source: DOSM, CEIC, Maybank IBG Research

Fig 5: Foreign tourism receipts (MYRb)*



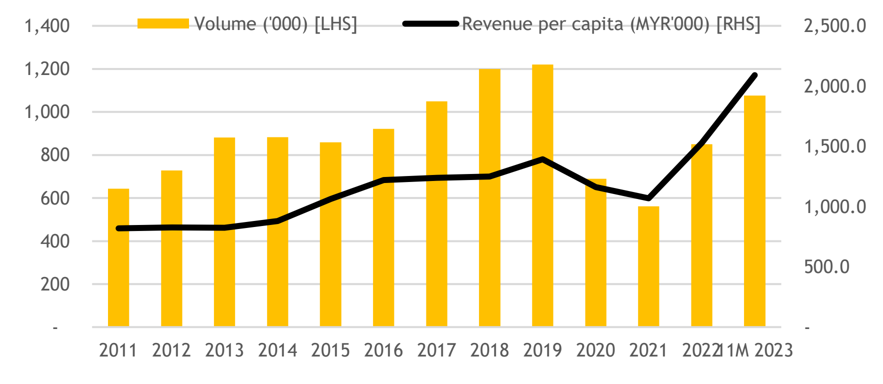
**light grey denotes years preceding Visit Malaysia Year (VMY), dark grey denotes VMY. Source: Tourism Malaysia*

Fig 6: Foreign tourism receipt per capita (MYR)*



**light grey denotes years preceding VMY, dark grey denotes VMY*
Source: Tourism Malaysia

Fig 7: Malaysia inbound health travellers - Volume against revenue per capita

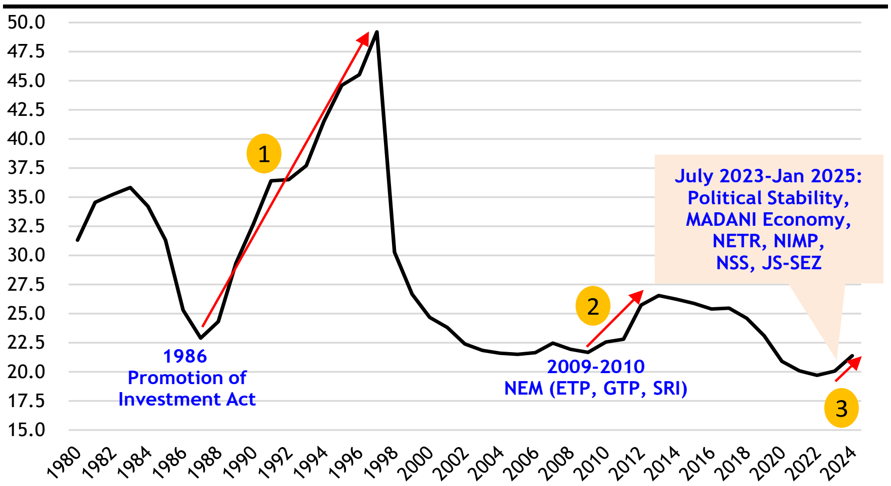


Note: Latest available data as of MH Factsheet Nov 2023
Source: Malaysia Healthcare Travel Council (MHTC), Malaysian Investment Development Authority (MIDA), various news articles, Maybank IBG Research (computation)

Investment upcycle to further boost

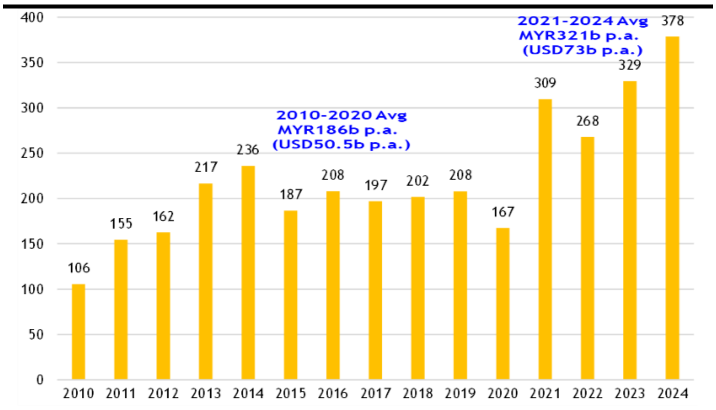
We believe this theme should still remain a play in 2025 despite external disruptions. While the global purchasing managers index (PMI) for services has declined, we note the PMI for manufacturing rose as companies front loaded activities amid trade diversion and diversification, hoping to mitigate the risk of tariffs before they are formally announced. Back home, Malaysia is at the start of an investment upcycle primed by domestic economic policies and initiatives.

Fig 8: Malaysia - Gross Fixed Capital Formation (% of GDP)



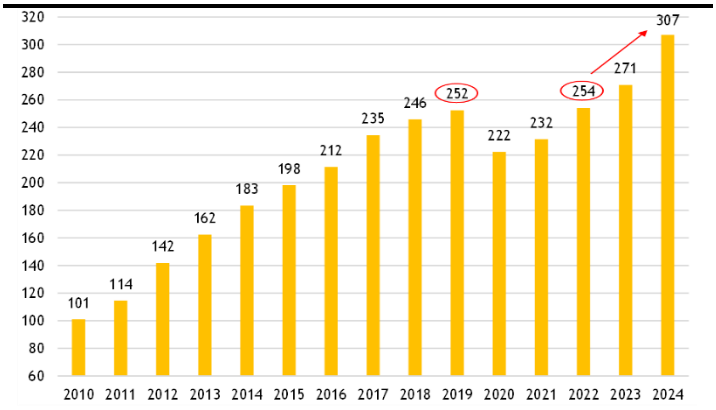
Source: DOSM, BNM, CEIC, Maybank IBG Research

Fig 9: Malaysia - Approved Private Investment (MYRb)



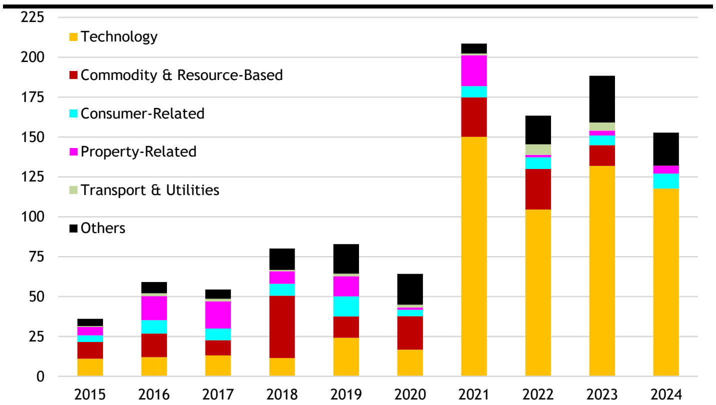
Source: Malaysia Investment Development Authority (MIDA), DOSM, CEIC

Fig 10: Malaysia - Actual Private Investment (MYRb)



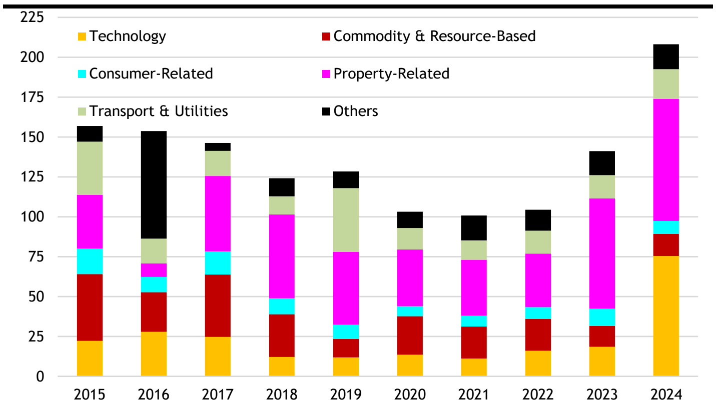
Source: MIDA, DOSM, CEIC

Fig 11: Malaysia - Approved FDI by sectors (MYRb)



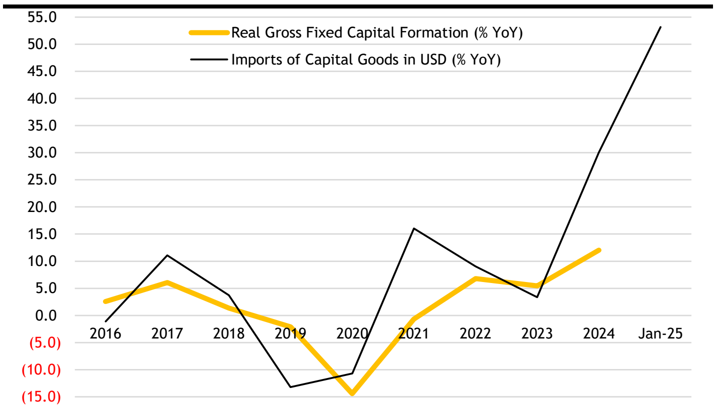
Source: Malaysia Investment Development Authority (MIDA), CEIC

Fig 12: Malaysia - Approved DDI by sectors (MYRb)



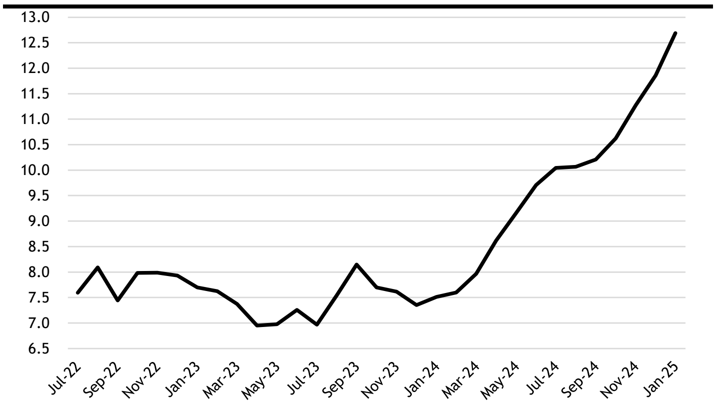
Source: MIDA, CEIC

Fig 13: Malaysia - Investments vs Import of Capital Goods



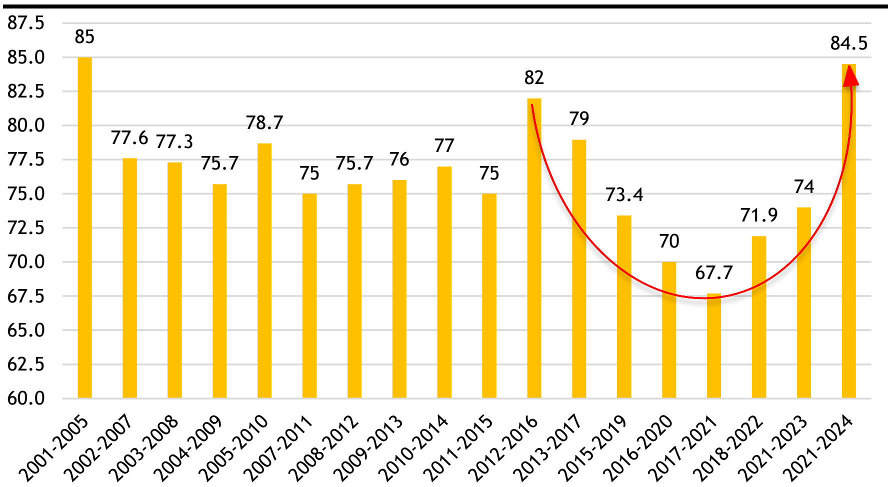
Source: CEIC, DOSM, BNM, MIDA

Fig 14: Malaysia - Loans for Purchases of "Industrial Buildings, Factories & Lands" (% YoY)



