

Economic at a glance

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:	+2.1%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

Market Outlook

Trump–Xi Summit: Taiwan, AI & Semiconductors: The Fault Lines Remain

- Trump–Xi summit signals tactical stabilisation, not a structural reset.
- Near-term tariff risks eased, supporting short-term market sentiment.
- Core tensions on AI, semiconductors, supply chains, and Taiwan remain unresolved.
- “China+1” and ASEAN supply-chain diversification trends remain intact.
- Malaysia could continue benefiting from semiconductor regionalisation, AI infrastructure, and manufacturing relocation.
- Malaysia-listed technology names such as Frontken, Mi Technovation, and ViTrox could emerge as medium- to long-term beneficiaries of ongoing supply-chain restructuring.
- Maintain FBM KLCI year-end target of 1,787.

Quick Take

The three-day Trump–Xi meeting held in Beijing from 13–15 May 2026 marked Donald Trump’s first visit to China since returning to office and the first US presidential visit to China in nearly a decade. US President Donald Trump and Chinese President Xi Jinping discussed **key issues including trade, Taiwan, semiconductor restrictions, artificial intelligence, the ongoing Iran conflict, stability in the Strait of Hormuz, energy security, and global geopolitical tensions.**

Economic cooperation remained a major focus, with both sides discussing trade under the existing truce framework, including potential Chinese purchases of US aircraft, agricultural products, and energy supplies. Technology restrictions surrounding AI chips and semiconductors were also among the key topics. Moreover, the summit was attended by several prominent US business leaders, highlighting continued commercial engagement despite ongoing strategic rivalry between both countries. Taiwan also emerged as one of the most sensitive issues during the meeting, with Xi reportedly warning that mishandling the matter could lead to “clashes and even conflicts” in US–China relations.

Key Takeaways from the summit

1. Tactical stabilisation, not a strategic reset

Both sides projected warmer diplomatic optics and agreed on maintaining “strategic stability”, signalling a desire to avoid further deterioration in relations. However, no comprehensive agreement or joint communiqué was announced.

2. Tariff escalation risks eased temporarily

China signalled possible tariff reductions and improved market access for US agricultural products, including soybeans, wheat and beef. This suggests both sides want to de-escalate trade tensions tactically ahead of the US election cycle.

3. No breakthrough on semiconductors or technology restrictions

Despite discussions on AI and technology competition, there was no announced rollback of US semiconductor restrictions, no reopening of advanced technology transfers, and no durable framework for tech cooperation. The structural US-China technology rivalry remains intact.

4. Taiwan remained the most sensitive issue

Xi reportedly warned that mishandling Taiwan could push the two countries into conflict. Trump maintained strategic ambiguity and avoided committing publicly on Taiwan defence or future arms sales. This indicates geopolitical risk around Taiwan remains elevated.

5. Iran and the Strait of Hormuz became a major discussion point

The summit was heavily shaped by Middle East tensions. Trump sought China’s help in ensuring the Strait of Hormuz remains open and in preventing Iran from obtaining nuclear weapons. While both sides broadly aligned rhetorically, no concrete breakthrough emerged.

6. Rare earths remained unresolved

Rare earth export controls and supply-chain security were discussed, but there was no major resolution or easing of restrictions. This remains a strategic leverage point for China and a vulnerability for the US.

Our View

What matters is not whether Donald Trump and Xi Jinping meet, but whether the summit meaningfully changes the trajectory of tariffs, technology restrictions, and global supply-chain fragmentation. In our view, the latest Trump–Xi meeting signals tactical stabilisation in bilateral relations, rather than a structural reset.

The summit likely lowers the probability of near-term tariff escalation and reduces the risk of an immediate deterioration in US–China relations, which should support short-term market sentiment and risk appetite. However, policy uncertainty is likely to remain elevated, particularly ahead of the upcoming US election cycle where trade and national security issues could again become key political themes.

