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7 December 2023

MALAYSIA EQUITY

Cruising along

2024 MARKET OUTLOOK

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EXECUTIVE SUMMARY

2023 IN BRIEF

- Almost a whole year to wait for the long-anticipated pause by the US Fed.
- The global indices performance has not been uniformed. For example, FBM KLCI fell -3.1% as of 5 December 2023.
- The strong performance of advanced markets and domestic factors of emerging markets caused foreign investors' cautious stance, especially in the ASEAN 5 markets that we tracked. However, we observed that the situation seems to be reversing.
- Meanwhile, other Bursa Malaysia indices' performance was more in line with advanced market performances. The FBM 70 and FBM Small Caps saw returns of +7.8% and +7.5% respectively.
- 2023 saw a plethora of government announcements on its initiatives where implementation will be key in 2024. We opine that the implementation of NETR and some of the 12MP-MTR will be a key theme for 2024. Another potential theme is the touted Special Economic Zone in Johor.

CRUISING ALONG IN 2024

- Growth for the global economy in 2024 is expected to be at the same pace as this year.
- We opine the stability of global growth outlook could be constrained by several downside risks. Restrictive interest rates, possibly elevated inflation, geopolitical risk and possible political change. In 2024, more than 50% of global population will face elections.
- Moving into 2024, Malaysia's GDP growth rate is projected to improve to +4.7%. Resilient domestic demand and revival of external trade will support the expected improvement in expansion rate.
- Stronger recovery in China, stabilisation of monetary policy in major countries and normalisation of elevated commodity prices will boost the rebound of Malaysia's external trade performances.
- With the return of an expansionary exports, manufacturing output is expected to improve.
- We expect overall inflation rate to come in higher at +3.2% due to the fuel-targeted subsidy which is foreseen to be rolled-out as early as May-24. However, we expect OPR to stay at 3.00%, supportive and accommodative.
- We expect USD/MYR to average at RM4.38 and reach RM4.20 by year-end 2024.

FBM KLCI 2024 TARGET AT 1,665

- Going into 2024, assuming a baseline scenario in which, (1) the US Fed ceases raising rate and begins cutting, (2) the US Dollar weakens against the Ringgit, (3) positive corporate earnings growth, (4) China is able to handle its domestic economic situation, (5) market shall remain mindful of US recession risk, and (6) expect no major escalation in geopolitical conflict.
- The equity market would become more bullish due to the unwinding or subsiding pressure on equity required to return as the upside risk diminishes with the end of the interest rate tightening cycle.
- In 2024, we expect the local equity market to be supported by a less hostile monetary environment. However, we foresee a limited upside to equity valuation due to limiting factors.
- We introduce our FBM KLCI end-2024 target at 1,665 points pegged at PER of 15.0x.
- We introduce our FBM Hijrah end-2024 target at 13,450 points pegged at PER of 20.4x.
- We introduce our FBM70 end-2024 target at 16,890 points pegged at PER of 17.4x.

7 December 2023

KLCI (6/12/2023) : 1,445.82
2024 TARGET : 1,665.00

SECTOR VIEW

POSITIVE	
Banking	Construction
Healthcare	Oil & Gas
Power	Property
REITs	Transportation
NEUTRAL	
Automotive	Consumer
Gloves	Plantation
Technology	Telecommunication

TOP BUYS

STOCK	Target Price (RM)	Total Return (%)
Sunview	1.13	76.6%
Samaiden	1.54	40.0%
Mah Sing	0.99	32.7%
Gamuda	5.55	27.8%
Matrix Concepts	1.86	20.0%
Sunway Construction	2.09	18.1%
Tenaga Nasional	11.00	15.5%
IJM Corp	2.11	15.3%
D & O Green Tech	4.03	15.2%
Westports	4.00	13.4%

A. MARKET PERFORMANCE

I. MARKET PERFORMANCE

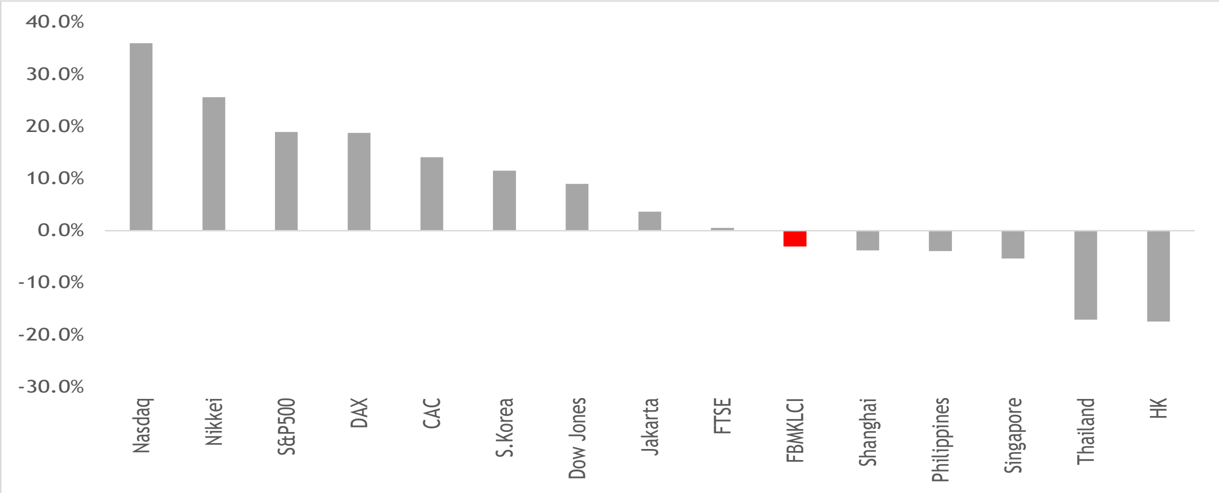
It has been a year of "false dawns". We started 2023 with high expectations that the equities market will be driven by a pause in the US Fed interest rates tightening cycle. Based on market expectations and our assessment, we had expected the pause to happen at the end of 1QCY23 or 2QCY23 at the latest. However, this did not come to pass as the pause continued to be delayed due to stubborn inflation. Another expectation that was somewhat delayed was the recovery of China's economy which was slower than we expected. On the flip side, the downside risks that had us worried did not materialize such as a recession in the US.

Almost a whole year to wait for the long-anticipated pause by the US Fed. While the last federal fund rate hike came in July 2023, the market then was not convinced that the US Fed was done with its tightening cycle. There was no definitive indication from the US Fed and US FOMC dot plot suggests one more rate hike. In contrast, the European Central Bank (ECB), on 14 September, stated that its policy rate shall likely be "maintained for a sufficiently long duration", essentially signalled a pause to its series of interest rate hikes. Nevertheless, with the series of rate holds, and the language from the US Fed becoming less hawkish, the market seems to believe that the US Fed has paused from further rate hikes, with some believing that rate cuts are in the cards in 2024.

Fortunately, the US and Europe banking turmoil was also a "false dawn". Friday, 10 March 2023, saw the second largest failure of a US bank, Silicon Valley Bank (SVB), after the shuttering of Washington Mutual in 2008. The USD208b asset lender was shut down by US regulators after losses in its bond portfolio and a failed attempt to get new funding caused a bank run and a liquidity crisis. Then came the collapse of Credit Suisse on 15 March 2023. It was understandable that the investing community became worried that we could see the starting point of a repeat of the Global Financial Crisis in 2008. Fortunately, this did not materialise and did not lead to a contagion. Furthermore, the USD interbank market gave signals of no imminent systemic distress in the banking sector. Having said that, it did affect sentiment on banks negatively. Hence, it has an impact on FBM KLCI given the high weightage (our estimate of circa 45%) of banks in the index.

A two-tiered market emerged from this. The global indices generally started the year on a positive note with the optimism of a US Fed pause. However, the market gains have not been uninformed. ASEAN markets have underperformed in 1HCY23 due to various factors. For example, the hung parliament after the general elections in Thailand, while the finance sector heavy FBM KLCI was weighed down by the cautiousness surrounding banking stocks. Nevertheless, we believe that there was a possibility that these markets would play catch up nearing the US rate pause. We observed this started to happen at the start of 3QCY23 where the performance of developing markets started to improve.

Chart 1: Comparison of Performance of FBM KLCI and Regional Peers (YTD as of 5 December 2023)



Source: Bloomberg, MIDFR

Table 1: Comparison of Quarterly Performance of FBM KLCI and Regional Peers (YTD as at 5 December 2023)

	YTD*	1QCY23	2QCY23	3QCY23	4QCY23*
Nasdaq	36.0%	16.8%	12.8%	-4.1%	7.6%
Nikkei	25.6%	7.5%	18.4%	-4.0%	2.9%
S&P500	19.0%	7.0%	8.3%	-3.6%	6.5%
DAX	18.7%	12.2%	3.3%	-4.7%	7.5%
CAC	14.1%	13.1%	1.1%	-3.6%	3.5%
S.Korea	11.5%	10.8%	3.5%	-3.9%	1.2%
Dow Jones	9.0%	0.4%	3.4%	-2.6%	7.8%
Jakarta	3.7%	-0.7%	-2.1%	4.2%	2.3%
FTSE	0.5%	2.4%	-1.3%	1.0%	-1.6%
FBMKLCI	**-3.1%**	**-4.9%**	**-3.2%**	**3.4%**	**1.8%**
Shanghai	-3.8%	5.9%	-2.2%	-2.9%	-4.4%
Philippines	-3.9%	-1.0%	-0.5%	-2.3%	-0.2%
Singapore	-5.4%	0.2%	-1.6%	0.4%	-4.4%
Thailand	-17.1%	-3.6%	-6.6%	-2.1%	-6.0%
HK	-17.5%	3.1%	-7.3%	-5.9%	-8.3%

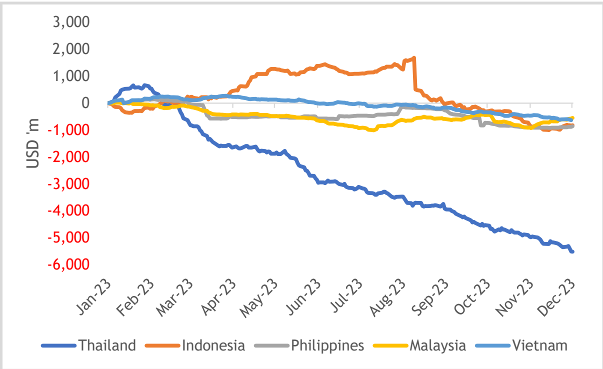
*as at 5 December 2023

Source: Bloomberg, MIDFR

Cautiousness affected foreign fund flows into ASEAN 5... The strong performance of advanced markets, coupled with domestic factors of emerging markets had led to foreign investors' cautious stance, especially in the ASEAN 5 markets that we tracked (Malaysia, Indonesia, Thailand, Philippines, and Vietnam). As of 1 December 2023, the cumulative foreign flow in ASEAN 5 markets was -USD8.36b of net outflow vs. USD22.4b of net inflow into the three more advanced Asian markets (South Korea, Taiwan, and India). Comparatively, it was a net inflow of USD11.17b into ASEAN 5 markets for the whole of 2022 vs. -USD70.17b of net outflow from advanced Asian markets.

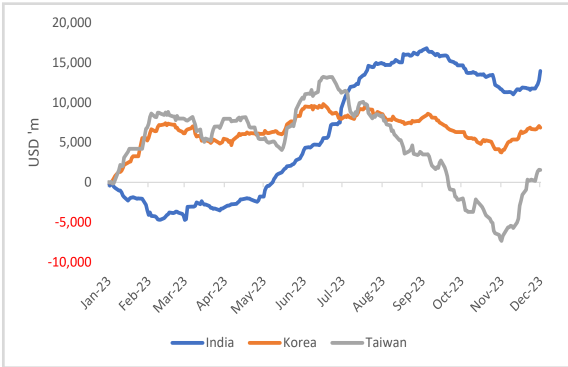
… the cautiousness seems to be reversing. However, we observed that in some of the ASEAN 5 markets namely Malaysia and the Philippines, the situation seems to be reversing. The month of November, which coincides with markets expecting that the US Fed has already paused its rate hikes, saw net inflows of USD332.3m (RM1.55b) and USD18.6m respectively. Meanwhile, Indonesia saw a significant reduction in the pace of its net outflows from -USD496.3m in October to -USD30.2m in November. Only Thailand and Vietnam saw continued net outflows. We believe that this is an encouraging sign and may portend the return of foreign funds into the ASEAN 5 markets in 2024, especially as interest rates are no longer a factor.

Chart 2: Cumulative Foreign Fund Flows into ASEAN 5 (YTD as at 1 December 2023)



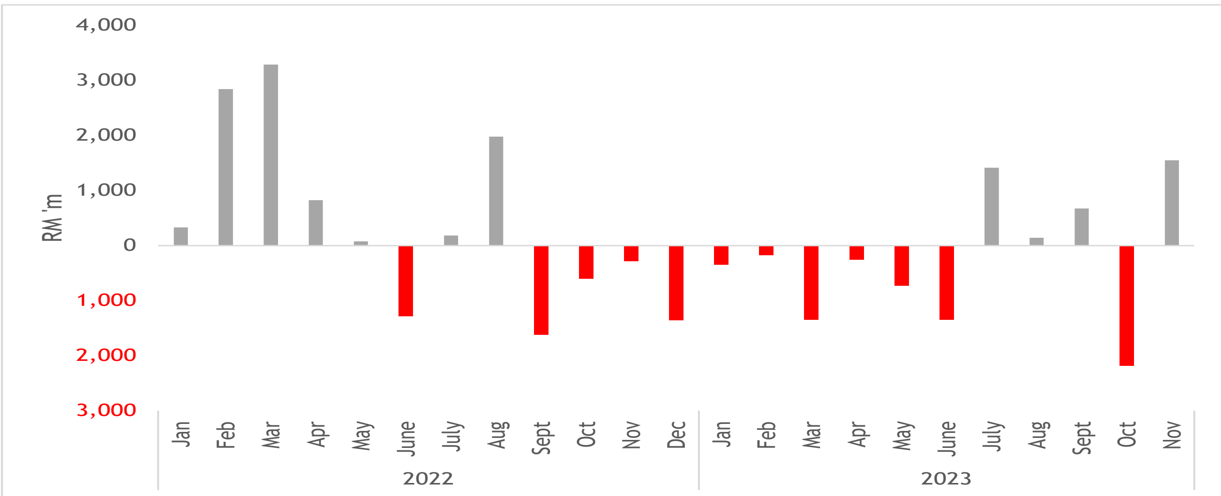
Source: Bloomberg, Bursa Malaysia, MIDFR

Chart 3: Cumulative Foreign Fund Flows into Advanced Asian Markets (YTD as at 1 December 2023)



Source: Bloomberg, MIDFR

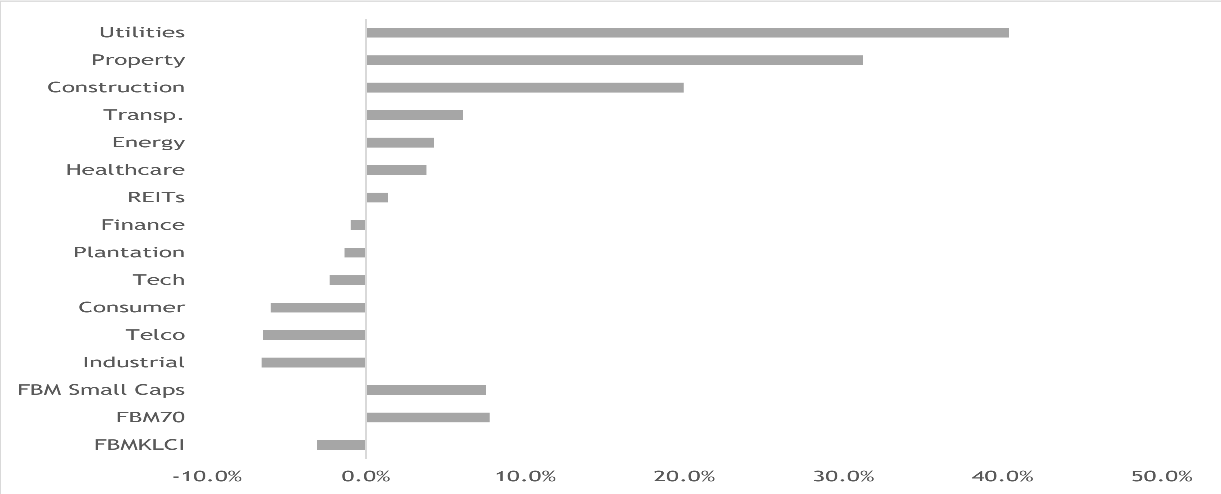
Chart 4: Monthly Foreign Fund Flows into Bursa Malaysia (YTD as at 1 December 2023)



Source: Bloomberg, MIDFR

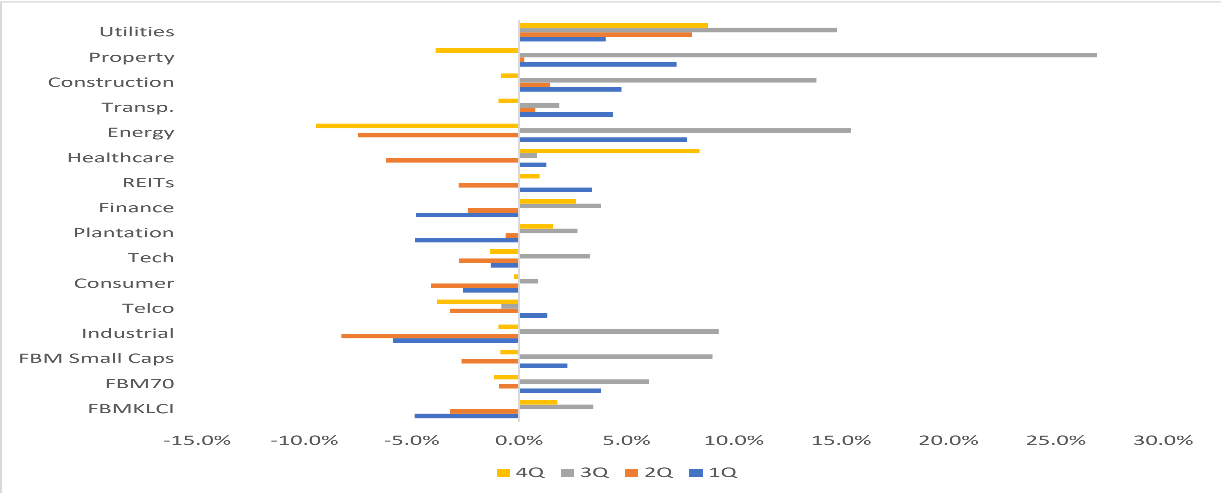
Not all doom and gloom for the domestic equities market; mid and small caps did well. When talking of market performance, too often has it been fixated on the main benchmark. While the FBM KLCI saw negative returns (at the time of writing) of -3.1% (as of 5 December 2023), other Bursa Malaysia indices have registered commendable gains this year, more in line with advanced market performances. The FBM 70 and FBM Small Caps saw returns of +7.8% and +7.5% respectively. Looking at the sectors that have performed well this year, such as Utilities, Property, and Construction, it is not surprising that the outperformance of the small to mid-cap space.

Chart 5: Comparison of Performance of Bursa Malaysia Sectoral Indices (YTD as at 5 December 2023)



Source: Bloomberg, MIDFR

Chart 6: Comparison of Quarterly Performance of Bursa Malaysia Sectoral Indices (YTD as at 5 December 2023)



Source: Bloomberg, MIDFR

MIDF universe posted returns overall. Recognising this pattern at the start of the year, and the negative sentiment stemming from banking turmoil in the US and Europe, we have advocated for investors to focus on the mid-cap stocks at the start of the year. Hence, our introduction of FBM 70 year-end target. Meanwhile, the price returns for this year for our coverage universe is +12.6% as of 1 December 2023. This is based on our BUY and SELL calls only at the start of 2023, discounting the NEUTRAL calls. Utilities, Construction, Automotive, and Property and REITs led with price returns of +115.1%, +32.5%, +24.0%, and +21.5% respectively.

