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US-China tariff easing seen as boost for Malaysian stocks

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KUALA LUMPUR: The US-China agreement to temporarily reduce tariff is broadly positive for the local equity market, as it reduces the risk of a US and global recession, and leads to higher net foreign inflows, said CIMB Securities Sdn Bhd.

"We are maintaining our KLCI target of 1,657 points, with a review planned following the first quarter of 2025 earnings season.

"We continue to prefer domestic-oriented companies with stable dividend yields, particularly in the banking, telecommunications, utilities, construction and healthcare sectors to provide shelter from tariff-related headwinds," it said in a note.

The securities house said Malaysian banks could benefit from the development, given their liquidity and role as direct proxies for the domestic economy. Public Bank, RHB Bank and Alliance Bank Malaysia (ABMB) are its top picks for the banking sector.

The plantation sector may also benefit from stronger global edible oil demand and higher crude oil prices if the economy improves, with IOI Corporation as its top pick.

CIMB Securities said easing trade tensions could support global semiconductor demand as Malaysian technology players continue to retain a competitive edge, because the temporary fall in US tariffs on Chinese goods remains higher than those imposed on Malaysian goods.

Additionally, it believes Malaysian glove manufacturers will continue to enjoy a cost advantage, as the US tariff on Malaysian imports remains at 10% compared with the 30% imposed on Chinese imports.

CIMB Securities has chosen Inari Amertron and MPI Tech for the technology sector; top picks among glove makers are Kossan and



Easing trade tensions may boost chip demand, with Malaysian tech firms gaining from lower US tariffs compared to China. – UNSPLASH PIX

Supermax.

"We are removing SD Guthrie from our top picks list following a recent rating downgrade. Our updated top picks are CelcomDigi, Gamuda, Public Bank, Farm Fresh, RHB Bank, Tenaga Nasional, IHH Healthcare and 99 SpeedMart," it said.

It was reported that the US and China have agreed to lower tariffs on each other's products for the next 90 days, signalling a de-escalation in the ongoing trade war between the world's two largest economies.

Under the agreement negotiated in Geneva over the past weekend, the US will reduce additional tariffs on Chinese goods to 30% from 145%, while China will cut tariffs on US imports to 10% from 125%.

China also announced that it will cancel or suspend certain non-tariff measures previously imposed on the US. – Bernama