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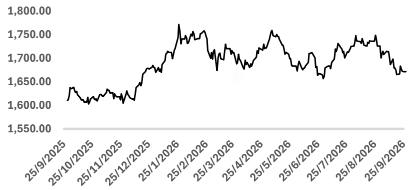
FBM KLCI Index



4Q2026 Top Picks Summary

Stock	Price (RM)*	Target Price (RM)
Tenaga	13.14	16.37
AWC	0.63	1.22
ViTrox	9.91	11.12
EG	1.78	2.93
QES	0.595	0.75
FRONTKN	5.05	5.86
ISF	0.85	1.03
SSB8	0.66	0.78
MSC	1.74	3.07
Kinergy	0.42	0.67
OHM	0.39	0.64
HSPLANT	2.47	3.31

Source: Apex Securities Berhad
*As of 25 Sept 2026

Economic at a glance

2025 GDP Growth	**+5.2%**
2026 GDP Growth Forecast:	**+5.0%**
2025 Export Growth:	**+6.6%**
2026 Export Growth Forecast:	**+26.2%**
2025 Unemployment Rate	**3.0%**
2026 Unemployment Rate Forecast:	**3.0%**
2025 Headline Inflation:	**+1.4%**
2026 Headline Inflation Forecast:	**+2.0%**
End-2025 OPR	**2.75%**
End-2026 OPR Forecast:	**2.75%**

Market Outlook

Trump-Xi: De-escalation, Not a Reset

- **Trump-Xi summit eases near-term trade tensions, with the US-China trade truce extended to 10 January 2027, but major structural disputes remain unresolved.**
- **Malaysia stands to benefit from greater trade visibility, given strong exposure to both China and the US, with E&E exports remaining a key growth driver.**
- **Budget 2027 on 9 October could trigger a Pre-Budget Rally.**
- **Maintain our Barbell Strategy, favouring AI and semiconductors, data centre infrastructure, energy transition, critical minerals and consumer digitalisation, alongside defensive exposure to Utilities and Plantation.**
- **Maintain our year-end KLCI target of 1,770.**

Quick Take

The Trump-Xi summit in Washington on 24 September produced a series of measures to stabilise bilateral ties, but fell short of a comprehensive trade agreement. Most importantly, ahead of the leaders' meeting, US Treasury Secretary Scott Bessent announced that the existing US-China trade truce would be extended by two months from its scheduled 10 November 2026 expiry to 10 January 2027, **buying both sides additional time to negotiate a broader economic arrangement**.

The two countries agreed on a framework covering US$30bn of reciprocal tariff reductions, the operationalisation of their Boards of Trade and Investment, and the establishment of a bilateral dialogue on “super intelligence” and AI-related incidents. China also committed to importing at least 10m tonnes of US coal annually in 2027 and 2028.

However, **the summit did not resolve several structural areas of contention**, particularly rare earth supplies, advanced technology restrictions, Taiwan and the US-China positions on Iran. The extension therefore represents a pause in escalation rather than a fundamental reset in bilateral relations.

Our View

We see the Trump-Xi summit as **particularly important to the Trump administration**, underscored by Trump’s rare decision to personally welcome Xi at Joint Base Andrews on 23 September. The gesture was unusually rare, with the last comparable presidential airport welcome at Andrews dating back to **1962**, when **President John F. Kennedy greeted UK Prime Minister Harold Macmillan**.

The symbolism is notable given that **Trump is approaching the November 2026 US midterm elections**. While there is no official evidence that the airport welcome was specifically motivated by electoral considerations, maintaining a more stable relationship with China could help reduce another source of economic and trade uncertainty at a politically sensitive time.

Against this backdrop, we see the summit as a **reduction in near-term US-China trade uncertainty rather than a fundamental reset in bilateral relations**. The extension of the trade truce to 10 January 2027 gives companies additional time to plan around tariffs and supply-chain arrangements, while the new bilateral mechanisms provide channels for continued negotiations.

However, the official outcomes do not indicate that the major structural disputes have been resolved. Rare earths and critical-mineral supply remain under discussion, while the newly established AI dialogue addresses communication and risk management rather than the broader US-China technology rivalry.

The next important checkpoints are the **APEC Economic Leaders' Meeting in Shenzhen on 18-19 November 2026** and the **G20 Leaders' Summit in Miami on 14-15 December 2026**. Both governments said Trump and Xi intend to attend each other's meetings, providing further opportunities to assess whether the current trade détente can be sustained.

For Malaysia, the continued stability in US-China relations is relevant given the country's substantial trade links with both economies. During January-August 2026, Malaysia's trade with China increased **35.0% y-o-y to RM456.68bn**, while trade with the US rose **35.7% to RM328.84bn**. E&E products were an important driver of exports to both markets.

Market Implications

The latest US-China developments should reduce near-term trade uncertainty and support regional risk sentiment, with both sides pursuing more favourable tariff treatment for US$30bn of non-sensitive goods and strengthening bilateral trade, investment and AI dialogue. However, ongoing negotiations over rare earths and other critical minerals indicate that structural supply-chain risks remain.

For Malaysia, the stabilisation in US-China trade relations is broadly constructive given its strong exposure to both markets, while sustained E&E demand continues to underpin export growth and the regional semiconductor supply chain.