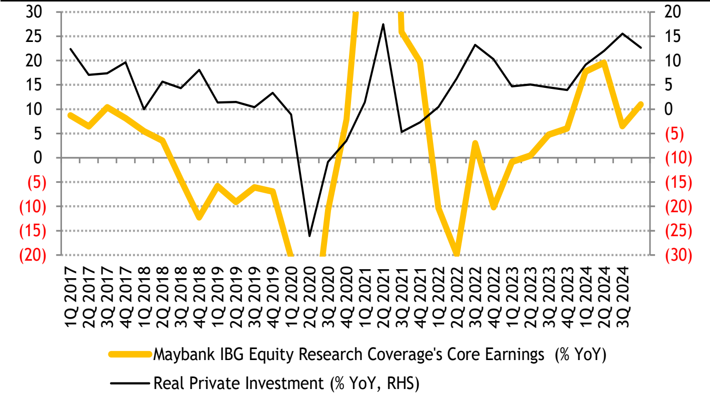
Source: CEIC, DOSM, BNM, MIDA

Fig 15: Approved Manufacturing Investment's Implementation Rate (3-5 Years Moving Average, %)



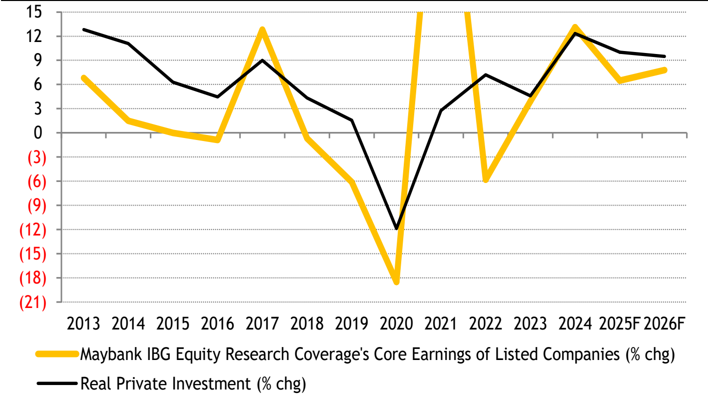
Source: DOSM, BNM, CEIC, Maybank IBG Research

Fig 16: Malaysia - Corporate Profits vs Private Investment (Quarter, % YoY)



Source: DOSM, Maybank IBG Research

Fig 17: Malaysia - Corporate Profits vs Private Investment (Annual, % chg)



Source: DOSM, Maybank IBG Research

To reiterate, July 2023 saw the launch of the National Energy Transition Roadmap (NETR) followed by the New Industrial Master Plan (NIMP) and the National Semiconductor Strategy (NSS) in 2024. 2025 started with a bang with formalisation of agreement of the Johor-Singapore Special Economic Zone (JS-SEZ). Catalytic projects under the NETR are coming along well with spillover effects on energy transition and the renewable energy (RE) space. We have seen a slew of large-scale solar (LSS) projects awarded benefiting, among others, Solarvest (Buy, TP MYR2.14), Malakoff (Hold, TP MYR0.75) and Samaiden (Not Rated). Tenaga (Hold, TP MYR14.50) plays a pivotal role in the NETR and LSS projects.

The NSS should see long term positives for the tech sector which unfortunately has been plagued by disruption in the global semiconductor supply chain further exacerbated by geopolitical disruptions. In March 2025, the Malaysia government announced its partnership with Arm Holdings which will see payment of USD250m over 10 years for semiconductor-related licences and know-how. While still preliminary, initial expectations are that the likes of Oppstar (Not Rated) and Keyasic (Not Rated) will be the most direct beneficiaries.

The JS-SEZ is still very much in play though we believe further excitement would emerge once mega investments are inked. See JS-SEZ: More fiscal incentives and JS-SEZ realising opportunities. To date, with clarity of the economic zones and sectors already announced, we believe market awaits announcement of initial projects which were targeted when the JS-SEZ agreement was signed. Recall, under the JS-SEZ, the government targets to attract 50 projects within 5 years and 100 projects within 10 years.

The property sector remains catalytic to further developments of the JS-SEZ with Eco World (BUY, TP MYR2.51) and YTLP (BUY, TP MYR2.51) as our picks for this theme. The completion of the Rapid Transit System (RTS) by end-2026 should further ease people movement between Johor and Singapore. We have also seen several development projects surrounding the RTS announced. These include Sunway's (HOLD, TP MYR5.02) transit-oriented development (mixed-used development) adjacent to the RTS, with Sunway Construction (HOLD, TP MYR4.15) as the key contractor, with works set to begin as early as March 2025.

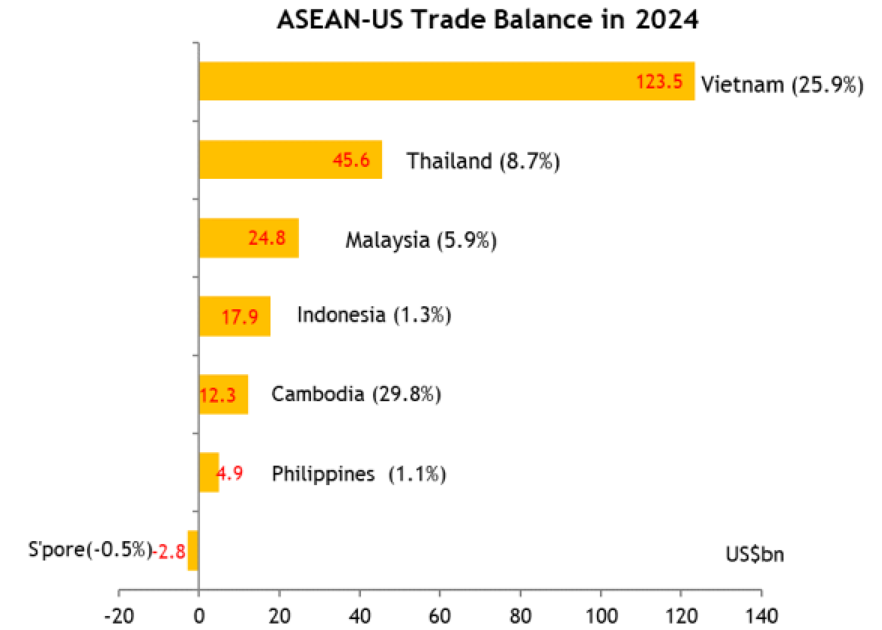
For now, Johor has been identified as a data centre hotspot and investment magnet for foreign investments, particularly in manufacturing. We expect further spillover effects along the supply chain of these sectors would benefit SMEs. Improved employment opportunities creating wealth effect would eventually benefit the real economic sectors including residential properties and consumer/consumption.

Trump and his tariffs

We had earlier in our 2025 strategy report (see Malaysia 2025 Outlook & Lookouts) highlighted that navigating Trump 2.0 would be a task in 2025 and that although ASEAN will likely not be a priority or direct target, Malaysia could catch some attention – this was the case of "be careful what you wish for". ASEAN may be caught in the broadening global trade war as Trump plans to introduce reciprocal tariffs which will be customised to individual trading partners, and a 25% tariff on imports of semiconductors, pharmaceuticals and autos on 2 April 2025 (see ASEAN Economics - Trade War: In the Cross-Fire). FDI to ASEAN may lose momentum if the US tariffs gap between ASEAN and China narrows significantly and MNCs adopt a more cautious stance towards fresh investments. This could spark concerns on future data centre investments in the region including Malaysia. Malaysia may also face friction from the AI Diffusion framework which will be effective in May 2025.

Malaysia has been listed as part of the "Dirty 15", which makes up about 15% of US trade partners but represents a significant share of import volume. The US Trade Representative's (USTR) office had said it was interested in submissions for the largest US trade partners, and those with the highest goods trade surpluses. USTR named Argentina, Brazil, Canada, China, the European Union, India, Indonesia, Japan, Korea, Malaysia, Mexico, Russia, Saudi Arabia, South Africa, Switzerland, Taiwan, Thailand. Turkiye, Britain and Vietnam.

Fig 18: In ASEAN, Vietnam runs the largest trade surplus with the US, while Singapore runs a trade deficit



Note: Numbers in bracket refers to bilateral trade balance as share of GDP in 2024, except for Cambodia, which uses 2022 figures

Source: CEIC

As at time of writing, it was reported (from The Edge on 24 Mar) that Trump might exclude a set of sector specific tariffs while applying reciprocal levies. But everything is fluid until 2 April comes and the announcement made. Meanwhile, back home, the government is planning to tighten regulations on semiconductors as it comes under US pressure to stem illicit flow to China of chips crucial to the development of AI, particularly Nvidia chips. Such a move is important to preserve Malaysia as a hub which has attracted billions of investments from hyperscalers to build data centres in Malaysia, especially in Johor.

Data centre thematic is not over just yet

Data centre investments remain hot in Malaysia and in fact demand remains robust. Malaysia's data centre development pipeline consists of 1.2GW with slightly more than half of such planned projects in the Klang Valley (Selangor and Kuala Lumpur) while the other major hotspot is Johor. Tenaga remains a key capacity provider to power up data centres and has been quoted to say existing power capacity is sufficient. It will take a few years before data centre requirements reach a peak. All eyes will be on the water sector restructuring after this, a potential proxy being Ranhill ((SELL, MYR0.90); our Sell rating is premised on demanding valuations). Our ground checks have reaffirmed that investments/projects awarded and commenced will proceed to completion but those that have to be announced could face delays. But we believe demand for data centres will remain.

Concerns on tariffs under the Trump administration has caused a downward spiral in names related to data centre plays, construction and to some extent property sector. We see this as an opportunity to accumulate investments in some of these names given robust fundamentals and outlook. Within this space, we stick to our BUYs for Gamuda (BUY, TP MYR4.95) and YTLP (BUY, TP MYR4.70).

Within the property sector, we believe companies that have sold land to data centre players should not be penalised. We do not expect data centre land sale transactions to reverse. Amid chaos and concerns stemming from the AI Diffusion Rule, we observed sustained newsflow on data centre land sale-related deals; Eco World is a key proxy to this theme. Trump's retaliatory tariffs and Biden's AI Diffusion Rule could cause mixed impact. Imminently, it is negative as it would appear to curb future data centre investments and increase costs amid supply chain disruptions. However, more AI developments could also positively spur demand for data centres, with the shift potentially allowing local companies to move up the supply chain as data centres operators source for local content. This bodes well with the NSS.