A year full of government policy announcements. On the domestic front, 2023 saw a plethora of government announcements on its initiatives. Starting with the Madani Economic Narrative as an overarching initiative, then the National Energy Transition Roadmap (NETR), New Industrial Masterplan 2030 (NIMP2030), and 12 Malaysia Plan Mid Term Review (12MP-MTR). While it may seem like a jigsaw puzzle to put all these announcements into a full picture, we can surmise that there is an attempt to find a new catalyst for the Malaysian economy going forward.

Implementation will be key in 2024. In general, we opine that these initiatives will only have more of a longer-term impact on the equities market. Having said that there are some which will be impactful in 2024 in our view. Of all the government initiatives announced, we are excited most by NETR which we believe has the prospects to be a multi-year catalyst. However, with all the government's plans announced in the past, the key will be its implementations, not just NETR but all other government initiatives. We opine that the implementation of NETR and some of the 12MP-MTR will be a key theme for 2024. Another potential theme is the touted Special Economic Zone in Johor.

Geopolitical risk heats up again; a spoiler for this year and a major downside risk in 2024. In terms of geopolitics, while the Ukraine-Russia conflict gradually moved towards a conclusion, we had another surprise in October, this time in the Middle East. Judging by the developments on the ground, we opine that this could spill over into 2024. The Hamas-Israel conflict may not have an adverse impact on Malaysia's economy and seems that the equities market is recovering from the initial shock. Yet, we cannot emphasize enough the downside risk stemming from this conflict should it escalate into a wider regional conflict. For now, we expect that the conflict will be contained in Palestine given the escalation management by other state actors we have observed thus far. Another source of uncertainty will be the elections in major economies next year.

Will factors repeat in 2024? After all is said and done, the question is will we see the same factors this year repeating in 2024? In our opinion, this is unlikely. Factors of inflation and interest rates have waned, and we could look forward to the implementation of some of the government's policies and a recovery in external trade. As such, we expect that 2024 will be the year where the economy and markets cruise along.

II. MACRO ECONOMIC OUTLOOK

GLOBAL ECONOMY: ANOTHER YEAR OF BELOW-TREND GROWTH

Growth to remain below trend. Growth for the global economy in 2024 is expected to be more or less at the same pace as estimated for this year, with the IMF projecting the global economy to grow below the trend at +2.9% next year (2023: +3.0%). Previous policy tightening will put a constraint on the growth in advanced economies. While global production activities could pick up, recovering from the lows this year (which was a result of manufacturers' decision to slow down purchases and production in response to weak demand), consumer spending will remain a key factor to support growth next year on the back of easing inflation, healthy labour market and rising income. In particular, the health of the labour market will be a key determinant for the strength of the final demand outlook. Similarly, we expect the growth in domestic spending will also contribute to the sustained growth of developing economies next year. For trading countries, growth prospects will be more encouraging in 2024 benefiting from the recovery in global production and trade activities, but potentially limited by the expected slowdown in demand from the advanced economies. For 2025, the IMF projected growth to strengthen slightly to +3.2% as growth in advanced economies will be back to more normal levels.

Table 2: GDP Growth Forecast for Selected Economies

	2020	2021	2022	2023f	2024f	2025f
World	(2.8)	6.3	3.5	3.0	2.9	3.2
Advanced Economies	(4.2)	5.6	2.6	1.5	1.4	1.8
USA	(2.2)	5.8	1.9	2.1	1.5	1.8
Euro Area	(6.1)	5.6	3.3	0.7	1.2	1.8
Japan	(4.3)	2.1	1.0	2.0	1.0	0.7
UK	(10.4)	8.7	4.1	0.5	0.6	2.0
Singapore	(4.1)	7.6	3.7	1.0	2.1	2.5
Developing Economies	(1.7)	6.9	4.1	4.0	4.0	4.1
China	2.2	8.5	3.0	5.4	4.6	4.1
India	(5.8)	9.1	7.2	6.3	6.3	6.3
Indonesia	(2.1)	3.7	5.3	5.0	5.0	5.0
Thailand	(6.2)	1.5	2.6	2.7	3.2	3.1
Philippines	(9.6)	5.7	7.6	5.3	5.9	6.1
Vietnam	2.9	2.6	8.0	4.7	5.8	6.9

Source: IMF, National Sources, MIDFR

Global inflation is under control. Following the policy tightening carried out by central banks in the past couple of years, the demand pressures on general prices have eased. Although some countries indicated concerns that the price outlook could remain elevated, the recent developments show further progress to bring down inflation in most countries. The subsequent correction from the surge when the Russia-Ukraine war began, and improved supply conditions also helped to moderate global commodity prices. In response to the weaker demand, oil-producing nations adopted additional supply cuts to avoid having surpluses that would push energy prices to even lower levels. Other supply factors also kept selected commodity prices high. For example, supply shortages, elevated production costs, and to a certain extent concerns over adverse weather conditions contributed to the rise in prices of food commodities (such as rice, palm oil, sugar, and corn), and as a result, the price levels remain elevated above the pre-pandemic levels. Overall, we do not expect demand to be a major source of price pressures. In other words, we opine any upside risks to the inflation outlook will mainly come from supply shocks such as disruptions due to geopolitical tensions and the imposition of protectionist policies.

Table 3: Key Macro Indicators Across Major Economies

	CPI			IPI			Jobless Rate		
	2021	2022	9M23	2021	2022	9M23	2021	2022	9M23
USA	4.7	8.0	4.4	4.8	3.4	0.3	5.4	3.7	3.7
Euro Area	2.6	8.4	6.4	9.8	2.2	(2.0)	7.7	6.7	6.5
Japan	(0.2)	2.5	3.4	6.0	(0.0)	(1.3)	2.8	2.6	2.6
China	(1.5)	1.0	(1.5)	11.5	3.7	3.9	5.1	5.6	5.3
India	5.1	6.7	5.8	19.2	4.8	5.6	7.8	7.6	7.8
Singapore	2.3	6.1	5.1	14.0	2.9	(5.8)	2.8	2.1	1.9
Indonesia	1.6	4.2	4.0	1.2	1.4	1.2	6.4	5.9	5.4
Thailand	1.2	6.1	1.8	6.5	0.8	(5.2)	1.9	1.3	1.0
Philippines	3.9	5.8	6.6	164.4	46.3	7.8	7.8	5.4	4.6
Malaysia	2.5	3.4	2.8	8.9	6.8	0.9	4.6	3.8	3.4
Vietnam	1.8	3.2	3.2	3.0	15.9	(13.3)	3.2	2.4	2.3

Source: Macrobond, MIDFR

Major central banks to ease monetary policy. Central banks in the advanced economies will likely shift towards policy easing to reduce the restrictiveness of interest rates as inflation continues to ease further. Moreover, concerns over slowing final demand will also warrant larger rate cuts, considering the delayed effect of previous interest rate hikes. In contrast, monetary authorities in developing economies will mostly keep their benchmark interest rates steady at normal levels, not overly restrictive like in advanced economies. With inflation concerns subsiding, we expect the policy emphasis in most countries to maintain sustainable growth going forward. Although we do not expect a significantly sharp demand slowdown, central banks have the policy space and flexibility to ease monetary policy to stimulate stronger economic activities. In terms of fund flows, we expect the narrowing of interest differentials following rate cuts by major central banks will lead to more funds flowing to EM markets, and this will support other currencies to appreciate next year on the back of weaker Dollar demand.

Table 4: Central Bank Policy Rate by Selected Economies (%, End-Period)

	2020	2021	2022	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Malaysia	1.75	1.75	2.75	3.00	3.00	3.00	3.00	3.00	3.00
Indonesia	3.75	3.50	5.50	5.75	5.75	5.75	5.75	6.00	6.00
Philippines	2.0	2.00	5.50	6.25	6.25	6.25	6.25	6.50	6.50
Thailand	0.50	0.50	1.25	2.00	2.00	2.25	2.50	2.50	2.50
Vietnam	4.00	4.00	6.00	4.50	4.50	4.50	4.50	4.50	4.50
South Korea	0.50	1.00	3.25	3.50	3.50	3.50	3.50	3.50	3.50
India	4.00	4.00	6.25	6.50	6.50	6.50	6.50	6.50	6.50
Japan	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
UK	0.10	0.25	3.50	5.00	5.00	5.25	5.25	5.25	5.25
Euro area	0.00	0.00	2.50	4.00	4.25	4.25	4.50	4.50	4.50
USA	0.00-0.25	0.00-0.25	4.25-4.50	5.00-5.25	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50

Source: Macrobond, MIDFR

Possible change in global political economy in the next half of decade. In 2024, more than 50% of the global population will face elections. We expect key elections among others will be held in Taiwan, Indonesia, India, the European Union, and the US where the results will determine the global political and economic landscape over the next five years. In Taiwan, for instance, the current ruling regime or the Democratic Progressive Party will face the Taiwan People's Party and Kuomintang in the Jan-24 elections. Both pro-China opposition parties failed to agree on an alliance. Hence, this may pave the way for the current regime to remain in power, which means the island economy's conflict with China could persist. Indonesia, with 280 million population and representing roughly 3.5% of the global population, and India, with 1.44 billion population or 17.8% of global population, will also choose their next leaders next year. The elections are scheduled in Feb-24 for Indonesia and Apr-24 for India. These two countries are crucial for Malaysia's external trade, especially the palm oil business. In addition, the European Union (EU), a global political and economic union comprised of 27-member nations will also have its parliament elections in Jun-24. Ukraine-Russia war, international trade policy, and immigration matters are among the key issues that will shape the European voting season. The most awaited election that will take place next year will be the US presidential election, which will be held in Nov-24. This election may see the return of Donald Trump and the return of protectionism.

Table 5: Top 20 Elections in 2024

Country	Election Month	Population (mil)	% of Global Population
India	Apr	1,442	17.80
European Union	June	449	5.55
United States	Nov	342	4.22
Indonesia	Feb	280	3.46
Pakistan	Feb	245	3.02
Brazil	Oct	218	2.69
Bangladesh	Jan	175	2.16
Russia	Mar	144	1.78
Mexico	June	129	1.59
Turkey	Mar	86	1.06
Britain	TBC	68	0.84
South Africa	TBC	61	0.75
South Korea	Apr	52	0.64
Algeria	Dec	46	0.57
Ukraine	Mar	38	0.47
Mozambique	Oct	35	0.43
Ghana	Dec	35	0.43
Venezuela	TBC	29	0.36
Taiwan	Jan	24	0.30
Mali	Feb	24	0.30

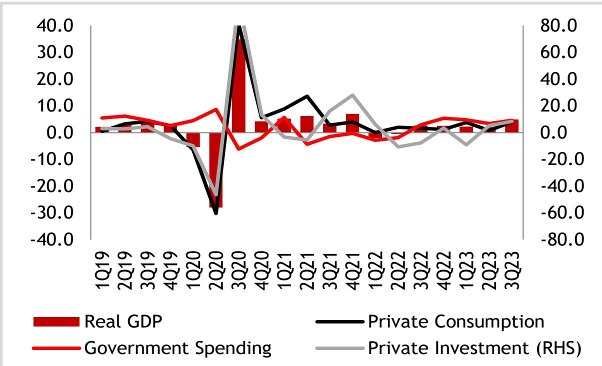
Source: Various, MIDFR

Several factors can disrupt global growth. We opine the stability of the global growth outlook could be constrained by several downside risks. The strength of final demand, for example, may weaken sharper than expected as consumers are challenged by the restrictive interest rates and possibly elevated inflation. The recent geopolitical risk and the war in the Middle East could lead to higher inflation if it escalates to a wider regional conflict which could disrupt the stability of oil supply; this will cause global energy prices to climb again. The recent experience in Oct-23 also shows the war in Palestine can hurt the growth outlook as the market repriced higher risk premiums and this can be destabilizing to macroeconomic stability because of the additional tightening in credit conditions. On another note, we view 2024 as a year of political change that can change the course of the global economy as many countries are slated to carry out their general elections next year. The rise of protectionist policy as well as new trade barriers can also negatively affect the outlook for international trade and global commodity prices. In recent years, we have seen how bans on exports for selected commodities (such as palm oil and rice) have led to supply shortages and therefore higher prices at the international market.

US: POSSIBLE SOFT LANDING AS INFLATION EASES CLOSER TO FED'S TARGET

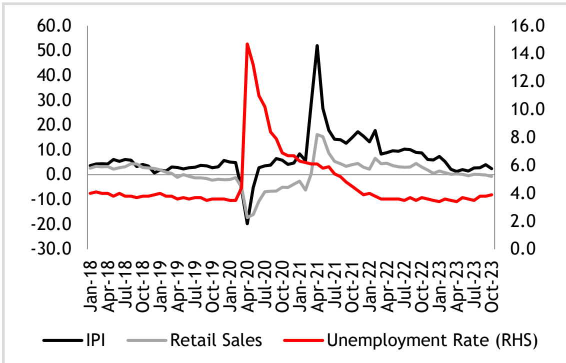
A year of soft landing. The US economy is expected to experience another year of moderate growth, according to the IMF the US GDP growth will slow from +2.1% projected for this year to +1.5% in 2024. The delayed pause by the US Fed to end its policy tightening in 2023 was supported by the resilience in the job market which underpinned the sustained growth in consumer spending. With the 3QCY23 GDP growth rising at annualised +5.2%qoq (2QCY23: +2.1%qoq), the average GDP growth from a year-on-year basis was +2.4%yoy for the first 3 quarters this year. Private consumption expenditures remained the biggest component in the US economy (share: 67.7% of GDP). For 2024, we expect the US economy will experience a mild slowdown possibly from mid-2024 as more Americans will struggle to cope with the high borrowing costs. The slowdown will be mild in view of the resilience in the job market and the overall economy thus far. In addition, we anticipate the Fed will ease its policy setting next year to limit the negative effect of the demand slowdown on the broader economy. In other words, the US economy in our baseline scenario is expected to experience a soft landing and therefore avert a sharp recession risk.

Chart 7: USA: Real GDP Growth (YoY%)



Source: Macrobond, MIDFR

Chart 8: USA: Selected Economic Indicators (YoY%)



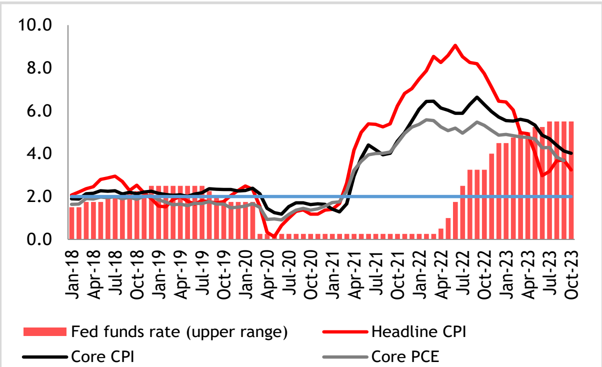
Source: Macrobond, MIDFR

Demand to slow as QT continues. Despite the resilience this year, several areas in the US economy already weakened following the rise in credit cost and tighter financial conditions. The housing market, for example, has seen sales weakening given the high mortgage rates. Delinquency rates for consumer loans and credit cards also trended higher to levels last seen at least in a decade as borrowers struggled to cope with the higher repayments. At the same time, tens of millions of Americans will also be impacted by the resumption of repayment of federal student loans starting from 1st October 2023. Moreover, savings have also depleted as consumers tapped to their excess funds to cope with the rise in the cost of living and high interest rates. We view all these will translate to weaker consumer demand going into next year as more borrowers will face challenges to service their financial obligations if interest rates are kept at high levels for too long.

Watch for signs of weakening job market conditions. The weakening of job market conditions not only will be a cause of concern for the slowdown in the US aggregate demand, but it will also mark the end of the tight labour market. The strength in the US job market as well as the positive wage growth have been the main reason behind the US economic resilience, thus far. In contrast, the demand slowdown will cause firms to be more cautious in terms of hiring and workers will not be able to bargain for higher pay as the job market is no longer in tight conditions. This will also be reflected in the rise in jobless claims as some workers may be laid off because firms will adjust to the slower aggregate demand and turn more cost-conscious to maintain their operations. We do not expect a sharp spike in joblessness, but this will reflect the economy adjusting to the previous policy tightening.

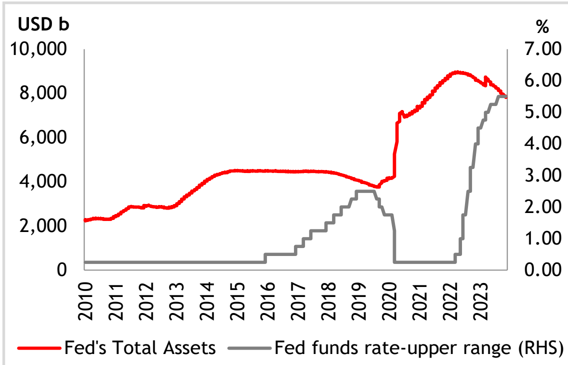
From tightening to rate cuts. As demand and overall economic growth slow down, we expect the Fed to reduce its Fed funds rate in order to stimulate the economy. This will be a shift in the Fed's policy narrative to a less restrictive and accommodative monetary policy, with the assumption the US inflation will ease further and disinflate closer to the Fed's 2% target. Although the FOMC members predicted possible up to 2 rate cuts next year according to the FOMC's Sep-23 projection, the demand slowdown could push the Fed to do more in reducing the level of policy restrictiveness on the economy. In other words, we expect the rate cuts could be more than -50bps reduction as we foresee the core PCE inflation would fall below +3% by end-2024, given the latest reading at +3.5%yoy in Oct-23.

Chart 9: USA: Inflation vs. Fed Funds Rate (%)



Source: Macrobond, MIDFR

Chart 10: USA: Change in Fed's Balance Sheet (USD'b)

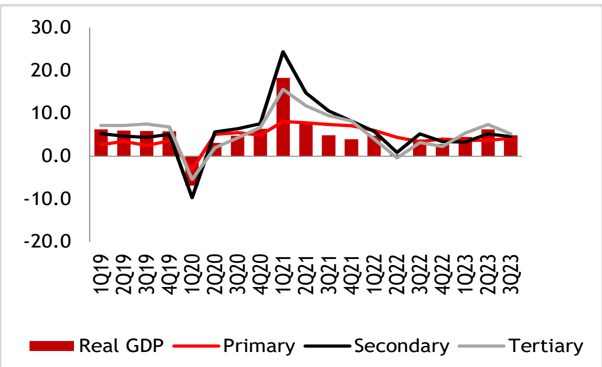


Source:Macrobond, MIDFR

CHINA: MODERATE GROWTH CONSTRAINED BY THE PROPERTY MARKET PROBLEMS

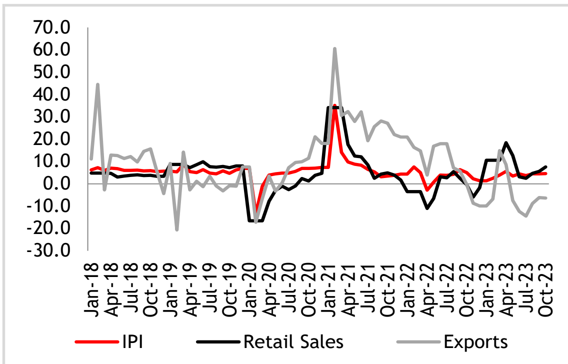
China's economy is to continue recovering. China's economy is expected to continue its recovery in 2024, with the IMF projecting China's GDP to grow at +4.6% moderating from estimated +5.4% growth in 2023. We expect domestic spending will remain as the main driver for China's economic recovery, although we expect China's business activities will also benefit from the recovery in the global manufacturing activity. The strength in domestic consumption has been the determinant in China's recovery thus far, which explains the moderate growth of +4.9%yoy in 3QCY23 (2QCY23: +6.3%yoy). This caused the government to introduce measures to revitalize spending and ensure continued recovery. With the latest indicators in Oct-23 reporting stronger growth in industrial production and retail trade, we expect the recovery will continue going into the final quarter of 2023 and heading into 2024.

