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## 9M 2026 Top Picks Summary

Stock	Price (RM)	Target Price (RM)
TENAGA	14.00	15.77
ViTrox	4.19	5.30
FRONTKEN	3.87	4.60
MI	2.75	4.20
ATECH	0.58	1.00
EG	1.10	2.02
SJC	0.51	0.67
SSB8	0.58	0.81
RAMSSOL	0.85	1.25
MSC	1.93	2.37

Source: Apex Securities Berhad

2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+4.7%
2025 Export Growth:	+6.4%
2026 Export Growth Forecast:	+4.8%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+1.8%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

# Market Strategy

## Opportunity in Volatility: Navigating a Geopolitics-Driven Market

### Executive Summary

- Global markets have entered a more complex phase in 2026, transitioning from a policy-driven cycle to one increasingly shaped by **geopolitical developments, particularly the escalation of the Iran conflict and its impact on global energy markets**. The resulting surge in oil prices has reintroduced inflationary pressures, complicating the monetary policy outlook and reinforcing a “**higher-for-longer**” rate environment, thereby limiting near-term market direction.
- In this environment, we predict 9M2026F could exhibit “**Kangaroo Market**” characteristics, with heightened volatility and lack of sustained trend, as investor sentiment becomes increasingly driven by geopolitical headlines, policy uncertainty, and energy price dynamics rather than fundamentals alone.
- US policy under **Donald Trump remains a major driver of global market risk** into 9M2026, but the approach of the US midterm elections may temper aggressive geopolitical actions as domestic economic concerns and voter sentiment take priority. Markets are shifting focus from individual policy moves to whether the broader agenda gains traction before and after the elections, which will be a key turning point for policy direction.
- Meanwhile, **US equities have repriced meaningfully**, with the S&P 500 forward P/E declining to around 19.7x, approaching levels seen during prior geopolitical shocks. Notably, the de-rating has been driven primarily by higher risk premiums rather than earnings downgrades, indicating that recent weakness reflects uncertainty rather than structural deterioration. Historical experience suggests geopolitical events tend to create short-lived volatility, while early stabilisation signals in gold point to moderating downside pressure. In this context, valuations are becoming more balanced, **supporting a phased and selective accumulation approach rather than signalling capitulation**.
- On the domestic front, **Malaysia remains relatively resilient**, supported by stable macro fundamentals, sustained foreign investment inflows, and structural growth drivers such as the **AI-driven semiconductor upcycle, data centre expansion, and energy transition initiatives**. From a valuation perspective, the FBMKLCI is now trading broadly in line with fair value following the earlier re-rating cycle, with its P/E premium versus the MSCI ASEAN Index at ~+0.3% (vs. historical mean of -1.1%) as at 2 April 2026. Valuations remain within the ±1 standard deviation range, indicating a balanced risk-reward profile, with limited scope for further multiple expansion absent new catalysts.
- In terms of strategy, we advocate a **barbell approach**, balancing **defensive, cashflow-generating names** for downside protection with **structural growth exposures** anchored on AI and data centre themes, complemented by a **tactical allocation to small caps** for alpha generation. This framework allows investors to navigate volatility while maintaining exposure to long-term growth opportunities.
- We offer **six investment trading themes** for 9M2026F: 1) Defensives as a Safety Anchor; (2) Structural Growth Anchored by AI and Data Centre Expansion; (3) Alpha picks; (4) Energy-Driven CPO Upside; (5) Heatwave Alpha; and (6) World Cup Consumption Trade.
- Our top picks for 9M2026 are **Tenaga, ViTrox, Frontken, Mi Technovation, Aurelius Technologies, EG Industries, Seni Jaya Corporation, Southern Score Builders, Ramssol and MSC**.

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## Overall Market Review of 1Q2026

### Strong Start Meets Policy Uncertainty

The FBM KLCI entered 2026 on strong footing, rallying to an intraday high of 1,771.25 on 27 January, marking a fresh multi-year peak amid sustained institutional accumulation in blue-chip stocks and broadly supportive risk sentiment. However, this early optimism gradually gave way to a more complex and volatile environment as global policy uncertainty and geopolitical tensions began to dominate market direction. Sentiment was first tested following a landmark U.S. Supreme Court ruling on 20 February, which determined that the International Emergency Economic Powers Act did not grant the President authority to impose tariffs. Despite this, President Donald Trump proceeded to introduce a new 10% tariff, reinforcing concerns over policy unpredictability and potential trade frictions.

### Currency Strength Amid Rising Tensions

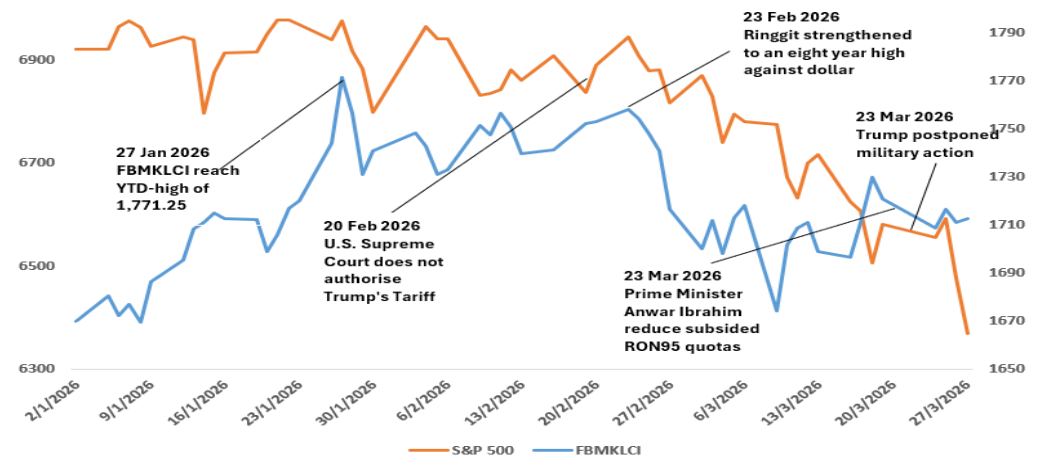
At the same time, Malaysia’s macro backdrop remained supportive, with the ringgit strengthening to an eight-year high against the US dollar on 23 February, underpinned by resilient domestic economic data and a softer outlook for U.S. growth. Nonetheless, external developments quickly overshadowed these positives. The escalation of geopolitical tensions, culminating in aggressive military strikes by the U.S. and Israel on Iran at the end of February, marked a turning point in market sentiment. This intensified further in March as disruptions to global energy supply—particularly following actions by Iran’s Islamic Revolutionary Guard Corps affecting the Strait of Hormuz—triggered a sharp surge in oil prices, reigniting fears of global inflation and slower growth.

### Volatility Spike and Policy Response

Against this backdrop, the KLCI retraced nearly 100 points from its January peak, reflecting heightened risk aversion and broad-based selling pressure. While global markets experienced a brief relief rally on 23 March—driven by a temporary de-escalation narrative after President Trump announced a short postponement of further military action—investor confidence remained fragile given conflicting signals from geopolitical stakeholders. Domestically, policy developments added another layer of adjustment, as Prime Minister Anwar Ibrahim announced a reduction in subsidised fuel quotas under the BUDI95 programme alongside phased work-from-home measures aimed at managing fuel consumption.

**Overall**, 1Q2026 can be characterised as a quarter of sharp transition, where strong domestic fundamentals and early-year momentum were increasingly overshadowed by external shocks. The shift from a liquidity- and earnings-driven environment to one dominated by geopolitical risk and policy uncertainty set the tone for a more volatile and less directional market landscape heading into the remainder of the year.