Fig 19: Malaysia - List of data centres

Entity	Location	State	Power (MW)	Commission Year
Bridge	Sedenak	Johor	110	2022
GDS (DayOne)	Nusajaya	Johor	70	2023
SIPP YTL	Kulai	Johor	500	2024
Airtrunk	Nusajaya	Johor	150	2024
Yondr	Sedenak	Johor	300	2024
K2 Strategic	Sedenak	Johor	200	2024
Princeton Digital Group	Sedenak	Johor	150	2024
DC-Science	Sedenak	Johor	120	2024
ST Telemedia	Nusajaya	Johor	120	2025
Epoch Digital	Nusajaya	Johor	120	2025
Bridge	Bukit Jalil	Klang Valley	48	2025
Vantage	Cyberjaya	Klang Valley	256	2025
TM-Nxera	Nusajaya	Johor	200	2026
edgeconnex	Bukit Jalil	Klang Valley	70	2026
edgeconnex	Cyberjaya	Klang Valley	200	2026
Bridge - Mah Sing	Bukit Jalil	Klang Valley	300	2026
Bridge	Ulu Tiram	Johor	300	2027
NTT Data	Nusajaya	Johor	290	2027
Stack Infrastructure	Nusajaya	Johor	220	2027
Airtrunk	Nusajaya	Johor	270	2028
Total			**3,994**	

Source: Various news reports, Maybank IBG Research

Fig 20: Notable transactions for data centers in Malaysia between 2023-2025

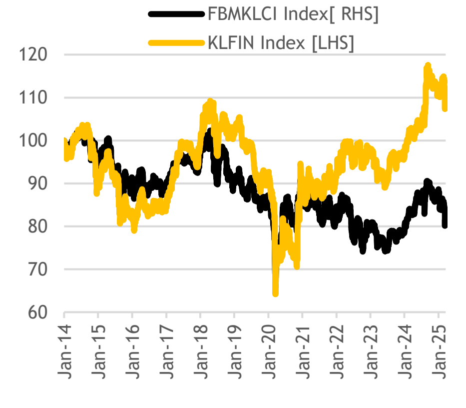
No	Land owners	Date	Buyer	Land size (acre)	Location	Transation value (MYRm)	Land price (MYR/psf)
	2023						
1	Crescendo (CCDO MK)	Nov-23	STT GDC Malaysia 2	22.4	Pulai	117.0	120
2	Crescendo (CCDO MK)	Nov-23	Yu Ao	20.4	Pulai	111.0	125
3	Crescendo (CCDO MK)	Nov-23	Microsoft Payments	60.4	Pulai	315.2	120
4	Crescendo (CCDO MK)	Nov-23	Microsoft Payments	25.3	Pulai	132.5	120
	2024						
5	Crescendo (CCDO MK)	Jun-24	Digital Halo	20.5	Pulai	115.9	130
6	AME Elite (AME MK)	May-24	Digital Hyperscale Malaysia	34.9	Iskandar Puteri	209.8	138
7	Sime Darby Property (SDPR MK)	May-24	Pearl Computing	49.0	Elmina, Selangor	(leasing)	2,000
8	Eco World Development (ECW MK)	Jun-24	Microsoft Payments	123.1	Kulai	402.3	75
9	UEM Sunrise (UEMS MK)	Jun-24	Undisclosed	28.9	Iskandar Puteri	144.9	115
10	Sime Darby Property (SDPR MK)	Dec-24	Pearl Computing	77.0	Elmina, Selangor	(leasing)	5,600
11	Paragon Globe (PG MK)	May-24	Bridge Data Centres	47.9	Plentong	238.3	114
12	River Retreat (80% owned by IIB)	Jun-24	ST Dynamo	41.7	Iskandar Puteri	178.2	98
13	Sunway Iskandar (SWB MK)	Jul-24	Equalbase Pte Ltd	64.0	Pulai	380.0	136
14	Paragon Globe (PG MK)	Aug-24	Bridge Data Centres	19.8	Plentong	99.0	115
15	Eco World Development (ECW MK)	Aug-24	Princeton Digital Group	57.1	Kulai	223.8	90
16	Tropicana Corp (TRCB MK)	Aug-24	NTT Global Data Centers Holding Asia Pte Ltd	68.5	Iskandar Puteri	383.1	128
17	Tropicana Corp (TRCB MK)	Oct-24	ZData Technologies Co	38.5	Iskandar Puteri	240	143
18	Sime Darby Property (SDPR MK)	Dec-24	Pearl Computing	77.0	Elmina	-	5,600
19	Crescendo (CCDO MK)	Dec-24	Data Cloud Innovation	18.4	Pulai	120.1	150
20	MUI Properties (MUI MK)	Dec-24	Gamuda	389.7	Pork Dickson	424.4	25
	2025						
21	Crescendo (CCDO MK)	Jan-25	Microsoft Payments	22.6	Pulai	119.8	122
22	Eco World Development (ECW MK)	Feb-25	Microsoft Payments	138.5	Tebrau	694.0	115
23	Eco World Development (ECW MK)	Feb-25	Google	58.2	Puncak Alam, Selangor	266.1	105
23	Eco World Development (ECW MK)	Feb-25	Google	92.4	Puncak Alam, Selangor	(leasing)	4,800

Source: Companies, various media portals, Maybank IBG

Position for the long term

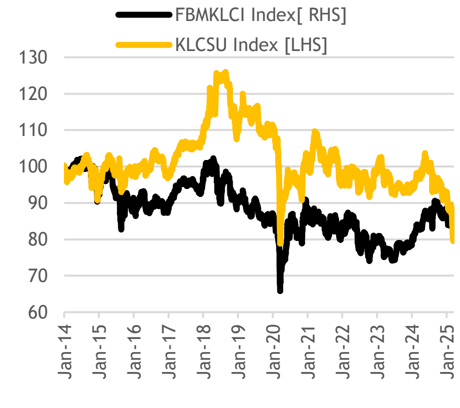
We take a step back and look at opportunities to accumulate good names amid this market tailspin. The KLCI has fallen below our bear case scenario of 1,560. Currently, just hovering around 1,500, we identify sectors and stocks that have fallen to levels we believe are relatively attractive. We believe this is a chance to position long term for sectors that have outperformed the index in the long term (~10 years). These are the banks, consumer and healthcare (hospitals). Regardless of the economic cycle, we believe there are always BUYers for the banks as the sector is deemed the proxy to the country's macro performance whilst also being the largest and most liquid set of stocks in trade. During economic downturns, while the banks may be out of favour as a sector, there are still picks to be made.

Fig 21: FBMKLCI vs MY Financial Index



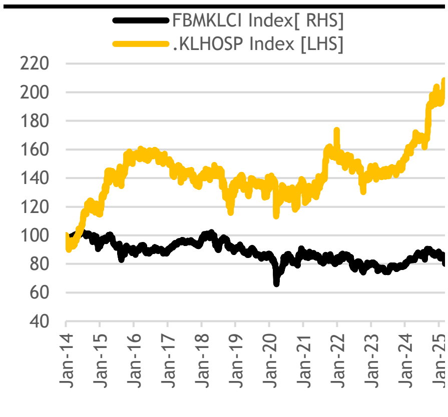
Source: Bloomberg, Maybank IBG Research

Fig 22: FBMKLCI vs MY Consumer Index



Source: Bloomberg, Maybank IBG Research

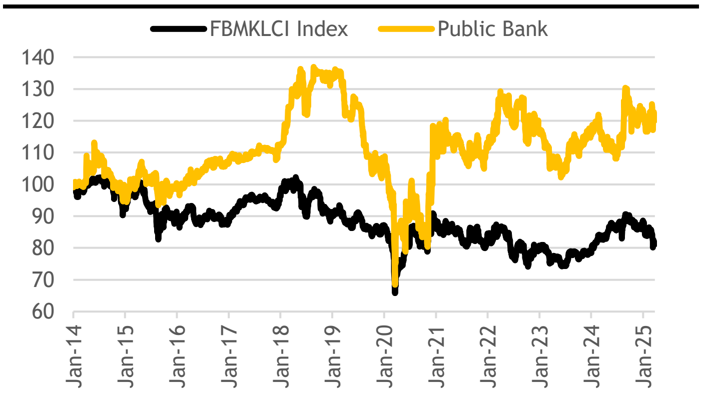
Fig 23: FBMKLCI vs MY Hospitals Index



Source: Bloomberg, Maybank IBG Research

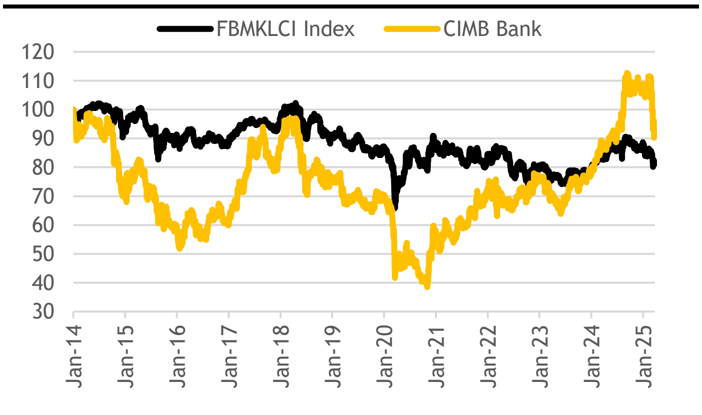
In this market, we believe investors should bargain hunt for blue chip bank names. Public Bank stands out as our pick. We favoured CIMB previously - while it is still a BUY, CIMB could see headwinds from its Indonesian operations. Separately, most bank stocks also offer dividend yields >5%.

Fig 24: Public Bank vs FBMKLCI Index



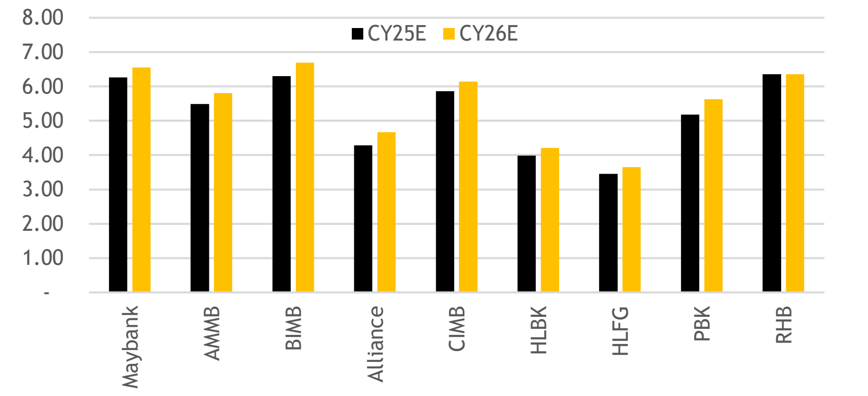
Source: Bloomberg, Maybank IBG Research

Fig 25: CIMB vs FBMKLCI Index



Source: Bloomberg, Maybank IBG Research

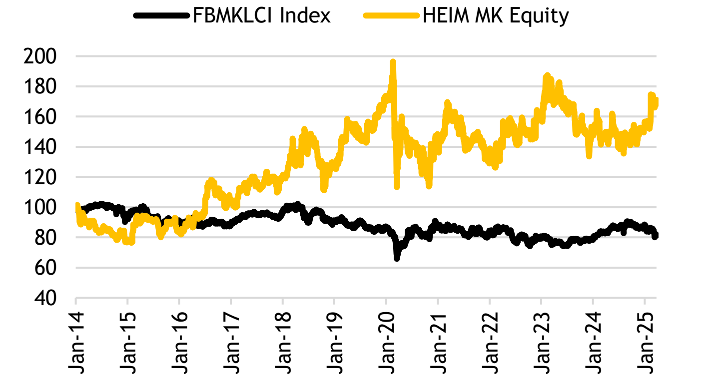
Fig 26: Dividend yields CY25E-26E for banking stocks



Source: Company, Maybank IBG Research

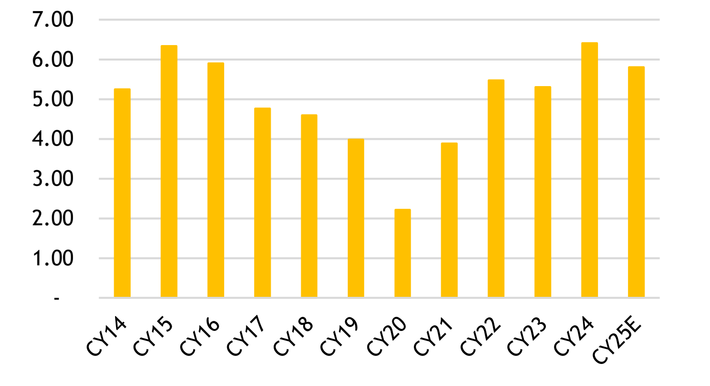
Within the consumer sector, HEIM stands out as a 10-year pick, offering both dividends and capital upside. We remain positive on HEIM and believe its strategy to continue focusing on premiumisation should accrete earnings. HEIM should also benefit from tourism recovery.