While diplomatic engagement between both countries appears to have improved tactically, structural competition remains firmly intact. Core areas of strategic rivalry — particularly artificial intelligence, advanced semiconductors, critical technologies, supply-chain security, and Taiwan — remain unresolved and are unlikely to materially change regardless of short-term diplomatic progress.

We believe advanced AI chip restrictions and semiconductor export controls will likely remain in place, while multinational corporations are unlikely to reverse ongoing supply-chain diversification strategies that have already been underway for several years. As such, the broader “China+1” or “ASEAN+1” strategy remains intact despite improving diplomatic optics from the summit.

The summit suggests the world is moving toward a phase of “**selective decoupling**” rather than full decoupling. While the US and China continue to compete strategically across areas such as technology, trade, and national security, neither side currently appears willing to risk a complete economic rupture. This is broadly supportive for global trade flows, AI-related capital expenditure, ASEAN manufacturing activity, Malaysia’s EMS and data centre themes, as well as regional supply-chain beneficiaries. Nevertheless, Taiwan remains the single largest unresolved geopolitical risk, with any escalation potentially reversing the current improvement in market sentiment.

If Taiwan Escalates: The Market Is Underpricing the Semiconductor Shock

A military escalation across the Taiwan Strait would likely represent the single largest geopolitical shock to global markets since the Iran war and Russia-Ukraine war — but with materially larger implications for the global technology supply chain, inflation dynamics, and cross-border capital flows.

Unlike previous geopolitical conflicts, Taiwan sits at the centre of the global semiconductor ecosystem, supplying the world’s most advanced AI and high-performance computing chips. Any disruption to Taiwan’s semiconductor production or shipping lanes would not merely affect regional trade, but could potentially trigger a global technology supply shock with immediate implications for hyperscalers, AI infrastructure spending, consumer electronics, automotive production, and industrial automation.

The first-order market reaction would likely be a sharp global risk-off move characterised by:

- aggressive selloffs across Asian equities and technology names,
- a flight into the US dollar, and US Treasuries,
- and a spike in insurance and freight prices amid fears of regional shipping disruptions.

However, the second-order implications may prove even more significant. A prolonged deterioration in cross-strait stability could accelerate the ongoing restructuring of global semiconductor and manufacturing supply chains at a pace far faster than current market expectations. Multinational corporations may increasingly prioritise supply-chain redundancy over efficiency, driving a new wave of capital expenditure into ASEAN, particularly Malaysia, Vietnam, and Singapore.

In this scenario, Malaysia could initially face near-term pressure from broad regional de-risking and weaker technology sentiment. Nevertheless, the country may ultimately emerge as a relative structural beneficiary given its positioning within the global semiconductor back-end ecosystem, expanding data-centre infrastructure, improving power availability, and growing role within the China+1 diversification strategy.

Malaysia Sector Implications

While the Trump–Xi summit may provide tactical relief for global equities by reducing the probability of near-term trade escalation, we believe the broader trend of supply-chain diversification away from excessive China and Taiwan concentration remains structurally intact. Recent geopolitical developments also reinforce the importance of supply-chain resilience, particularly as rising cross-strait tensions highlight the risks of overdependence on a single semiconductor and manufacturing hub. This should continue to support Malaysia’s medium- to long-term investment proposition within the regional manufacturing and technology ecosystem.

In particular, **Malaysia stands to benefit from ongoing relocation and expansion activities across semiconductor assembly & testing, E&E manufacturing, AI infrastructure, data centres, and supporting industrial ecosystems**, as multinational corporations increasingly prioritise geographic diversification and operational redundancy amid persistent geopolitical uncertainties (Figure 2). **In a more severe Taiwan escalation scenario**, the urgency to diversify semiconductor back-end operations and regional manufacturing footprints could accelerate materially, potentially strengthening Malaysia’s strategic positioning within global technology supply chains.