Figure 1: Historical Market Performance, S&P500 & FBM KLCI (1Q2026)



Source: Bloomberg Apex Securities

## 9M2026 Global Market Outlook

### Geopolitics Drives Inflation Reset.

The remainder of 2026 is shaping up to be a clear inflection point for global markets, as the investment landscape transitions from a policy-driven cycle into one increasingly constrained by geopolitics. The escalation of the Iran conflict, particularly the disruption to the Strait of Hormuz, has triggered what is arguably the largest supply shock in modern energy markets, removing a meaningful portion of global oil and LNG supply and driving a sharp surge in crude prices. This has fundamentally altered the inflation trajectory, with downside risks to inflation no longer assured and a renewed “inflationary tax” expected to filter through transportation, food, and broader cost structures.

As a result, expectations for global monetary easing have become less certain, with central banks likely to delay rate cuts amid elevated volatility and rising stagflation risks, while some market participants have even begun to price in the possibility of rate hikes. As of March 27, 2026, CME FedWatch Tool data indicated roughly even odds of a Federal Reserve rate hike by year-end, marking a sharp reversal from prior expectations of rate cuts amid rising inflationary risks; however, by early April, these probabilities had moderated to around 30%.

**Figure 2: Rate Cut Predictions Comparison**

Metric	Before Iran War (Late 2025 – Feb 2026)	After Iran War (March 2026)
Market Expectations	2–3 cuts projected for 2026	Zero cuts widely expected; some traders pricing in hikes
Fed "Dot Plot"	Median of 1 cut for 2026	Median held at 1 cut, but with 7/19 members now seeing zero cuts
Target Rate Range	3.50% – 3.75% (following 3 cuts in late 2025)	Held at 3.50% – 3.75%; "Higher for Longer" narrative reinforced
Inflation Forecast	2.4% PCE (Dec 2025 projection)	Revised upward to 2.7% PCE

Source: Federal Reserve, CME Group, Apex Securities

### US Policy Direction and Geopolitical Risk.

The policy direction of President Donald Trump is expected to remain a key swing factor for global markets in 9M2026, particularly given concerns over potential geopolitical actions aimed at reshaping global economic influence, including in Asia. While the risk of further conflict cannot be ruled out, the likelihood may diminish as the 2026 United States midterm elections approach, as weakening global economic conditions and concerns over domestic voter sentiment could constrain policy aggressiveness. As such, markets are likely to focus less on individual actions and more on whether the broader policy agenda gains or loses traction in the lead-up to and aftermath of the midterm elections.

### US Election Outcomes and Market Implications.

The US midterm elections, which will determine all 435 seats in the House of Representatives and roughly one-third of the Senate while leaving the presidency unchanged, are critical in shaping policy momentum. A strong showing by Republican candidates would likely increase the probability of renewed trade tensions, fiscal expansion, and heightened policy volatility, while a weaker outcome could temper the pace of disruptive policy initiatives. In this context, the election serves as a key inflection point for global markets, influencing both the direction and intensity of policy-driven risks.

### Kangaroo Market Dynamics.

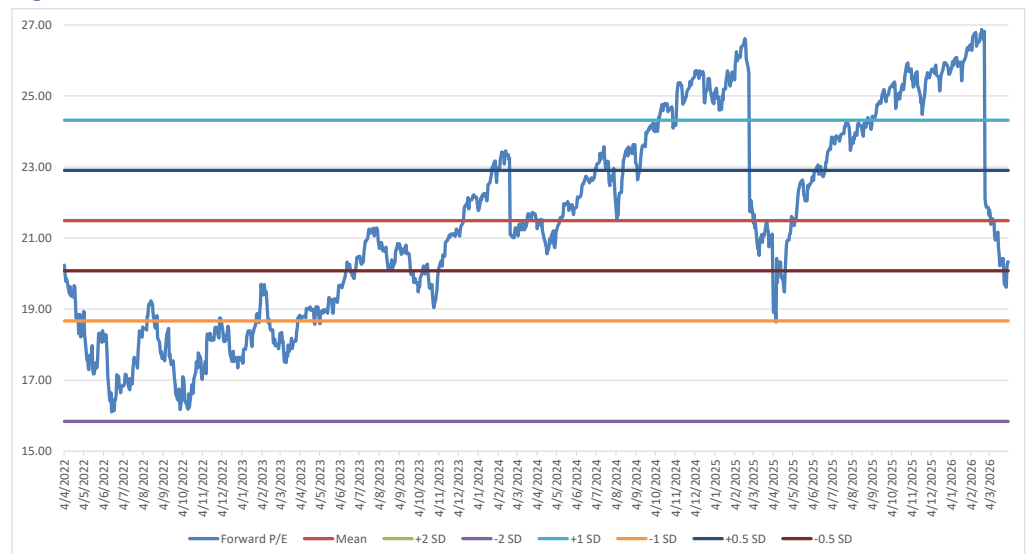
Against this backdrop, global equity markets — including Malaysia — are expected to exhibit characteristics of a “kangaroo market,” marked by sharp, unpredictable movements and the absence of a sustained directional trend. Market performance is likely to be increasingly driven by

news flow, policy signals, and shifts in investor sentiment rather than underlying fundamentals. Nonetheless, with Trump still mindful of financial market stability, global growth is expected to remain relatively resilient in the range of **approximately 2.9% to 3.3%**, providing a partial anchor amid heightened volatility.

**S&P500 PE: Valuation Reset Nearing Opportunity, But Not Capitulation.** US equities have corrected meaningfully, with the S&P 500 forward P/E falling to ~19.7x, close to levels seen during the April 2025 tariff shock (~18.5x). The current de-rating is driven more by risk premium than earnings cuts, suggesting markets are nearing a more balanced valuation zone. We see this as approaching a **tactical buy range**, and recommend gradual accumulation on further weakness while monitoring earnings risks.

US equities have de-rated meaningfully, with the S&P 500 forward P/E at ~19.6x as of 30 March 2026, close to the ~18.5x level seen during the April 2025 tariff shock. This suggests the market has started to price in more geopolitical and growth risk, but earnings expectations have not yet seen a major reset. Valuations are now more reasonable, though not yet at outright distressed levels, so we see this as a **better entry point for selective accumulation rather than a clear capitulation signal**.

Figure 3: S&P 500's P/E



Source: Bloomberg, Apex Securities

## 9M2026 Malaysia Market Outlook

### Externally Driven, Structurally Supported.

**Near-term direction for the FBM KLCI is expected to remain largely externally driven**, with global risk sentiment, energy price dynamics, and geopolitical developments outweighing domestic factors. That said, Malaysia's macro backdrop remains relatively resilient, supported by sustained political stability, continued FDI inflows, and policy prioritisation of higher-value sectors such as semiconductors, advanced manufacturing, and renewable energy. In addition, Malaysia's status as a net energy exporter offers a partial cushion against elevated oil prices, helping to mitigate external volatility.

Structural policy initiatives, particularly the **Capital Market Masterplan 2026–2030**, further reinforce the medium-term investment case by targeting deeper market liquidity, stronger private capital mobilisation, and enhanced positioning in ESG and Islamic finance. **While the immediate market impact of these initiatives may be gradual, they serve as an important confidence anchor and valuation support over time.**

### Election Timing vs External Risks.

Looking ahead, the interplay between geopolitical risks and domestic political timing will be critical. The potential for a general election in Malaysia could provide a tactical upside catalyst in the form of a **pre-election rally**, but this is highly contingent on the external environment. A prolonged or escalating Middle East conflict, particularly one that sustains elevated inflation, could constrain policy flexibility and reduce the likelihood of near-term elections, thereby limiting upside momentum. Conversely, any meaningful de-escalation in geopolitical tensions could improve macro visibility and revive the probability of an election-driven rally.

Based on our review of the past ten Malaysian general elections, the FBM KLCI index typically trends modestly higher in the 3-6 months leading up to polling day. However, volatility tends to increase as the campaign period approaches, with the market historically showing mild weakness in the final month before the election as investors adopt a more cautious stance. Should GE16 be held in 2H2026, we would expect a similar pattern, with gradual gains earlier in the year followed by heightened volatility and potential consolidation closer to the polling date.