Fig 27: Heineken vs FBMKLCI Index



Source: Bloomberg, Maybank IBG Research

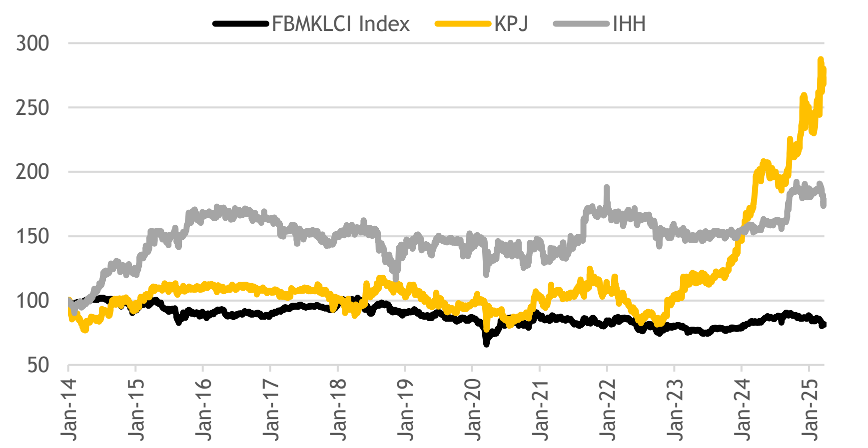
Fig 28: Heineken - Historical 10Y annual dividend yields



Source: Company, Maybank IBG Research

With two key hospital groups, IHH and KPJ, as proxies, both stocks have performed over a 10-year period. Between the two, our preference lies with KPJ. We believe KPJ's more nimble operations after a clean-up should still see better upside given its more focused operations in Malaysia.

Fig 29: IHH & KPJ vs FBMKLCI



Source: Company, Maybank IBG Research

Seizing opportunities amid volatility

From our earlier report (Bear Case Hunting), we identified PIE, YTLP, GAM, IJM and ECW as stocks to bargain hunt. Unfortunately, PIE in its most recent results missed expectations and appears to have near term headwinds although we expect issues related to material shortages to gradually ease. We switch our Tech-EMS pick to ATECH. We remain positive on YTLP, GAM and ECW. IJM had a slate of negative newsflow but share price has since stabilised; prospects remain positive.

Fig 30: Key stocks with downside movements in the period of 15 Jan - 14 Mar 2025

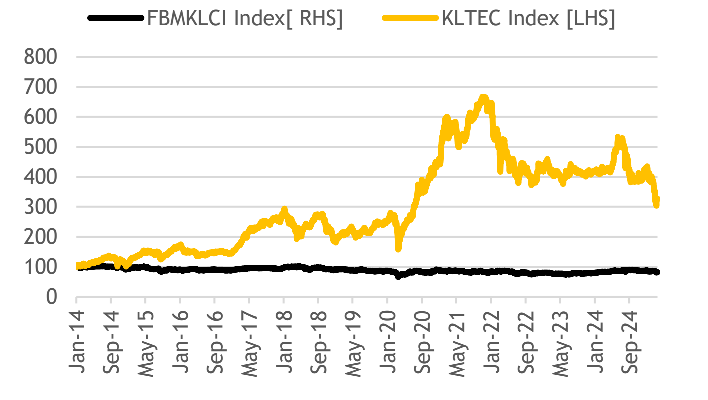
Stock	Target Price	Rating	Share Px (15 Jan)	Highest Px (15 Jan - 14 Mar)	*Variance (%)*	Share Px (14 Mar)	CY25E PER at 15 Jan 2025	CY25E PER at Highest Share Px
PIE Industrials Bhd	5.10	Buy	5.73	5.88	*3%*	3.63	23.68	24.30
Gamuda	4.95	Buy	4.45	4.81	*8%*	4.04	20.66	22.33
YTL Power	4.70	Buy	3.83	4.12	*8%*	3.12	10.31	11.09
Aurelius Technologies	3.73	Buy	3.26	3.35	*3%*	3.10	18.31	18.82
IJM Corporation	3.35	Buy	2.71	2.93	*8%*	2.13	19.12	20.67
Eco World Development	2.51	Buy	1.90	2.07	*9%*	1.91	12.06	13.14

Source: Bloomberg, Maybank IBG Research

Tech sector tailspin

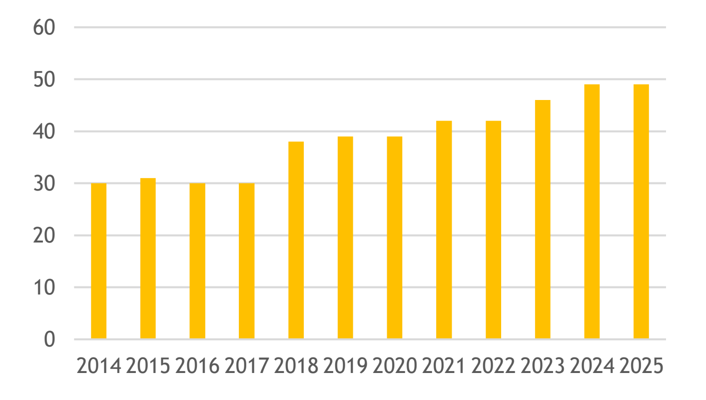
The tech sector has been the worst performing sector YTD and news on Trump's upcoming retaliatory tariffs is not helping. Malaysia had benefitted from the development of the global semiconductor supply chain but emergence of tariff/AI-related disrupters has ramped-up uncertainties for the tech sector. In particular, Inari (semiconductor packaging) and Vitrox (visual inspection systems) were not spared.

Fig 31: FBMKLCI vs MY Technology Index



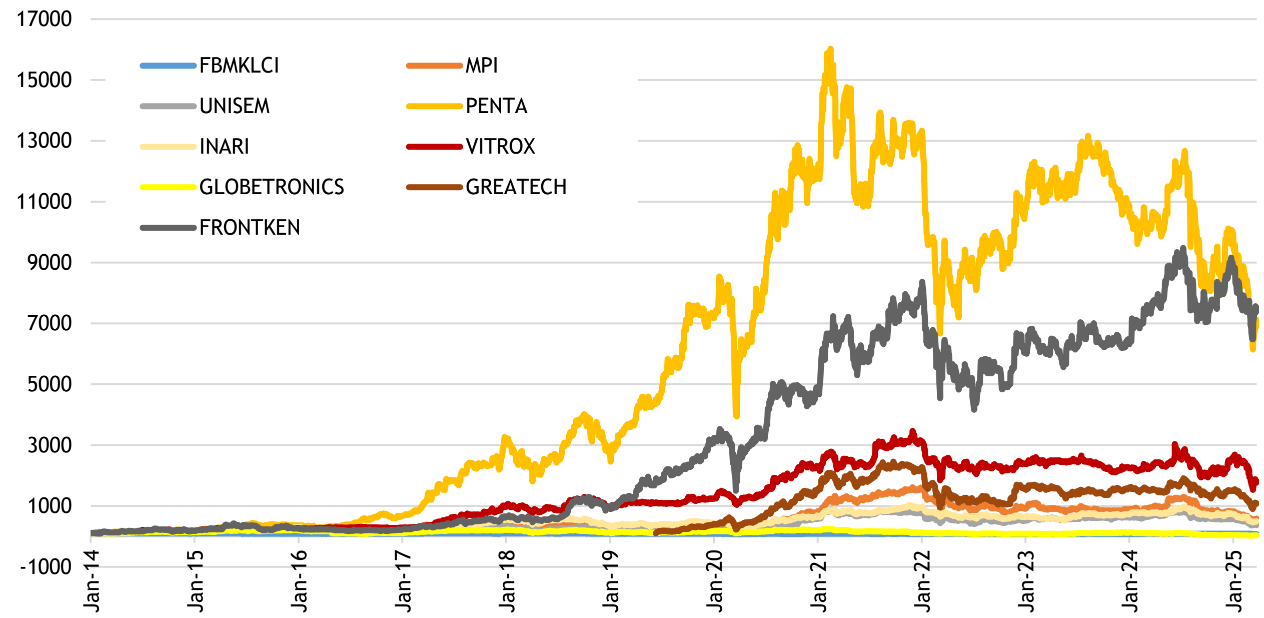
Source: Bloomberg, Maybank IBG Research

Fig 32: Annual no. of stocks in MY Technology Index



Source: Bloomberg, Maybank IBG Research

Fig 33: Selected tech-semicon stocks' 5Y performance - mostly outperformed the KLCI



Source: Bloomberg, Maybank IBG Research

Positioning in the tech sector will require a ride on a roller coaster. Each cycle is short and timing is important. We are neutral on the Tech-Semicon sector. While we believe in the long-term story for the semicon subsector, global uncertainties surrounding tariffs and AI-related issues poses near-term risks. For that, our pick within the Tech-semicon space would be companies with negligible-to-no direct US exposure; Frontken and Inari are two such picks; we prefer Frontken. We also recently upgraded Greatech to a Buy (see report Greatech - Bargain-hunting) - while we believe its operations are sound and valuations are attractive, note there are near term concerns on tariff impact on solar.

Nevertheless, we believe in the long-term prospects of the tech sector in Malaysia. The strategic partnership with Arm Holdings announced on 5 March is seen to be an important move by Malaysia to put itself on the map to enhance its position in high value semiconductor areas such a IC design. Penang, touted as the Silicon Valley of the East, is already struggling with scarcity of land to support future growth. Amid this trade war and notwithstanding 2 April announcements, when the dust settles, Malaysia could still stand out as a beneficiary of trade diversion.

On the defensive

For those who would prefer to opt out of volatility and hide in defensive stocks, we offer three names – Tenaga, Gas Malaysia and MISC. These names offer stable earnings, high and sustainable dividends and has strong balance sheets.