Chart 11: China: Real GDP Growth (YoY%)



Source: Macrobond, MIDFR

Chart12: China: Selected Economic Indicators (YoY%)

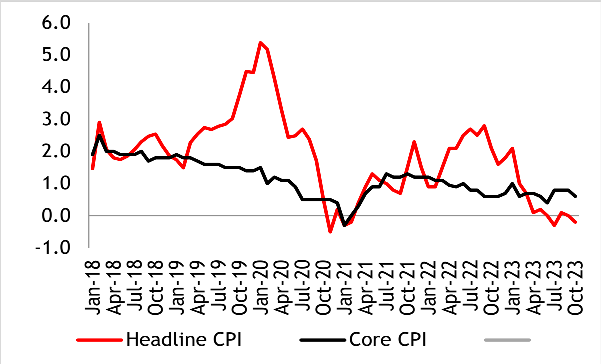


Source:Macrobond, MIDFR

Low inflation pressures. In line with the government's concerns over slowing demand, CPI inflation in China was also low averaging at -0.01%yoy between Apr-23 to Oct-23 (1QCY23: +1.3%yoy; 4QCY22: +1.8%yoy). The most recent inflation report pointed to headline CPI falling marginally at -0.2%yoy in Oct-23 because of lower food inflation due to a decline in pork prices and an ample supply of agricultural goods. The core CPI inflation also averaged lower at +0.7% in Jan-Oct 2023 (2022: +0.9%yoy), signalling relatively slower demand pressures.

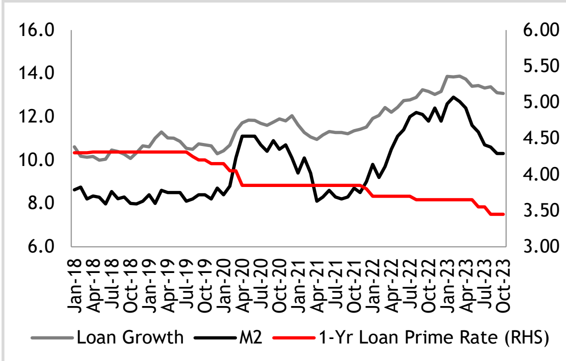
Policy measures to support the economy amid challenges in the property market. The ongoing problem in China's property market remains the main challenge that could derail China's economic recovery. With inflation still at low levels, we believe more policy supports may be rolled out by the government if the property market problems cause the economy to slow. The government has also pledged to counter the slowdown, with the most recent measures allowing some local governments to issue and utilize 2024 debts in advance to support local financing needs. At least the decision by the People's Bank of China (PBOC) not to cut the loan prime rates for both 1-year and 5-year tenures in Nov-23 signalled confidence that the momentum of growth in the economy has stabilized and the recovery is expected to continue. In terms of the policy direction, we anticipate the government will continue to focus on promoting domestic growth drivers which will mitigate impacts of external uncertainties on China's economy.

Chart 13: China: CPI Inflation (YoY%)



Source: Macrobond, MIDFR

Chart 14: China: Loan and M2 Growth (YoY%) vs. 1-Year Loan Prime Rate (%)



Source: Macrobond, MIDFR

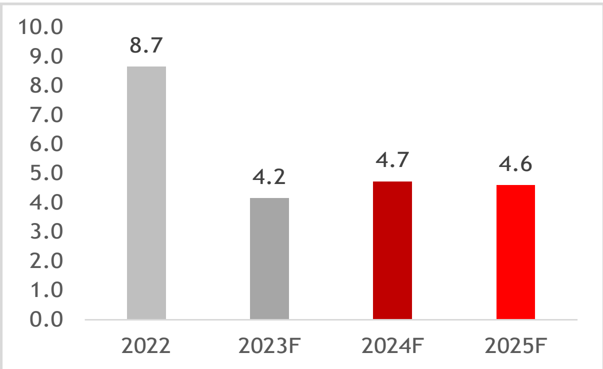
MALAYSIA ECONOMY: RESILIENT DOMESTIC DEMAND CONTINUES WHILE EXTERNAL FRONT ON REVIVAL MODE

Economic growth cruising above +4.0%. Moving into 2024, Malaysia's GDP growth rate is projected to improve to +4.7% (vs. the 2023 estimate of +4.2%). Resilient domestic demand and revival of external trade will support the expected improvement in the expansion rate. Stabilisation of monetary policy in major countries, a stronger recovery in China, and supportive global commodity prices are expected to boost Malaysia's external front in 2024. Our in-house forecast for both commodities is RM3,600 per tonne and USD84pb for 2024. Malaysia's agriculture and mining sectors are projected to grow by +1.5% and +3.5% respectively for next year. Manufacturing sector growth to register a faster pace of +4.0% for 2024, among others supported by the upcycle of the E&E sector.

Resilient domestic demand. We expect that next year the domestic economy will be anchored by continuous steady consumer spending, busier tourism-related activities, and construction of infrastructure projects. The job market remains in good shape as reflected by the continuous growth in employment, decline in unemployment, and lower jobless rate. Even though the inflation rate is forecasted higher due to subsidy rationalisation efforts, real wage growth is expected to remain in positive territory. Average nominal wage growth 2011-2019 was +5.6% per annum (Average 2021-2022: +8.4% per annum). Even with the inflation rate at +4.0%, real wage growth stays at a positive rate, hence supporting Malaysia's consumer spending. Private consumption and services are expected to grow by +4.8% and +5.5% respectively in 2024.

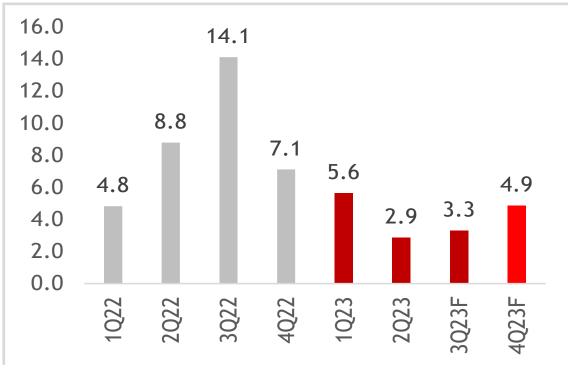
More work to be done for the construction sector. Referring to construction work done data, Malaysia's building output grew at a solid pace of +9.0%yoy in 9MCY23 (2022: +8.8%). Across four components, civil engineering which contributes 38.5% of the works grew stronger by +14.9%yoy against +2.7% in 2022. Private-led projects are growing at a double-digit pace +12.1%yoy (2022: +17.6%) while government-led output growth improved to +1.7%yoy (2022: +2.2%). Public Corporation-led projects expanded strongly by +7.7%yoy in 9MCY23 (2022: -7.7%) which was mainly driven by civil engineering +16.6%yoy (2022: -15.0%). Looking into next year, we expect the construction sector to stay buoyant underpinned by expansionary fiscal policy and encouraging private investment. The development expenditure (DEVEX) allocation of RM97b for Budget 2023 and RM90b for Budget 2024. The construction sector is predicted to expand by +5.5%yoy in 2024 and +5.0% for 2025, among others attributable to the public infrastructure projects such as KVDT Phase 2, Pan-Borneo Highway, ECRL, LRT3, Penang LRT, and RTS Link. In addition, an increase in residential, and non-residential buildings and facilities will further boost investment spending as well as the construction sector. Meanwhile, the 5G roll-out will boost growth in the civil engineering sub-sector.

Chart 15: GDP Growth Forecast (YoY%)



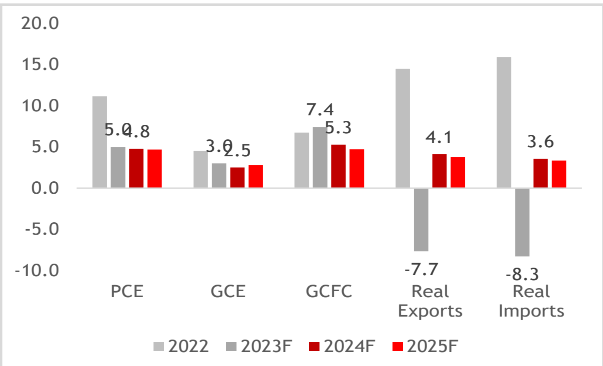
Source: Macrobond, MIDFR

Chart 16: GDP Growth Quarterly Forecast (YoY%)



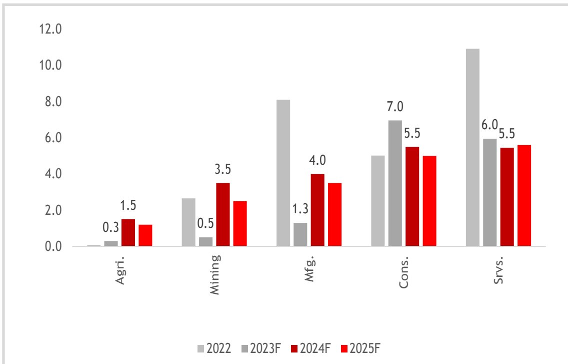
Source:Macrobond, MIDFR

Chart 17: 2023 GDP Growth by Expenditure (YoY%)



Source: Macrobond, MIDFR

Chart 18: 2023 GDP Growth by Supply (YoY%)



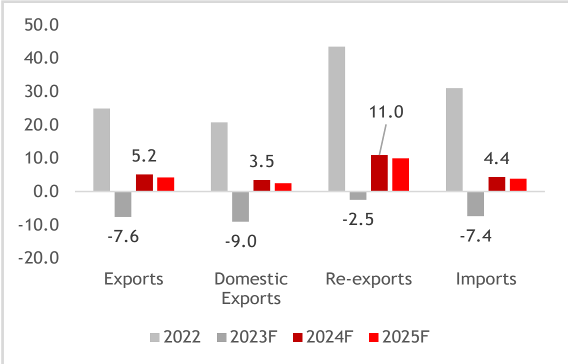
Source:Macrobond, MIDFR

External trade from contraction to expansion in 2024. The average monthly export value for 10MCY23 was RM118.6b (2022's: RM129.2b). Since Sep-23, the monthly export value has been recorded above RM124.0b. If the export value is maintained at RM125b per month throughout 2024, Malaysia's outbound shipment growth rate can achieve +5.2%. By component, we expect domestic exports, which constitute 77.4%, to grow by +3.5% while re-exports to expand stronger by +11%. Stronger recovery in China, stabilisation of monetary policy in major countries, and normalisation of elevated commodity prices will boost the rebound of Malaysia's external trade performances. Key elections especially Taiwan (Jan-24), Indonesia (Feb-24), India (May-24), European Parliament (Jun-24), and the US (Nov-24) will determine the next half of the decade outlook of the global economy.

Chart 19: External Trade Performances (YoY%)

Source: Macrobond, MIDFR

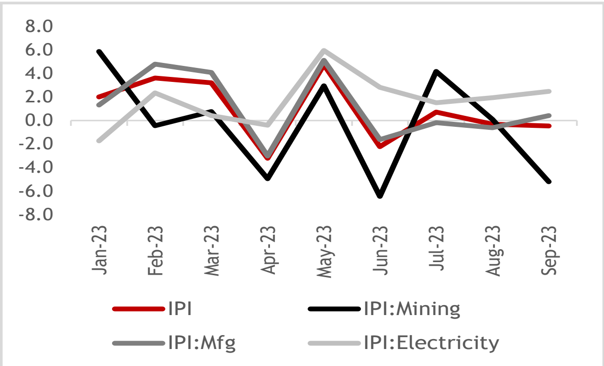
Chart 20: External Trade Forecasts (YoY%)



Source:Macrobond, MIDFR

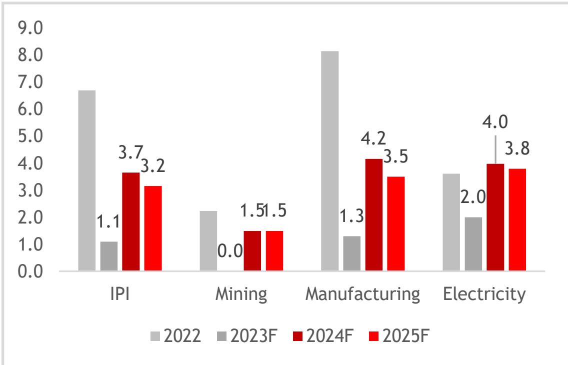
Higher factory output following export recovery. With the return of expansionary exports, manufacturing output is expected to improve to +4.2% in 2024. Among others to be supported by better overseas sales of E&E, refined petroleum, chemicals, and medical & optical products. Apart from the manufacturing output factor, the production of electricity to increase by +4.0% next year among others due to National Energy Transition Roadmap (NETR) projects. Mining output is expected to recover stronger, underpinned by supportive global energy prices and higher natural gas output, especially from new and current gas fields. We expect that mining output growth to return to an expansionary mode, +1.5% for 2024 and 2025. Overall IPI is predicted to expand by +3.7% in 2024.

Chart 21: IPI Performances (YoY%)



Source: Macrobond, MIDFR

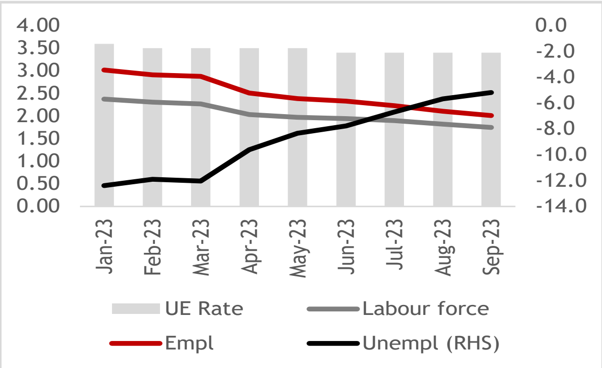
Chart 22: IPI Forecast (YoY%)



Source:Macrobond, MIDFR

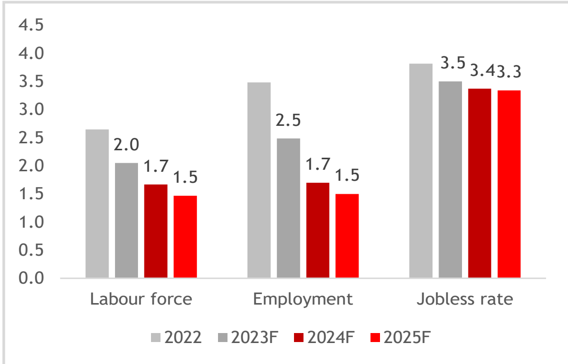
Stable job market. The labour market in Malaysia is predicted to strengthen further in 2024, backed by encouraging momentum in the domestic economy and recovery in external trade. Malaysia's unemployment rate is expected to decline further to 3.4% in 2024 and 3.3% in the following year The return of non-citizen workers is expected to boost overall employment and reduce the jobless rate. As of 3QCY23, non-citizens' employment is almost -0.8% lower than pre-pandemic levels. As of 9MCY23, employment grew by +2.5%yoy (2022: +3.5%) while unemployment was reduced by -8.9%yoy (2022: -14.8%) and the jobless rate averaged at 3.5% (2022: 3.8%). The downside risks to Malaysia's labour market among others is weaker-than-expected external trade recovery and a nosedive in global commodity prices.

Chart 23: Labour Market Performances (%)



Source: Macrobond, MIDFR

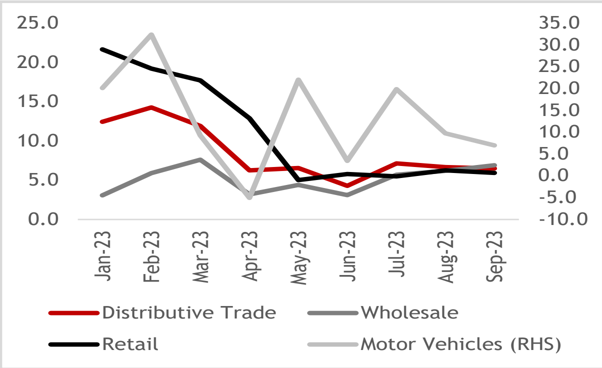
Chart 24: Labour Market Forecasts (YoY%)



Source:Macrobond, MIDFR

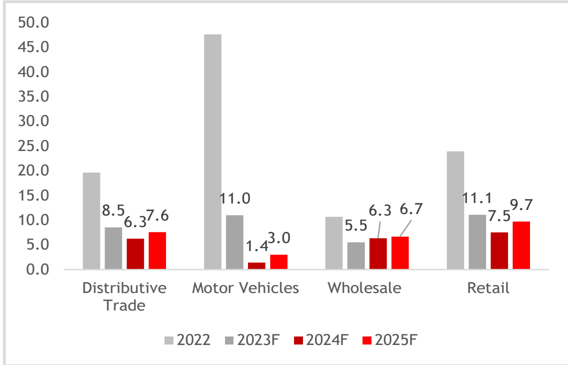
Retail trade to stay buoyant amid better tourist arrivals. As of 9MCY23, Malaysia registered 60.6 million airport passenger movements via local airports under MAHB in Aug-23 (9MCY22: 35.3 million). On Sep-23 passenger movements recorded at 83% of Sep-19 levels. Domestic passenger movements were at 86.7% of the same period in 2019. As for international passenger movements in Sep-23, it was still recovering at 79.3% to the pre-pandemic level. During the pre-pandemic, 50.7% of Malaysia's airport's passenger traffic was contributed by international travel, 25.0% by ASEAN, and 25.7% by non-ASEAN destinations. As of 9MCY23, domestic travelers accounted for 54.3% (average 2022: 71.7%) vis-à-vis international destinations at 44.9% (average 2022: 28.3%), whereby 20.7% were non-ASEAN and 24.2% ASEAN. By 2024, we are sanguine that airport passenger movements will reach the 2019 level. The recent announcement of 30-day visa-free for China and Indian citizens is seen as an effort to boost Malaysia's tourism and overall economy. Apart from tourism recovery, consumer demand in Malaysia is expected to remain steady from a stable job market, positive real wage growth, cash assistance support, and accommodative economic policies. Looking beyond 2024, the government is set to announce a new salary scheme for civil servants by 4QCY24. This will benefit about 10% of the workforce and indirectly solidify Malaysia's consumer demand. Also, we anticipate the government to announce a higher minimum wage of RM1,600 per month by the end of next year.

Chart 25:Distributive Trade Sales, DT (YoY%)



Source: Macrobond, MIDFR

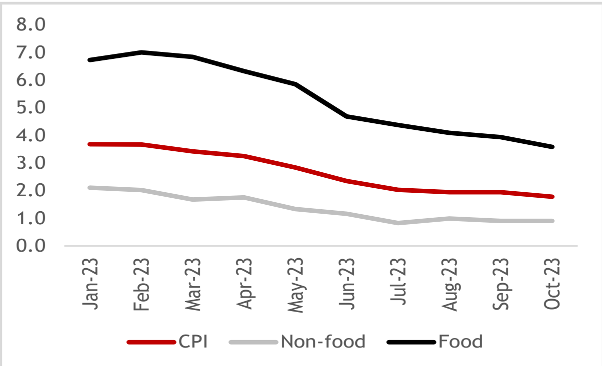
Chart 26: Distributive Trade Sales Forecasts (YoY%)



Source:Macrobond, MIDFR

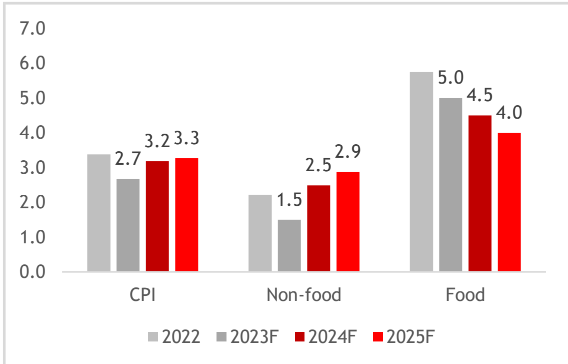
Inflation rate to hover above +3.0% amid fuel-targetted subsidy roll-out. We expect the overall inflation rate to come in higher at +3.2% due to the fuel-targeted subsidy which is foreseen to be rolled out as early as May-24. We anticipate the government to introduce a managed-float price mechanism for RON95 at RM2.25-2.35 per litre and provide cash handouts to those eligible as guided by the PADU database. Thus, non-food inflation is set to rise by +2.5% while better domestic supply and normalised global commodity prices shall push the food inflation rate lower at +4.5% in 2024.