While the possibility of GE16 may excite politically, we believe other factors are likely to play a larger role in shaping equity market prospects in 9M2026. These include **(1) stronger tourist arrivals under Visit Malaysia 2026, (2) resilient household spending amid continued policy support, (3) sustained investment driven by data centre expansion and (4) firm external demand led by the AI-driven Electrical and Electronics (E&E) upcycle.**

**Figure 4: KLCI Performances before historical general elections**

Date	Election	12 months before	9 months before	6 months before	3 months before	1 month before
22-Apr-82	1982	-35.1%	-25.2%	3.4%	-11.7%	2.7%
2-Aug-86	1986	-25.7%	-26.8%	0.4%	23.4%	-2.9%
20-Oct-90	1990	-2.2%	-15.9%	-12.0%	-23.8%	-8.1%
24-Apr-95	1995	-6.1%	-5.0%	-12.1%	14.7%	1.8%
29-Nov-99	1999	49.8%	44.4%	0.4%	-2.8%	0.4%
21-Mar-04	2004	43.1%	32.6%	21.5%	17.5%	5.0%
8-Mar-08	2008	9.0%	-4.7%	-0.7%	-9.6%	-8.4%
5-May-13	2013	6.5%	3.6%	2.3%	4.1%	0.4%
7-May-18	2018	3.7%	2.8%	4.9%	-1.3%	-0.5%
19-Nov-22	2022	-4.9%	-9.6%	-6.5%	-3.7%	4.5%
	<b>Average</b>	<b>3.8%</b>	<b>-0.4%</b>	<b>0.2%</b>	<b>0.7%</b>	<b>-0.5%</b>
	<b>Median</b>	<b>0.8%</b>	<b>-4.9%</b>	<b>0.4%</b>	<b>-2.0%</b>	<b>0.4%</b>

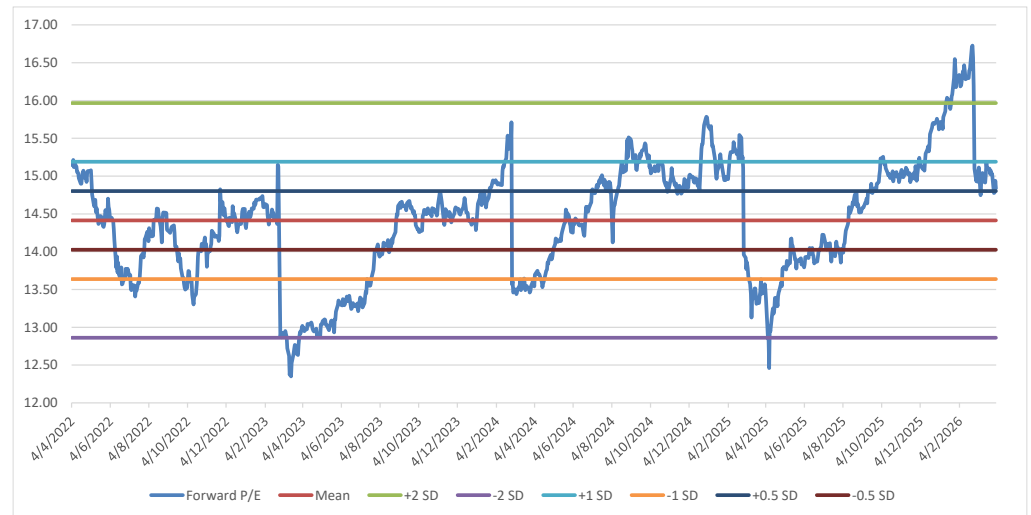
Source: Bloomberg, Apex Securities

**Valuation Back to Fair Value Zone.**

Following the earlier re-rating cycle, we observe that KLCI valuations (measured on a post-pandemic basis since 2022) have broadly normalised and are now **trading close to fair value**. On a relative basis, the KLCI's P/E premium/(discount) versus the MSCI ASEAN index stood at +0.3% as at 2 April 2026, broadly in line with its historical mean of -1.1%. This indicates that valuations have largely normalised following the earlier re-rating, with the index trading close to fair value. At current levels, the KLCI remains well within the  $\pm 1$  standard deviation range, suggesting that **valuations are balanced and not stretched**, with limited scope for multiple expansion absent new catalysts.

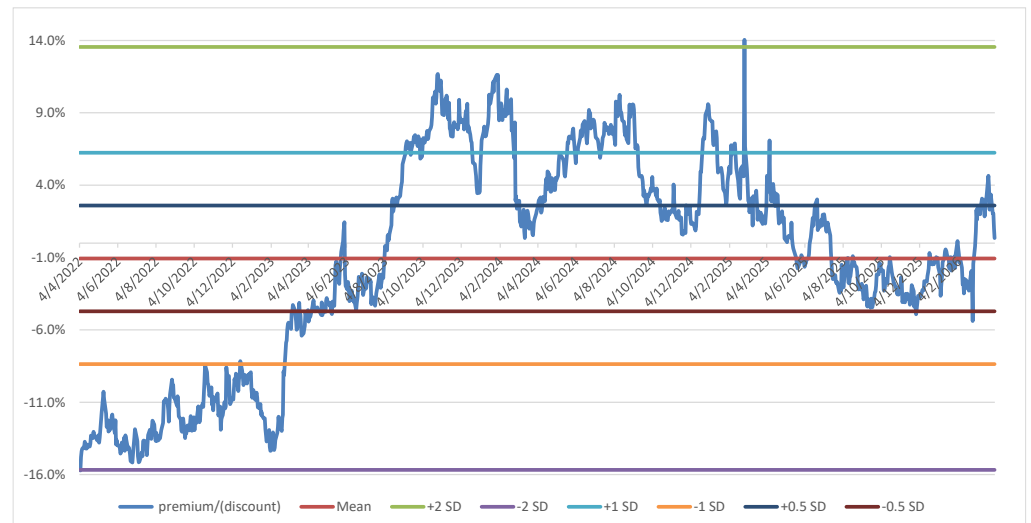
Historically, the KLCI traded at a deep discount of as much as  $\sim -16\%$  (near -2 standard deviations) during 2021–2022, before re-rating into premium territory of +8% to +12% in 2023–2024. The subsequent moderation since late 2024 reflects a normalisation phase, with valuations oscillating around mean levels. Overall, while relative valuations are no longer compellingly cheap, they remain within a reasonable range, implying a balanced risk-reward profile with limited scope for further multiple expansion absent new catalysts.

**Figure 5: KLCI's P/E**



Source: Bloomberg, Apex Securities

**Figure 6: KLCI's P/E premium/(discount) vs. MSCI ASEAN**



Source: Bloomberg, Apex Securities

### Small Caps vs Large Caps

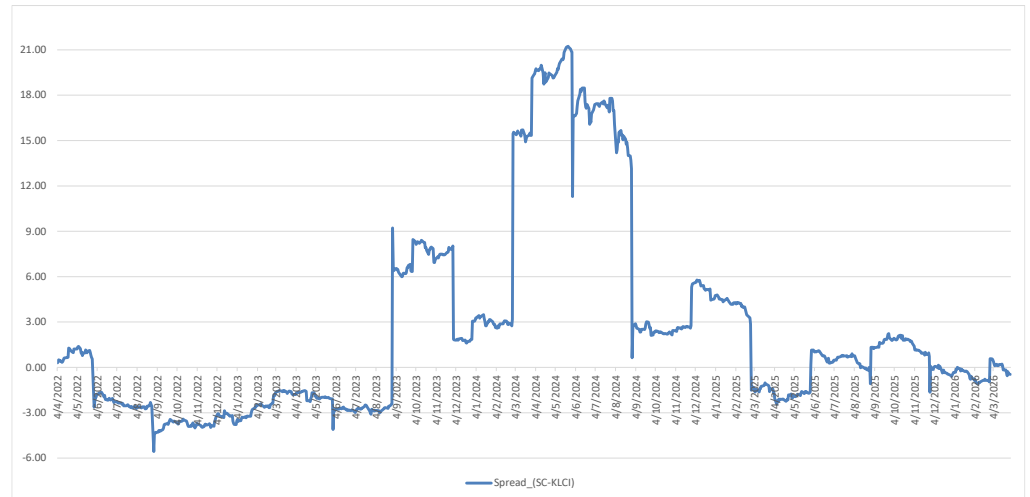
Historically, Small Caps Index (SCI) tend to **lag during periods of uncertainty** before entering a catch-up phase once visibility improves. We believe the current environment reflects the **early stage of such a recovery cycle**. (1) Small caps have underperformed large caps in prior risk-off periods, (2) Recent stabilization suggests downside is limited, and (3) Early signs of performance normalization are emerging.