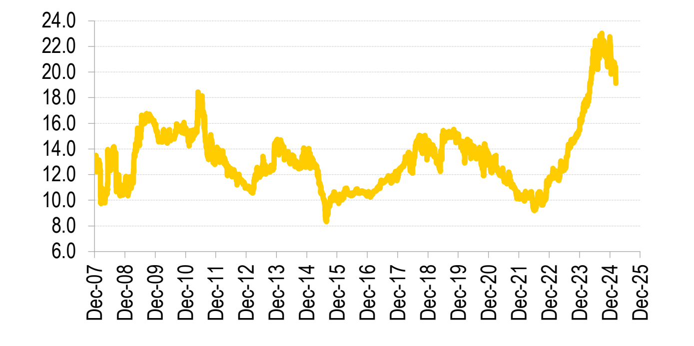
Fig 34: Tenaga, Gas M'sia, MISC

Stock	Target Price	Rating	FCF Yield CY25E	FCF Yield CY26E	Dividend Yield	Earnings growth CY25E	Earnings growth CY26E	PER (x) CY25E
Tenaga Nasional	14.50	Hold	3.9%	4.8%	3.0%	-2.7%	+8.4%	16.8
MISC	8.34	Buy	9.5%	10.2%	5.1%	+14.5%	+12.0%	13.2
Gas Malaysia	4.00	Hold	4.6%	5.2%	6.3%	-6.3%	+0.7%	12.9

Source: Bloomberg, Maybank IBG Research

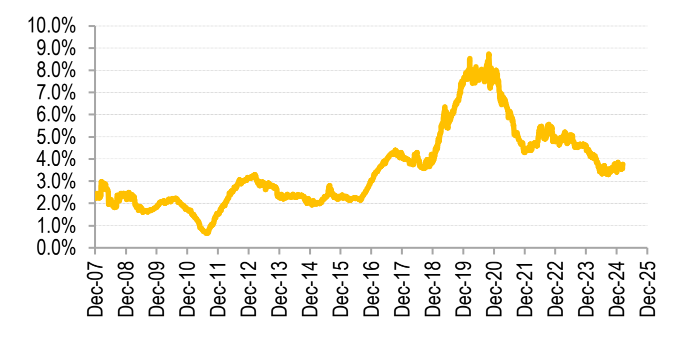
We view Tenaga as a relatively safe haven given its earnings resilience and undemanding valuation. Medium term earnings are anchored by a fixed return on a growing domestic-centric regulated asset base, with potential upside from contingent capex deployment and recovering generation contribution. The contingent capex is still pending details to be announced pertaining to the recovery mechanism. By our estimate, fully deploying the contingent capex could lift our FY27E net profit by c.8%. The stock also offers 3-4% dividend yields based on a 50% dividend payout. We have a HOLD rating and DCF-derived TP of MYR14.50. Foreign interest in the stock remains relatively high.

Fig 35: Tenaga - Trailing PER



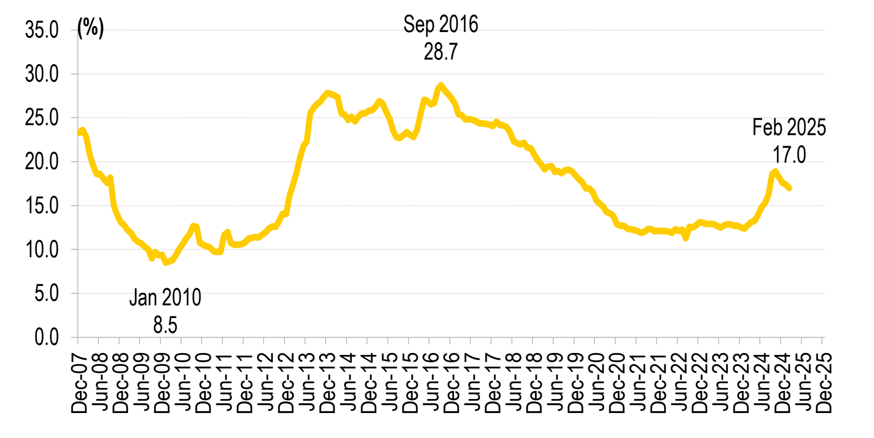
Source: Bloomberg, Maybank IBG Research

Fig 36: Tenaga - Trailing net yield



Source: Bloomberg, Maybank IBG Research

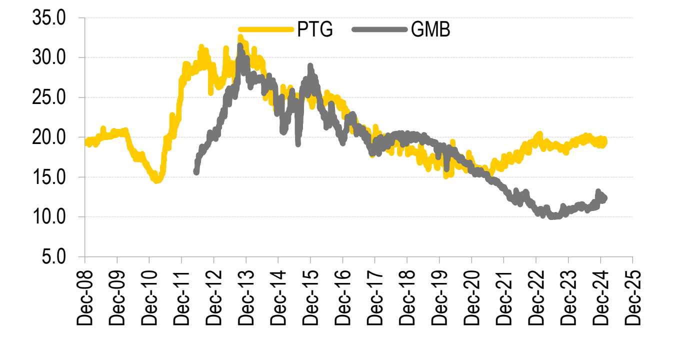
Fig 37: Tenaga - Foreign shareholding



Source: Company

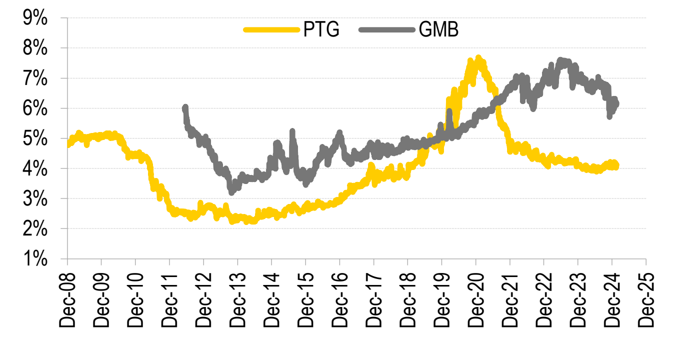
Gas Malaysia is yet another defensive stock with >6% dividend yield based on 81% dividend payout assumption. While there could be a slight decline to Gas Malaysia's FY25E earnings based on current gas price trends, we see minimal-to-no risk to its dividends. Earnings should be back on a steady uplift after FY25E. Its relatively high dividend yield should provide support for its share price. We have a HOLD rating and DCF-derived TP of MYR3.80.

Fig 38: Gas Malaysia - Trailing PER



Source: Company, Maybank IBG Research

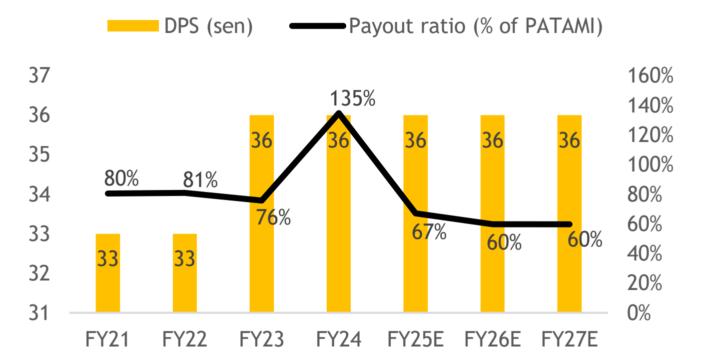
Fig 39: Gas Malaysia - Trailing net yield



Source: Company, Maybank IBG Research

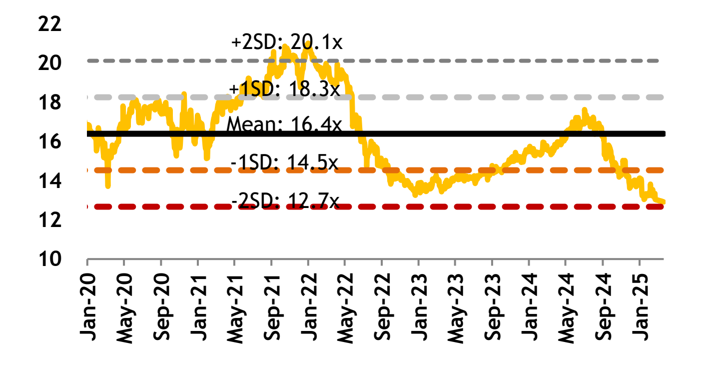
Meanwhile for MISC, we highlight its defensive nature from long-term LNG charters which provide recurring cash flow as well as 5% dividend yield with upside risk. MISC is also looking at a stronger balance sheet with the delivery of one of its FPSOs. Valuations are also undemanding with the stock trading close to -2SD of its 5-year forward PER. We have a BUY rating and a SOP- derived TP of MYR8.34.

Fig 40: MISC's dividend and payout ratio chart (FY21-27E)



Source: Company, Maybank IBG Research

Fig 41: MISC's 5-year forward PER chart



Source: Company, Maybank IBG Research

Our playbook – seize the opportunities

Post-FY24 earnings season and taking into account changes to our earnings universe, our KLCI target is now at 1,700 (15x CY26 PER) based on 7% earnings growth. Key drivers to earnings growth remains with the banks on absolute basis. But by percentage growth, it would be gloves and petrochems per expected turnaround in CY25E. Given volatility of the market, we have a bear case scenario of 1,560 (14x CY26E PER with 5% earnings) – this has been breached, hence our thesis above that now is the right time to look at opportunistic picks. We also have a bull case scenario of 1,830 (16x CY26E PER with 8% earnings) with the assumption that the dust settles as geopolitical tension wanes and there will be a pick-up in sequential business momentum though dominated mainly by domestic growth drivers.

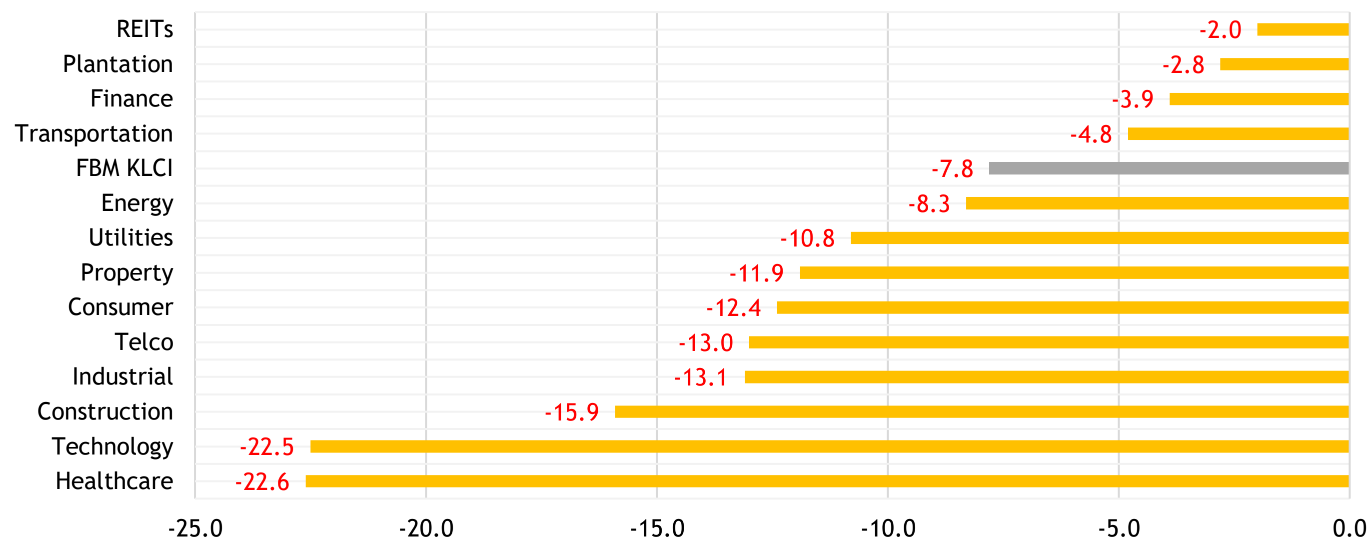
Fig 42: Research universe & KLCI core earnings growth & valuations

		2024	2025E	2026E
KLCI @ 1,513.6 on 25 Mar 2025	**PE (x)**	**15.2**	**14.3**	**13.3**
Earnings Growth (%) - new		9.7%	6.1%	7.0%
Earnings Growth (%) - mid-Dec '24		9.4%	9.4%	-
Earnings Growth (%) - early-Dec '23		11.2%	-	-
Maybank IBG's Research Universe	**PE (x)**	**14.9**	**14.0**	**13.0**
Earnings Growth (%) - new		13.0%	6.4%	7.8%
Earnings Growth (%) - mid-Dec '24		13.0%	10.7%	-
Earnings Growth (%) - early-Dec '23		15.6%	-	-

Based on closing share prices of stocks on 25 Mar 2025; Source: Maybank IBG Research

YTD, every sector has shown a decline with the tech and healthcare sectors the worst performers. The tech sector has been dragged by global uncertainties and threats of tariffs while the healthcare sector decline was caused by the gloves.

