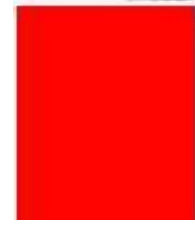




# Riding the volatility wave

Sentiment	Neutral	Frequency	Daily
Outlet Country	Malaysia	Outlet Language	English
Impressions	582,136	Circulation	291,068
PR Value	174,641	Page	19

## Page Location



IF history is anything to go by, Malaysia's current equity market downcycle may well conclude in the third quarter of this year.

This prediction aligns with past trends, where market downcycles have typically lasted between 11 and 14 months, according to Public Investment Bank (PIB) Research.

Since 2000, the FBM KLCI has experienced five downcycles which lasted for 11 to 14 months (with the exception of a prolonged downturn in 2018/2020 due to the pandemic), the brokerage notes in a recent report.

PIB Research points to previous market slumps for reference. For instance, the downturn linked to the dotCom bubble lasted 14 months, from February 2000 to April 2001.

Another downturn began in April 2002, triggered by US economic weakness and Middle East tensions following Sept 11. It concluded in March 2003, lasting 11 months.

The 2008 global financial crisis, fuelled by Lehman Brothers' collapse, saw the FBM KLCI decline for about 14 months before rebounding in March 2009.

Another sell-off hit the Malaysian market in July 2014 amid concerns over the country's fiscal sustainability and prolonged low oil prices.

This downturn lasted around 13 months before the FBM KLCI rebounded in August 2015.

PIB Research highlights that the present downcycle began in August 2024, sparked by concerns over the health of the US economy, escalating geopolitical tensions and trade uncertainties.

"If history repeats itself, this could end in the third quarter of

financial year 2025," PIB Research argues.

"Downcycles have historically lasted for 11 to 14 months. As we expect the market to stay volatile, a trading-oriented strategy is still relevant and presents a good market-beating opportunity through a bottom-up approach and buying on dips and weaknesses."

### Revised target

PIB Research has adjusted its 2025 year-end target for the FBM KLCI to 1,630 points, down from its earlier forecast of 1,700 points.

The revision reflects growing uncertainty in global markets, which could weigh on investor sentiment and stock valuations. "At the beginning of the year, our year-end 2025 FBM KLCI target was the most conservative at 1,700 points, based on 14.5 times 2025 price-earnings ratio (PER)."

"We now revise our target down to 1,630 points (based on 13.5 times 2025 PER) in view of the uncertainty in the global market that could affect investor appetite and stock valuations," the research house states.

Despite this cautious stance, PIB Research sees opportunities for strategic trading.

"A trading-oriented strategy is still relevant and presents a good market-beating opportunity through a bottom-up approach and buying on dips and weaknesses," it argues.

PIB Research continues to favour companies with strong domestic growth drivers, recommending stocks in sectors such as consumer, construction and utilities. Its top picks include Telekom Malaysia Bhd, **Tenaga Nasional Bhd**, Gamuda Bhd, CIMB Group

■ Market downcycles typically last between 11 and 14 months

■ Good opportunity through bottom-up approach and buying on dips

■ Risk of potential target for Trump's tariffs against Malaysia is low

Holdings Bhd, CCK Consolidated Holdings Bhd and Cloudpoint Technology Bhd.

Additionally, small and mid-cap stocks like CBH Engineering Holdings Bhd, BM Greentech Bhd, Farm Price Holdings Bhd, UUE Holdings Bhd and Alpha IVF Group Bhd are highlighted as attractive prospects.

### Domestic resilience

PIB Research expects further volatility ahead, citing heightened global uncertainties. "While there are no winners in a trade war, not everyone loses equally either," it points out.

It notes that economic decisions by the new US administration, led by president Donald Trump, are adding to the turbulence. "Barely two months into office, Trump has overwhelmed the world with his unprecedented economic and foreign policies," PIB Research states.

Surprisingly, PIB Research sees some positive developments in the US policy shift.

"We are particularly surprised, pleasantly, by the Trump administration's decision to reduce US defence budget to tackle its fiscal problems and rising national debt," it comments.

While this reduction may aid long-term economic stability, PIB Research anticipates short-term instability. "Needless to say, we are in for more external shocks that would create further market volatility," it adds.

Despite the challenging global backdrop, Malaysia's economic prospects appear relatively resilient.

"Domestically, Malaysia's long-term trajectory is very much supported by fiscal policy reforms and its strategic national plans that were put in place in recent years, that is, the National Semiconductor Strategy, Johor-Singapore Special Economic Zone, National Energy Transition Roadmap and the Malaysia Digital Economy Blueprint," PIB Research outlines.

However, immediate challenges remain. "In the near-term, we believe market sentiment will continue to be dampened by global headwinds," it warns.

### Global risks

PIB Research foresees mounting risks of a US recession coupled with sustained inflation.

"We see a growing risk of US

economy slipping into a recession while inflation remains elevated," it cautions.

Past financial policies, particularly extensive quantitative easing and low interest rates following the 2008 subprime crisis, have driven significant asset inflation.

"With a shift towards more protectionist policy, aimed at containing China and re-shoring manufacturing activities, domestic consumption is likely to be pressured by rising production costs due to higher material and labour costs," PIB Research explains.

The reduction in US federal spending and the downsizing of the federal workforce could further dent consumption, potentially creating ripple effects across global markets.

Despite fears that Malaysia's trade surplus with the United States may draw tariff scrutiny, PIB Research considers this risk low.

"Although there were concerns that Malaysia's trade surplus with the United States would make it a potential target for Trump's tariffs, we believe the risk is relatively low compared with peers in this region," the report notes.

PIB Research underscores that Malaysia's trade surplus with the United States has already been on a declining trend since 2021, shrinking from US\$41.1bil to US\$24.8bil in 2024.

"The tariffs differential between Malaysia and the United States is minimal at only 0.7%, compared to South Korea, India, Thailand and the Philippines at 11.7%, 7.8%, 3.1% and 1.8% respectively," PIB Research states.

While recognising global uncertainties, PIB Research sees Malaysia's strategic initiatives and economic reforms as key stabilisers for the country's market outlook.

"Although Malaysia has delivered positive economic reforms and ambitious national plans to encourage investments in high-value and growth sectors... the broader multiplier effect on the economy may take longer to materialise," it notes.

In the meantime, PIB Research advises investors to stay vigilant yet flexible.

"A trading-oriented strategy is still relevant and presents a good market-beating opportunity through a bottom-up approach and buying on dips and weaknesses," it argues.