**Small-cap stocks offer value at current levels.** On Bloomberg consensus, the Small Caps Index (SCI) trades at 8.2x CY26 P/E, **implying a 44.6% discount** to the KLCI’s 14.8x, despite lower coverage across the small cap universe. **The SCI valuations remain undemanding**, with the segment trading at ~15.7x LTM P/E, below its 3-year average of ~19.2, implying that much of the de-rating is already reflected in current prices.

**The valuation spread between small caps and large caps has undergone a significant compression**, declining from a peak premium of over 21x in 2024 to near parity currently. This reflects a substantial de-rating in the small cap segment following the earlier period of exuberance.

At current levels, **the spread suggests that small caps are no longer expensive and are beginning to trade at more reasonable valuations relative to large caps**. While this does not yet signal deep value, it indicates that much of the excess froth has been removed, potentially setting the stage for a gradual catch-up **should earnings momentum and liquidity conditions improve**.

Figure 7: SCI - KLCI PE Spread



## 9M2026 Economic Outlook

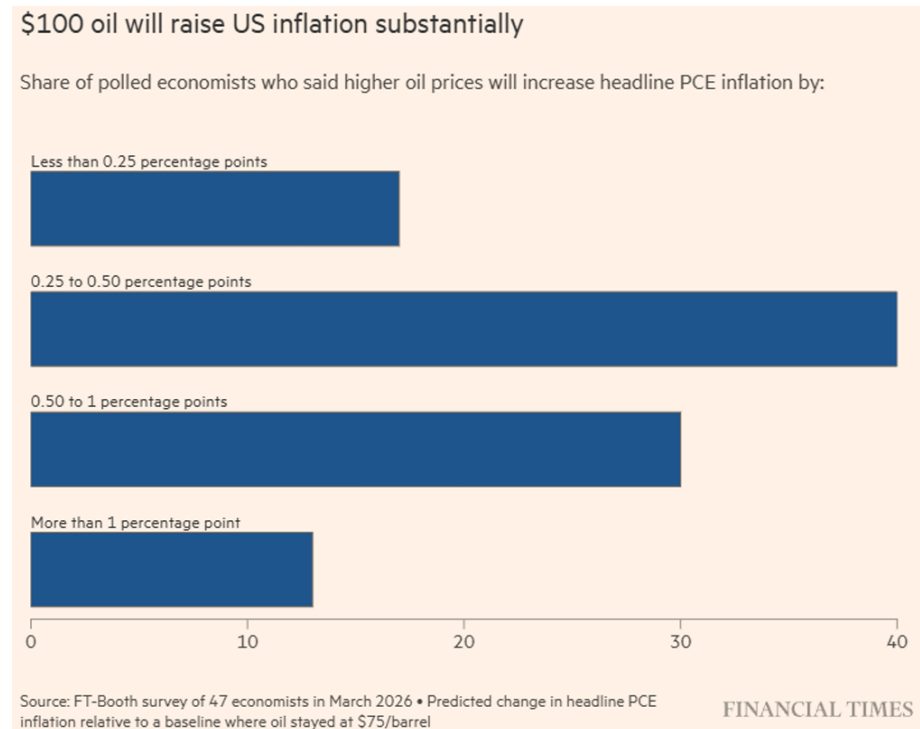
### Uncertain outlook warrants a Fed pause

The escalation in the US-Iran conflict has led to renewed growth and inflation risks. The closure of the Strait of Hormuz has disrupted global supply chains, particularly for crude oil and industrial inputs. In the latest interim Economic Outlook, the OECD projects global growth to ease to 2.9% in 2026 (2025: 3.3%), while raising its G20 inflation forecast by 1.2 ppts to 4.0% (2025: 3.4%).

In the US, gasoline prices have risen sharply, with the national average climbing to USD4.02 per gallon, increasing by around 35% from pre-conflict levels. Higher pump prices could dampen household purchasing power and have spillover effects on the broader economy.

According to a Financial Times survey of economists, if crude oil prices remain near USD100/bbl, PCE inflation could rise by around 0.25-0.5 ppts (Fig. 8). Based on the Fed's pre conflict projection of 2.6% in January, this would push inflation closer to 3%, delaying the return to target. However, the growth impact is less clear. While most respondents (68%) expect higher oil prices to trim GDP growth by around 0.25-0.50 ppts (Fig. 9), some see offsetting support likely from stronger domestic energy production and defence-related spending. Anyway, we think the inflation will take precedence, as energy-driven price pressures could quickly feed into consumer expectations even if growth impacts remain unclear.

Figure 8: Oil Shock Impact on Inflation

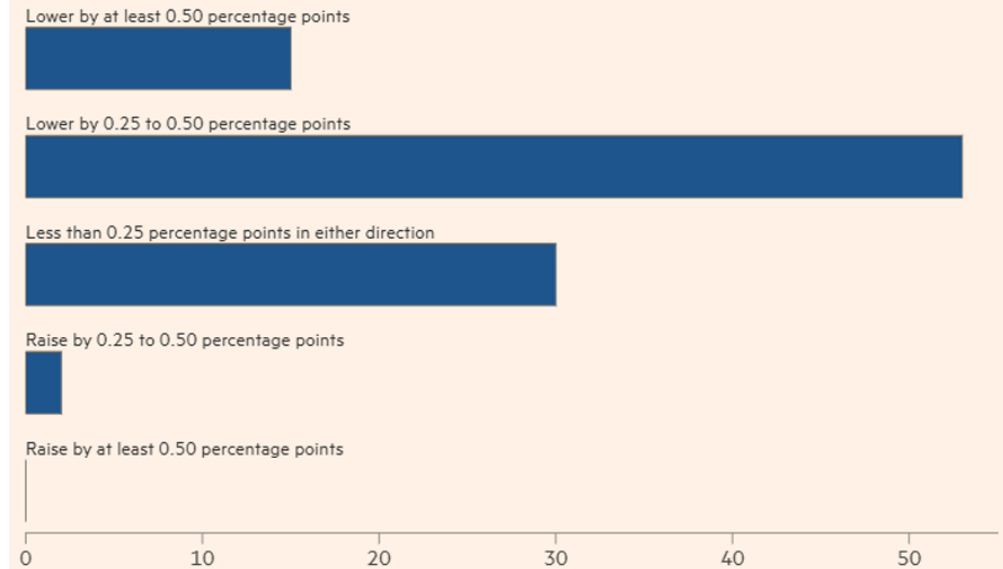


Source: *Financial Times*

**Figure 9: Oil Shock Impact on Inflation**

**US GDP growth will fall significantly if oil stays at \$100**

Share of polled economists who said higher oil prices will cause GDP growth to be:



Source: FT-Booth survey of 47 economists in March 2026 • Predicted change in real GDP growth from fourth quarter of 2025 to fourth quarter of 2026 relative to a baseline where oil stayed at \$75/barrel

FINANCIAL TIMES

Source: *Financial Times*

We now expect only one 25-bp rate cut in 2026, likely in September (previously two cuts). This is broadly in line with the Fed’s dot plot-implied rate path, which signals just one additional 25-bp cut in 2026, followed by another in 2027, bringing the policy rate to 3.00–3.25% by end-2027. Nonetheless, the Fed’s rate trajectory remains fluid, dependent on the Middle East conflict development and the upside risks to US inflation. Market expectations, as reflected in Fed funds futures, currently price in no cuts in 2026.