Chart 27: Headline Inflation Rate (YoY%)



Source: Macrobond, MIDFR

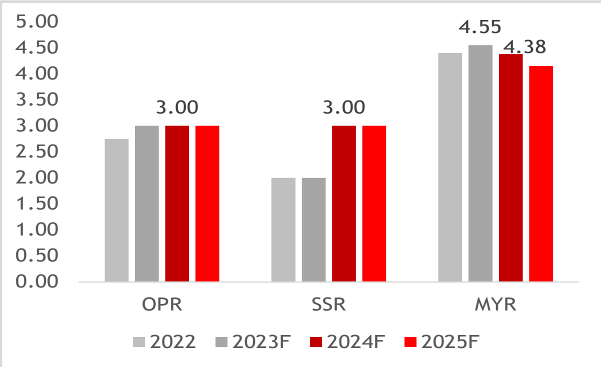
Chart 28: Inflation Forecast (YoY%)



Source:Macrobond, MIDFR

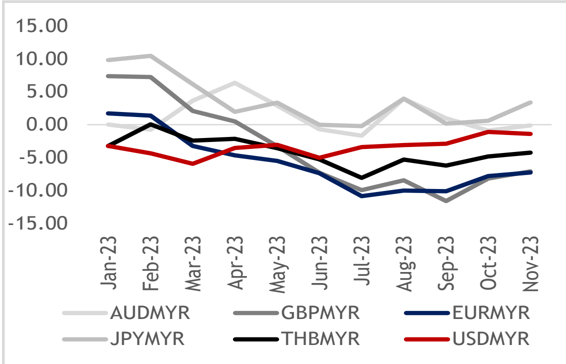
OPR to stay at 3.00%, supportive and accommodative. The focus of BNM's monetary policy setting is to ensure a sustainable growth momentum in Malaysia's economy. External environment to stay challenging in 2024 amid geopolitical tensions, elevated price levels, and global economic slowdown. The domestic economic outlook is predicted to stay resilient supported by a steady domestic demand. However, we believe the stabilisation of the core inflation rate and the challenging external environment may influence BNM to keep OPR at current levels throughout 2024. The decision will be subjected to the stability of economic growth, the pace of price increases, and a further improvement in macroeconomic conditions, particularly a continued recovery in the labour market and growing domestic demand. From a medium-term perspective, the policy rate normalisation is needed to avert risks that could destabilise the future economic outlook such as persistently high inflation and a further rise in household indebtedness.

Chart 29: Monetary Policy & USDMYR Forecast (%)



Source: Macrobond, MIDFR

Chart 30: MYR against Major Currencies (YoY%)

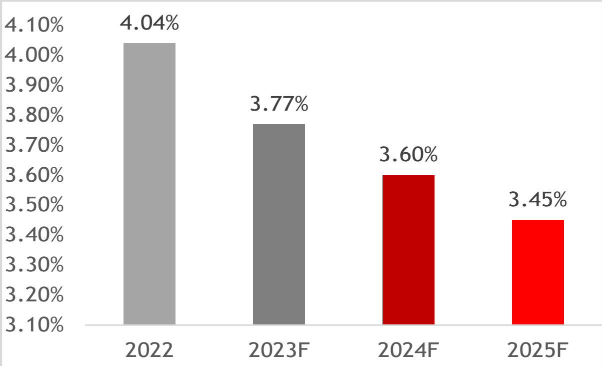


Source:Macrobond, MIDFR

Bright prospects for MYR. The strong US Dollar has been the main factor for the depreciation of most currencies since early 2022 due to the aggressive interest rate hikes by the US Fed. For most of 2023, MYR stayed on a depreciation path as the US Fed kept delaying its interest rate pause. Also, contractionary external trade performances dragged the recovery of MYR in 2023. Fundamentally, the Ringgit is in a good position to strengthen in 2024 and 2025 given the domestic economy is expected to stay on an upbeat momentum and, as a net commodity exporter (of crude petroleum, LNG, and palm oil), gaining from the supportive global commodity prices and sustained trade surplus. Most importantly, the US Fed and other major countries are done with interest rate hikes and most likely turn to rate cuts in 2024. We expect USD/MYR to average at RM4.38 and reach RM4.20 by year-end 2024.

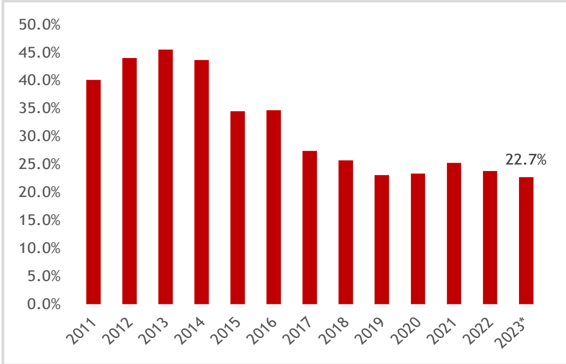
The foreign holdings share of Malaysian government bonds is at a record low. According to Bondstream data, foreign holdings of Malaysian outstanding government bonds stood at a record low of 22.7% as of 10MCY23. On yield movement, the benchmark MGS 10-year yield has moved steeply lower than its year highs following the Nov-23 FOMC decision of another pause. The Fed is expected to be on the path of monetary easing as early as 2QCY24, while BNM is expected to keep the OPR status quo throughout 2024. We expect the narrowing interest rate differential will drive foreign inflow into the domestic bond market, driving an MGS rally. Additionally, positive sentiment from the Malaysian government to enhance subsidy rationalisation and fiscal consolidation efforts as well as broadening income streams are welcoming news for govvies. The improving fiscal discipline and moderate domestic inflation will provide support for MGS. We foresee the benchmark MGS 10-year yield to average 3.68% and end the year at 3.60% in 2024.

Chart 31: MGS 10-Year Yield Forecast



Source: Bloomberg, MIDFR

Chart 32: Average % of Foreign Holdings Over Total Outstanding Government Bonds



Source: Macrobond, BNM, Bondstream, MIDFR; *10MCY23

Table 6: MIDF Research Macroeconomic Forecast Figures for 2023, 2024 & 2025

(YoY%) Unless Stated Otherwise	2022	2023f	2024f	2025f
Real GDP	8.7	4.2	4.7	4.6
Govt. Consumption	4.5	3.0	2.5	2.8
Private Consumption	11.2	5.0	4.8	4.7
Gross Fixed Capital Formation	6.8	7.4	5.3	4.7
Govt. Investment	5.3	9.0	4.5	5.5
Private Investment	7.2	7.0	5.5	4.5
Exports of goods & services;	14.5	(7.7)	4.1	3.8
Goods Exports	11.1	(12.8)	3.1	2.9
Services Exports	56.8	38.0	10.0	8.6
Imports of goods & services;	15.9	(8.3)	3.6	3.4
Goods Imports	14.6	(13.0)	2.9	2.8
Services Imports	23.9	18.0	6.4	5.6
Net Exports	(1.0)	0.0	10.6	8.6
Agriculture etc.	0.1	0.3	1.5	1.2
Mining & Quarrying	2.6	0.5	3.5	2.5
Manufacturing	8.1	1.3	4.0	3.5
Construction	5.0	7.0	5.5	5.0
Services	10.9	6.0	5.5	5.6
Exports of Goods (f.o.b)	24.9	(7.6)	5.2	4.3
Imports of Goods (c.i.f)	31.0	(7.4)	4.4	3.9
Unemployment Rate (%)	3.82	3.50	3.30	3.30
Headline CPI Inflation (%)	3.4	2.7	3.2	3.3
Non-Food Inflation (%)	2.2	1.5	2.5	2.9
Food Inflation (%)	5.7	5.0	4.5	4.0
Brent Crude Oil (Avg, USD per barrel	102.0	83.0	84.0	80.0
Crude Palm Oil (Avg), MYR per tonne	5,262	3,800	3,600	3,400
USD/MYR (Avg)	4.40	4.55	4.38	4.15
USD/MYR (End-period)	4.42	4.45	4.20	4.00
MGS 10-Yr Yield (Avg)	4.07	3.86	3.68	3.55
MGS 10-Yr Yield (End-period)	4.04	3.77	3.60	3.45
Overnight Policy Rate (%)	2.75	3.00	3.00	3.00

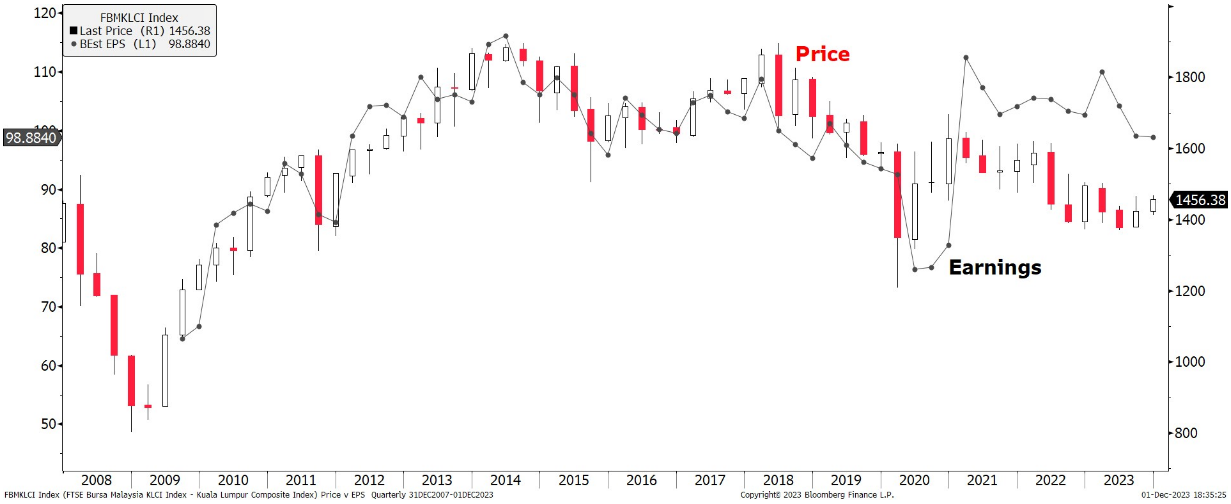
Source: Macrobond, Bloomberg, MIDFR

III. MARKET OUTLOOK

We begin our 2024 outlook commentary with the following remarks:

- The secular direct relationship between equity price and earnings is empirically conclusive.
- Multitudes of fundamental and situational factors influence (positively or negatively) the valuation ratio between price and earnings.

Chart 33: FBM KLCI: Price and Earnings



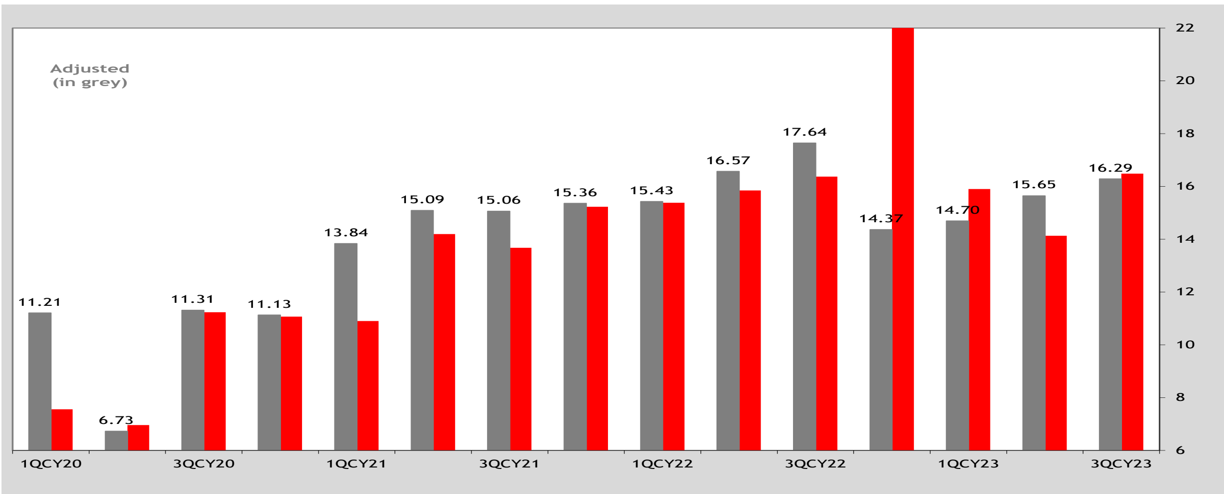
Source: MIDFR, Bloomberg (G644)
Note: Both Y-axes (right and left) are scaled to Price/Earnings ratio of 16.5x

- Below, we shall discuss on earnings performance and outlook as well as key valuation-related factors that would influence our baseline end-2024 price targets.

EARNINGS

Earnings in consolidation since 2021 due to multiple headwinds. Aggregate quarterly earnings of FBM KLCI constituents staged a V-shaped recovery following near total economic lockdown in mid-2020. However, it began to consolidate since mid-2021 attributable to a string of factors, namely (i) multiple surges in Covid-19 cases which necessitated several partial lockdowns, (ii) rising price pressure, (iii) higher interest rates to subdue inflation, and (iv) slowdown in external trades.

Chart 34: FBM KLCI: Aggregate Quarterly Earnings (RM Billion)



Source: MIDFR

Double-digit forward earnings growth next year as headwinds ebb. Going forward, the headwinds are expected to ebb due to (i) declining price pressure, (ii) anticipated cessation in policy rate hikes, and (iii) expected improvement in external trades. The consensus is currently projecting the FBM KLCI (free float-adjusted and liquidity screened) earnings to grow +12.3%yoy in 2024. In the broader market, based on our coverage universe of stocks listed on Bursa Malaysia as of early December 2023, the aggregate earnings growth is forecasted at +13.2%yoy over the next financial year. All sectors are expected to show positive earnings growth.

Table 7: MIDFR Universe: Sectoral Earnings Forecasts (RM million)

Sector	Current FY	Next FY	YoY (%change)
Construction	1,615.20	1,803.46	11.66
Consumer P&S	5,400.38	6,875.50	27.32
Energy	1,031.40	1,659.90	60.94
Financial Services	36,595.30	39,072.10	6.77
Health Care	1,902.51	2,298.51	20.81
Industrial P&S	3,321.80	4,467.20	34.48
Plantation	3,458.10	3,714.80	7.42
Property	1,667.00	1,983.40	18.98
REITs	1,956.00	2,047.00	4.65
Technology	1,055.50	1,296.70	22.85
Telco & Media	5,645.90	6,014.10	6.52
Transport & Logistics	3,328.46	4,084.20	22.71
Utilities	10,602.40	12,488.60	17.79
Total	**77,579.95**	**87,805.47**	**13.18**

Source: Bloomberg, MIDFR; (FY) - Financial Year

Financial to lead quantum and Energy to top percentage growth. Financial Services, Consumer Product & Services (P&S), and Utilities sectors are expected to contribute the largest quantum of incremental earnings. Moreover, Energy, Industrial P&S, and Consumer P&S sectors are anticipated to generate the highest earnings percentage growth.

Downside risks persist. However, we reckon there are externally driven downside risks to the rather buoyant 2024 earnings expectation. The main downside risk is a sharper slowdown in the US economy than the anticipated soft landing, while other downside risks include major escalation in the ongoing Russia-Ukraine and Israel-Hamas wars.

VALUATION-RELATED FACTORS

The inflation genie is back in the bottle… The spate of aggressive US Fed rate hikes which commenced in March 2022 has likely ended in July 2023. While the market thenceforth continued to worry over the possibility of further rate hikes, the probability of a higher Fed rate has been plummeting particularly after the November FOMC meeting as the market is now convinced the so-called inflation genie is back in the bottle.

…hence no more Fed rate hike instead cuts in second half 2024. At the time of writing, the market is attaching very small (less than 5%) probabilities of additional rate hike by the US Fed while attaching very high (more than 95%) probabilities of multiple rate cuts in the second half of 2024. Moreover, the interest rate differential between US Dollar and Ringgit is not anticipated to expand while likely to contract with BNM expected to keep the OPR unchanged in 2024. Thus, one of the reasons to support a stronger Ringgit vis-à-vis US Dollar.

Weaker US Dollar vis-à-vis Ringgit to attract fund inflows. As the probability of further Fed rate hikes plummeted since early November, the US Dollar began to depreciate vis-à-vis other currencies including Ringgit with USD/MYR rate dropping 2.2% to 4.66 in November. Concurrently, the local equity bourse recorded an RM1.55 billion inflow of foreign funds during the same month. We believe the USD/MYR would drop further to 4.45 by the end of 2023 together with more foreign inflows into the local equity market. In 2024, we expect the Ringgit to appreciate further against the US Dollar, with USD/MYR forecasted to close the year at the 4.20 level. Therefore, we are also sanguine on the prospect of foreign funds continuing to raise their shareholdings in the domestic listed companies.

GDP growth soft-landing externally and cruising locally... For the past almost two years, the US economy confounded many naysayers as it has shown great resiliency amidst elevated price pressure and sharp rises in interest rates. Arguably premised on this seemingly enduring strength, the consensus is expecting the US economy to achieve a soft landing next year with GDP growth of between 1-2%. Domestically, we expect Malaysia's economy to cruise along with back-to-back output growth at between 4-5% in 2024. Moreover, we expect corporate earnings to flourish next year against the backdrop of the continued rise in macroeconomic activities amidst declining price pressure and a more stable interest rate environment.

… while China's economic woes are not a major bane to the rest of the world. China's economic performance remains beleaguered by its battered property market coupled with a sharp slowdown in external trade. Having said that, we reckon the property slump is nearer its trough as compared to 12 months ago while external trades are showing some signs of leveling off. Moreover, we believe the authorities in China would stand ready to continue injecting the necessary financial liquidity (both monetary and fiscal) to deter a broader economic fallout. Most importantly, this lifeline would also help to contain cross-border financial and economic contagions in the wider world.

Expect FBM KLCI to erase the 2023 deficit and FBM70 to chalk a fresh year high. In reaction to (i) the overwhelming likelihood of no further Fed rate hike in view of easing price pressure, and (ii) underpinned by still resilient economic activities, the FBM KLCI along with most of the world equity markets have been gaining ground since early November 2023. Moreover, the Ringgit has been strengthening against the US Dollar, and the local equity bourse also benefitted from the inflow of foreign funds during the same month. Supported by these favourable circumstances, we expect the positive trend to continue in December with the FBM KLCI to end 2023 at circa 1,540 points, hence recouping its year-to-date deficit. Moreover, the FBM70 is expected to end 2023 at a fresh year-high of circa 14,500 points.

Post-hike period empirically attractive for equity market... Empirically, for as long as the underlying economic performance remains favourable, the period following the end of aggressive US Fed rate hikes could prove attractive for the equity market. This is principally due to the unwinding or subsiding pressure on equity required return as the upside risk diminishes with the end of rate tightening cycle.

