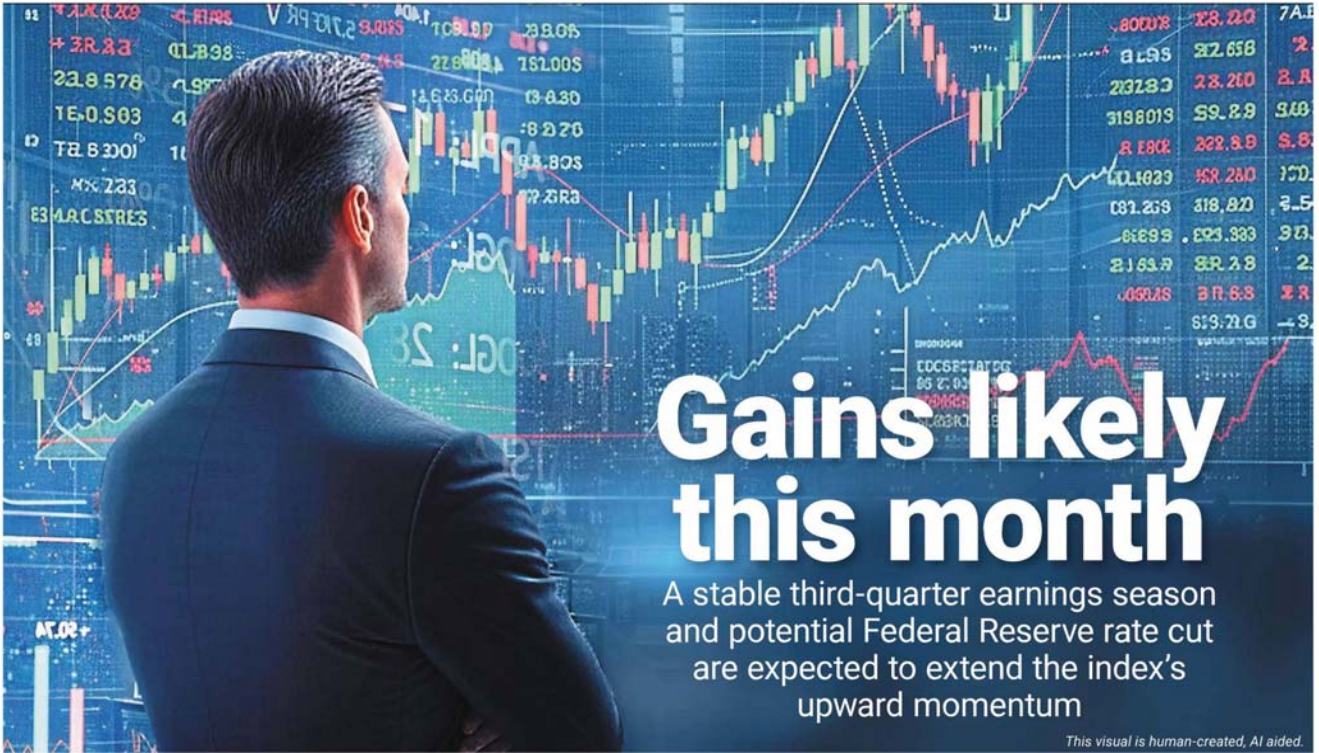




02 DEC, 2025

Gains likely this month

The Star, Malaysia



This visual is human-created, AI aided.

STOCK MARKET

By DANIEL KHOO  
danielkhoo@thestar.com.my

**PETALING JAYA:** As the dust settles on the just concluded third-quarter earnings season, the FBM KLCI is seen to be able to sustain much of its gains moving forward as the year closes.

An even clearer picture could emerge eventually in the final trading month of 2025 should there be additional stimulus, as some are anticipating an interest rate cut by the United States Federal Reserve (Fed).

J.P. Morgan reportedly said last Wednesday that it now expects the Fed to deliver a 25-basis-point rate cut later this month during the Dec 9-10 Federal Open Market Committee meeting.

A cut here by the Fed could potentially mean the strengthening of the ringgit since rate differentials could widen, and this could also lead to further gains on Bursa Malaysia if money flows are sustained.

The FBM KLCI rose 1.25% or 20.1 points yesterday to 1,624.57 and is trading at a historical price-to-earnings ratio or PER of 15.37 times.