Reduced expectations of rate cuts, together with safe-haven demand amid geopolitical tensions, should keep the US dollar supported in the near term. The dollar index has risen 2.6% to 100.2 in March, partially reversing the earlier decline this year. For Malaysia, the impact should remain manageable. As a net energy exporter, higher oil prices provide some buffer against global volatility, while continued political stability supports sustained capital flows.

**Malaysia 9M2026 Economic Outlook**

**Reasonable growth.**

BNM projects Malaysia’s GDP to expand between 4.0–5.0% in 2026 (2025: +5.2%), flagging downside risks from weaker global trade amid Middle East tensions, tariff uncertainties, and softer commodity production. That said, we concur with BNM’s view that Malaysia is entering 2026 from a position of strength, which should help cushion external headwinds.

While geopolitical tensions remain, sustained electronics and electrical (E&E) demand amid the AI-led technology upcycle should continue to underpin external growth. On the domestic front, steady tourist arrivals under Visit Malaysia 2026, continued policy support for lower-income households, and robust investment led by ongoing data centre expansion is expected to underpin a steady domestic demand.

2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+4.7%
2025 Export Growth:	+6.4%
2026 Export Growth Forecast:	+4.8%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+1.8%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

We maintain our 2026 GDP growth forecast at 4.7% (2025: 5.2%) for now, pending greater clarity on tariff policies and developments in the Middle East conflict. In a more adverse scenario, further supply chain disruptions could weigh on both external demand and domestic activity, pushing growth towards BNM’s lower bound of +4.0%.

On the inflation front, BNM projects inflation to average between 1.5–2.5% in 2026 (2025: +1.4%). Headline inflation is expected to remain moderate, with a stronger ringgit helping to contain imported cost pressures, while domestic policy measures limit pass-through from higher global commodity prices. Nonetheless, risks remain tilted to the upside, contingent on external developments and domestic fuel policy. For now, we maintain our 2026 inflation forecast at +1.8%.

Under a scenario where Brent stays around USD101/bbl through year-end and subsidised RON95 rises to RM2.40/litre or higher, our preliminary estimates suggest that headline inflation could exceed 3.0% (Fig. 10). Such an outcome could raise the prospect of BNM rate hike. However, we see this as a low-probability scenario as we believe BNM will remain cautious as the current inflation risk is largely cost-driven. Tightening policy in a cost-push inflation environment could risk undermining household consumption and business investment, particularly in the absence of demand-driven inflation pressures.

Overall, domestic fuel subsidy mechanisms should continue to cushion the pass-through from higher global oil prices, keeping inflation contained in the near term. For now, we maintain our view that the OPR will remain at 2.75% throughout 2026.

Figure 10: Sensitivity analysis

Subsidised RON95 Price (RM/litre)	Subsidised fuel impact (ppts)	Unsubsidised fuel impact (ppts)	Total impact (ppts)	Headline inflation (%)
1.99	0.0	0.74	0.74	2.5
2.10	0.1	0.74	0.87	2.7
2.20	0.2	0.74	0.98	2.8
2.30	0.4	0.74	1.09	2.9
2.40*	0.5	0.74	1.20	3.0
2.50	0.6	0.74	1.32	3.1
2.60	0.7	0.74	1.43	3.2
2.70	0.8	0.74	1.54	3.3
2.80	0.9	0.74	1.66	3.5
2.90	1.0	0.74	1.77	3.6
3.00	1.1	0.74	1.88	3.7

Source: Bloomberg, Apex Securities

\* The highest subsidised RON95 price registered was RM2.38/litre in November 2017

Figure 11: GDP by Sector Approach

	% share	% YoY							
		2025	4Q24	1Q25	2Q25	3Q25	4Q25	2024	2025
GDP	100	4.9	4.4	4.4	5.4	6.3	5.1	5.2	4.7
Agriculture	6.1	-0.7	0.7	2.5	0.1	5.4	3.1	2.2	0.5
Mining	5.7	-0.7	-2.7	-5.2	9.7	2.0	0.9	0.7	-0.8
Manufacturing	23.0	4.2	4.1	3.7	4.1	6.1	4.2	4.5	4.5
Construction	4.3	20.7	14.2	12.1	11.8	11.0	17.5	12.2	11.0
Services	59.6	5.5	5.0	5.1	5.5	6.3	5.3	5.5	5.1
Import duties	1.3	4.7	5.0	16.9	15.8	20.8	7.1	14.9	4.6

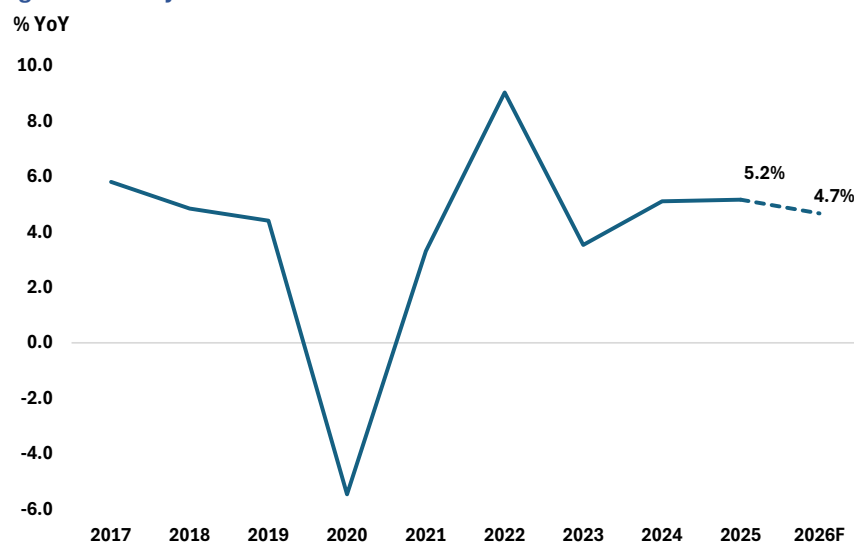
Source: Department of Statistics, Apex Securities

Figure12: GDP by Demand Approach

	% share	% YoY							
		2025	4Q24	1Q25	2Q25	3Q25	4Q25	2024	2025
GDP	100	4.9	4.4	4.4	5.4	6.3	5.1	5.2	4.7
Domestic demand	96.3	6.4	6.0	7.0	5.8	6.6	6.5	6.3	5.9
Private consumption	60.6	5.3	5.0	5.3	5.0	5.3	5.1	5.2	5.1
Public consumption	13.4	4.0	4.3	6.4	7.1	8.0	4.7	6.6	3.8
Private investment	17.2	12.7	9.2	11.8	7.3	9.2	12.3	9.4	10.0
Public investment	5.1	10.0	11.6	13.6	7.4	9.5	11.1	10.3	6.8
Change in inventories	0.5	-103.9	-1237.4	18.6	-193.6	2081.3	-69.8	-9.4	-19.7
Net Exports	3.3	63.6	19.6	-72.6	18.7	-45.8	9.2	-19.3	-27.4
Exports	66.8	8.7	4.1	2.6	1.7	3.9	8.3	3.1	2.3
Imports	63.5	5.9	3.1	6.6	0.7	7.9	8.2	4.6	3.8

Source: Department of Statistics, Apex Securities

Figure 13: Malaysia Annual GDP Growth Rate



Source: BNM, Apex Securities

**Export Outlook: Resilient but Facing Rising External Headwinds.**

Malaysia’s export remains cautiously constructive but increasingly uncertain. While sustained semiconductor demand and Malaysia’s role in regional supply chains should continue to underpin exports, rising external risks — particularly US trade policy uncertainty and escalating Middle East tensions — could weigh on global demand and disrupt supply chains. The direct impact on Malaysia is likely limited given low trade exposure to the region, with higher oil prices providing a partial buffer as a net energy exporter. Overall, we maintain our 2026 export growth forecast at 4.8% for now, but risks are tilted to the downside should external conditions deteriorate further.