Chart 35: FBM KLCI: Price and Earnings

Source: MIDFR, Bloomberg (G729)

...such after mid-2006. From mid-2004 to mid-2006, the US Fed undertook a series of aggressive rate hikes totalling 425 basis points (1.00% to 5.25%). Thenceforth, the equity market began to rally with the Dow Jones Industrial Average (DJIA) climbing from 10,700 points level in July 2006 to a pre-GFC (Global Financial Crisis) record of 14,100 points level in October 2007. Domestically, the FBM KLCI was also advancing from 900 points level in July 2006 to a pre-GFC record of 1,500 points level in January 2008.

But caution ahead. Domestically and externally, the prevailing growth projections for next year remain positive both at the macro and corporate earnings levels. However, we would like to be mindful of potential externally driven downside risk to the 2024 outlook based on time-tested signals, namely (i) the US Leading Economic Index (US LEI), and (ii) the US Treasury (UST) yield curve.

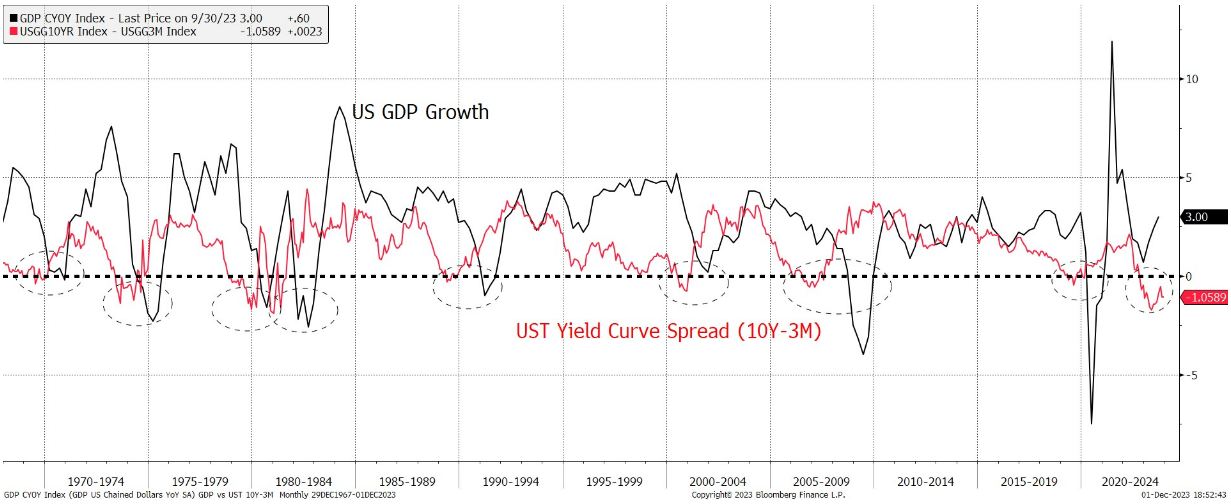
US LEI is in negative territory. The baseline consensus expectation points toward continued expansion in US economic activities next year albeit at a moderated pace of between 1-2%. However, downside risk to the anticipated economic soft landing is both credible and material. Notably, the US LEI has turned negative since the second half of 2022 and remains at well below zero level thenceforth. It must be highlighted that the leading index has correctly forewarned past US economic recessions such as the GFC in 2008. So, what is about to break next?

Chart 36: US LEI: A potent Leading signal

Source: MIDFR, Bloomberg (G728)

Inversion of UST yield curve. The aggressiveness of the US Fed in raising the short-term policy rate has invariably resulted in a complete inversion of the bond yield curve. Looking at various long versus short maturity spreads of the UST, the last to invert was the 10-year against 3-month (10Y-3M) in late October 2022. The inversion of the 10Y-3M spread serves as a potent signal of an impending economic recession, empirically within the ensuing 1 to 2 years. It correctly predicted all US recessions since at least the early 1970s. Presently, the bond market is tacitly predicting the US economy to fall into a recession possibly by the second half of 2024.

Chart 37: UST 10Y-3M Spread: Harbinger of Recession



Source: MIDFR, Bloomberg (G705)

Geopolitical conflicts present limited upside but big downside. The ongoing Russia-Ukraine war is expected to remain as that, an invasion by Russian military forces into Ukraine territory. This conflict is not foreseen to spread to other countries in the region. Similarly, the ongoing Israel-Hamas war is also expected to largely stay as that, an invasion by Israeli military forces into Gaza territory. While the conflict may spread to the West Bank or even southern Lebanon (as happened in 2006), we expect other countries in the region to refrain from being directly involved in the conflict. So far, both conflicts have engendered a limited impact on Malaysia's economic and corporate earnings performance thus exerting limited bearing on equity market performance. However, any major escalation that significantly broadens the theatres of war would substantially magnify the potential fallout to the wider world. Hence, the more prolonged the conflicts, the higher the chance that accidents would happen.

End-2024 Baseline Targets

Baseline scenario. Going into 2024, assuming baseline scenario in which,

1. The US Fed ceased raising rate and begins cutting,
2. The US Dollar weakens against Ringgit,
3. Positive corporate earnings growth to be underpinned by continued macro growth as well as declining price pressure and stable interest rates,
4. The authorities in China would be adept in handling its domestic economic situation thus limiting the risk of cross-border contagion,
5. Market shall remain mindful of US recession risk as signalled by both the US LEI and UST yield spread despite hitherto sanguine consensus growth expectation, and

6. Expect no major escalation in the Russia-Ukraine and Israel-Hamas wars but the situation could change rather drastically.

Sweet and sour. We foresee a situation whereby the equity market would becoming more bullish principally due to the unwinding or subsiding pressure on equity required return as the upside risk diminishes with the end of interest rate tightening cycle. Moreover, the prospect of a stronger Ringgit vis-à-vis US Dollar would attract returning inflow of foreign funds hence provide an additional fillip to the local equity market. On the flip side, the market is also expected to tread cautiously due to the lingering risk of US recession, as well as the unsettling situation in Ukraine and Palestine which could escalate rather drastically.

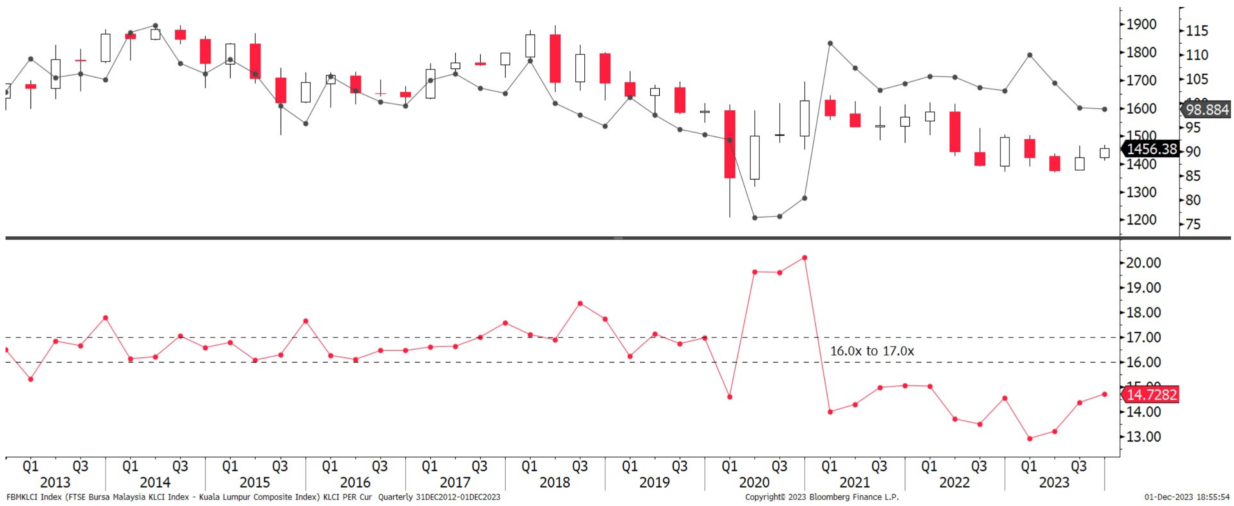
Limited upside to valuation. In 2024, we expect the local equity market to be supported by a less hostile monetary environment. However, we foresee a limited upside to equity valuation due to the limiting factors described in above, particularly the risk of US recession.

Table 8: FBM KLCI: Consensus Forward Earnings

Calendar Year	Earnings (Points)	YoY (%change)
CY2024 (F)	111.08	12.34

Source: Bloomberg, MIDFR

Chart 38: FBM KLCI: Price, Earnings & Valuation (Current Year) – 16.0x to 17.0x



Source: MIDFR, Bloomberg (G658)

FBM KLCI end-2024 target at 1,665 points or PER24 of 15.0x. At the time of writing, the FBM KLCI is trading at 1,456 points or PER23 of 14.7x. The benchmark is trading at a historically depressed level mainly due to price underperformance among its banking constituents. Empirically, the FBM KLCI normally traded at between 16.0x to 17.0x current year earnings. Accordingly, the end-2024 target point (based on the latest CY2024 earnings of 111.08 points) would normally range between 1,777 points to 1,888 points. Nonetheless, as we foresee a limited upside to equity valuation due to the factors discussed above, our target valuation for FBM KLCI in 2024 is pegged at only 15.0x. We introduce our FBM KLCI end-2024 target at 1,665 points.

Table 9: FBM Hijrah: Consensus Forward Earnings

Calendar Year	Earnings (Points)	YoY (%change)
CY2024 (F)	658.17	23.90

Source: Bloomberg, MIDFR

Chart 39: FBM Hijrah: Price, Earnings & Valuation (Current Year) - 18.0x to 22.0x

Source: MIDFR, Bloomberg (G725)

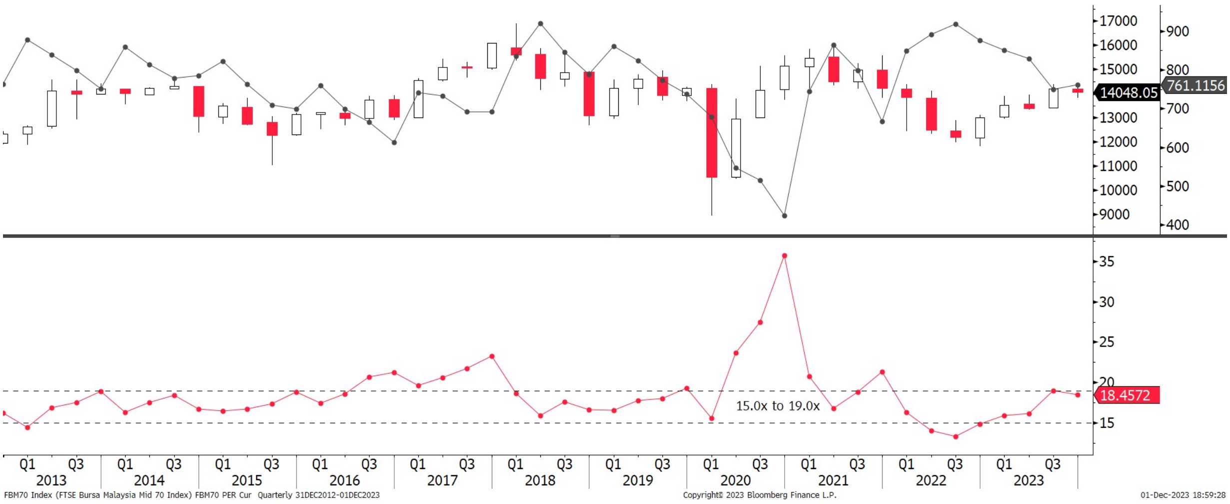
FBM Hijrah's end-2024 target at 13,450 points or PER24 of 20.4x. At the time of writing, the FBM Hijrah is trading at 11,673 points or PER23 of 22.0x. The index is trading at the upper end of its historical range. Empirically, the FBM Hijrah normally traded at between 18.0x to 22.0x current year earnings. Accordingly, the end-2024 target point (based on the latest CY2024 earnings of 658.17 points) would range between 11,847 points to 14,480 points. Going forward, we expect the index valuation to revert towards the mean of its historical range. Hence, our target valuation for FBM Hijrah in 2024 is pegged at 20.4x. We introduce our FBM Hijrah end-2024 target at 13,450 points.

Table 10: FBM70: Consensus Forward Earnings

Calendar Year	Earnings (Points)	YoY (%change)
CY2024 (F)	970.80	27.55

Source: Bloomberg, MIDFR

Chart 40: FBM70: Price, Earnings & Valuation (Current Year) - 15.0x to 19.0x



Source: MIDFR, Bloomberg (G715)

FBM70 end-2024 target at 16,890 points or PER24 of 17.4x. At the time of writing, the FBM70 is trading at 14,048 points or PER23 of 18.5x. The index is trading at near the upper end of its historical range. Empirically, the FBM70 normally traded at between 15.0x to 19.0x current year earnings. Accordingly, the end-2024 target point (based on the latest CY2024 earnings of 970.80 points) would range between 14,562 points to 18,445 points. Going forward, we expect the index valuation to revert towards the mean of its historical range. Hence, our target valuation for FBM70 in 2024 is pegged at 17.4x. We introduce our FBM70 end-2024 target at 16,890 points.

IV. STOCK SELECTION

Market and economy to cruise along in 2024. We are cautiously optimistic about the economic and equities market growth prospect for 2024, albeit at a steady pace. Many of the factors that influenced 2023 such as inflation and interest rates seem to be dissipating. Meanwhile, we believe that the implementation of some of the government's policies and a recovery in external trade will be key factors to monitor in 2024. As such, we expect that 2024 will be the year when the economy and markets will cruise along.

Recovery of trade will be a theme for next year. Given that we expect external trade will see a recovery next year, we opine trade-related stocks such as logistics and ports will benefit from this. The main drivers would be the potential for improved consumption patterns following the cessation of further monetary policy tightening by major economies. Subsequently, we can expect an increase in interregional container movements. Furthermore, we expect freight rates to stabilise after hitting a bottom in mid-CY23, coupled with an anticipated recovery in shipment volume due to the current affordability of freight rates.

More updates from the new economic catalyst. As stated previously, we are very positive on the launching of the NETR as we believe that this could lead to a new economic catalyst. The clear and firm policy layout on the energy transition under NETR, we opine should drive a sector re-rating on improved growth and ESG profile. We expect key beneficiaries in the asset ownership space from both RE capacity expansion and grid upgrade investments while the RE EPCC sub-sector is also a big beneficiary of NETR given the massive potential for orderbook expansion. We can expect more updates in this space in 2024.

The construction sector will continue to benefit from high DEVEX. In our opinion, the 12MP Mid-Term Review (12MP-MTR) that was announced this year has given more prominence to the construction sector. This is based on the planned DEVEX and the expectation that the government will spend circa RM90b per year for the remainder of the 12MP period. This could entail more infrastructure works and we can expect the upcoming rollout of large rail projects such as the MRT3, Penang LRT, and the proposed revival of the KL-Singapore High-Speed Rail (HSR) to provide a boost to the order books of construction companies.

Property is also another sector to look at. We are positive on the improving outlook for the property sector amid the downtrend in property overhang and inventory level of property companies. Besides, unchanged OPR is positive for property companies as that supports recovery in demand for property.

No change to sector calls. We make no changes to our sector calls in this report. One change that was made just prior to this report was the downgrade of the Consumer sector to NEUTRAL (from POSITIVE). The summary of our sector calls is as follows;

POSITIVE: Banking, Construction, Healthcare, Power, Property, Oil & Gas, REITs, Transportation

NEUTRAL: Automotive, Consumer, Gloves, Plantations, Technology, Telecommunication

NEGATIVE: None

The top ten picks reflect our view. We maintained much of our overall top picks as per our 4QCY23 outlook as we believe that the theme will continue into 2024. However, we made some adjustments due to either a change of call (as the share price met our target price) or better prospects such as recovery in external trade. Our overall top picks are as follows:

Table 11: Overall Top Stock Picks (Rank by Total Returns)

	Rec.	Price (RM) @ 5/12	Target Price	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
Sunview	BUY	0.64	1.13	76.6%	0.0%	76.6%	-	-
Samaiden	BUY	1.10	1.54	40.0%	0.0%	40.0%	-	-
Mah Sing	BUY	0.78	0.99	27.7%	5.0%	32.7%	4	Y
Gamuda	BUY	4.42	5.55	25.6%	2.2%	27.8%	2	N
Matrix Concepts	BUY	1.64	1.86	13.4%	6.6%	20.0%	4	Y
Sunway Construction	BUY	1.82	2.09	14.8%	3.3%	18.1%	-	-
Tenaga Nasional	BUY	9.97	11.00	10.3%	5.1%	15.5%	3	Y
IJM Corp	BUY	1.90	2.11	11.1%	4.2%	15.3%	-	-
D & O Green Tech	BUY	3.51	4.03	14.8%	0.4%	15.2%	4	Y
Westports	BUY	3.53	4.00	13.3%	0.1%	13.4%	4	Y

Source: Companies, Bursa Malaysia, FTSE, Bloomberg, MIDFR

Top ten picks amongst FBM 70 and small-cap stocks. In our opinion, it is still worthwhile for investors to look at FBM 70 and Small Caps more closely given the outperformance of the FBM 70 and FBM Small Caps this year. Below are our top ten picks among FBM70 stocks:

Table 12: Top FBM 70 Stock Picks (Rank by Total Returns)

	Rec.	Price (RM) @ 5/12	Target Price	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
Tasco	BUY	0.79	1.30	64.6%	3.8%	68.4%	4	Y
Samaiden	BUY	1.10	1.54	40.0%	0.0%	40.0%	-	-
Mah Sing	BUY	0.78	0.99	27.7%	5.0%	32.7%	4	Y
Gamuda	BUY	4.42	5.55	25.6%	2.2%	27.8%	2	N
Fraser & Neave	BUY	27.64	33.50	21.2%	2.7%	23.9%	4	Y
Sunway	BUY	1.91	2.25	17.8%	3.4%	21.2%	-	-
Matrix Concepts	BUY	1.64	1.86	13.4%	6.6%	20.0%	4	Y
Malayan Cement	BUY	4.21	4.91	16.6%	1.4%	18.1%	-	-
D & O Green Tech	BUY	3.51	4.03	14.8%	0.4%	15.2%	4	Y
Westports	BUY	3.53	4.00	13.3%	0.1%	13.4%	4	Y

Source: Companies, Bursa Malaysia, FTSE, Bloomberg, MIDFR

Top ten picks amongst Shariah stocks. Finally, in conjunction with the introduction of our FBM Shariah Index year-end target, we also have top picks for investors looking at Shariah stocks. Below are our top ten picks among Shariah-listed stocks:

Table 13: Top Shariah Stock Picks (Rank by Total Returns)

	Rec.	Price (RM) @ 5/12	Target Price	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
Tasco	BUY	0.79	1.30	64.6%	3.8%	68.4%	4	Y
Mah Sing	BUY	0.78	0.99	27.7%	5.0%	32.7%	4	Y
Gamuda	BUY	4.42	5.55	25.6%	2.2%	27.8%	2	N
Sunway	BUY	1.91	2.25	17.8%	3.4%	21.2%	-	-
Matrix Concepts	BUY	1.64	1.86	13.4%	6.6%	20.0%	4	Y
Sunway Construction	BUY	1.82	2.09	14.8%	3.3%	18.1%	-	-
Tenaga Nasional	BUY	9.97	11.00	10.3%	5.1%	15.5%	3	Y
IJM Corp	BUY	1.90	2.11	11.1%	4.2%	15.3%	-	-
D & O Green Tech	BUY	3.51	4.03	14.8%	0.4%	15.2%	4	Y
Westports	BUY	3.53	4.00	13.3%	0.1%	13.4%	4	Y

Source: Companies, Bursa Malaysia, FTSE, Bloomberg, MIDFR

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B. SECTORS OUTLOOK

I. BANKING

Asset quality concerns ease...Maintain POSITIVE

*Analyst: **Samuel** Woo Choong Yi*

We expect earnings to move firmly in a positive direction. Good NIM improvement, measured OPEX growth (following CY23's bumper year) and lower NCC charges should offset normalisation in NOII (which CY23 greatly benefitted from).