Fig 43: Bursa Exchange sector 2025 performance, YTD % (as of 25 Mar 2025)



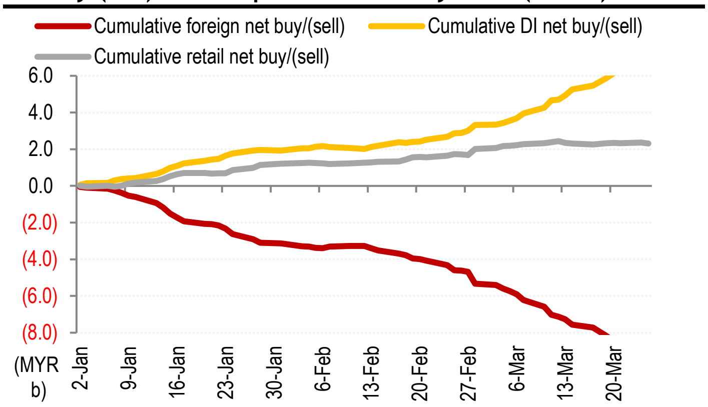
Note: Refers to the following indices – KLTEC, KLHEAL, KLCON, KLUTL, KLPRO, KLCSU, KLPRP, KLENG, KLTEL, FBMKLCI, KLTRAN, KLPLN, KLFIN, KLREI; Source: Bloomberg, Maybank IBG Research (compilation)

Sectors with the least downward spiral were the REITs and plantations. We expect the REITs to benefit from improved occupancy and rental rates as well as riding on the upside on tourism recovery – both retail and hospitality assets. Our top pick for the REITs is CLMT but we also have BUY calls for Sunway, Axis, Pavilion and Sentral Reit. While we are Neutral on the Plantations sector, the relative outperformance of the sector vs the KLCI is likely premised on the strong CPO price in 1Q25. Aside from that, some plantations companies were also rising on the potential value-creation opportunities relating to the JS-SEZ and data centre thematics, namely SDG, which is our top pick for the sector.

Financials was also another sector that outperformed the KLCI and rightly so in our view given the balance of resilient growth prospects and dividend yields. We remain POSITIVE on the banks. We highlight in the section above that the banks tend to outperform the KLCI over the long term. Our top 3 BUY picks (in the following pecking order) for the banks are Public Bank, AMMB and CIMB.

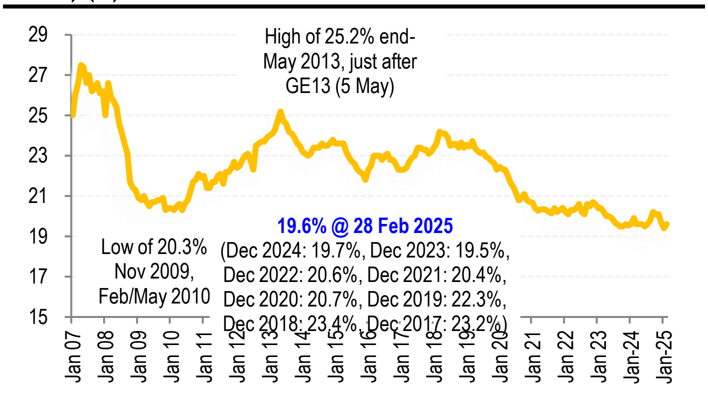
Unfortunately, the market remains in net foreign sell/outflow mode. Meanwhile, foreign ownership on Bursa Malaysia by market capitalisation has again slipped to below 20% as at end-February. Domestic institutions while staying on the sidelines appeared to be opportunistic net buyers. Average daily trading values and volumes YTD has been decent at MYR2.6b and 3.0b respectively albeit softer vs 1Q24 at MYR2.9b and 4.2b (2024: MYR3.2b and 4.0b). A positive to note is the 30-day volatility of the KLCI has increased, suggesting activity in motion.

Fig 44: Cumulative foreign, domestic institutions and retail net buy/(sell) of MY equities since early-2025 (MYR b)



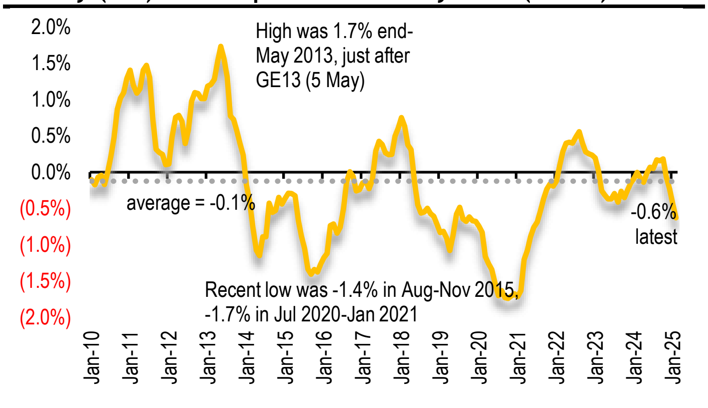
Source: Bursa Malaysia, Maybank IBG Research (chart)

Fig 45: Foreign holding in MY equities (by market capitalisation) (%)



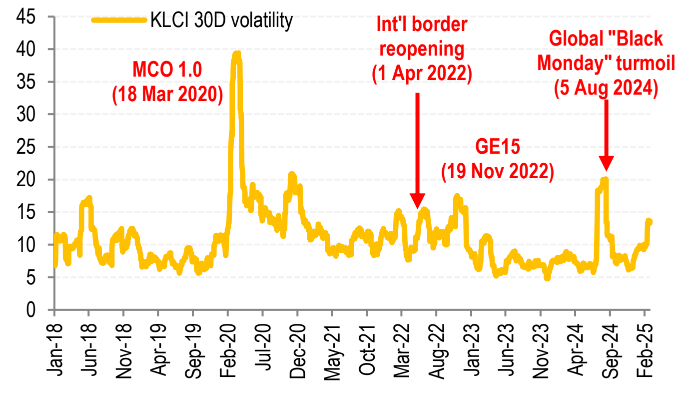
Source: Bursa Malaysia, Maybank IBG Research (chart)

Fig 46: Cumulative foreign, domestic institutions and retail net buy/(sell) of MY equities since early-2025 (MYR b)



Source: Bursa Malaysia, Bloomberg, Maybank IBG Research (calculation, chart)

Fig 47: KLCI 30D volatility, 2018-2025 YTD



Source: Bloomberg, Maybank IBG Research (chart)

Our top buys are Public Bank, YTLP, Gamuda, AMMB, KPJ, Frontken, ITMAX, AEON, ATECH and Solarvest. Among the dividend yield plays, excluding Eco World International which is an outlier, the top five yield stocks under our coverage are BAUTO, MBM, DXN, YTL REIT and Sentral REIT. We had also highlighted above three names to hold for defensiveness – Tenaga, Gas Malaysia and MISC.

Fig 48: Sector weights

OVERWEIGHT (OW)	NEUTRAL (NT)	UNDERWEIGHT (UW)
Aviation	Automotive	Petrochem
Banks	Gaming	
Construction	Gloves	
Consumer	Media	
Healthcare	Plantation	
Oil & Gas (FPSO)	Ports & Shipping	
REITs	Property	
Renewable Energy	Telecom	
Technology (EMS & Software)	Technology (Semicon)	
	Utilities	

Source: Maybank IBG Research

Fig 49: Top BUYs

	Price MYR	TP MYR	Rec	Mkt Cap (MYRm)	PER (x) CY25E	PER (x) CY26E	PER (x) CY27E	ROE (%) CY25E	DY (%) CY25E	P/B (x) CY25E
Public Bank	4.44	5.30	Buy	86,183	11.4	10.8	10.8	12.6	5.2	1.4
YTL Power	3.44	4.70	Buy	28,275	9.3	9.6	9.6	12.8	2.0	1.2
Gamuda	4.02	4.95	Buy	23,166	18.7	16.7	16.7	9.8	2.5	1.8
AMMB Holdings	5.60	6.45	Buy	18,503	9.0	8.5	8.5	9.7	5.5	0.9
KPJ Healthcare	2.64	3.00	Buy	11,522	26.4	22.8	22.8	16.0	1.9	4.3
Frontken Corp	3.76	5.30	Buy	5,962	33.9	29.8	29.8	26.8	0.9	7.0
ITMAX System	3.77	4.50	Buy	3,889	38.1	29.9	29.9	21.1	0.5	8.0
AEON Co. (M)	1.35	2.00	Buy	1,895	11.3	10.5	10.5	8.1	3.0	0.9
Aurelius Tech	3.10	3.73	Buy	1,344	17.4	17.1	17.1	14.6	3.5	2.6
Solarvest Holdings	1.66	2.14	Buy	1,226	21.1	17.6	17.6	15.7	0.9	3.6

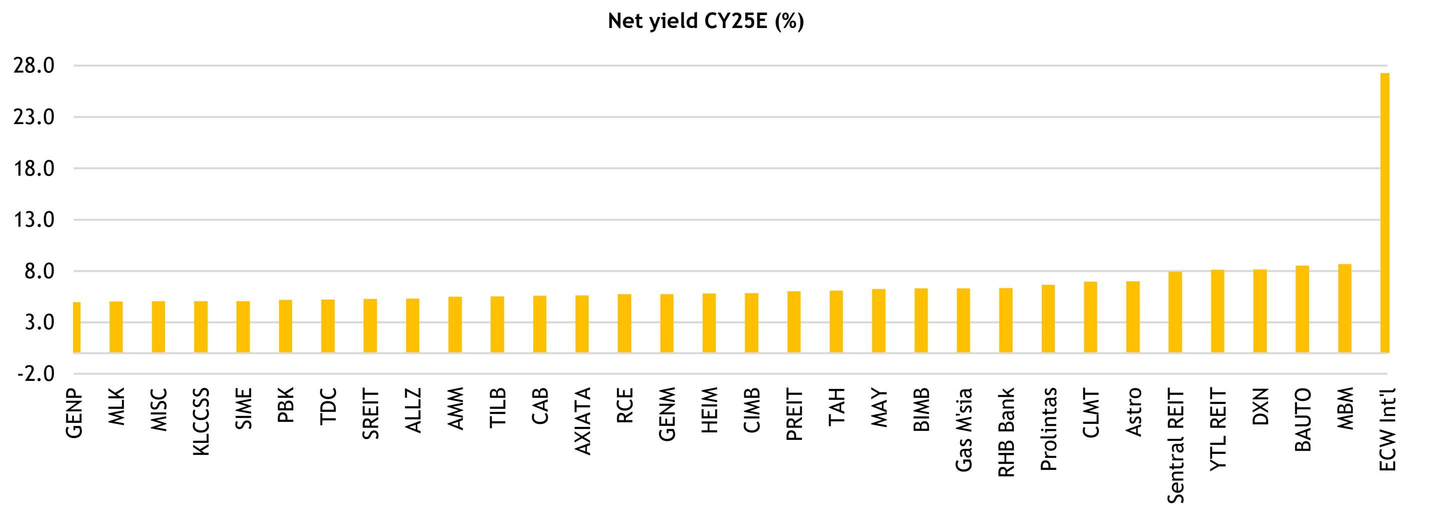
** Share price as of 25 Mar 2025; Source: Maybank IBG Research*