**Currency Outlook.**

The fundamental backdrop is still constructive for MYR: **BNM kept OPR at 2.75%**, the **Fed held rates at 3.50%–3.75%** and said the Middle East implications for the US economy remain uncertain, while we also noted that the ringgit has been relatively resilient because Malaysia is a **net energy exporter** with continued manufacturing and data-centre investment flows. Against that, the **US dollar has been benefiting from safe-haven demand** as Middle East tensions escalate and oil prices stay elevated, which can keep greenback firmer in the very near term.

Taken together, we would frame the ringgit as **still supported structurally, but vulnerable to short-term USD strength and oil-driven volatility**.

For 2026, we expect **USDMYR to average around 3.95–4.05 (2025: 4.28)**. Historically, KLCI performance has shown a correlation with MYR movements — strengthening when the ringgit appreciates and weakening when it depreciates.

## Technical Analysis

### Technical chart views

The equity market does not decline because of war itself, but due to second-order effects such as oil shocks, monetary policy tightening, shifts in risk sentiment, and growth concerns. In this context, wars are typically **volatility events rather than structural bear market drivers**, unless they trigger sustained inflationary pressures or policy tightening.

Historically, geopolitical conflicts have led to **short-term drawdowns in U.S. equities**, averaging around 5–10%, with the S&P 500 declining approximately 6% on average across 20 major post-World War II military events. However, these averages mask significant dispersion, particularly in periods where energy markets are disrupted.

Market reactions tend to be more severe during oil shocks. For instance, the Yom Kippur War and the Iraq invasion of Kuwait resulted in S&P 500 declines of 16.1% and 15.9%, respectively, while the drawdown during the Russia invasion of Ukraine was more moderate at 7.4%.

In the current environment, geopolitical tensions have pushed U.S. equities close to correction territory, driven by uncertainty surrounding the Iran conflict. While the timing of resolution remains inherently unpredictable from a macro or fundamental perspective, **technical analysis provides a practical framework** to assess whether markets are approaching the end of the current decline.

### Gold: Tracking Market Stabilisation Amid Geopolitical Stress.

We note that following the onset of the Iran conflict, gold prices have been the most notable underperformer, declining by approximately 14–20% from their peak. This counterintuitive move **reflects a combination of USD strength, rising bond yields, and a repricing of interest rate expectations**, with markets scaling back anticipated rate cuts amid heightened inflation risks.

In this context, we believe that **monitoring gold price dynamics through Technical Analysis can serve as a useful proxy** for gauging when markets begin to look through geopolitical tensions, particularly as shifts in momentum and key support levels may signal stabilisation in broader risk sentiment.

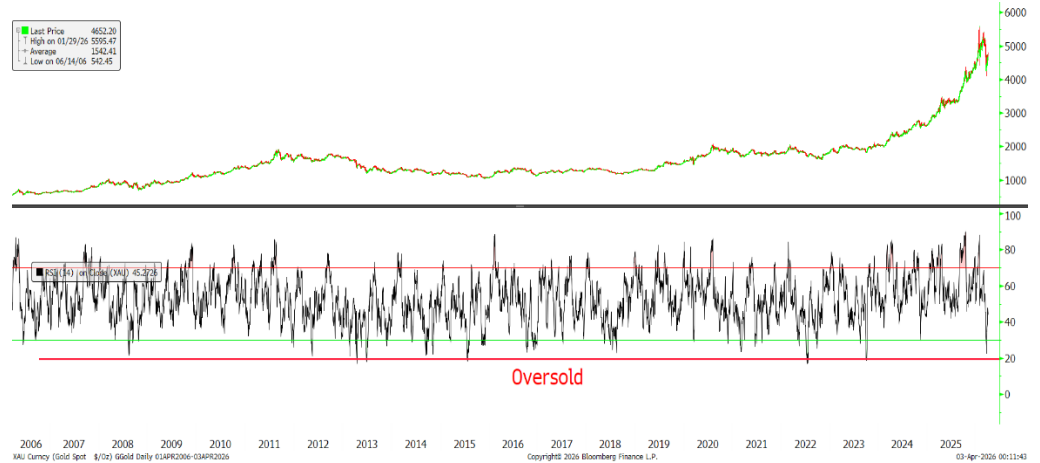
We note that following the onset of the Iran conflict, gold prices have been the most notable underperformer, declining by approximately 14–20% from their peak, driven by USD strength, rising bond yields, and a repricing of rate cut expectations. Notably, gold appears to have reached a near-term oversold condition when the RSI approached ~20% on 23 March 2026.

Historically, similar oversold RSI levels have typically been followed by a **technical rebound or recovery**, as observed in multiple instances including May 2012, June 2013, November 2014, July 2015, August 2018, March 2021, and October 2023. That said, there are exceptions—such as August 2008 and July 2022—where the initial rebound was short-lived, with prices subsequently retesting lower levels before establishing a more durable uptrend.

In addition, gold prices formed a **Tweezer Bottom candlestick pattern** on 23–24 March 2026, signalling a potential reversal as selling pressure begins to ease. This was further supported by a strong closing on 31 March 2026, reinforcing signs of stabilisation.

**Taken together**, these technical signals suggest that gold may be in the process of forming a near-term base, indicating that **markets could be approaching the peak of geopolitical risk pricing and gradually beginning to look through the impact of the Iran conflict**. While this does not yet constitute a confirmed market bottom, there are growing signs that **selling pressure is gradually easing**, suggesting that downside momentum is starting to moderate.

**Figure 14: Gold price: RSI Oversold: Signs of a Near-Term Bottom**



Source: Bloomberg, Apex Securities

**Figure 15: Gold price: Tweezer Bottom: Indicating Potential Stabilisation**



Source: Bloomberg, Apex Securities

**Brent Crude: Uptrend Intact, Gap Fill Points to Short-Term Upside.**

Following the escalation of conflict between the U.S. and Israel against Iran on 28 February 2026, Brent crude reacted with a **gap-up move on 2 March 2026**, forming a **breakaway gap** that signalled the start of a strong upward trend. This was followed by a second **gap-up on 12 March 2026**, characteristic of a **runaway (continuation) gap**, indicating an acceleration in buying momentum. Subsequently, oil prices rallied sharply to nearly USD120 per barrel.

More recently, Brent crude registered a **gap-down on 1 April 2026**. From a technical perspective, such gaps are often retraced, suggesting a likelihood of near-term price recovery to fill this gap. In other words, oil prices may see a **short-term rebound** as part of a gap-filling process.

From a broader perspective, the prevailing **uptrend remains intact**, implying that Brent crude could retain an upward bias in the near term. However, a decisive break below the established uptrend line would signal a shift into a **distribution phase**, where prices are likely to consolidate within a range before transitioning into a more gradual downtrend.

Figure 16: Brent oil: Uptrend remains intact



Source: Bloomberg, Apex Securities

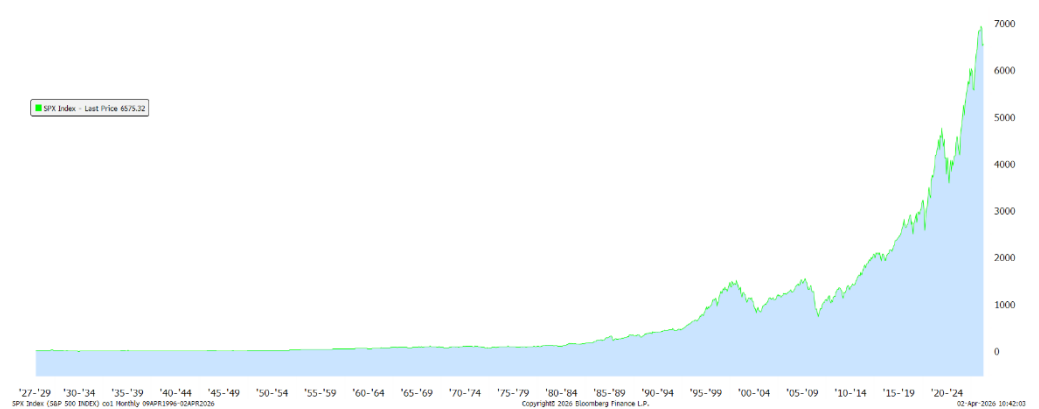
### S&P500: Structural Growth Intact, Awaiting Breakout from Downtrend.

