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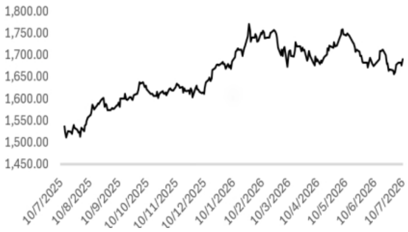
FBM KLCI Index



Economic at a glance

2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+4.7%
2025 Export Growth:	+6.4%
2026 Export Growth Forecast:	+16.3%
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

Johor Strengthens the Case for GE16

- **BN's stronger-than-expected victory in Johor validates our Scenario 2 and reinforces UMNO's political dominance ahead of GE16.**
- **We believe the result materially strengthens the case for an early GE16 in 2H26, with the Negeri Sembilan state election serving as the next key political catalyst.**
- **The higher probability of an early GE16 is expected to raise political risk premiums and increase near-term market volatility, although we view any election-related weakness as temporary.**
- **We maintain our FBM KLCI year-end target of 1,787 and continue to view election-driven weakness as a buying opportunity.**
- **Our top picks are Mi Technovation (BUY, TP: RM6.23), EG Industries (BUY, TP: RM2.69), MSC (BUY, TP: RM3.06) and MITRA (BUY, TP: RM1.27).**

Johor State Election: Scenario 2 Materialises

The Johor state election concluded with **Barisan Nasional (BN) delivering a stronger-than-expected victory, materialising our Scenario 2 (BN Outperforms Expectations)**. BN secured **48 of the 56 state seats**, comfortably exceeding our Scenario 2 threshold of more than 40 seats and further expanding its commanding supermajority in the state assembly. The result reinforces Johor's position as UMNO's traditional stronghold and demonstrates that the coalition continues to enjoy broad support despite its partnership with Pakatan Harapan (PH) at the federal level. Meanwhile, PH largely retained several urban constituencies but failed to expand its representation, while Perikatan Nasional (PN) failed to secure a meaningful breakthrough, suggesting that PAS's Green Wave has yet to gain traction in southern Peninsular Malaysia.

The election outcome validates our earlier view that the Johor polls should be interpreted less as a contest over who governs the state and more as a referendum on the relative electoral strength of BN, PH and PN ahead of the 16th General Election (GE16). More importantly, BN's stronger-than-expected mandate materially strengthens UMNO's bargaining position within the Unity Government and provides fresh evidence that its traditional support base remains resilient.

Figure 1: Johor State Election: Scenario Assessment

Scenario	Previous Probability	Actual Outcome	Assessment
Scenario 1: BN retains 38-42 seats	40%	❌	Did not materialise
Scenario 2: BN improves further (>40 seats, PH loses)	**25%**	✅ **Materialised (BN 48 seats)**	**Stronger-than-expected BN mandate; GE16 speculation increases**
Scenario 3: PH performs better than expected	15%	❌	PH largely held urban seats but did not outperform
Scenario 4: Significant PAS breakthrough	15%	❌	PN failed to gain meaningful traction
Scenario 5: PAS/PN governs Johor	5%	❌	Tail risk did not materialise

Source: Apex Securities

Figure 2: Johor State Election Results Comparison (2022 vs. 2026)

Coalition	2022 Johor Election	2026 Johor Election	Change
BN	40	**48**	+8
PH	12	**8**	-4
PN	3	**0**	-3
MUDA	1	**0**	-1
Others	0	**0**	0
Total Seats	**56**	**56**	**—**

Source: Election Commission (SPR), Apex Securities

Implications for GE16

In our previous report, we highlighted that a BN victory of more than 40 seats would materially increase the probability of an early GE16 by reinforcing UMNO's confidence to seek a fresh federal mandate while political momentum remained favourable. The Johor election has now validated that scenario.

From UMNO's perspective, the result demonstrates that its electoral support remains intact despite governing alongside PH under the Unity Government. We believe the Johor result materially strengthens UMNO's bargaining position within the Unity Government and increases the likelihood that the party will push more aggressively for an earlier dissolution of Parliament.

While the constitutional prerogative to dissolve Parliament ultimately rests with Prime Minister Datuk Seri Anwar Ibrahim, we believe the Johor outcome has materially improved the political conditions for an earlier general election. Accordingly, we continue to expect **GE16 to be held during 2H26**, with the probability of Parliament being dissolved later this year increasing following BN's decisive victory.

Our View

In our view, the Johor election marks another important milestone in the political cycle leading towards GE16. Combined with PH's weaker-than-expected performance in the Sabah state election and PAS's inability to extend its Green Wave into Johor, the latest result strengthens UMNO's argument that the current political environment remains favourable for seeking a fresh federal mandate.

The next major political catalyst will be the **Negeri Sembilan state election (Polling Day: 1 August)**. Should BN secure another convincing victory, we believe it would provide further evidence that the coalition continues to command strong electoral support in key battleground states. A second consecutive strong state election performance would likely strengthen UMNO's negotiating position within the Unity Government and increase pressure for Parliament to be dissolved before year-end.

Figure 3: Negeri Sembilan State Election Results Comparison (2022 vs. 2026)

Coalition	2023 Negeri Sembilan Election	2026 Negeri Sembilan Election
PH	17	?
BN	14	?
PN	5	?
Others	0	?
Total Seats	**36**	**36**
Seats Needed for Majority	**19**	**19**

Source: Election Commission (SPR), New Straits Times, Apex Securities

Accordingly, we continue to believe that **GE16 is likely to be held during 2H26**, most likely before year-end. Investors should therefore expect domestic political developments to become an increasingly important driver of Malaysian market sentiment over the coming months.

Market Implications

From a market perspective, the Johor election outcome remains **negative**, consistent with our original **Scenario 2** assessment. While the result reinforces political stability at the state level, its broader implication is that it materially increases expectations for an earlier GE16. Historically, the prospect of a general election tends to encourage investors to adopt a more cautious stance as markets price in higher political risk premiums, potential policy shifts and increased uncertainty surrounding the electoral process.

We therefore expect political developments to remain an important driver of market sentiment over the coming months, with the Johor outcome likely marking the beginning rather than the end of the GE16 narrative. Nevertheless, we view any election-related weakness as temporary rather than structural. Malaysia's macroeconomic outlook remains supported by resilient domestic demand, continued infrastructure and data centre investments, improving external demand and sustained strength in the technology and E&E sectors. Historically, Malaysian equities have recovered once political uncertainty subsides.

Accordingly, we are maintaining our FBM KLCI year-end target of 1,787. While we expect heightened market volatility as investors increasingly position for GE16 during 2H26, we continue to believe that resilient corporate earnings, ongoing infrastructure and data centre investments, improving technology exports and eventual post-election policy clarity will outweigh near-term political headwinds by year-end. Hence, we continue to view election-related weakness as a buying opportunity. **Our top picks are Mi Technovation (BUY, TP: RM6.23), EG Industries (BUY, TP: RM2.69), MSC (BUY, TP: RM3.06) and MITRA (BUY, TP: RM1.27)**.

Figure 4: Expected Market Path Ahead of GE16

Period	Our View
Jul–Sep	Higher volatility as GE16 speculation intensifies
Around GE16	Potential correction as political risk premium rises
4Q26 / Year-end	Recovery towards **1,787** after election uncertainty clears

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

As of **Monday, 13 Jul, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.