In this environment, **several Malaysia-listed technology and semiconductor-related companies could emerge as relative medium- to long-term beneficiaries** of accelerated supply-chain diversification and semiconductor regionalisation trends, although near-term volatility would likely remain elevated in any severe Taiwan escalation scenario.

- **Frontken (BUY, TP: RM5.71)** potentially stands out as one of the most directly exposed names given its significant operational linkage to a major Taiwan foundry customer, which contributes the majority of its earnings base. While any disruption to Taiwan semiconductor operations would likely negatively affect Frontken in the near term, a broader acceleration in overseas semiconductor capacity expansion by global foundries could ultimately strengthen long-term demand for high-purity cleaning and contamination-control services, particularly as advanced semiconductor manufacturing increasingly diversifies across multiple geographies.
- **Mi Technovation (BUY, TP: RM4.20)** could benefit from rising urgency among semiconductor firms to establish alternative sourcing and advanced packaging capacity outside Taiwan and China. The group’s ongoing Senai expansion and exposure to wafer-level chip scale packaging (WLCSP) die sorting solutions position it within key segments of the semiconductor back-end ecosystem that may see increased regional investment under a “Taiwan+1” diversification strategy.
- **ViTrox (BUY, TP: RM7.04)** could emerge as an indirect beneficiary if global semiconductor firms accelerate capacity expansion outside Taiwan. Rising semiconductor regionalisation and advanced packaging activities may continue supporting demand for inspection systems, automation, machine vision, and quality-

control solutions. Importantly, semiconductor inspection demand is driven more by process complexity than manufacturing location, positioning ViTrox to benefit from new fab build-outs across ASEAN, Japan, and the US.

Conclusion

Overall, the Trump–Xi summit signals tactical stabilisation rather than a structural reset in US–China relations. While near-term tariff escalation risks have eased, core strategic tensions surrounding semiconductors, AI, supply chains, and Taiwan remain unresolved. We therefore expect the broader ‘China+1’ diversification trend to remain intact, continuing to support ASEAN manufacturing and Malaysia’s technology ecosystem over the medium term.

Against this backdrop, we maintain our **FBM KLCI year-end target of 1,787**, supported by improving risk sentiment, resilient domestic liquidity, and our Elliott Wave framework which suggests the complex WXY correction is likely complete, paving the way for a new five-wave impulsive uptrend.

Figure 1: KLCI Long-Term Elliott Wave Count Signals Start of New Upcycle



Source: Bloomberg, Apex Securities

Figure 2: Malaysia Sectoral Implications from the Ongoing US–China Decoupling

Sector	Why It Benefits from Ongoing US–China Decoupling	Key Earnings Drivers	Key Risks
Technology (Semiconductor & EMS)	Multinationals continue diversifying manufacturing and backend semiconductor operations into ASEAN under the “China+1” strategy	Capacity expansion, higher utilisation rates, AI-related demand, customer diversification	Weaker global tech cycle, US export restrictions, execution risk
Data Centres	AI adoption and digitalisation accelerate regional demand for cloud and hyperscale infrastructure	Capacity take-up, long-term tenancy agreements, ecosystem expansion	Power constraints, cooling/water infrastructure limitations
Construction	Expansion of factories, semiconductor facilities, utilities infrastructure, and data centres supports job flows	New contract wins, infrastructure rollout, capex cycle	Labour shortages, margin compression, project delays

Utilities	Rising data centre investments and industrial expansion increase electricity demand	New power purchase agreements (PPAs), higher energy demand from DCs and industrial parks	Regulatory intervention, fuel cost volatility, delays in DC rollout
Industrial Parks & Property	Foreign direct investments (FDIs) into manufacturing and data centres drive demand for industrial land and facilities	Land sales, recurring industrial rental income, higher occupancy rates	Slower FDI approvals, infrastructure bottlenecks, oversupply risks

Source: Apex Securities

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.