Over the past 100 years, the S&P 500 has demonstrated a persistent long-term upward trajectory, despite multiple episodes of severe market dislocations triggered by wars, financial crises, and economic shocks (Fig. 17). While such events have led to meaningful short- to medium-term drawdowns, history shows that these declines have largely been **temporary interruptions within a broader structural uptrend**.

In this context, we do not believe investors should be overly concerned about the current market weakness arising from geopolitical tensions. Although near-term volatility may continue to impact sentiment and positioning, periods of market stress have historically presented **compelling entry opportunities** for long-term investors. As such, we view the current pullback not as a structural deterioration, but as part of the normal market cycle within an ongoing long-term compounding trend.

In the near term, the S&P 500 remains within a **short-term downtrend** (Fig. 18). As long as this downtrend line remains intact, **the prevailing weakness is expected to persist until a decisive breakout above the trendline is established**.

Figure 17: S&P500: 100 Years of Resilience



Source: Bloomberg, Apex Securities

**Figure 18: S&P500: Short-Term Downtrend Remains Intact Pending Breakout**



Source: Bloomberg, Apex Securities

**USD/MYR: Ringgit Strength Intact.**

Since the **trough in April 2024**, the Ringgit has **strengthened steadily** against the US Dollar, resulting in the formation of a **long-term downtrend line** on the USD/MYR chart (Fig. 19). This reflects a sustained **Ringgit appreciation**, which remains intact as long as the **downtrend line is not decisively breached**, indicating that the currency’s underlying strength continues to hold. **Notably, the 4.15–4.18 range represents a key resistance level**, and a **decisive break above this zone would signal a potential trend reversal**.

**Figure 19: USDMYR: Ringgit Remains Strong**



Source: Bloomberg, Apex Securities

**KLCI: Structural Uptrend Intact Amid Near-Term Consolidation.**

Following a prolonged downtrend that began from the April 2018 peak, the FBMKLCI experienced a sustained period of weakness over the subsequent five years. The index subsequently **broke out of its long-term downtrend in January 2024**, marking a structural improvement in market direction.

Since then, the market has maintained a **constructive uptrend**, characterised by a series of **higher highs and higher lows** (Fig. 20), indicating improving underlying momentum. In the absence of clear reversal signals, such as **negative divergence**, we believe the index retains an **upward bias over the longer term**.

That said, in the near term, the index continues to **trade within a downward-sloping channel** (Fig. 21), suggesting that short-term consolidation or volatility may persist before the broader uptrend resumes.

In summary, while the FBMKLCI may continue to face near-term consolidation within a downward channel, the broader technical structure remains constructive following the breakout from its long-term downtrend. As such, we maintain a **positive medium- to long-term outlook**, and view any short-term weakness as a **potential accumulation opportunity**, provided the structural uptrend remains intact.

**Figure 20: KLCI weekly chart: Likely to consolidate, with uptrend intact**



Source: Bloomberg, Apex Securities

**Figure 21: KLCI daily chart: Likely to stay in consolidation in the short term**



Source: Bloomberg, Apex Securities

## Market Strategy & Six Trading Themes for 9M2026

In a range-bound, non-directional (“kangaroo”) market, portfolio construction should avoid concentration in the middle, where outcomes are most vulnerable to whipsaw. Instead, we advocate a barbell framework that deliberately allocates to two distinct ends of the risk spectrum.

For long-term investors, this entails anchoring the portfolio with **defensive, cash-flow resilient assets** on one side, while pairing it with **high-conviction structural growth exposures** on the other. A smaller, third allocation can be reserved for **tactical or opportunistic alpha**, allowing flexibility to capitalize on dislocations without diluting the core barbell.

This approach enhances downside protection while preserving participation in secular upside, rather than relying on beta in an uncertain macro regime.

**Figure 22: Barbell Strategy: Defensive Cashflow + Structural Growth + Tactical Alpha**

Date	Election	9 months
Defensives / Yield	Downside protection	30%
Structural Growth	Earnings visibility	50%
Tactical / Small Cap	Alpha generation	20%

Source: Bloomberg, Apex Securities

Given the potential for continued volatility in the current environment, we advocate a more selective investment framework, **focusing on six trading themes**.

### Theme 1

**Defensives as a Safety Anchor.** Amid heightened market volatility driven by escalating geopolitical tensions in the Middle East, rising oil prices, and persistent policy uncertainty, we position core defensives as a resilience anchor to mitigate downside risk. Pure defensive sectors, including REITs, utilities, healthcare, and consumer staples, typically offer stable earnings and consistent dividend profiles, supported by inelastic demand across economic cycles.

Within this space, **Tenaga (BUY, TP: RM16.77)** serves as a key defensive anchor, underpinned by its regulated earnings base and pricing pass-through mechanisms. Other defensive names include **IHH (NR) and KPJ (NR)**, which benefit from resilient healthcare demand, as well as **QL Resources (NR)**, supported by its exposure to essential consumer staples.

### Theme 2

**Structural Growth Anchored by AI and Data Centre Expansion.** We recommend positioning in **structural growth names anchored on the AI and data centre backbone**, as these offer the strongest earnings visibility despite ongoing macro uncertainty. Our high-conviction picks include **ViTrox (BUY, TP: RM5.30)**, which benefits from increasing demand for inspection and automation solutions; **Frontken (BUY, TP: RM4.60)**, supported by its recurring semiconductor maintenance business; and **Mi Technovation (BUY, TP: RM4.20)**, which is leveraged to advanced packaging and AI infrastructure trends.

Beyond these, we also see value in EMS peers such as **Aurelius Technologies (BUY, TP: RM1.00)** and **EG Industries (BUY, TP: RM2.02)**, which provide additional exposure to the electronics manufacturing ecosystem.

This positioning is underpinned by our view that the AI-driven E&E upcycle and continued data centre expansion remain key structural growth drivers, making this segment the clearest source of earnings visibility in the current environment. As such, we advise clients to **accumulate these names on market weakness**, rather than chase short-term rallies.

### Theme 3

**Small-Cap Catch-Up: Positioning for Alpha as Recovery Emerges.** We recommend selectively allocating to a small-cap alpha bucket as a catch-up trade, with the objective of generating outperformance as market conditions stabilise. Within our coverage universe, preferred names include **Seni Jaya Corporation (BUY, TP: RM0.67)**, which provides exposure to the surge in tourism spending from the Visit Malaysia 2026 campaign; **HSSEB (BUY, TP: RM0.50)**, which is a key beneficiary from the highly anticipated public infrastructure and private investment rollout across water treatment, flood mitigation and data center segments; as well as **Southern Score Builders (BUY, TP: RM0.81)**, **AGX (BUY, TP: RM0.62)**, and **ISF (BUY, TP: RM0.55)**, which are positioned to outperform their competitors through leaner cost structures, superior technical capabilities, and exceptional leadership. We also highlight **Cheeding (BUY, TP: RM0.96)** as a niche industrial play and **Ramssol (BUY, TP: RM1.25)** as a technology solutions provider with exposure to technology-driven growth across HR, Cloud and Auto solutions. Meanwhile, **MSC (BUY, TP: RM2.37)** offers strong leverage to elevated tin prices, positioning the group to benefit from structurally tight global tin supply.

This positioning is supported by our view that the small-cap segment remains undervalued relative to large caps and is beginning to show early signs of recovery, suggesting scope for a gradual catch-up in performance.

### Theme 4

**Energy-Driven CPO Upside.** Prolonged Middle East tensions are likely to keep oil prices elevated, which in turn supports CPO prices via the energy and biofuel linkage. Coupled with the potential rollout of Indonesia's B50 mandate in 2HCY26, we expect CPO prices to remain firm despite seasonal moderation.

