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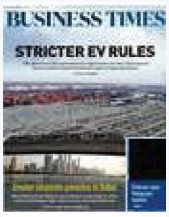

02 JAN, 2026

`Neutral' stance on Malaysia with end-2026 FBM KLCI target of 1,800

New Straits Times, Malaysia

JPMORGAN REPORT

'Neutral' stance on Malaysia with end-2026 FBM KLCI target of 1,800

NSTP FILE PIC

KUALA LUMPUR: Malaysia is entering 2026 on a solid footing, underpinned by stable macroeconomic conditions, according to United States investment bank JPMorgan.

It pointed to the firm gross domestic product growth projection of 4.6 per cent, the steady Overnight Policy Rate of 2.75 per cent and benign inflation of 1.8 per cent.

This gives Malaysia one of the most resilient macro profiles in Asean, creating a supportive backdrop for capital inflows, said JPMorgan.

The bank estimated that Asean could attract up to US$20 billion in foreign inflows in 2026.

If Malaysia merely reverts to its three-year median share, it could see US$5 billion to US$6 billion in inflows, providing a meaningful boost to banks and liquid large-cap stocks.

"While external risks such as tariff uncertainty and US dollar volatility may weigh on exports, the preference remains for domestically driven and reform-aligned sectors," JPMorgan said in its 2026 Asean Outlook released recently.

It added that banks are seen as the clearest beneficiaries of returning flows, supported by healthy loan growth, manageable asset quality and potential upside from capital management.

The artificial intelligence (AI) and data centre theme remains structural, with growing emphasis on power, grid and renewable infrastructure, reinforcing long-term capital expenditure visibility.

In technology, JPMorgan said the outlook remains constructive on hardware, particularly memory and AI-related exposures.

Consumer spending is expected to benefit from Visit Malaysia 2026, although valuations already price in much of the optimism, making earnings delivery critical.

Overall, JPMorgan kept a "neutral" stance on Malaysia with an end-2026 FTSE Bursa Malaysia KLCI target of 1,800, implying a bull case of 2,000 and a bear case of 1,450.

Its key stock picks include Tenaga Nasional Bhd, Gamuda Bhd, Malayan Banking Bhd, Fraser & Neave Holdings Bhd, Frontken Corp Bhd, IHH Healthcare Bhd and PMB Aluminium Holdings Bhd.

These reflect exposure to AI-driven infrastructure, financials with strong flow sensitivity, consumption recovery, technology expansion and healthcare earnings growth, the bank said.

"Upside risks include faster foreign inflows amid global rate cuts, stronger consumption supported by policy measures and robust execution of government-led investment programmes.

"Downside risks stem from higher inflation, delays in power and renewable projects affecting data centre development, and potential political instability."