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AUTHOR: Doreenn Leong SECTION: STARBIZ PAGE: 2 PRINTED SIZE: 485.00cm² REGION: KL
MARKET: Malaysia PHOTO: Full Color ASR: MYR 24,408.00 ITEM ID: MY0063234301

10 APR, 2025

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The Star, Malaysia

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Uncertainties remain on the impact of the trade war

STOCK MARKET

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PETALING JAYA: The trade war flares have further dampened global markets and the salvo of selling came after the United States' reciprocal tariffs on its trading partners, including massive 104% duties on Chinese goods, kicked in yesterday.

Since the unveiling of the punishing tariffs last Wednesday, the S&P 500 has suffered a historic loss and is now nearing a bear market. The index lost 79.48 points or 1.57% to 4,982.77 on April 8.

Similarly, major stock indices sank in Asia yesterday while a massive sell-off in the US Treasuries stoked fears foreign investors were retreating from US assets.

The FBM KLCI fell to its lowest in 21 months, shedding 42.97 points or 2.98% to 1,400.59 yesterday while Japan's Nikkei 225 and Singapore Straits Time Index declined 3.93% and 2.18%, respectively, to 31,714.03 and 3,393.69.

Most analysts expect market volatility to continue as leaders of affected nations scramble to negotiate with US president Donald Trump.

Apex Securities head of research Kenneth Leong, for one, believes the volatility to remain a feature over the near term amid uncertainties surrounding the impact of reciprocal tariff implementation.

"With the United States and China not backing down at this point in time, sentiment will continue to be affected by developments in regard to these two nations who are also Malaysia's key trading partners over the years.

"We advocate investors to nibble onto beaten-down fundamentally sound stocks, focusing on companies with minimal exposure to US export markets. We believe the recent market pullback offers an opportunity to bargain hunt onto selected fundamentally sound beaten-down stocks," he told *StarBiz*.

However, Leong stressed that bargain hunting must be especially selective and gradual as further pullback could be on the cards should the trade war between the United States and China intensify.

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> Kenneth Leong

He pointed out that the FBM KLCI is currently trading at a forward price over earnings (P/E) multiples of 12.9 times and 12.2 times for 2025 and 2026, respectively, which are well below the historical long-term historical average of 15.5 times.

Leong favoured the renewable energy (RE) sector that has minimal exposure to the reciprocal tariff implementation and is largely driven by a slew of policies outlined by government-led initiatives.

For context, Malaysia aims to achieve a 70% RE mix by 2050 under its energy transition plan.

Leong pointed out that key solar initiatives such as net energy metering, an extended RM4,000 per kilowatt-alternating current (kWac) rebate under the Solar for Rakyat Incentive Scheme, the Community Renewable Energy Aggregation Mechanism rooftop lease programme, large-scale solar (LSS) 6 and the Battery Energy Storage Systems will keep RE players busy over the long run.

He identified his top pick as Samaiden Group Bhd due to its strong track record of having secured an average of 15% of engineering, procurement, construction and commissioning job flows across LSS1, LSS2, LSS3 and LSS4 projects.

He added that Samaiden had expertise in bioenergy, particularly biomass solutions and strong recurring income as it aims to beef up rooftop power purchase agreement projects to achieve a goal of 10% recurring income by 2027.

Leong also likes Southern Cable Group Bhd, which is leveraging onto the stronger demand in power and energy as it was operating at 86% production utilisation as of end-2024.

"Looking ahead, the company will be expanding its production by 5,000km/year to 51,980km, and investing RM30mil in new facilities on 13.3 acres land to boost capacity by 20% to 30%, mainly for the US market, rolling out in stages," he pointed out.

Leong's third pick is Aurelius Technologies Bhd as he likes the company for its robust loading volumes driven by its largest US customer (Motorola) and demand recovery from another key customer.

He added that Aurelius had a sizeable investment of RM450mil to build a new manufacturing hub (P5) that will span 243,977 sq ft of floor space for the development of advanced manufacturing and research together with 12,945 sq ft of clean room facilities; as well as limited near-term tariff impact due to costly production relocation, entrenched customer relationships and a lack of immediate alternative suppliers.

Similarly, Malacca Securities head of research Loui Low concurred that selling will likely continue as he does not see either the United States or China backing down from the tariff spat, which is causing an intensified trade war.

He advised investors to look for value buys in defensive sectors such as healthcare, utilities, consumer and real estate investment trusts.