While higher fertilizer costs may pose margin risks, near-term impact is limited as most planters have secured supply. Overall, we upgrade the sector to **Overweight**, supported by stronger CPO price assumptions and resilient earnings outlook. Our top picks for the plantation sector are **SD Guthrie (BUY, TP: RM6.96)**, **Hap Seng Plantations (BUY, TP: RM2.80)**, **Kuala Lumpur Kepong (BUY, TP: RM26.40)**, and **Sarawak Plantations (BUY, TP: RM3.81)**.

### Theme 5

**Heatwave Alpha: Riding Temperature-Driven Demand and Tourism Tailwinds.** We highlight a **Heatwave Alpha** theme, where rising temperatures and prolonged dry weather conditions are expected to drive stronger demand for bottled drinking water, translating into near-term volume uplift for key players such as **Spritzer (NR)** and **Life Water Sabah (NR)**. This demand dynamic is further supported by the upcoming Visit Malaysia 2026, which is likely to boost tourist arrivals and amplify consumption of on-the-go beverages, particularly in high-traffic and outdoor settings.

While **plantation companies** may also see some indirect benefit from weather-driven supply dynamics, we view **drinking water producers** as the more immediate and direct beneficiaries of this theme, given their strong exposure to consumption-driven demand and faster earnings translation.

### Theme 6

**World Cup Consumption Trade.** World Cup events reliably trigger large consumption spikes in food, drinks, and related spending. We see a tactical opportunity to exploit a **temporary surge** in consumer discretionary spending around the FIFA World Cup (11 June–19 July 2026). Key beneficiary sectors include breweries (beer/alcohol), soft-drink and bottled-water producers, restaurants and quick-service outlets, convenience retail, apparel/merchandise, and logistics/delivery. In Malaysia specifically, themes of "Visit Malaysia 2026" tourism and pent-up social outings should amplify this effect. We recommend a **small, time-limited allocation (e.g. 2–5% of portfolio)** into select consumer plays, to be phased in ahead of the tournament and exited shortly after the final.

**Event Dates:** FIFA World Cup 2026 runs from 11 June to 19 July 2026. This creates three practical windows:

- **Pre-event (Apr–May 2026):** Brand promotions, marketing campaigns, jersey/apparel launches, special menus, and inventory stocking. Retailers and F&B outlets will roll out World Cup promotions and ticketed viewing events. Media ad spend and hype build-up begin in Q2 2026.
- **Event (Jun–Jul 2026):** Peak consumption phase. Matchdays will see the largest uplift in demand. Late-night and holiday matches (time zones) drive extra gatherings. Expect continued high volumes on all knockout-stage games.
- **Post-event (Aug 2026):** Demand quickly normalises. Residual effects (merch clearance sales, one-off tourist spending) fade.

Primary beneficiaries with direct consumption exposure include **Carlsberg (NR), Heineken (NR), Spritzer (NR), and Life Water Sabah (NR)**, as increased social gatherings across homes, cafés, and public venues during the event period are expected to drive higher demand for both alcoholic and non-alcoholic food and beverage products.

In addition, we highlight a more direct monetisation angle from event-driven retail, where **Oasis Home Holding Bhd (NR)** has been appointed as the exclusive online distributor of official merchandise for the FIFA World Cup 2026 in Malaysia, via its partnership with Esteem International Sdn Bhd, the tournament's official licensee in the country. This positions the company to capture incremental demand for licensed products, as Malaysian consumers gain access to authentic merchandise—verified by official holograms and serial numbers—through its digital platforms, including TikTok Shop and its proprietary e-commerce channels.

## 9M 2026 Top Picks

Company	FYE	Market Cap (RM m)	Rec.	Price (RM) as at 2 April 2026	TP (RM)	Potential Upside	P/E (x)		P/B (x)		Div Yield (%)		ESG Rating
							FY26F	FY27F	FY26F	FY27F	FY26F	FY27F	
Tenaga Nasional Berhad	Dec	81,608.0	BUY	14.00	15.77	12.6%	17.1	16.6	1.2	1.2	3.8%	3.9%	★★★★
ViTrox Corporation	Dec	7,932.7	BUY	4.19	5.30	26.5%	40.7	32.8	6.2	5.4	0.5%	0.6%	★★★★
Frontken	Dec	6,400.3	BUY	3.87	4.60	18.9%	32.0	30.5	5.1	4.6	1.1%	1.2%	★★★★
Mi Technovation	Dec	2,433.8	BUY	2.75	4.20	52.7%	21.3	17.9	2.1	1.9	1.3%	1.3%	★★★★
Aurelius Technologies	Dec	747.9	BUY	0.58	1.00	73.9%	11.0	10.0	1.4	1.3	2.9%	3.2%	★★★★
EG Industries	Jun	1,000.7	BUY	1.10	2.02	83.6%	9.5	7.9	1.4	1.2	0.5%	0.5%	★★★★
Seni Jaya Corporation Berhad	Jun	107.8	BUY	0.51	0.67	32.7%	8.2	6.2	1.2	1.1	2.4%	3.2%	★★★★
Southern Score Builders	Jun	1,318.1	BUY	0.58	0.81	39.7%	17.5	12.7	5.3	3.5	1.7%	1.8%	★★★★
Ramssol Group	Dec	343.5	BUY	0.85	1.25	47.1%	12.0	10.6	2.2	1.8	0.6%	0.6%	★★★★
Malaysia Smelting Corporation Berhad	Dec	1,621.2	BUY	1.93	2.37	22.8%	8.3	6.0	3.7	3.6	11.8%	16.3%	★★★★

Source: Apex Securities Berhad

## Risks

### Potential risks to corporate earnings.

Several downside risks could weigh on corporate earnings outlook. A key concern is evolving **US trade policy**, where the shift towards a temporary 10–15% global tariff under Section 122, alongside ongoing Section 301 investigations into multiple trading partners including Malaysia, introduces heightened uncertainty and raises the risk of more targeted tariffs on key export sectors.

Domestically, **labour cost pressures** are set to rise with the implementation of the multi-tier foreign worker levy in 2026, which will impose progressively higher levies on firms with greater reliance on foreign labour as part of a broader push to reduce dependency and accelerate automation. While details remain fluid, this represents a structural cost headwind for labour-intensive sectors such as manufacturing, services, and plantations.

More critically, **the escalation of the Iran conflict** has added a new layer of risk. Higher and more volatile oil prices could compress margins across non-energy sectors through rising input and

logistics costs, while also weighing on global growth and demand. While Malaysia may benefit partially as a net energy exporter, the broader impact on consumption and export-oriented industries is likely negative.

Taken together, rising geopolitical tensions, policy uncertainty, and structural cost pressures point to increasing downside risks to earnings in 2026, particularly if these factors begin to materially affect global demand and corporate margins.

## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Electricity	★★★	Expanded scope to include subcontractors' electricity consumption to get a fully picture of energy use.
Fuel	★★★	Diesel tanks at construction sites are fitted with meters to track fuel usage.
Compliance	★★★	In compliance with local environmental regulations.

### Social

Quality Management System	★★★	Ensure QCLASSIC scores of over 75% across its completed projects.
Human Rights	★★★	Prohibit the employment of child labour and any form of forced labour across all operations.
Occupational Safety and Health	★★★	Equips all personnel with essential personal protective equipment in its workplace.

### Governance

Policies	★★★	Adopt anti-bribery and anti-corruption policy to promote ethical business conduct.
Board	★★★	50% of its Board members are women directors. Independent Directors also made up 50% of all Board members.
Whistleblowing	★★★	Adopts a Whistleblowing Policy that provides secure and confidential avenue to report suspected misconduct.

Overall ESG Scoring: ★★★

## Recommendation Framework:

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.

**HOLD:** Total returns\* are expected to be within +10% to -10% within the next 12 months.

**SELL:** Total returns\* are expected to be below -10% within the next 12 months.

**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.

**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.

\*Capital gain + dividend yield

## Sector Recommendations:

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.

**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months.

**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

## ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.