AUTHOR: Keith Hiew SECTION: STARBIZ PAGE: 1,2 PRINTED SIZE: 1064.00cmï¿½ REGION: KL
MARKET: Malaysia PHOTO: Full Color ASR: MYR 53,753.00 ITEM ID: MY0064531912

11 JUL, 2025

OPR supports FBM KLCI

The Star, Malaysia

OPR supports FBM KLCI

However, near-term volatility persists as market direction will be dependent on continuing tariff discussions with the United States

STOCK MARKET

By KEITH HIEW
keith.hsk@thestar.com.my

> "We feel Bank Negara's lowering of the overnight policy rate by 25 basis points is a good move, also pre-emptively encouraging for the economy and the FBM KLCI."
>
> Vincent Lau

PETALING JAYA: Market analysts continue to expect a see-sawing trend on Bursa Malaysia's FBM KLCI in the near-term, as the index continues to be swayed by a combination of external headwinds and domestic tailwinds.

However, they are generally confident that the second half of financial year 2025 would be a better six months for Malaysian equities, and the optimistic mood for the longer term is notably exemplified by MIDF Research, which believes Malaysia could achieve a 15% tariff rate from the United States, 10 percentage points lower than what it is officially at present.

Head of equity sales and analyst at Rakuten Trade Vincent Lau reiterated that market direction in the immediate context would be dependent on what would ultimately transpire on Aug 1 from Malaysia's continuing discussions with the United States, although he hopes that levies would be lowered from the current level.

"We feel Bank Negara's lowering of the overnight policy rate (OPR) by 25 basis points is a good move, also pre-emptively encouraging for the economy and the FBM KLCI, as this no doubt had cushioned the impact of the tariff announcement to an extent," he told *StarBiz*.

The premier index opened weaker yesterday, dropping to an intra-day low of 1,523.25, before regaining ground to close 7.28 points, or 0.5% higher at 1,536.52 points.

A number of banking heavyweights, such as Malayan Banking Bhd, Hong Leong Bank Bhd and AMMB Holdings Bhd regressed in early trade, which Low said could possibly be due to the OPR cut that would directly affect earnings for lenders, although the three stocks recovered in tandem with the bourse.

He also pointed out that rate cuts traditionally always spur equity markets while allowing borrowing costs to be lowered.

On the other hand, he said counters in sectors such as technology and the initial public offering momentum that is showing signs of recovery were providing support.

Looking at the tariff situation, he commented that while Vietnam has managed to lower its US-imposed tariff rate to 20%,

> TURN TO PAGE 2

isentia
AUTHOR: Keith Hiew SECTION: STARBIZ PAGE: 1,2 PRINTED SIZE: 1064.00cmï¿½ REGION: KL
MARKET: Malaysia PHOTO: Full Color ASR: MYR 53,753.00 ITEM ID: MY0064531912

11 JUL, 2025

OPR supports FBM KLCI

The Star, Malaysia

Country still has advantage against regional peers

> FROM PAGE 1

Malaysia is still attractive even if its own respective rate is not reduced, a view echoed by MIDF Research which said Malaysia's rate remains one of the lowest among the Asean countries, which is a competitive advantage against regional peers.

"We do not believe manufacturers and investors will move to Vietnam just for a 5% difference in tariff rates, which is itself still subject to changes, and moreover our infrastructure is solid.

"Multinational companies favour Malaysia for our skilled and technical workforce," Lau added, before predicting that the FBM KLCI should end 2025 above 1,600 points.

Meanwhile, Tradeview Capital's chief investment officer Nixon Wong is more cautious, signalling that volatility on the FBM KLCI is likely to persist in the near term, despite some positive domestic and external monetary policy signals.

He said while Bank Negara's OPR cut to 2.75% and the US Federal Reserve's (Fed) dovish pivot may support risk sentiment and liquidity flows, these are being counter-balanced by renewed global trade uncertainties.

"Specifically, the escalating rhetoric around reciprocal US tariffs could revive fears of a broader protectionist stance that might affect global trade flows, particularly with Malaysia reportedly being named in Donald Trump's draft chip export control policy.

"For Malaysia, this injects headline risk and raises concerns over export outlook and corporate earnings, particularly for sectors tied to global supply chains like semiconductors, electronics and commodities," said Wong.

Moreover, external volatility from geopolitical tensions and potential retaliatory trade measures by affected countries could trigger capital flow swings, he observed.

Elaborating on the effect the OPR and tariff factor may have on respective industries, he told *StarBiz* that defensive sectors such as utilities and telecommunications with domestic-focused earnings, will benefit from lower rates and less exposure to global trade.

While OPR cuts narrow net interest margins, Wong said banks' loan growth recovery, asset quality stability and improved investor sentiment may support valuations.

"Moreover, selective consumer staples could benefit from improved domestic consumption due to lower borrowing costs, increased purchasing power and a still healthy employment atmosphere," he said.

On the other hand, Wong believes technology counters, together with exporters in the electrical and electronic (E&E) industries could be vulnerable to global chip policy shifts and tariff-driven disruptions in the tech supply chain.

Concurrently, he said the plantation and commodities sectors are sensitive to global demand swings and potential trade barriers, even though price resilience may offset some of the downside, while manufacturing and logistics exporters could be susceptible to weaker worldwide demand and trade frictions.

Nevertheless, Wong is similarly adhering to his 1,650 year-end target for the FBM KLCI, which he said reflects cautious optimism that may be tempered by downside risks from trade policy shifts, earnings softness and external macro fragility.

Head of dealing at Moomoo Malaysia Ken Low is of the opinion that the industries most exposed to the tariff fluctuations are likely to include palm oil, rubber-based products, E&E and medical devices, which are sectors that not only contribute substantially to national export earnings but also support significant employment.

On the macroeconomic front, he said the ringgit has already begun to reflect the market's recalibration of Malaysia's external balance prospects, trading weaker as investors price in potential declines in export receipts.

In addition, Low believes there may be increased volatility in both equity and bond markets as foreign fund flows react to shifting risk premiums and geopolitical developments.

"That said, these headwinds also present an opportunity – and perhaps a necessity – for businesses to rethink their market strategies.

"The current situation could accelerate the diversification of export destinations, greater participation in regional supply chains, and more investment in innovation and cost efficiency to maintain competitiveness under less favourable trade terms," he said.

In the midst of the tariff drama, investor Ian Yoong highlighted one bright spot, which is that small and mid-cap stock prices are close to the floor with about 10% downside.

Of particular interest, he is forecasting national power entity Tenaga Nasional Bhd to outperform by the end of the year, as he reckoned that the negative factor of the group's RM5.05bil tax bill has been priced in, while the surge in electricity demand by data centres has not been fully factored into its share price.

"The power utilities and power infrastructure sectors should have attractive earnings growth over the next twelve months.

"The plantation sector could face headwinds with developments in Indonesia, as the Indonesian government has seized large tracts of oil palm plantations recently. It is unclear at this point which plantation companies on Bursa Malaysia could be impacted," he remarked.

Aside from concerns emanating from Washington, an analyst from a foreign brokerage also noted that China's slower-than-expected recovery would mean that its import demand from Asean remains unpredictable.

On the flipside, on top of the OPR reduction and the Fed's less hawkish stance recently, she said the FBM KLCI is still trading at a discount to historical price to earnings averages, and dividend yields remain attractive in some blue chips.