



29 JAN, 2026

Foreign interest lifts Malaysian equities



The Star, Malaysia

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Stronger ringgit, liquidity underpin upward momentum

STOCK MARKET

PETALING JAYA: Foreign investor interest in Malaysia's stock market has gathered notable momentum at the start of 2026, supported by stronger trading activity, currency strength and renewed confidence in large-cap sectors.

Market participation from overseas funds has remained resilient, signalling sustained engagement rather than a short-lived rebound, as investors position for what Maybank Investment Bank Research (Maybank IB) sees as a broadening investment upcycle.

Early-year trading patterns show that the property sector has emerged as the strongest performer, with technology and financials following closely, reflecting a rotation towards cyclical and growth-linked themes, it noted.

This backdrop has been reinforced by rising liquidity and improving macro signals, setting a constructive tone for the equity market, it added.

"The pick-up in foreign participation in the Malaysia market since late 2025 has continued its momentum into 2026.

"We have started the year strong," Maybank IB wrote in its strategy report.

It pointed to advanced fourth-quarter of financial year 2025 (4Q25) gross domestic product (GDP) growth estimates exceeding 5%, alongside currency support after the US dollar-ringgit broke lower to close at 3.9640 on Jan 26.

Malaysia's official 4Q25 GDP figures are due on Feb 13. Trading activity has been a key indicator of this renewed interest.

"Not only did we see a pickup in the average daily trading value (ADTV) to a high of RM4.2bil (January 2026 year-to-date average: RM3.1bil), we also saw sustained foreign investor participation at 36% (2025 average: 41%)," the research house added.

The last comparable surge in activity was in July 2024, when ADTV reached RM4.3bil following the rollout of major government initiatives beginning with the

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Maybank Investment Bank Research

National Energy Transition Roadmap in July 2023.

That policy momentum previously drove excitement in the utilities sector, led by Tenaga Nasional Bhd (TNB), before extending to data centre-related themes, where Gamuda Bhd became a key proxy.

Both counters recorded five-year highs in foreign shareholdings at the time, with TNB at 19% and Gamuda at 31%.

While foreign ownership has moderated slightly to 17% and 29% respectively, the research house noted that banking stocks later gained traction as lagging large-cap plays towards the end of 2024.

One fund manager noted that what stood out was the consistency of foreign participation rather than a short-term tactical inflow, suggesting investors are positioning for a longer investment cycle tied to structural growth themes.

"Improving liquidity conditions, a firmer ringgit and clearer policy direction have collectively lowered entry risk for offshore funds, particularly into large-cap and index-linked names," the fund manager with a local institution said.

A report by MBSB Research showed that foreign investors remained net buyers for a third consecutive week in the week ended Jan 23, recording RM510.9mil in net foreign inflows.

This marked a moderation from the prior week's RM716.1mil inflows but remained supportive of overall market liquidity, with foreign investors continuing to provide a positive net contribution despite mixed domestic participation, the research house noted.

It pointed out that the top three sectors that recorded net foreign inflows for the

week in review were financial services, industrial products and services; and consumer products and services.

Meanwhile, the top three sectors that recorded net foreign outflows were healthcare; construction; and utilities.

The benchmark FBM KLCI has since moved beyond expectations.

"The FBM KLCI has surpassed our year-end target of 1,730 (15 times 2027 price-to-earnings ratio or PER).

"We did flag a bull case scenario of 1,850 (16 times 2027 PER) which should reflect the manifestation of the investment upcycle at its full potential," Maybank IB said, adding that its bottom-up valuation work supports a target close to 1,850.

The level coincides with the market's April 2018 peak, strengthening its technical significance.

Relative strength analysis shows finance and property outperforming the broader market, underlining the importance of large-cap banks in sustaining the rally.

Looking beyond the current advance, the research house cautioned that a move above its bullish case would require "a perfect combination of improved market liquidity, resurgence of emerging market foreign inflows, sustained govt policy optimism, a general election rally and broader earnings participation beyond banks".

Despite the bullish tone, near-term volatility has not been ruled out.

"Given the recent multi-year high breakout, a pullback could be imminent," the research note said, highlighting 1,685 points and 1,670 points as key technical support levels, aligned with the 21-day exponential moving average and Fibonacci retracement.