The benchmark index is little changed or 1.08% lower in the year-to-date (y-t-d) period after recovering from US-tariff concerns that led to losses in the early part of the year until April.

IFAST Capital Sdn Bhd's assistant research manager Kevin Khaw said he maintains his positive outlook on the FBM KLCI for the year, believing it has significant room to recover at current valuations.

"The current earnings season supports this conviction, with large-cap index constituents delivering a higher incidence of earnings beats than misses.

**"The market is poised to benefit substantially from a potential Fed rate-cut cycle regardless if it is in December 2025 or in the months ahead."**

Kevin Khaw

"Crucially, the bellwether banking sector has provided upside surprises, driven by robust growth in business and small and medium enterprise loans, which strongly suggests underlying economic stability and provides the main support for the index's recovery trajectory," Khaw told *StarBiz*.

"This improving corporate climate is further validated by the recent manufacturing purchasing managers' index or PMI printing at 50.1, marking the first expansion in 18 months and signalling a gradual easing of operating headwinds that should translate into broader earnings growth ahead," he added.

Khaw noted the FBM KLCI's pronounced y-t-d under-performance compared to regional markets and depressed foreign shareholding compared to historical trends. "The market is poised to benefit substantially from a potential Fed rate-cut cycle regardless if it is in December 2025 or in the months ahead.

"While the index momentum remains dependent on heavyweights like the top six banks and Tenaga Nasional Bhd, the sus-

tained strength in banking earnings is compelling enough to anchor the market and support a significant valuation re-rating in the local market. Our year-end target for the FBM KLCI remains at 1,650 points while the 2027 target is set at 1,840," Khaw added.

Meanwhile, Malacca Securities' head of research Loui Low said historical data showed there is a high chance of further gains for the local benchmark index as the final month of December comes upon the market.

"Based on the past 20 to 25 years of data, we have a potential chance of getting 1.8% returns in the month of December more than 85% of the time.

"This is also supported by potential window-dressing activities that will boost overall stocks within the FBM KLCI, and banking stocks are seen to be the leaders for this period usually," Low said.

Commenting further, Low said the Fed rate cut may boost the appetite for emerging market currencies, including the ringgit, which may help boost domestic-driven sectors on the local front.

"We still think the local overnight policy rate or OPR will maintain this month. For Bursa Malaysia, I expect these sectors to potentially see some gains and bring some momentum: banking, consumer, real estate investment trusts or REITs and property," Low added, noting that the next technical target for the index is at 1,650.

BIMB Securities Research is still sanguine on the outlook, noting in its report yesterday that Malaysia remained relatively well-positioned, supported by a defensive market structure, ongoing fiscal measures and a diversified export base that helps buffer external shocks.

"While risks persist, we maintain a cautiously positive outlook. The mix of 55% 'buy' calls and 35% 'hold' calls we have also

reflects stable fundamentals across our coverage, providing support to the broader index. We retain our FBM KLCI target of 1,614," it said.

"Despite generally satisfactory third-quarter results, the market has pulled back in recent weeks, driven primarily by profit-taking after (an earlier) rally, follow-through weakness from Wall Street amid artificial intelligence bubble concerns, and persistent foreign outflows.

"Investors are recalibrating risk, leading to selective sectoral deratings despite broadly solid fundamentals," BIMB Research added.

The research house noted the recent mild correction in the benchmark index offered investors some room to build positions ahead of 2026.

Meanwhile, Hong Leong Investment Bank Research (HLIB Research) said the FBM KLCI may still undergo some bouts of volatility as investors digest the Sabah state election results and anticipate a potential Cabinet reshuffle.

"It may lead to a move where the prime minister could potentially use to strengthen federal-Sabah ties and signal greater inclusivity. With the Sabah polls now concluded and Datuk Seri Hajiji Noor sworn in for a second term as chief minister, the new coalition government is expected to align more closely with the federal administration and national priorities," HLIB Research said.

Against this backdrop, coupled with rising expectations of a Fed rate cut and a stable November results season, the FBM KLCI appears poised for a technical rebound in December, which is usually a seasonally stronger month.

"Overall, any dips should be well-supported around 1,589-1,600, underpinned by firm fundamentals, undemanding valuation and favourable seasonality," it said.