NII/NIM should improve. The entirety of CY23 was dominated by prolonged deposit competition which stemmed from structural changes pertaining to the OPR hike and SRR compliance tightening. While this year saw a much tighter market liquidity profile, this was more in line with normal years and banks seem optimistic this time around.

Post-CNY is the period to watch. Most banks should be experimenting with FD rate cuts during this period. We think there's a possibility that they may cut FD rates to more normalised values (CY23's rates never fully recovered even after CNY). We will be watching Islamic rates especially closely, to see if there is any possibility for the widened gap between Conventional and Islamic rates (that started in CY23) to narrow.

A less exceptional year for NOII, though fee income should see improvement. This year was lifted by bumper non-fee contributions, due to interest rate and MYR movements leading to exceptional MTM and forex gains. While these are largely one-offs, we are more optimistic about the fee income outlook, as several banks have made considerable improvements to fee income business lines.

More normalised OPEX, though be wary of elevated tech spend. CY23 saw tech spend and Collective Agreement adjustments dominating the OPEX space, elevating personnel costs. In contrast, CY24 should see more of a muted uptick, given high base effects, though further tech spend may continue to keep cost inflation at reasonable amounts.

Asset quality and provisioning should see further improvement, while writebacks are expected. With most banks guiding that the worst is over (from an asset quality standpoint), we expect to see gradual improvements in the GIL ratio throughout the year. As a result, we anticipate lower provisioning charges, with the brunt of banks already having boosted their LLC to comfortable positions. Larger writebacks can be expected for banks of stronger asset quality, such as PBK and HLBK, though we do expect most banks to return some degree of overlays.

Stronger business loan pipeline offset by tapering of retail demand. Banks are guiding for further post-election business disbursements. With the onset of major infrastructure projects and rippling effect into other industries, we foresee business loan demand to remain strong throughout. On the other hand, retail loans have already seen some tapering off, as indicated by Oct-23 banking stats. Banks have also guided for lowering hire purchase applications, while residential mortgages are no longer as attractive due to razor-thin margins. We do expect higher-yield unsecured loans to remain popular as a means of NIM optimisation, as asset quality concerns continue to fade.

Deposits to see stronger growth. CY23 was dominated by FD-paring exercises to optimise NIM. With liquidity levels tightening, we expect banks to be hungrier for deposits, so we expect stronger growth at this end. With a large quantity of FDs maturing after CNY (timed as such to avoid renewals during 4QCY23), expect a sharp upsurge in demand during this period. Retail CASA balances are expected to continue tapering off, after this quarter's brief lull. We remain unsure whether banks will continue utilising interbank lending as much, but a reduction in dependence will lead to a further need for deposit growth.

As before, dividend prospects remain as bright as ever. With several banks having confirmed their intention to increase dividend payouts, and more banks offering full cash dividends (a sign of banks being happy with their capital builds), CY24's dividend outlook remains very bright. A possible upside to dividend quantum includes BNM loosening its requirements on the bank's CET1 ratios – the industry average stands close to a very high ~14%.

Top picks are CIMB (BUY, TP: RM6.62) as we see further room for ROE optimisation and online offerings. while Niaga remains a solid driver of growth. **AMMB (BUY, TP: RM4.23)** is favoured for its good OPEX control alongside its sleeker and more secure capital structure implying better ROEs and dividend payouts in the future.

II. CONSTRUCTION

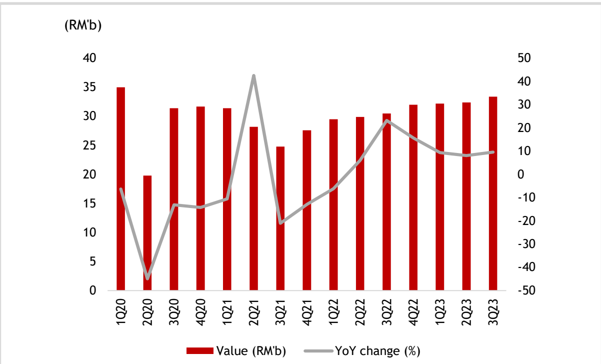
Speeding up the take-off...Maintain POSITIVE

*Analyst: **Royce** Tan Seng Hooi*

Time for take-off. The runway is smooth and the potholes have been patched. Flights have been scheduled but there have been delays, rather extended delays. Such is the metaphorical description of the construction sector at the moment. Political uncertainties have pretty much been alleviated, medium-term plans are in place under the Mid-Term Review of the 12th Malaysia Plan and allocations have been made, via a RM90b development expenditure under Budget 2024. The pipeline of civil projects looks strong, coupled with the strong demand of industrial buildings such as warehouses, data centres, and semiconductor plants. What is crucial moving forward, is the commitment in rolling out the projects planned.

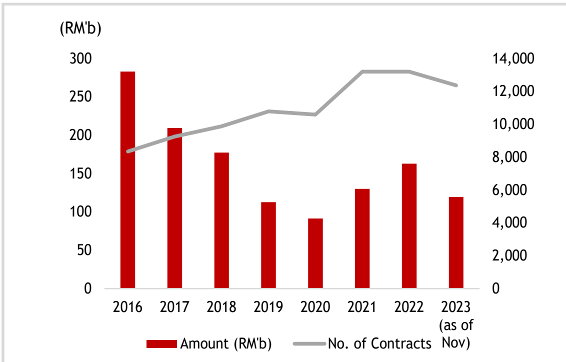
Operations at full capacity. Our economics team forecasted a +5.5% growth for the construction sector in 2024, a slight decline from the estimate of +7.0% in 2023. The growth is expected to be attributable to ongoing progress and works involving mega projects such as the Pan Borneo Highway, East Coast Rail Link (ECRL), LRT3, and the RTS Link. Looking at the progress made in 2023, the value of construction work done has grown +9.0%yoy to RM98.0b for the cumulative 9MFY23. This was mainly driven by the civil engineering subsector, which made up RM37.78b or 38.5% of the work done. The other subsectors were non-residential buildings (29.6%), residential buildings (22.1%), and special trade activities (9.8%). We note that the value of work done has increased gradually every quarter since 4QCY21. Job flows in 2023 have not been up to par but this is expected to improve in 2024 with the various development plans in store. As of Nov-23, a total of 12,373 contracts were awarded, worth RM119.72b, which was a decline of -13.1%yoy as compared to the same period in 2022. We expect the rollout of the MRT3 and Penang LRT projects next year, among others, to boost the value of job flows next year.

Chart 41: Value of Construction Work Done



Source: CIDB, MIDFR

Chart 42: Value & Volume of Contracts Awarded



Source: CIDB, MIDFR

Rollout of mega projects. In our 2023 outlook, we did not discount the possibility that the MRT3 will be delayed slightly from its expected tender award in Dec-22. It turned out that the mega rail project has been delayed for close to a year now. The tender validity period has been extended several times, with the latest until Dec-23. It would not be surprising to expect further delays in the rollout of the project, though we do expect it to be awarded in 2024. Recall that a review was carried out on the MRT3 to bring its cost down by 10% from RM50b to RM45b after the 2022 General Election in November. Apart from the MRT3, another mega project that can be expected is the Penang LRT, where the government has allocated RM10b under Budget 2024. Among other efforts under Budget 2024 is the allocation of RM11.80b for 33 flood mitigation projects, RM2.80b for maintenance of federal roads and bridges, and RM2.50b to build 26 new schools and these would largely benefit the smaller contractors. Development projects are also expected to pick up pace in East Malaysia with development allocations of RM6.60b and RM5.80b for Sabah and Sarawak respectively, on top of RM15.70b for Pan Borneo Sabah and RM7.40b for the Sarawak-Sabah Link Road. While it may not seem that there were many infrastructure projects under the national Budget, we remain cognisant that many of the larger projects, such as the MRT3, the Subang Airport regeneration plan, and the proposed revival of the KL-Singapore High-Speed Rail (HSR) would be off-Budget projects. The HSR, if given the green light, would provide a huge boost to the construction sector. It is currently undergoing the request for information (RFI) exercise, the deadline of which has been extended to 15 January, 2024. There is also a recent proposal for an LRT network in Johor, where the state government has identified three lines, which will provide further job flows down south, depending on the Federal Government's approval.

Maintain POSITIVE. We are reiterating our POSITIVE stance on the construction sector, backed by a strong pipeline of infrastructure projects, on top of the rising demand for industrial buildings such as logistics warehouses, data centres, and semiconductor plants. In terms of costs, figures from the Department of Statistics Malaysia (DOSM), average steel bar prices nationwide stood at RM3,608.94 per tonne as of Oct-23, with a marginal +0.03%mom increase following five consecutive months of declines. As for cement prices, the average price nationwide was RM22.96 per bag of 50kg, among the highest in recent years as manufacturers raised prices to cope with rising energy costs. Nevertheless, stronger contractors were able to navigate through the higher costs and are able to improve their margins in recent quarters. Our preferred names in the construction sector are still the larger contractors, especially those with robust balance sheets and considerable overseas presence. They are **Gamuda (BUY, TP: RM5.55)** and **IJM Corp (BUY, TP: RM2.11)**. We also like **Malayan Cement (BUY, TP: RM4.91)**, which is one of the direct beneficiaries of the improving construction sector. On overseas presence, Gamuda has made great strides especially in Australia, which now makes up more than half of its outstanding order book. It has also won jobs in Taiwan and Singapore. As for IJM Corp, it is currently finalising a feasibility study for the construction of 20 blocks of residential towers in Nusantara, the upcoming new capital of Indonesia. It is also bidding for highway projects in India, a country where it has a portfolio of road and rail projects.

III. HEALTHCARE

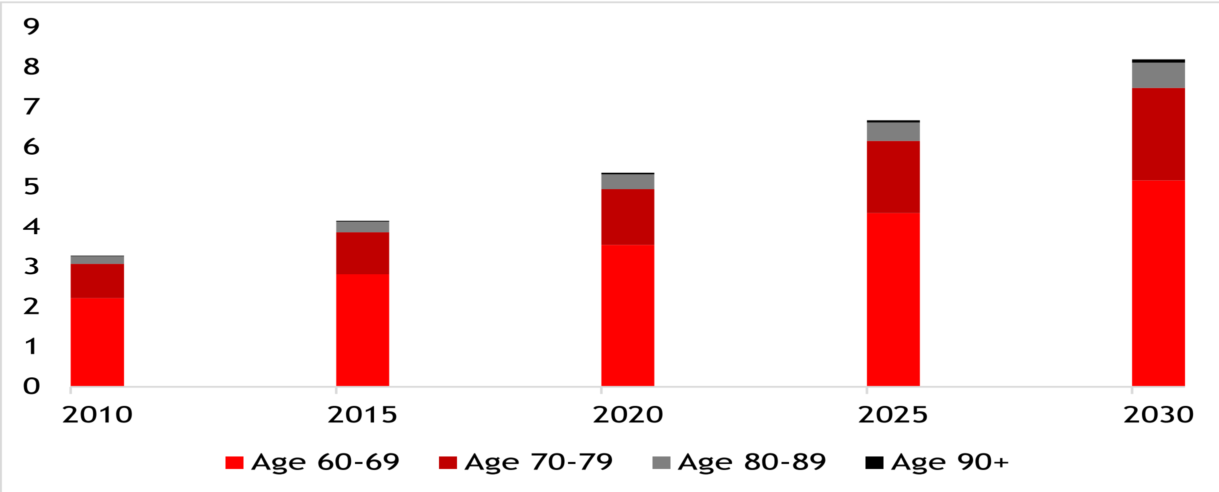
Robust demand for services amid ancillaries recovery...................................Maintain POSITIVE

Analyst: MIDF Research Team

Global healthcare in preparation for increasing cases of lasting Covid-19. Despite the major symptoms of Covid-19 pandemic coming down to a tolerable level worldwide, the lasting impact of the infection has started to show within the aging population. Studies in CY23 had displayed preliminary signs that Parkinson's disease (PD) patients are more vulnerable to the lasting effects of Covid-19 infection. PD patients are mainly aged 60 and above. Concerns of another related Covid-19 variant have been in the talks within the global healthcare community, although we opine that this outbreak, should there be one, can be contained due to the preparation for such events among healthcare players. Nevertheless, the growing aging population remains an upside trend for the sector, as bed occupancy rate (BOR) and inpatient visits are expected to rise along with the demand for pharmaceutical products in treating non-communicable diseases (NCDs) and rare illnesses.

Healthcare providers' operations are supported by higher demand. The strong resiliency displayed by both public and private medical institutions in CY23 on our local front, in tandem with the: (i) return of medical tourism, (ii) diminished impact of Covid-19, (iii) the rising aging population, and (iv) increased governmental budget for the healthcare sector, is expected to resume in CY24. With the rising of foreign tourists to over 25 million in CY23 to date, we are expecting medical tourism to return to full force and contribute at least 10% to our private hospitals. Additionally, the growing aging population in Malaysia is expected to increase NCD cases, giving more opportunities for healthcare providers - hospitals, clinics, hospices and specialised care institutions - to leverage on in CY24. All in all, we opine that healthcare providers to maintain sanguine, despite the challenges of: (i) medical personnel and nursing shortages, (ii) changes in governmental policies and regulations, (iii) upskilling for AI technology and digitalisation, and (iv) inflationary pressures on operational costs.

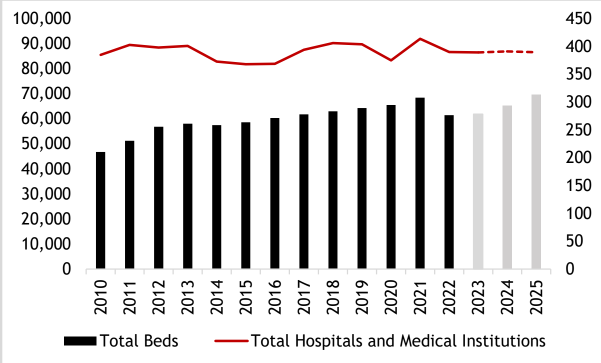
Chart 43: Malaysia's Aging Population



Source: Macrobond, MIDFR

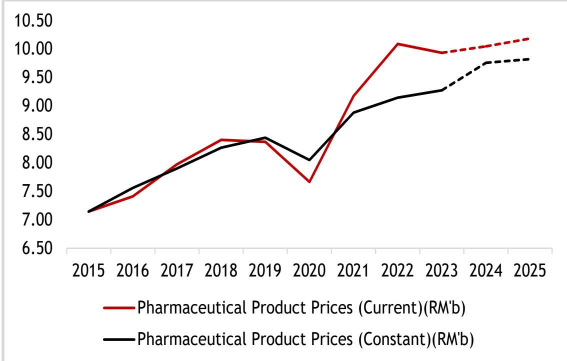
Recovering from pandemic aftermath on medical ancillaries. We opine that the strong outlook on healthcare providers would translate into significant growth for the medical devices market. Consensus projected a potential growth of 7% 2023-2028 CAGR, with cardiology devices leading, in line with the prevalence of cardiovascular diseases in the region. However, the challenge in the medical equipment subsector remains to be the smaller market size on our local front, with most devices not being manufactured locally. However, this could attract more collaboration within the subsector in the near term, while also improving the policies and regulations by both providers and the government. As for pharmaceuticals, the move to an endemic stage in Covid-19 had left a dent in this subsector in CY23. While over-the-counter (OTC) and prescription medications, as well as dietary supplements, had seen an increase in demand post-pandemic, the loss of revenue from the Covid-19 vaccines had affected the subsector negatively. Nevertheless, for CY24, we are expecting the industry to recover, driven by government incentives and better regulations of the value chain under the NIMP 2030. We are also anticipating more innovation and infrastructure for pharmaceuticals to meet the challenges of manufacturing costs, higher API prices, and the ever-evolving technology efficiency.

Chart 44: Malaysia's Total Beds & Hospitals



Source: Macrobond, MIDFR

Chart 45: Malaysia's Pharmaceutical Product Prices



Source: Macrobond, MIDFR

Maintain POSITIVE. All in all, we maintain our POSITIVE stance on the healthcare sector. However, we still keep an eye on downside risks from: (i) unfavourable global economic environment, (ii) semiconductor shortages, (iii) increasing labour costs consequent to shortage of medical personnel, (iv) higher manufacturing costs for medical ancillaries, and (v) continuous geopolitical tensions and natural disasters that could affect private institutions operating in other regions. We believe these risks, however, will be offset by the increasing demand for hospital treatments in line with the increasing aging population and medical tourism, as well as the recovery for medical ancillary services, products, and equipment post-pandemic with the support of governmental incentives and improved regulations.

Our top picks remain to be **IHH Healthcare (BUY, TP: RM7.08)** and **KPJ Healthcare (BUY, TP: RM2.12)**. We expect that healthcare providers will continue to maintain their resiliency, amid the advancement of medical technology and improved regulations. We are positive on both companies, on the strength of: (i) increasing demand for inpatient treatments, surgeries, and deliveries following the rising aging population, (ii) financial resiliency in its local and foreign businesses mitigating higher operation expenses, and (iii) increasing governmental budget for the sector that covers partnerships between private and public healthcare providers, as well as financial access to patients.

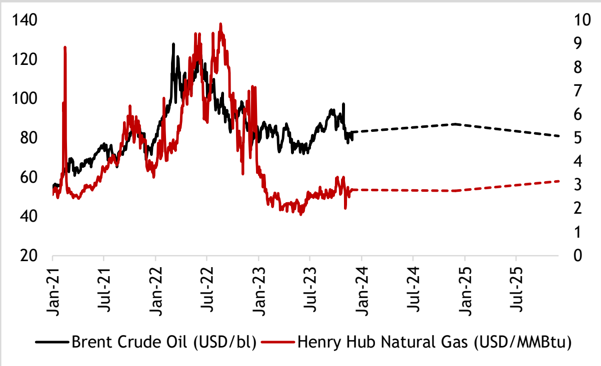
IV. OIL & GAS

Turmoil in Middle East a ticking time bomb for oil market..............................Maintain POSITIVE

Analyst: MIDF Research Team

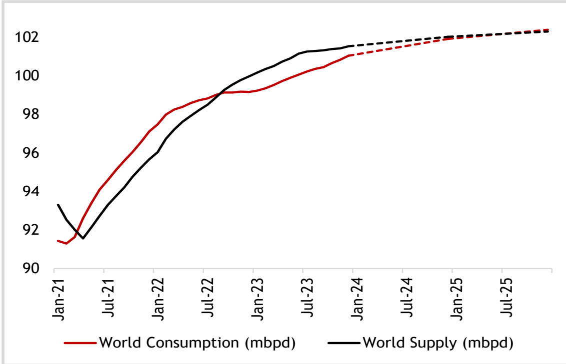
Volatile supply amid increasing demand. The Russia-Ukraine war, as well as ongoing tensions in the Middle East region, had escalated in 2HCY23 and had shown little signs of backing down completely. As such, we expect that these scenarios coupled with the uncertainty in Saudi Arabia and Russia's voluntary supply cuts, would impact the Brent crude oil price and consequently, affect the supply and demand for crude petroleum and petroleum products alike. We projected that, while supply may seem to outrun demand in CY24 and will only slightly converge in CY25, we believe external drivers continue to play a role in balancing the supply-demand for oil. These drivers include the uncertainty in the geopolitical issues in relation to oil-producing nations, and OPEC+ and the US inventory influences on the global supply numbers, coupled with an anticipated increase in demand for crude oil by the Central and East Asian region and the South American region. We forecasted Brent to average slightly higher than the YTD23 average of USD83pb to an average of USD84-86pb in CY24, based on: (i) a stabilised oil and gas supply output to demand globally amid lower discoveries and the replenishment of inventories, (ii) lasting impact of geopolitical tensions on energy security, refinery throughputs, and freight rates, (iii) inflationary pressures on material cost and consumer demand, and (iv) lower crude oil production by OPEC+.

