

13 JUN, 2026

## Stay invested stay selective

The Star, Malaysia



MALAYSIA'S equity market is likely to remain resilient through the rest of 2026 despite a softer first-quarter (1Q26) earnings season, with analysts expecting domestic liquidity, infrastructure spending and election-related catalysts to provide support even as geopolitical tensions and political uncertainty keep investors on edge.

The broader message emerging from the latest strategy updates is one of cautious optimism: stay invested, but stay selective.

While earnings expectations have been trimmed across several sectors, research houses generally continue to see upside for the benchmark FBM KLCI by year-end, albeit with a greater emphasis on defensive positioning and quality stocks.

According to analysts at UOB Kay Hian (UOBKH) Research, investors should "make hay while the sun shines, but stay tactically defensive".

The brokerage maintains its end-2026 FBM KLCI target at 1,760 and remains constructive on local equities, citing support from pre-election domestic liquidity, improving corporate earnings and a stable policy environment.

However, it warns that downside risks are building.

"Our strategy remains defensive and quality-focused – favouring liquid large-cap domestic proxies with strong earnings visibility, pricing power, resilient cash flows and dividend support, while selectively participating in mid-cap growth themes," it says.

Hong Leong Investment Bank (HLIB) Research takes a similar view, retaining its FBM KLCI target of 1,790.

While geopolitical tensions in the Middle East remain unresolved, it believes markets could regain momentum later in the year.

"Taking these timelines into consideration, we opine that the Malaysian market will likely remain soft for most of the second half of 2026 (2H26), before regaining its lustre towards the year-end once geopolitical tensions and domestic political risk premium subside," it says.

The more cautious tone reflects a generally uninspiring 1Q26 reporting season.

UOBKH Research notes that earnings disappointments increased sequentially, with misses rising to 34% from 22% in the preceding quarter.

Construction, plantation and automotive companies were among the weakest performers, while ports, banking and selected consumer names delivered positive surprises.

Following the results season, the brokerage trimmed its 2026 and 2027 earnings forecasts for its coverage universe by 2% and 1.1%, respectively, although it marginally raised its broader FBM KLCI forecasts.

HLIB Research's assessment is equally subdued. Of the 108 stocks under its coverage, only 10% exceeded expectations while nearly one-third underperformed.

Aviation, construction, gaming, oil and gas, plantation, property and utilities emerged as key laggards. "No sectors surprised on the upside," the research house says.

# Stay invested, stay selective



This visual is human-created, AI-aided

■ **The common investment theme is clear: prioritise resilience and selectivity amid ongoing uncertainty**

■ **Domestic liquidity, infrastructure spending and election-related catalysts to provide support**

## Hits and misses

TA Research describes the 1Q26 as largely meeting expectations, with 63% of companies reporting earnings in line with forecasts.

The earnings season unfolded against a backdrop of escalating US-Iran tensions, elevated oil prices and supply chain disruptions.

Although corporate earnings still expanded by 2.6% year-on-year, the research house trimmed its earnings forecasts for 2026 and 2027 and now expects growth of 8.5% and 6.2%, respectively, over the next two years.

The firm continues to advocate a defensive strategy. "Thus, continue to prefer a defensive approach with selective exposure to tactical plays to capitalise on volatility and long-term structural growth drivers."

TA Research maintains its end-2026 FBM KLCI target at 1,760 premised on 14.6 times forward earnings.

RHB Research appears more conservative in comparison. It has lowered its end-2026 FBM KLCI target to 1,750 from 1,780, after cutting earnings forecasts, and expects markets to remain range-bound.

"We still advocate a core defensive investment stance, coupled with a trading mentality anchored on a buy-on-weakness strategy," it says.

The brokerage adds that the dissolution of the Johor state legislative assembly introduces another layer of political risk, reinforcing its preference for defensive sectors such as energy, plantations, healthcare, telecommunications, consumer stocks and Malaysian real estate investment trusts (M-REITs).

Meanwhile, CGS International (CGSI) Research remains among the more bullish houses, keeping its end-2026 FBM KLCI target at 1,810 despite reducing its earnings growth forecast.

The research house expects cost pressures arising from

Middle East tensions to become more visible in the 2Q26, particularly for companies operating under fixed-price contracts.

