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GEOPOLITICAL TENSIONS

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KUALA LUMPUR: RHB Investment Bank Bhd (RHB Research) expects the energy sector to take centre stage as a defensive haven amid rising geopolitical tensions that could spook broader markets.

The research firm said big-cap utilities like Tenaga Nasional Bhd (TNB) and Petronas Gas Bhd (PetGas) stood out for their resilience, largely insulated from overseas risks such as fuel price swings, foreign operations and currency volatility.

Their regulated frameworks provide a steady earnings stream, coupled with dividend yields of four to five per cent.

RHB Research said YTL Power International Bhd could emerge as a key beneficiary if gas prices climbed.

"The cost pass-through mechanism for TNB's and PetGas' regulated businesses ensures that cost fluctuations will have a neu-

tral impact on their earnings. We would lean towards TNB, YTL Power and PetGas in a risk-off environment," it said.

RHB Research said fourth-quarter earnings across the energy sector had largely met expectations. Among the nine companies under its coverage, two exceeded forecasts, two fell short and the rest delivered results in line with projections.

It said TNB recorded results in line with expectations, supported by a lower effective tax rate that exceeded street assumptions, while YTL Power saw strong contributions from its water segment that offset softer performance from its power generation operations.

RHB Research kept its "overweight" call on the sector, with TNB remaining the flagship pick, well-positioned to benefit from the National Energy Transition Roadmap.