Chart 46: Brent Crude Oil & Henry Hub Natural Gas



Source: Macrobond, MIDFR

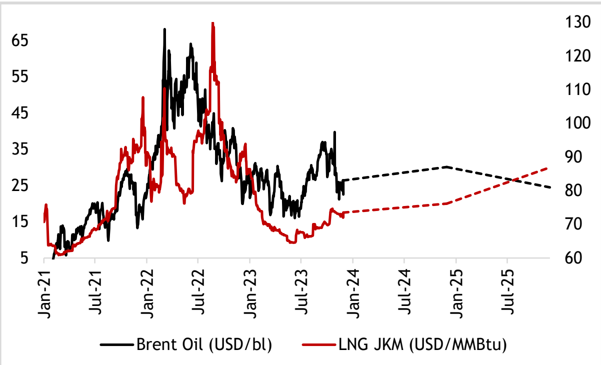
Chart 47: Global Oil Supply & Demand



Source: Macrobond, MIDFR

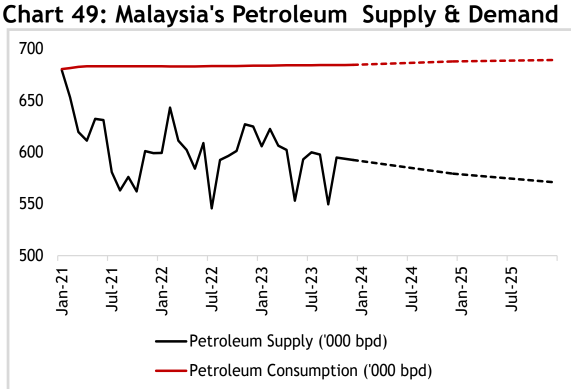
Local OGSE players to leverage on higher Brent price. We believe that the expected increase in upstream activities (following robust oil prices) will continue to be beneficial to our OGSE companies, albeit operations will be limited to contractual projects that are undergoing E&P, as well as brownfields that are amid enhanced recovery. We anticipate that upstream activities will continue to benefit OGSE companies, with opportunities to secure projects in a timeline of 3-5 years as well as during maintenance season. Meanwhile, Malaysia's demand for petroleum products is expected to remain elevated in CY24, most notably fuel oil and Jet A1. Despite the volatility on the supply side, we believe it will follow up with higher consumption, as crude oil and natural gas prices are trading on a stable line. However, petrochemical products may see a slight uncertainty in terms of demand and product prices, following the: (i) increased competition with China as China's manufacturing sector recovers, (ii) expectation of El Nino continuing into CY24 which could translate into a slower demand for fertilisers, and (iii) slow growth on specialty chemicals revenue. Nevertheless, we are expecting petrochemicals to pick up pace by 2HCY24, in tandem with the increase in LNG demand.

Chart 48: Brent Crude Oil vs. LNG



Source: Macrobond, MIDFR

Chart 49: Malaysia's Petroleum Supply & Demand



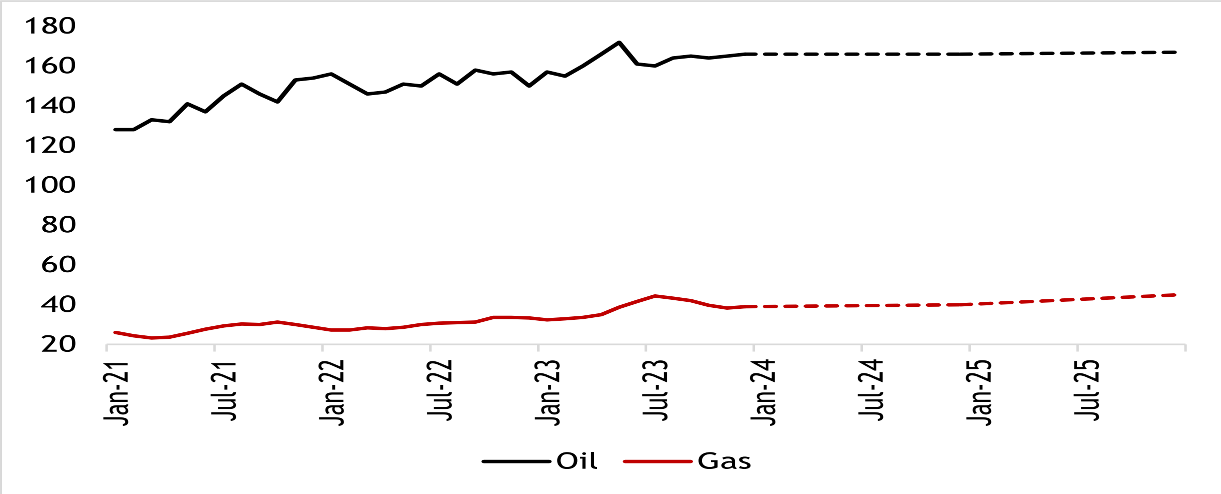
Source: Macrobond, MIDFR

UPSTREAM

Exploration and production (E&P) projects had been at full capacity in CY23, barring maintenance downtime and unprecedented shutdowns. As such, we are expecting E&P operations to continue their resiliency in CY24, in consideration that E&P operations could take at least 3 years to see its first oil and gas extraction of a commercial volume. With the consensus expectations that oil prices will continue to be volatile between USD80-100pb in CY24, coupled with the anticipation of more supply cuts by OPEC+ and the ongoing geopolitical conflicts in Eastern

Europe and the Middle East, we are expecting rig count to grow marginally by +1-2% of the current numbers, following the resumption of E&P activities post-pandemic, mitigated by the timeline of E&P and drilling projects. Consequently, we reiterate our positive view on local OGSE companies affiliated with the upstream division. The challenges, however, continue to be labour shortages and project divestments, as well as global inflationary pressures and supply chain disruption caused by increased raw material prices.

Chart 50: Asia Pacific Rig Count

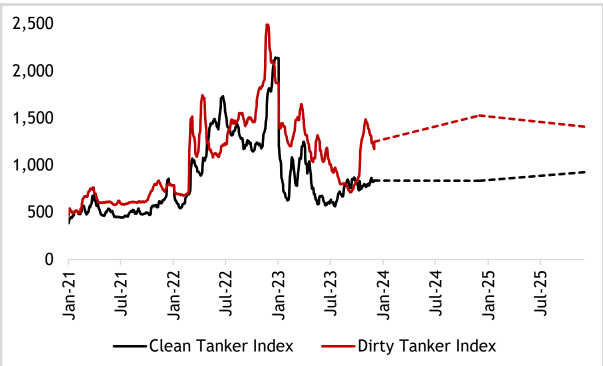


Source: Macrobond, MIDFR

MIDSTREAM

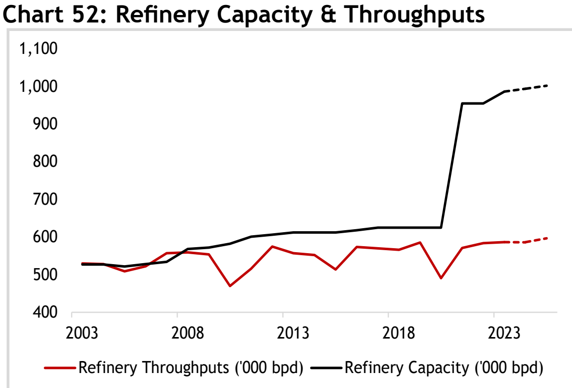
Natural gas demand is anticipated to gradually outrun crude oil demand, in line with Malaysia's aspiration for a cleaner energy fuel within its utilities sector and LNG exports to Europe and Asia. As such, we believe demand for LNG carriers (LNGC) will remain robust in CY24 following an expected stabilising tanker rate for petroleum products (clean tanker). Meanwhile, crude oil tankers (dirty tanker) would see a rise in tandem with the expected higher Brent crude price in CY24, however, the volatility of crude prices continues to be a downside risk to the demand for crude tankers. Storage farms for petroleum oil are also expected to improve in utilization following higher demand and stabilised crude oil prices within a pricing band of USD80-85pb. Despite the anticipation of robust midstream operations, transport services are expected to raise selling prices to offset inflationary pressures, freight rates, and higher raw material prices. Additionally, with the call for cleaner fuel in the shipping and marine sectors, we expect the expenses to retrofit existing fleets with cleaner engines, as well as the purchase of newer vessels and vessels concerning energy transition (i.e., LCO2C, H2C) would be significant for transportation companies within the midstream division.

Chart 51: Baltic Tanker Rates Index



Source: Macrobond, MIDFR

Chart 52: Refinery Capacity & Throughputs

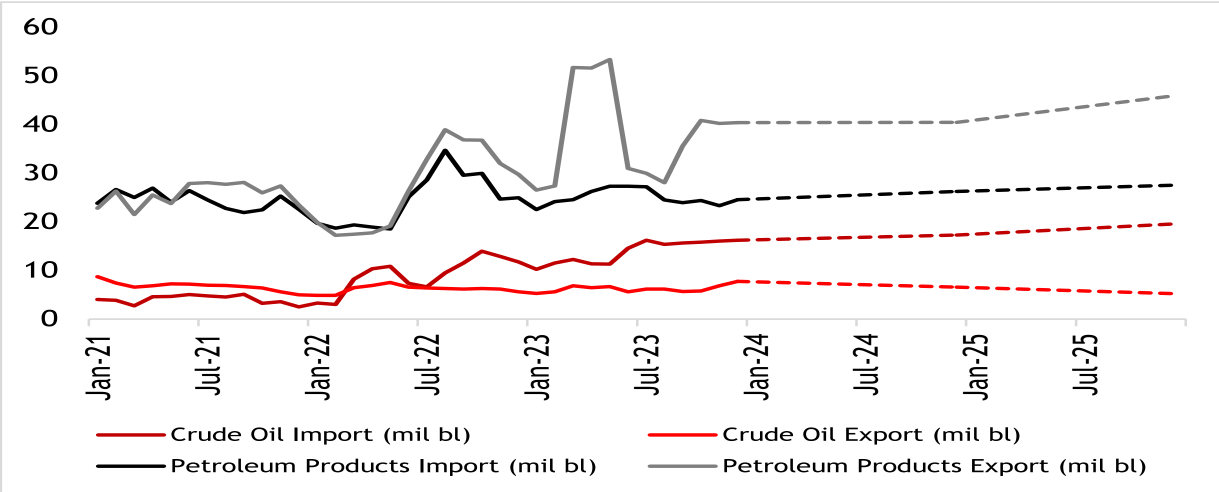


Source: Macrobond, MIDFR

DOWNSTREAM

The demands from tourism and industrial sectors have been on the rise since the end of the pandemic, and we expect the appetite for Diesel, Jet A1, and fuel oil to remain sanguine in CY24, despite the call for more usage of electrical vehicles and cleaner fuel (i.e., natural gas, hydrogen). While we believe that the interest in energy transition will continue to be boosted with the support of NETR and NIMP 2030, clean energy fuel is still costly to produce, operate, and distribute. Hence, for the near term, we still believe that jet fuel, diesel, and Mogas would still be in high demand. Meanwhile, the petrochemical subindustry is anticipated to pick up traction by mid-CY24 with full plant utilisation forecasted between 96-100% capacity, although external challenges may persist. Such challenges include: (i) oversupply against slower demand for petrochemical products, (ii) slower demand growth for green and specialty chemicals, and (iii) crude oil price volatility that would affect the Malaysian Reference Price for petrochemical prices.

Chart 53: Malaysia's Crude Oil & Petroleum Product Import-Export



Source: Macrobond, MIDFR

Maintain POSITIVE with caution on external drivers. All in all, we remain positive for the O&G sector. We believe the upstream division can leverage its long-term contractual operations with perceived cyclical risks in shutdown and maintenance. We also expect the midstream to remain strong on the pipeline and storage subdivision, but marine transportation still faces the risk of supply chain disruptions and volatile charter rates that depend on crude oil and LNG prices. As for the downstream, continuous demand for industrial, commercial, and residential fuel is expected to rise as the local and regional economies are expected to improve in CY24. However, this is offset by the oversupply of petrochemical products against a lower demand, which we believe will persist until 2HCY24. However, the downside risks include: (i) shifting demand for crude petroleum and petroleum products in the Asian region, (ii) inflation pressures affecting raw material prices and freight rates, (iii) ongoing geopolitical issues in Europe, the Middle East, and East Asia threatening volatility in crude oil and natural gas prices, (iv) global crude oil supply cuts by OPEC+, and (v) the low possibility of another global pandemic.

Our top picks for the sector are **Bumi Armada (BUY, TP: RM0.67)** for Upstream, **Petronas Gas (BUY, TP:RM18.75)** for Midstream, and **Petronas Dagangan (BUY, TP: RM24.91)** for Downstream. We like these companies for its: (i) robust order book and balance sheet, (ii) resilient operations amid high crude oil price volatility and other uncertainties, (iii) strong business model and sustainability strategies, and (iv) expectations of leveraging on demand recovery for crude petroleum and petroleum products in CY24.

V. POWER

Riding on the energy transition...Maintain POSITIVE

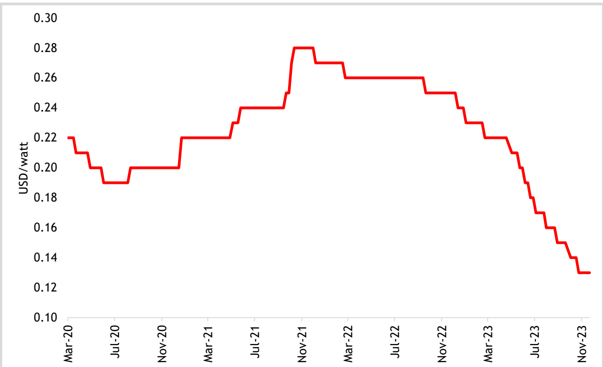
*Analyst: **Hafriz** Hezry Harihodin*

Strong policy support for RE growth. A firm policy layout to drive an energy transition under the National Energy Transition Roadmap (NETR) is expected to provide a strong, multi-year catalyst for the power utilities sector. An overarching goal is raising the RE capacity mix to 70% by 2050 from 23% in 2020 which necessitates a more than quadrupling in annual RE installations to 2.2GW/annum till 2050 from the 0.5GW/annum build-up rate currently. Ultimately, some 68GW RE capacity is targeted to be installed by 2050 where solar PV is projected to be a key driver accounting for 83% of the 2050 RE mix. Though still at the early stages, we anticipate development on NETR's key flagship projects next year, which include UEM Group-Itramas' 1GW solar plant as well as Tenaga's 5 x 100MW solar parks (overall COD: 2026) and 2.5GW hybrid hydro floating solar (Phase 1 COD: 2025). Importantly, we expect further clarity on key policy enablers such as the RE export framework, Grid Third-Party Access (TPA), and rooftop leasing mechanism which were outlined under NETR.

A bumper year for solar players? We believe the solar sub-sector could see several catalysts next year, which will drive further demand for rooftop solar and solar EPCC services. These include: (1) Expansion of net energy metering (NEM) quota accompanying Budget 2024's announcement of a 1-year extension of the program, (2) Finalization of a rooftop leasing mechanism to unlock rooftop resources for solar development, (3) EPCC tenders for Corporate Green Power Program (CGPP) asset construction from circa 2QYC24 onwards. The expected influx of data center capacity in the mid-to-long term is also an RE demand catalyst, though, in the immediate future, these data centers are still likely to be heavily reliant on more stable conventional power sources. Beyond the demand catalysts, we also see scope for margin improvement as solar module prices, which is a key cost component, have been on a steep decline following the influx of large manufacturing capacities in China.

Easing fuel prices and stabilisation of coal cost. The conventional power segment has been benefiting from easing fuel prices; coal price has now eased to around USD133/MT, less than half of the peak levels of USD464/MT seen in 3QCY22. This is positive for Tenaga's regulated entity which has seen reduced fuel cost under-recovery and easing working capital requirement. However, the sharp coal price reduction has caused a drag on the IPP's CY23F earnings given negative fuel margins (given forward stocking, actual coal cost lags the reduction in market coal prices, and energy payment received). We expect this situation to be temporary, however, as market coal prices have been stabilizing signaling a potentially improved fuel margin situation next year.

Chart 54: Solar Module Price Trend



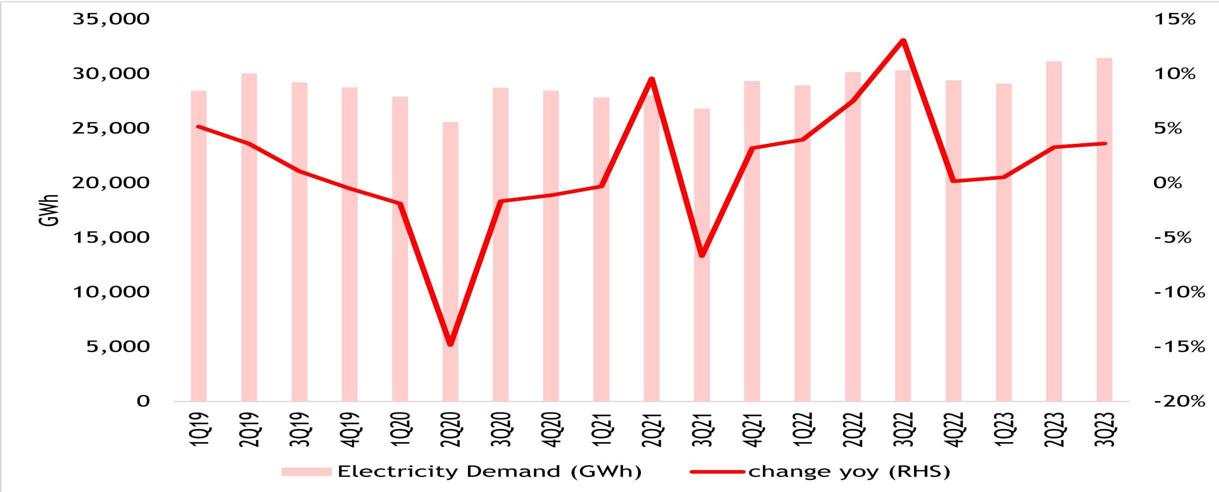
Source: Bloomberg, MIDFR

Chart 55: Coal Price Trend

Source: Bloomberg, MIDFR

Healthy demand trend. Demand growth so far in 9MCY23 has been encouraging at +2.5%yoy, though we note that Tenaga operates on a revenue-cap basis based on RP3 (2022-2024) projected demand growth of +1.7% per annum. The 9MCY23 demand growth was mainly driven by the commercial (+6.7%yoy) and domestic (+5.2%yoy) sectors. However, the industrial segment saw a contraction (-3.1%yoy), possibly due to higher uptake of rooftop solar following the implementation of targeted electricity subsidy. The expected influx of data centers over the next decade is a big demand driver, but similarly, how much Tenaga gets to keep from this incremental revenue and earnings will be heavily dependent on its regulated asset base (RAB) and allowable returns in the next regulatory period.

Chart 56: Electricity Demand Trend



Source: Tenaga, MIDFR

All eyes on RP4. A key area of focus next year is Tenaga's parameters for RP4, which is targeted to be finalized by end-CY24. We believe Tenaga's regulated capex could see significant expansion from accelerated grid investments to accommodate the aggressive RE projections under NETR - Tenaga had preliminarily indicated of a potential doubling in capex to RM90b between 2025-2030 from RM45b (2018-2024), which is a positive catalyst as this is expected to expand its RAB meaningfully going forward. Nevertheless, key questions remain on the establishment of a transparent cost recovery mechanism and a fair tariff/cost reallocation to drive a more open RE market domestically, which we believe could be part of the consideration for RP4.

