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Asia emerges as global capital magnet

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Malaysia's stock market underperforms but retail participation beginning to recover

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PETALING JAYA: Malaysia is poised to benefit from Asia's rising appeal as a global capital magnet, as international investors increasingly shift away from the uncertainties plaguing the US and Europe.

According to Rakuten Trade Sdn Bhd, while Malaysia may currently lag behind its regional peers, it holds strong potential to ride the wave of liquidity sweeping across Asia.

This regional trend underscores a broader realignment of global investment flows, driven by both macroeconomic instability in the West and renewed investor confidence in Asia's dynamic growth prospects.

Speaking at Rakuten Trade's Q4 Market Outlook briefing, head of research Kenny Yee Shen Pin (*pic*) said, despite political rhetoric and tariff policies from the US, the momentum is shifting toward Asia, particularly China and Hong Kong.

"Global investors are starting to look elsewhere to place their money. At the moment, China and Hong Kong are where foreign fund managers are focusing," Yee said, adding that Beijing's aggressive easing policies, including a 50 basis point cut in the reserve requirement ratio (RRR) and a 10 basis point cut in loan prime rates, are boosting confidence and driving rallies in both Shanghai and Hong Kong.

The Hang Seng Index has surged 27.7% year-to-date, with foreign observers revising their outlooks sharply higher.

"Citigroup is the latest to estimate that the Hang Seng will touch 27,500 by the end of 2025. It's really a 180° turn," Yee noted.

He stressed that Asia's fundamentals are stronger than often recognised, pointing to the region's collective US$7.9 trillion (RM33 trillion) in foreign reserves, compared with less than US$3 trillion held by Western economies.

"If money attracts money, then Asia is definitely poised to enjoy some excitement going forward."

Malaysia, however, remains an underperformer.

The FBM KLCI is down 4% year-to-date, weighed by foreign equity outflows of RM16.8 billion as of early September.

Still, Yee highlighted that the local market has been "very well supported by domestic institutions", with retail participation also beginning to recover after two years of outflows.

"Despite the outflows, foreign shareholding in Bursa Malaysia is steady at 19%," he said, explaining that short-term "day-trippers" were largely behind recent exits.

At the same time, long-term investors continue to hold their positions.

Rakuten Trade has revised its year-end KLCI target upwards to 1,650 points from 1,630, premised on 16.5 times price-to-earnings (PER) for 2025.

Yee also forecast that the ringgit will strengthen to between 4.00 and 4.15 against the US dollar by year-end, supported by expected Federal Reserve rate cuts.

"Sentiment is slowly improving, and that's why I decided to tweak our year-end target higher," Yee told reporters, adding that Asia remains the preferred destination for fund managers seeking stable currencies and positive GDP growth.

While the macro picture remains cautious, Rakuten vice-president of equity research Thong Pak Leng said several domestic sectors continue to stand out.

He maintained an overweight call on banking, citing solid fundamentals, loan growth of 3-4% in 2025 and attractive dividends from Maybank and CIMB .

RHB and AmBank also offer upside potential with steady yields.

The construction sector is another bright spot, buoyed by more than RM180 billion worth of public infrastructure projects, including the Penang LRT, Sabah Sarawak Link Road, Subang Airport upgrade and the Johor-Singapore Special Economic Zone.

"Our top picks are Gamuda Bhd, IJM Corporation Bhd, Gagasan Nadi Cergas Bhd, Inta Bina Group Bhd and Kimlun Corporation Bhd," Thong said.

The consumer sector has also been upgraded to overweight, helped by lower production costs, a stronger ringgit, and resilient spending. Retailers such as 99 Speedmart, Mr DIY and EcoShop are expected to benefit.

Utilities and renewables remain a long-term growth play, with Tenaga Nasional Bhd, YTL Power and Solarvest Holdings Bhd well positioned to capture demand from Malaysia's booming data centre industry and the government's target of 70% renewable capacity by 2050.

By contrast, gloves remain neutral amid oversupply, plantations face uncertainty with crude palm oil consolidating at RM4,300 per tonne, and oil and gas is pressured by Petronas' reduced capex budget of RM40-50 billion.

Equity analyst Lee Cai Yu highlighted five big-cap stock picks.

Among them, 99 Speed Mart Retail Holdings Bhd was spotlighted for its aggressive expansion of 250 new outlets in 2025, while AmBank and RHB stood out for resilient loan growth and dividend yields of around 6%.

Construction giant Gamuda was lauded for securing a RM2.14 billion hyperscale data centre project in Selangor, boosting its order book close to RM40 billion.

"This award could pave the way for more contracts in the highly competitive data centre space," Lee said.

Telekom Malaysia was another pick, supported by submarine cable rollouts and fibre backhaul projects worth RM2.4 billion.

Meanwhile, equity analyst Crystal Chin Si Ying turned the spotlight on small and mid-cap "gems" such as Gagasan Nadi Cergas, which has expanded its affordable housing pipeline to 15,000 units worth RM4 billion GDV, and Inta Bina, which recently secured over RM1.1 billion in projects.

Tech infrastructure providers are also seen as long-term winners.

Itmax System Bhd is expanding Selangor's smart parking system and Johor's traffic management network, while NexG clinched a RM1.73 billion contract to supply Malaysia's next-gen passports.

VSTECS Bhd, a leading distributor of consumer tech and ICT services, is expected to ride the data centre boom and national digitalisation push.

Despite optimism, Yee cautioned that global uncertainties remain, especially in the US.

"The national debt is now beyond US$37 trillion, and the job market is weakening. These are big headaches that nobody seems to be talking about," he said.

Still, he believes the future belongs to Asia.

"If you look at the investment climate, Asia provides a more comfortable environment than elsewhere. Europe is struggling, and the US is also struggling.

"Where else, but Asia?"