Fig 50: Top SELLs

	Price MYR	TP MYR	Rec	Mkt Cap (MYRm)	PER (x) CY25E	PER (x) CY26E	PER (x) CY27E	ROE (%) CY25E	DY (%) CY25E	P/B (x) CY25E
Astro Malaysia Hldgs	0.17	0.10	Sell	887	10.7	12.0	12.0	7.3	7.0	0.8
Berjaya Food	0.34	0.25	Sell	602	n.a.	n.a.	n.a.	(19.0)	0.0	2.1
Lotte Chemical Titan	0.42	0.39	Sell	945	n.a.	n.a.	n.a.	(6.8)	0.0	0.1

** Share price as of 25 Mar 2025; Source: Maybank IBG Research*

Fig 51: High yield stocks



Source: Bloomberg, Maybank IBG Research

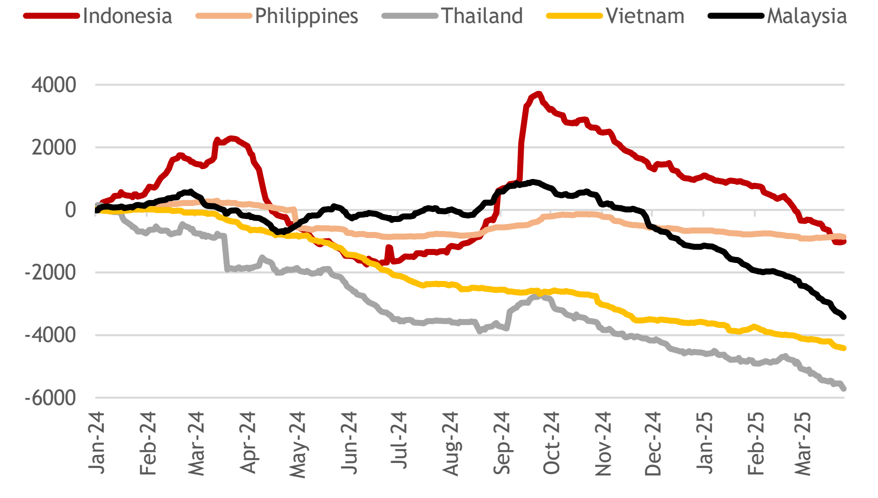
Non-rated ideas to add flavour

To date, our team has issued a number of Discovery+ (non-rated) reports across several thematics. In relation to Johor plays, we wrote on SDS Group (SDS MK), CBH Engineering (CBHB MK) and Farm Price Holdings (FPHB MK). As we are selective in the oil & gas space, we took a look at Steel Hawk (SKHAWK MK), a company which is expected to benefit from a large, awarded contract.

Net foreign outflow remained

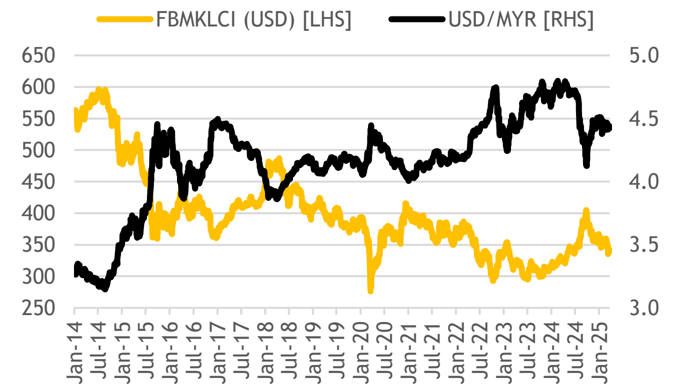
Meanwhile, all key countries within ASEAN had experienced net foreign selling/outflows. While Malaysia did well in 2024, only to be outdone by peer Indonesia towards the year end, Malaysia ranked third YTD in terms of outflows in 2025. The moderated volatility of the MYR (vs USD) should enhance the relative appeal of Malaysian stocks to foreign investors, in our view. Among ASEAN peers, we believe Malaysia stands out positively as being politically most stable with strong catalysts driven by domestic policies to deliver returns.

Fig 52: ASEAN net foreign flows



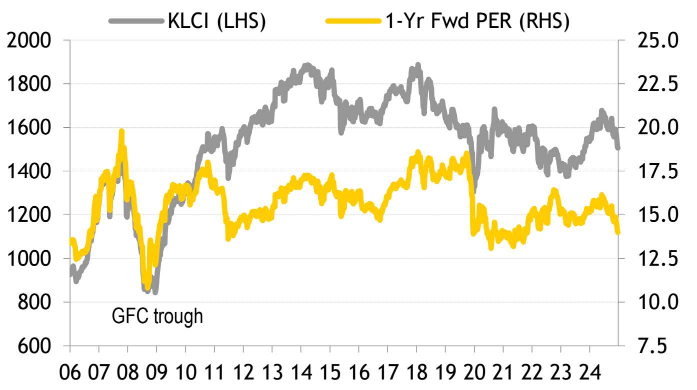
Source: Bloomberg, Maybank IBG Research

Fig 53: FBMKLCI (USD'm) vs USD/MYR (10Y)



Source: Bursa Malaysia, Maybank IBG Research (chart)

Fig 54: KLCI PER chart



Source: Bursa Malaysia, Maybank IBG Research (chart)

Appendix 1 – Sector outlook snippets

Fig 55: Sector specific outlook in 2025

Sector	Outlook	Comments
Aviation	POSITIVE	We expect CAPITALA and AirAsia X to be more profitable in 2025. With industry overcapacity being rationed (higher demand and lower supply growth), all Malaysian airlines (especially Malaysia Airlines) are pricing fares rationally – coupled with MYR recovering and oil prices easing, we expect 2025 to be another core profitable year for **CAPITALA (HOLD) and AirAsia X (BUY)** after many years of losses.
Banks	POSITIVE	We expect 2025E to be a stable year for banks, and project operating profit growth of 5.3% and net profit growth of 5.7%. ROEs are expected to average 10.6% and dividend yields currently average about 5.2%. Our domestic loans growth forecast is 5.5%, predicated on a pick-up in corporate lending to buffer our expectation of more moderate household loan growth (amid potential inflationary pressures). We have recently upgraded RHB to a BUY and downgraded ABMB to a HOLD. Our **top 3 BUY picks**, in order of preference, would be **Public Bank, AMMB and CIMB**. **Other BUYs include HL Bank and HL Financial Grp**.
Construction	POSITIVE	Realisation of committed FDIs/DDIs led to many industrial building, data centre, E&E manufacturing, warehousing and logistic hub projects being awarded in 2024, and we expect this momentum to continue into 2025. In terms of major infra projects, we expect a decision on NPE Phase 2 in 2025, and award of Mutiara Line LRT turnkey contractor role by 3Q25 after the tender exercise closes on 14 Apr 2025. We foresee 3 sector thematics in 2025 – 13MP, PPP and East M'sia construction. **BUYs on Gamuda, IJM and CMS.**
Consumer	POSITIVE	Our OW sector rating is premised on resilient product demand for consumer staple players (i.e. QL Resources, Farm Fresh, Leong Hup), undemanding valuation for the brewers and consumer retailers (i.e. Heineken, Carlsberg, AEON, Padini) and expectation for income support measures (eg. civil service salary hikes and minimum wage increases) to support consumer spending in 2025. Our **top BUY is AEON.**
Healthcare	POSITIVE	We are OW on the healthcare sector. We anticipate strong structural growth driven by ageing and a wealthier population, boosting inpatient admissions, while higher case complexity continues to drive revenue intensity. Occupancy rates have been improving especially for KPJ. There is also potential for valuations to re-rate ahead of a couple of healthcare-related IPOs this year. We have **BUYs on IHH, KPJ and Optimax.**
Oil & Gas	POSITIVE	We expect Brent crude oil prices to be lower in 2025E at USD70/bbl (from ~USD80/bbl in 2024E) as the oil markets may turn into a supply surplus next year due to the possibility of OPEC+ unwinding its production cuts. For Malaysia-centric developments, a potentially lower PETRONAS capex spending could mean that many local-centric upstream OGSE names may see slower growth expectations in 2025E. While we remain OW on the sector, we favour: i) defensive midstream companies – with **Dialog as our BUY pick**; and ii) FPSO players which are poised to ride on the global deep and ultra-deepwater capex investments – with **Bumi Armada as our BUY pick**.
REITs	POSITIVE	We forecast the sector's CY25E YoY earnings growth at +9.4%, to be supported by sustained occupancy and rental rates, coupled with several new asset injection. The sector offers average CY25E net DPU yield of 5.7% (CY24E: 5.2%). **Our top BUY is CLMT.** We also have **BUY ratings on Sunway REIT, Axis REIT, PavREIT and SENTRAL**.
Renewable Energy	POSITIVE	We maintain an OW rating on the Renewable Energy (RE) sector. We forecast strong sector earnings growth in CY25E mainly from higher orderbook replenishment as well as higher solar capacity awarded by the Government via the NEM, CGPP and LSS5 programmes. Meanwhile, as solar panel prices remain low, demand for solar installation will continue to rise and benefit the RE players. Our **key BUY is Solarvest.**
Technology	POSITIVE – EMS & Software NEUTRAL – Semicon	For EMS, we expect a continuation of its recovery trajectory, underpinned by utilisation and capacity improvements. We maintain our positive stance on the software sector due to snowballing digital adoption trends. We are currently OW on Software and EMS, but Neutral (NT) on Semicon. In the Software space, our sector BUY picks are **MYEG, ITMAX and Ramssol**. For EMS, we prefer **Aurelius Tech**, while for Semicon, our top pick is **Frontken.**
Automotive	NEUTRAL	We project 790k 2025E TIV (-3% YoY, historical avg. c.650k) amid strong backlogs for certain OEMs. However, earnings growth may be constrained by capacity bottlenecks and intensified competition, particularly in the mass premium segment. On the EV front, we expect increased localisation investment from OEMs as incentives for CBU EVs are set to expire. Additionally, Perodua is set to launch its first EV model by 4Q25. We have **BUYs on Bermaz Auto and SIME** on compelling valuations and attractive DYs of >11% and >4%, respectively. Growth will be driven primarily by inorganic factors, such as new distributorships (for Bermaz Auto) and M&As (SIME).
Gaming	NEUTRAL	We downgraded GENM to a HOLD but we have. BUY rating on GENT premised on valuations and the recent resolution of RWLV's case. Positively, GENM does not expect to inject more equity into loss making associate, Empire Resorts as it seeks approval to expand RWNYC to include tables games and bid for a Thai casino license. Regarding GENT's 20%-owned TauRx, it is responding to queries from the United Kingdom Medicines & Healthcare Products Regulatory Agency in an effort to get its Alzheimer's combating drug approved. Another reply is due in April or May.