Nevertheless, it believes investors should remain focused on longer-term opportunities.

"Despite the likely volatility given the upcoming elections, we believe the earnings trajectory of our high conviction picks remains intact, and would use any dips as opportunities to accumulate," it says.

CIMB Research also sees room for gains but has moderated its expectations. It trimmed its end-2026 FBM KLCI target to 1,745 points and notes that earnings momentum remains uneven across sectors.

Its data show the 1Q26 earnings beat-to-miss ratio weakening significantly, with only 12% of companies outperforming expectations while 24% fell short.

Looking ahead, CIMB Research expects stronger earnings from plantation and technology companies, while consumer-related sectors may face more challenging conditions.

Against this backdrop, a common investment theme emerges across the research community: prioritise resilience over aggression.

## Stay defensive

Defensive sectors such as utilities, healthcare, consumer staples and high-yielding stocks feature prominently in recommendations.

UOBKH Research, for one, notes that defensive sectors and high-yielding stocks would outperform amid the near-term

geopolitical uncertainty in the Middle East.

Several structural growth themes also continue to attract support.

TA Research remains positive on the energy transition, digital infrastructure, healthcare and selected financials.

It sees utility companies benefitting from growing electricity demand from data centres and Malaysia's renewable energy ambitions, while infrastructure-linked companies stand to gain from public sector spending and major rail projects.

On stock selection, there is notable overlap among the brokerages.

Tenaga Nasional Bhd (TNB), Gamuda Bhd and KPJ Healthcare Bhd emerge as recurring favourites, reflecting their defensive characteristics and earnings visibility.

UOBKH Research's top picks include Fraser & Neave Holdings Bhd (F&N), Bursa Malaysia Bhd, CIMB Group Holdings Bhd, Gamuda, KPJ Healthcare, Pekat Group Bhd, Press Metal Aluminium Holdings and TNB.

HLIB Research has refreshed its preferred list by replacing IHH Healthcare Bhd and MCE Holdings Bhd with 99 Speed Mart Retail Holdings Bhd and AMMB Holdings Bhd.

Other top picks by HLIB Research are TNB, CIMB, SD Guthrie Bhd, Sunway Bhd, CelcomDigi Bhd (CDB), Dialog Group Bhd, OSK Holdings Bhd, Heineken Malaysia Bhd, ITMAX System Bhd, MN Holdings Bhd, SkyWorld Development Bhd, Kimlung Corp Bhd and Focus Point Holdings Bhd.

TA Research's top picks include CDB, Sime Darby Property Bhd (SimeProp), Nestle (M) Bhd, Gamuda, Hong Leong Bank Bhd, Kuala Lumpur Kepong Bhd, Public Bank Bhd, Telekom Malaysia Bhd (TM), IHH, Binastra Corp Bhd, Malakoff Corp Bhd, CBH Engineering Holding Bhd, Farm Fresh Bhd and Alliance Bank Malaysia Bhd.

RHB Research's list includes Axis Real Estate Investment Trust (Axis-REIT), Binastra, Eco-Shop Marketing Bhd, Kerjaya Prospek Group Bhd, KPJ Healthcare, MISC Bhd, MR DIY Group (M) Bhd, Press Metal, Public Bank, SD Guthrie, SimeProp, TM, TNB, Westports Holdings Bhd, and YTL Power International Bhd.

CGSI Research's high-conviction portfolio includes Malayan Banking Bhd, TNB, SD Guthrie, RHB Bank Bhd, MISC, TM, Gamuda, Westports Holdings Bhd, Axiata Group Bhd, MR DIY, Sime Darby Bhd, F&N, Malayan Cement Bhd, Malakoff, Ta Ann Holdings Bhd and Hap Seng Plantations Bhd.

CIMB Research, meanwhile, has added Dialog, Malayan Cement, IOI Corp Bhd and QL Resources Bhd to its preferred list, alongside names such as KPJ Healthcare, Public Bank, TM, Gamuda, TNB and Axis-REIT.

Overall, while the outlook for Malaysian equities remains positive, the easy gains may already be behind the market.

With geopolitical tensions, inflation concerns and election-related uncertainty likely to drive volatility, defence remains the best offence as the market navigates a challenging 2H26.