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KUALA LUMPUR: Maybank Investment Bank Bhd (Maybank IB) projects the FBM KLCI to reach 1,730 by end-2026 under its base-case scenario, while its bull-case scenario sees the benchmark index rising to 1,850.

Maybank IB head of research Lim Sue Lin said the upward trajectory would be largely underpinned by banking stocks, given their status as the largest components of the FTSE Bursa Malaysia KLCI (FBM KLCI), alongside heavyweight counters such as Gamuda and Tenaga Nasional.

"These are all key heavyweights and align well with the themes for 2026, driven mainly by macroeconomic factors and, more importantly, domestically driven sectors," she said during a virtual media briefing on Malaysia's macro and market outlook for 2026 on Thursday.

Lim said Maybank IB has also factored in a bear-case scenario to account for downside risks, including potential black swan events and geopolitical developments, which could see the FBM KLCI falling to around 1,550.

On earnings, she said the house is forecasting overall earnings growth of about eight per cent in 2026, a key metric closely watched by fund managers and investors, with the bulk of growth still coming from the banking sector.

While bank earnings growth is expected to be more modest at around five per cent, the sector accounts for roughly half of FBM KLCI earnings, making its performance a significant determinant of the index's overall trajectory.

She added that sectors such as construc-

tion and healthcare are expected to continue delivering strong earnings growth, although some headwinds remain for utilities and telecommunications.

In the utilities space, Lim noted that Tenaga Nasional resolved its tax issues in November last year, as highlighted during an analyst briefing, but the higher expected effective tax rate could weigh on earnings in 2026.

"We are awaiting further clarity at the full-year results analyst briefing towards the end of February," she said.

On expectations of a pre-election play this year, Lim said it is still too early to frame 2026 squarely as a pre-election theme for the equity market, noting that the current parliamentary term runs until end-2027 and the timing of any early election remains

uncertain. She said a more meaningful signal for investors would be the announcement of Budget 2027 later this year, which would offer clearer indications of whether policy settings are shifting towards an election-driven stance.

"In a typical pre-election environment, investors tend to look at sectors such as consumer, infrastructure and banks," she said, adding that these segments have historically benefitted from increased fiscal spending and policy support in the run-up to polls.

On the ringgit, Maybank Singapore head of FX research Saktiandi Supaat said the local currency has outperformed its regional peers, including during the November 2025 market resurgence, reflecting its relative resilience. – Bernama