Source: Maybank IBG Research

Fig 55: Sector specific outlook in 2025 (continued)

Sector	Outlook	Comments
Gloves	NEUTRAL	Long-term sector outlook remains challenging, with risks from potential US tariff threats under the Trump administration and intensified competition from Chinese rivals in non-US markets and their overseas expansions. Chinese glove makers are aggressively expanding in Southeast Asia, with new plants in Indonesia, Cambodia, Vietnam, and Thailand. Elsewhere, 1Q25 sales volume (Jan-Mar 2025) and ASPs are expected to weaken due to front-loaded orders by US customers in 4Q24 ahead of China glove tariff hikes effective 1 Jan 2025. Demand should only improve and normalise by April-May 2025. To stay competitive, Malaysian glove makers are focusing on automation and cost efficiency. We have **HOLDs on Hartalega and Kossan**, and a **SELL on Top Glove**.
Plantation	NEUTRAL	We remained upbeat on CPO price in 1Q25 (YTD spot: MYR4,705/t) due to low brought forward CPO stockpile from 2024, and early CNY (Jan) and Ramadhan demand (Mar-Apr) which coincided with the low output cycle of Q1. However, we remain concerned on CPO price outlook post 1Q25, anticipating CPO price to ease quickly by mid-year when supply recovers. CPO price now trades at an unusual premium (historically at discounts), and hence not price competitive against other major vegetable oils such as soyoil, rapeseed oil and sunflower oil. We anticipate the strong FFB output recovery in 2025 to come from those with oil palm estates in Indonesia. Large-scale solar (LSS) projects such as LSS6, CRESS, cross-border electricity sales continue to offer selected planters with strategic landbank the medium-to-long term opportunity to diversify their businesses into Renewable Energy (RE) which should generate better returns than oil palm (on a per hectare basis), and thus grow their earnings. JSSEZ will continue to catalyst interest on SD Guthrie, KL Kepong, Genting Plant and JPG MK (N.R) as they are the largest real estate owners in Iskandar. Our **top BUYs are SDG (large cap) and SOP (small cap)**.
Ports & Shipping	NEUTRAL	Malaysia's maritime throughput remained on an upward trajectory in 2024, on strong FDI inflows and intra-Asia trade; we expect this to continue into 2025. Shipping alliances reshuffling, effective Feb 2025, is likely to present more opportunities than risks for Westports. We have a **BUY on Westports**, a proxy for FDIs and intra-Asia trade growth.
Property	NEUTRAL	We maintain Neutral on the property sector, with JSSEZ as the key growth driver. Potential infrastructure projects, such as Johor's autonomous rapid transit (ART), which improves connectivity, could boost interest in Iskandar Malaysia properties near ART stations. Elsewhere, value-enhancing corporate exercises like asset REIT-ing may drive short-term buying interest in property stocks. However, with most catalysts already well-established and no new themes emerging, we remain selective, focusing on property groups with strong fundamental, proven track record, and growth potential. We have **BUYs on Eco World, Sime Property, and SP Setia**.
Telcos	NEUTRAL	We believe mobile operators will continue to be plagued by regulatory uncertainty and 5G capex risk into 2025E. We maintain a NEUTRAL stance on the sector. The telecom industry increasingly depicts a long-drawn out race to the bottom as competition hampers monetisation and regulatory demands intensify. As revenues stagnate, telcos can only rely on optimising costs (including engaging in mergers) to preserve earnings. Into 2025E, we expect merger synergies to crystallise for CelcomDigi and Axiata (indirectly). Our preferred BUY is Telekom M'sia.
Utilities	NEUTRAL	We maintain a NEUTRAL stance on the sector. In our view, the prevailing euphoria for the sector (due to expectations of earnings accretion from stronger electricity demand and higher grid investments) is largely priced-in. We however note the sector is generally insulated from demand risk, and thus does not materially benefit from demand upside. Nevertheless, given the market views this as a multi-year thesis, the mismatch between earnings expectations and actual delivery might not manifest until some years down the road. Our preferred BUYs are YTL Power and Mega First.
Petrochem	NEGATIVE	Petrochem remains an Underweight (UW) as we anticipate downstream polymer ASPs to remain unexciting for most of 2025E as demand outlook stays tepid while the start-up of new regional capacities is looking to overflood supply. While we believe that the petrochemical sector has found a bottom in terms of ASPs (before the next influx of PE & PP capacities in 2026), the sector appears to be in an L-shaped recovery. Coupled with additional polymer capacities coming onstream regionally in 2026, it is unlikely that the industry will revisit its ASP highs in 2021 and 2H22. We have SELL ratings on both Petronas Chem and Lotte Chem.

Source: Maybank IBG Research

Appendix 2 – Technical analysis for 10 stocks to watch

1. KLCI INDEX

Trend
ST Up, LT Down

The KLCI failed to hold above the 61.8% Fibonacci Retracement level, signaling that its primary downtrend could persist as the lower high structure remain intact. The recent rebound was anticipated as the RSI had reached oversold territory and has since recovered.

However, this may be just a temporary counter-trend move, forming a bearish flag pattern before further weakness resumes. To regain strength, the index must rebound and break above the support band, which would also push it past the 21-day EMA at 1,540pts.

2. PUBLIC BANK BHD

Resistance (MYR)		Stop-loss	Trend
R1: 4.84	R2: 5.15	Below 4.12	ST Up, LT Neutral

PBBANK failed to hold above its previously formed inverted head and shoulders pattern and instead recently gapped down. However, the sell-off found strong support at the 61.8% Fibonacci Retracement level, with the price now reclaiming both the 50-day and 200-day EMAs.

Despite this recovery, a confirmed bullish reversal is still uncertain as the MACD and RSI remain in a downtrend. For buyers to regain control, the price must break above the Anchored VWAP from its Aug 2024 high at MYR4.54. A successful breakout would also push the RSI and MACD above their respective downtrend lines, signaling a shift in momentum to the bullish side.

3. YTL POWER INTERNATIONAL BHD

Resistance (MYR)		Stop-loss	Trend
R1: 3.75	R2: 4.12	Below 2.95	ST Up, LT Neutral

YTLPOWR remains range-bound within a horizontal channel, but this is a positive sign for the bulls as it indicates that the previous downtrend has lost momentum. The stock is now approaching its immediate resistance level, and a breakout above could trigger a stronger bullish reversal. This move would not only breach the Anchored VWAP from its January 2025 high but also confirm a double-bottom breakout.

A breakout appears likely, supported by the rising RSI and MACD nearing a positive crossover. Additionally, the recent bullish crossover in the DMI suggests that buyers are regaining control, further strengthening the case for an upside move.

4. AMMB HOLDINGS BHD

Resistance (MYR)		Stop-loss	Trend
R1: 6.10	R2: 6.70	Below 5.29	ST down, LT up

AMBANK remains in an uptrend but is showing signs of weakening bullish momentum as the price struggles to hold within the rising channel. A breakdown below this channel could signal an early bearish reversal, potentially completing a head and shoulders pattern.

Additionally, the 21-day EMA is on the verge of crossing below the 50-day EMA, indicating growing downside pressure. To sustain the uptrend, the price must remain within the channel, allowing the MACD to regain strength and move toward positive territory.

5. KPJ HEALTHCARE BHD

Resistance (MYR)		Stop-loss	Trend
R1: 2.82	R2: 3.00	Below 2.38	ST down, LT up

KPJ's recent sell-off appears to be temporary profit-taking rather than a bearish reversal, as the price remains above the 21-day EMA. We expect it to establish a new base above the neckline of its previous inverted head and shoulders pattern before resuming its uptrend, despite the slight decline in MACD and RSI.

Our bullish outlook remains intact as all moving averages continue to trend upward. However, a 21-day EMA crossover below the 50-day EMA could signal a deeper bearish reversal, especially with the DMI recently forming a bearish crossover.

6. ITMAX SYSTEM BERHAD

Resistance (MYR)		Stop-loss	Trend
R1: 4.15	R2: 4.60	Below 3.36	ST Up, LT Up

ITMAX's recent sell-off found strong support at its Anchored VWAP from the August 2024 low, which aligns with the uptrend line—keeping the broader uptrend intact. The subsequent rebound has lifted the price back above the 50-day EMA, signaling a potential return of bullish momentum.

However, the declining RSI and MACD raise concerns about a possible bearish divergence. That said, as long as the price remains above the downtrend line, we anticipate the uptrend to continue.

7. FRONTKEN CORPORATION BHD

Resistance (MYR)		Stop-loss	Trend
R1: 4.06	R2: 4.38	Below 3.45	ST Up, LT neutral

FRONTKN's recent sharp correction found support at its Mar 2025 low, leading to a rebound that has pushed the price above both the downtrend line and the 50-day EMA. While the RSI and MACD are rising, the MACD remains in negative territory, indicating that further confirmation of strength is needed.

A breakout above the Anchored VWAP from the Dec 2024 high at MYR3.88 could signal a shift in momentum toward the bulls. This move would not only prevent the formation of a new lower high structure but could also challenge the 200-day EMA. Given the recent increase in trading volume, we anticipate this breakout to be imminent.

8. TENAGA NASIONAL BHD

Resistance (MYR)		Stop-loss	Trend
R1: 14.60	R2: 15.30	Below 12.50	ST down, LT down

Despite TENAGA's recent base-building, it continues to form a lower high structure, indicating that bearish sentiment remains dominant. The recent rebound from the 38.2% Fibonacci Retracement level has been weak, with the 21-day EMA crossing below the 50-day EMA—further reinforcing the downside bias. Additionally, both the MACD and DMI remain in negative territory, supporting the bearish outlook.

Key support to watch is at MYR13.00, a level where price has rebounded multiple times. A decisive break below this support could trigger a bearish continuation, potentially accelerating the downtrend.

9. GAS MALAYSIA BERHAD

Resistance (MYR)		Stop-loss	Trend
R1: 4.55	R2: 4.90	Below 3.80	ST down, LT Up

GASMSIA is currently trading within a falling wedge pattern. Despite its lower high structure, the price remains above all key moving averages, with the 21-day EMA recently making a bullish crossover—suggesting an impending breakout. A successful move above the wedge could trigger a bullish flag breakout, potentially resuming its primary uptrend.

Momentum indicators, including the RSI and MACD, are also trending higher reinforcing the bullish outlook. However, if the price breaks below the pattern and the 21-day EMA crosses below the 50-day EMA, it would signal that the uptrend is losing steam.

10. MISC BHD

Resistance (MYR)		Stop-loss	Trend
R1: 7.67	R2: 8.28	Below 6.86	ST down, LT down

MISC remains in a clear downtrend, forming a series of lower highs within its downtrend channel, with all key moving averages trending lower. The recent bearish engulfing pattern, accompanied by high volume, signals that weakness could persist, especially if another red candle follows.

A potential shift in momentum could emerge if the price breaks above the immediate resistance at MYR7.42, which would signal an exit from the downtrend channel. However, with the RSI and MACD still declining, there are no clear signs of a bullish reversal just yet.

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