Figure 1: Market Implications of the Trump-Xi Summit

Area	Implication
Global trade	Lower near-term risk of another US-China tariff escalation should improve trade visibility and support global cyclical sentiment.
Technology / Semiconductors	The establishment of a bilateral AI dialogue is constructive for engagement, although restrictions on advanced technology and semiconductors remain unresolved.
Rare Earths / Critical Minerals	Continued negotiations on supply shortages reduce the probability of an immediate supply shock, but China's dominant position keeps this as a key geopolitical risk.
Malaysia E&E	Malaysia remains positioned to benefit from sustained global electronics demand and supply-chain diversification, with exports to both China and the US continuing to grow strongly.
Commodities	Improved China-US relations could support broader trade activity and commodity demand, although the direct impact on Malaysian commodities is likely to be limited.
Ringgit / Risk Sentiment	A more stable US-China relationship should be supportive of regional risk sentiment and reduce one source of volatility for Asian currencies and equities.

Source: Apex Securities

Technical Analysis - Potential Bottoming Ahead of Budget 2027

For the **FBM KLCI**, as highlighted in our previous Market Outlook report on 3 September 2026, a sustained break below the 1,700 level could pave the way towards the next support zone at 1,685. This subsequently materialised, with the index falling to as low as 1,661. We had also advised investors to monitor price action for signs of stabilisation before increasing exposure.

At current levels, we see **early signs of stabilisation** as the KLCI approaches the lower boundary of its descending trend channel. With **2027 Malaysia Budget scheduled to be tabled on 9 October 2026**, we expect expectations of a **Pre-Budget Rally** to provide near-term support to the market.

Figure 2: FBM KLCI Index: Testing Channel Support

Source: TradingView, Apex Securities

Strategy

We believe the summit is **market-positive from a risk-premium perspective, but unlikely to trigger a major re-rating on its own**. The key takeaway is that the US-China relationship has shifted towards managing competition rather than resolving it. As the trade truce now runs until January 2027, markets are likely to focus increasingly on implementation, particularly tariff arrangements, rare earth shipments and technology restrictions, rather than diplomatic optics.

We therefore retain our **barbell strategy**, balancing defensive, earnings-resilient companies with high-quality structural growth stocks. Our preferred growth themes include **AI and semiconductors, data centre infrastructure, energy transition, critical minerals and Consumer digitalisation**, while **Utilities and Plantation** provide defensive earnings support.

Domestically, attention will now turn to the Melaka state election following the dissolution of the state assembly on 23 September 2026. Political uncertainty could rise in the near term as parties negotiate seat allocations and electoral cooperation. However, the state government has indicated that administration and public services will continue as usual during the caretaker period, suggesting limited disruption to economic activity.

We maintain our **FBM KLCI year-end target at 1,770**, as the easing in US-China tensions could help reduce near-term geopolitical risk, although domestic political developments and broader policy and trade uncertainties remain key factors for market sentiment.

4Q2026 Top Picks

Company	FYE	Market Cap (RM m)	Rec.	Price (RM) as at 25 Sept 2026	TP (RM)	Potental Upside	P/E (x)		P/B (x)		ROE (%)		Div Yield (%)		ESG Rating
							FY27F	FY28F	FY27F	FY28F	FY27F	FY28F	FY27F	FY28F	
Tenaga Nasional Berhad	Dec	76,594.9	BUY	13.14	16.37	24.6%	16.3	13.4	1.4	1.4	8.6%	10.2%	4.0%	4.1%	★★★
AWC Berhad	Jun	212.0	BUY	0.63	1.22	93.7%	7.4	5.9	0.7	0.6	10.7%	12.1%	2.2%	3.1%	★★★
ViTrox Corporation	Dec	18,777.7	BUY	9.91	11.12	12.2%	51.9	46.1	6.2	5.1	22.2%	20.9%	0.4%	0.4%	★★★
EG Industries	Jun	1,691.5	BUY	1.78	2.93	64.6%	10.3	8.8	2.1	1.8	19.0%	18.2%	N/A	N/A	★★★
QES Group Berhad	Dec	545.0	BUY	0.595	0.75	26.1%	15.9	12.6	1.8	1.7	12.2%	14.0%	2.5%	3.2%	★★★
Frontken Corporation Berhad	Dec	9,155.3	BUY	5.05	5.86	16.0%	39.8	38.0	0.4	0.4	16.4%	15.1%	0.6%	0.7%	★★★
ISF Group Berhad	Dec	845.0	BUY	0.85	1.03	21.9%	19.7	17.2	4.6	3.6	22.7%	20.3%	2.0%	2.4%	★★★
Southern Score Builders	Jun	1,499.9	BUY	0.66	0.78	18.2%	15.0	13.8	3.9	2.8	27.0%	21.6%	1.5%	1.5%	★★★
Malaysia Smelting Corporation Berhad	Dec	1,461.6	BUY	1.74	3.07	76.4%	7.4	5.4	2.7	2.3	19.7%	22.8%	6.1%	6.6%	★★★
Kinergy Advancement Berhad	Dec	917.7	BUY	0.42	0.67	59.5%	19.1	14.5	2.5	2.2	13.2%	15.1%	N/A	N/A	★★★
Oasis Home Holding Berhad	Jun	195.0	BUY	0.39	0.64	64.1%	11.5	8.7	0.9	0.8	20.2%	22.7%	2.6%	3.6%	★★★
Hap Seng Plantations	Dec	1,975.2	BUY	2.47	3.31	34.0%	9.3	8.2	0.9	0.9	9.3%	10.1%	6.4%	7.3%	★★★

Source: Apex Securities Berhad

KDN PP13226/06/2024 (035469)

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, 28 Sep, 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.