Maintain POSITIVE. We remain POSITIVE on the power utilities sector on the back of a clear and firm policy layout on the energy transition under NETR, which we believe should drive a sector re-rating on improved growth and ESG profile. **Tenaga (BUY, TP: RM11.00)** is a key beneficiary in the asset ownership space from both RE capacity expansion and grid upgrade investments. We believe the big movers in the immediate term will come from its upcoming 500MW solar park project and 2.5GW hybrid hydro-floating solar projects under NETR. Meanwhile, the upcoming RP4 review should underpin the expansion in Tenaga's grid capex and RAB, in our opinion. Other potential beneficiaries of NETR in the asset ownership space are **YTL Power (BUY, TP: RM2.99)** and indirectly **YTL Corp (BUY, TP: RM1.78)**, as well as **Ranhill Utilities (NEUTRAL, TP: RM0.80)**. The RE EPCC sub-sector is also a big beneficiary of NETR given the massive potential for order book expansion – our picks in this space are **Samaiden (BUY, TP: RM1.54)**, **Sunview (BUY, TP: RM1.13)** and **Pekat (BUY, TP: RM0.63)**.

VI. PROPERTY

Overhang continues to improve..Maintain POSITIVE

*Analyst: **Jessica** Low Jze Tieng*

Easing concern on residential oversupply. According to data released by the National Property Information Centre (NAPIC), residential overhang fell for the seventh consecutive quarter in 3QCY23 to 25,311 units. Note that the residential overhang declined to 26,286 units in 2QCY23 from 26,872 units in 1QCY23. Johor had the highest number of residential overhangs at 4,500 units in 3QCY23 (4,717 units in 2QCY23), followed by Perak at 3,625 units (3,333 units in 2QCY23) and Selangor at 3,296 units (4,307 units in 2QCY23). The continuous decline in residential overhang bodes well for the sector as it signals easing concern on residential oversupply.

Serviced apartment overhang improved. According to data from NAPIC, serviced apartment overhang improved in 3QCY23 with a lower total serviced apartment overhang of 22,152 units against 22,497 units in 2QCY23. The improvement in serviced apartment overhang was mainly led by the lower overhang units in Johor of 12,646 units in 3QCY23 from 13,366 units in 2QCY23. Note that Johor is the state with the highest serviced apartment overhang which contributed to 57% of the total overhang. Similarly, the serviced apartment overhang in KL improved to 4,792 units in 3QCY23 from 5,450 units in 2QCY23. In a nutshell, we see that the improving serviced apartment overhang particularly in Johor is positive to the sector and bodes well for the recovery of the property market in Johor.

A stronger loan application signals stronger demand. Loan application data from BNM shows that buying interest on property remains encouraging. Loan application for the purchase of property grew by +23%yoy to RM54b in October 2023 after encouraging growth of +15.7%yoy in September 2023. Cumulatively, the loan application for the purchase of property in 10MCY23 was higher at RM512b (+4.4%yoy). We foresee that a stronger loan application is positive for the sector as it indicates stronger buying interest on property. Looking ahead, we think that demand for property will remain healthy and stronger in CY24 due to the improving property landscape in Malaysia.

OPR remains accommodative. BNM maintained OPR at 3% in November 2023, September 2023, and July 2023. The unchanged OPR is supportive of the recovery of the property sector as buying interest will stay supported. Recall that the property market was hit by four consecutive OPR hikes in 2022 which hurt buying interest on properties due to an increase in monthly installments. Meanwhile, we think that an OPR of 3% will remain accommodative and supportive of the growth of the property sector. Looking ahead, our economist expects BNM to maintain OPR at 3% in 2024. The expectation of unchanged OPR should continue to support the recovery of the property sector.

Maintain POSITIVE. We remain **POSITIVE** on the property sector as the outlook is underpinned by improving the overhang situation in residential and serviced apartments. Besides, the unchanged OPR should continue to support the recovery of the property sector. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM0.99)** and **Matrix Concepts (BUY, TP: RM1.86)** as we think that property developers that focus on affordable homes should see robust new sales as demand for affordable homes is resilient. We also like **Sunway Berhad (BUY, TP: RM2.25)** due to the improving outlook for Iskandar Malaysia while the listing of Sunway Healthcare by 2027 should provide a catalyst.

VII. REITS

Return to organic growth..Maintain POSITIVE

*Analyst: **Jessica** Low Jze Tieng*

MGS yield remains favorable to REIT. The 10-year Malaysian Government Securities (MGS) yields spiked to above 4% in October 2023. Nevertheless, the MGS yield tapered to below 4% in November. Currently, the MGS yield is hovering at the 3.8% level which we think is favourable to REIT. The average yield of REITs under coverage is at 5.5% which translates into a 170bps spread between 10-year MGS yield and REIT. Hence, we think REIT remains an attractive investment for investors who are seeking yield. In a nutshell, we think MGS's yield of below 4% is favourable to REIT.

Retail REIT to return to organic growth. Most of the retail REITs recorded earnings growth in CY23 as people returned to shop physically at malls. That led to a strong recovery in shopper footfall to pre-pandemic level and that supported tenant sales growth. Looking ahead, we see that retail REIT to return to organic growth from CY24 onwards. We see that malls in prime locations such as Mid Valley Megamall, Sunway Pyramid, Suria KLCC, and Pavilion KL to record positive rental reversion in CY24 with the quantum of increase to be similar to the pre-pandemic level. Besides, the expected higher tourist arrival will further increase shopper footfall. As such, we expect REITs namely IGB REIT, Sunway REIT, KLCCP Stapled Group, and Pavilion REIT to see improving rental income from their retail segment in CY24.

Further recovery in the hotel industry due to higher tourist arrival. The hotel industry has shown significant improvement in CY23. Notably, KLCCP Stapled Group's Mandarin Oriental returned to the black in 3QCY23 due to improved Average Room Rate, higher occupancy rate, and higher revenue from F&B. Meanwhile, earnings of the hotel industry are expected to be stable in 4QCY23 due to year-end holiday season. Looking ahead, we see further recovery in the hotel industry in 2024 on the back of higher tourist arrivals. Note that Malaysia allows visa-free entry to citizens from China, India, and Middle Eastern countries starting December 2023 which should boost tourist arrival and bodes well for the hotel industry.

Industrial and healthcare REITs remain defensive. We foresee the outlook for industrial REIT namely Axis REIT to remain stable moving into CY24 on the back of solid demand for industrial space in Malaysia. Demand for industrial space in Malaysia remains resilient due to the influx of FDI to Malaysia as evidenced by increased exposure to industrial property development by several property companies. Hence, we think that the earnings of industrial REIT will remain stable going forward. On the other hand, healthcare REIT namely Al-`Aqar Healthcare REIT should continue to see stable rental income from its healthcare assets as the healthcare industry remains resilient.

Maintain POSITIVE. We remain **POSITIVE** on REIT as the earnings of REITs, particularly retail REITs will remain in growth territory, underpinned by positive rental reversion and strong shopper footfall at the mall. Besides, the expected higher tourist arrival will further support the retail industry as well as the hotel industry. On the other hand, the MGS yield, which hovers below 4%, remains favourable to REITs with the average yield of REITs at 5.5%. Our top picks for the sector are **IGB REIT (BUY, TP: RM1.86)** and **Sunway REIT (BUY, TP: RM1.70)** mainly due to the good quality of their retail assets. Besides, we think that Sunway REIT will also benefit from the higher tourist arrivals, which will support the earnings of its hotel division.

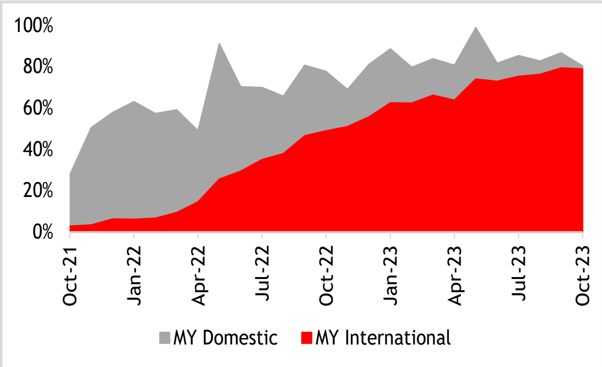
VIII. TRANSPORTATION

Pinning hopes on throughput recovery...Maintain POSITIVE

Analyst: MIDF Research Team

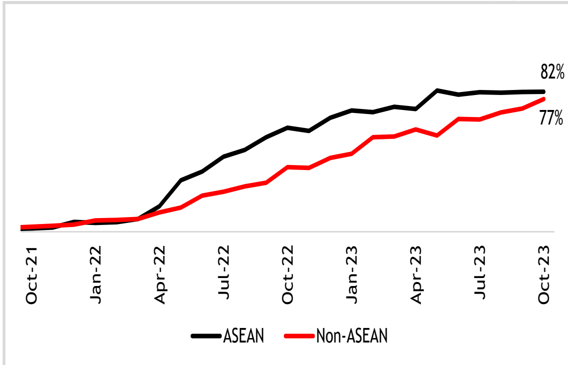
AVIATION

Chart 57: Recovery of Passenger Traffic



Source: MAHB, MIDFR

Chart 58: Recovery of ASEAN & Non-ASEAN (%)



Source: MAHB, MIDFR

Positive trends in air travel. Malaysia's aviation sector has continued to show signs of recovery, with passenger traffic poised for a positive trajectory into CY24. As of Oct-23, overall traffic has rebounded to 78% of pre-pandemic levels, with domestic routes leading at 85% and international routes closely following at 71%. Notably, the non-ASEAN sector is steadily catching up, reaching a 77% recovery compared to the ASEAN sector's 82%. A promising development on the horizon is the anticipated reciprocal visa-free entry agreement between China and Malaysia, set to take effect on December 1, 2023. This agreement holds the potential to provide a significant boost to the sector, contingent on a parallel increase in seat capacity between the two countries. Currently, seat capacity is estimated to be at only 45% of the 2019 level for CY23. In addition to the agreement with China, Malaysia has chosen to unilaterally extend a similar arrangement to India and the Middle East, signaling a proactive approach to stimulate international travel.

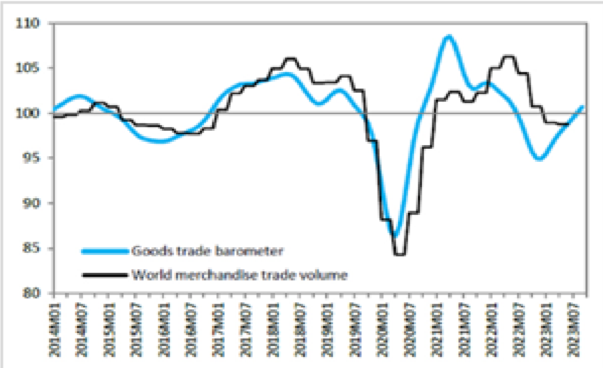
Local airlines face manageable hurdles. In the short term, local airlines face a notable challenge in the form of the persistently high USD/MYR exchange rate. Despite this, our economists maintain an optimistic outlook, anticipating a potential strengthening of the MYR to USDMYR4.45 by year-end, with further appreciation to USDMYR4.20 by end-CY24. Additionally, our internal forecasts indicate that the Brent crude oil price is expected to remain stable at current levels in the upcoming year. Local airlines are expected to continue implementing fuel surcharges and adjusting airfares, which, although higher compared to pre-Covid levels, are seen as rational pricing strategies. However, the aviation sector continues to grapple with maintenance, repair, and overhaul (MRO) challenges, further compounded by the extended maintenance of aging aircraft. Notably, AirAsia's full fleet activation, initially targeted for Aug-23 and later revised to Dec-23, is experiencing yet another delay. With the revised plan aiming to reintegrate 24 aircraft from storage in 1QFY24, there is a possibility of increased maintenance costs in the coming two quarters. Despite these challenges, we anticipate that **Capital A (NEUTRAL, TP: RM0.80)** is poised to return to profit next year.

Forecasting +4.0% passenger growth in CY24. Looking ahead to CY24, our preliminary estimates suggest a growth of +4.0% in passenger traffic compared to 2019 levels, with most of the recovery expected in 2HCY24. Key factors contributing to this projection include the full fleet operation of Malaysia AirAsia by mid-1QCY24 and plans by local carriers to increase seat capacity by +24% next year. Furthermore, the top five local carriers flying into

Malaysia are aiming for a substantial +31% increase in capacity. Guided by data from Malaysia Airports Holdings Berhad (MAHB), we anticipate a noteworthy expansion in the number of airlines, with a total growth of +20% from 2019 levels expected from CY24 to CY25. Currently, 91% of airlines have already returned. A key event for the sector is the expected execution of the new operating agreement in Dec-23. MAVCOM is expected to release the 3rd Consultation Paper and RP1 PSC rates in the same month, with implementation targeted for next year.

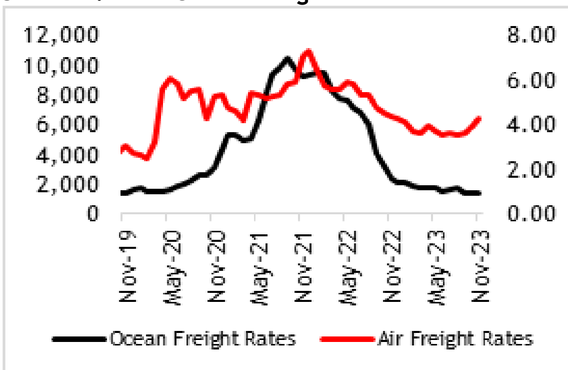
PORT & LOGISTICS

Chart 59: WTO Goods Trade Barometer



Source: WTO, MIDFR

Chart 60: Air & Ocean Freight Rates



Source: Freightos, Drewry, MIDFR

Anticipating improvement in port operations. The World Trade Organization (WTO) predicts a +3.3%yoy growth in global merchandise trade for CY24, a notable increase from CY23's +0.8%yoy. This projection could expand further if inflation subsides rapidly. Despite a -0.5%yoy decline in 1HCY23, a gradual pickup is expected in 2HCY23, propelled by accelerated GDP growth in the US and China. The WTO's Goods Trade Barometer, a real-time trade trend indicator, surpassed the baseline value at 100.7 in Sep-23 (Aug-23: 99.1), indicating a positive outlook for port players. Notably, transshipment-focused operators like **Westports (BUY, TP: RM4.00)** stand to benefit. Gateway operations, particularly those tied to the China Plus One Strategy, are expected to continue growing. For **Suria Capital (NEUTRAL, TP: RM1.70)**, a surge in container volume is anticipated due to its management of shipments from SK Nexilis and Kibing Group's newly operational plants since early 4QCY23. Previously Suria primarily dealt with conventional cargoes for plant construction, including machinery and raw materials. Meanwhile, we foresee a steady growth in its conventional cargo throughput, driven by Sabah's palm oil production, which has increased by +7.8%yoy in 10MCY23. The stability in petroleum product prices is also expected to bolster bulk oil throughput through increased domestic consumption.

Warehousing segment - a key driver. Logistics companies within our coverage are experiencing declines in shipment volume across various business segments, attributed to the normalisation of goods consumption post-Covid and a global trade slowdown exacerbated by inflation. These factors have contributed to reduced margins, primarily due to diseconomies of scale. Looking ahead, gradual improvements in handling volumes are anticipated as trade activities recover. The warehousing segment is poised to become a key earnings driver in the coming year, fueled by capacity expansions from Tasco (+870,000 sq ft) and Swift Haulage (+378,000 sq ft). These expanded facilities are expected to command better rates, with existing customers prepared to occupy the additional space. Demand for warehouse space in strategic areas such as Penang, Port Klang, and Shah Alam remains high. Multinational corporations are increasingly favoring logistics providers capable of handling consolidation requirements. Moreover, the ratification of RCEP and CPTPP has prompted foreign entities to express interest in establishing regional distribution hubs in Malaysia. This development is expected to support the demand for integrated logistics services in the medium term.

Maintain POSITIVE. One of our top picks for the sector is **Westports (BUY, TP: RM4.00)**, driven by the expectation that major economies will likely avoid further monetary policy tightening. This opens the potential for improved consumption patterns and a subsequent increase in interregional container movements. Furthermore, we anticipate the Group to profit from the increasing share of gateway containers from 30% during pre-Covid to 40%, boosted by strong local exports and FDIs, which typically yield higher handling rates. Our preliminary estimate projects Westports' container throughput to grow by +4.0%yoy in CY23 (9MCY23: +7.2%yoy), considering the elevated base resulting from the repositioning of empty containers this year. Additionally, we express a positive outlook for **Tasco (BUY, TP: RM1.30).** We expect market freight rates to stabilise after hitting a bottom in mid-CY23, providing enhanced earnings visibility for freight forwarders. Tasco also stands to gain from considerable claimable tax credits arising from the construction of its two new warehouses, coupled with an anticipated recovery in shipment volume due to the current affordability of freight rates.

IX. AUTOMOTIVE

Cautious amid peaking momentum..Maintain NEUTRAL

*Analyst: **Hafriz** Hezry Harihodin*

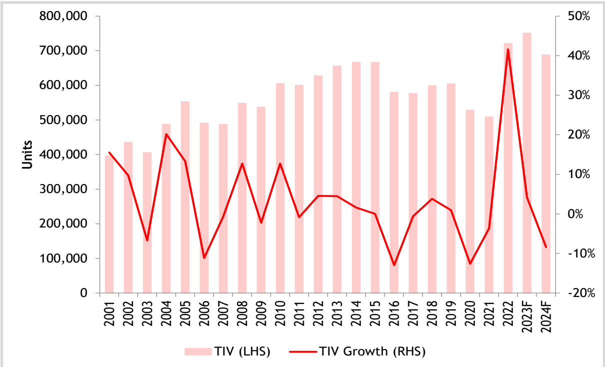
Deliveries still holding up for now. The latest October 2023 total industry volume (TIV) was still strong at 74,896 units (+21%yoy) given: (1) Continued delivery of backlog orders, (2) Improved supply chain, (3) National Day promotional campaigns by selective marques. Cumulatively, TIV as of October 2023 stood at 646,753 units (+12%yoy) making up 90.7%/89.2% of our and the Malaysian Automotive Association's (MAA) forecasts respectively. Judging by the year-to-date performance, CY23F TIV is likely to turn out another record, predominantly driven by a large carryover backlog and accelerated production by the national cars, especially Perodua, to reduce the extended waiting list previously.

Cautious amid peaking momentum. We raise CY23F TIV to 750K (+4.2%yoy) from 713K previously to reflect upward revisions throughout the recent earnings season (mainly to reflect higher Perodua volume projection), but we believe TIV momentum is close to peaking and is expected to normalise in CY24F as the effect of the sales tax holiday, pent-up demand and generous fiscal incentives throughout the pandemic wear off. Backlog order growth has started to flatten out with signs of receding – as an indicator, Perodua's order backlog stood at >200K at the start of the year but had since receded to 155K in August 2023 and 140K in the latest November 2023 guidance. Additionally, the ripple effect of fuel subsidy rollback and higher SST could pose a potential demand risk next year. Underscoring our view is MIER's latest 2QCY23 consumer sentiment survey which pointed towards further deterioration with the CSI falling 8.4 points quarter-on-quarter to 90.8. Reflecting our more moderate view of the sector next year, we project CY24F TIV to contract -8.4%yoy to 688K.

Sector earnings to moderate in tandem. With the expectation of lower TIV, we see margin pressure from diseconomies of scale for production and a rise in discounting to incentivise consumer demand. However, this could be partly offset by our expectation of a stronger Ringgit – our economics team is projecting the Ringgit to average at USDMYR4.38 in CY24F compared to USDMYR4.53 in CY23F. All in, including the impact of lower TIV, we project aggregate sector earnings to contract -7.2%yoy in CY24F after a projected +14.4%yoy rise in CY23F.

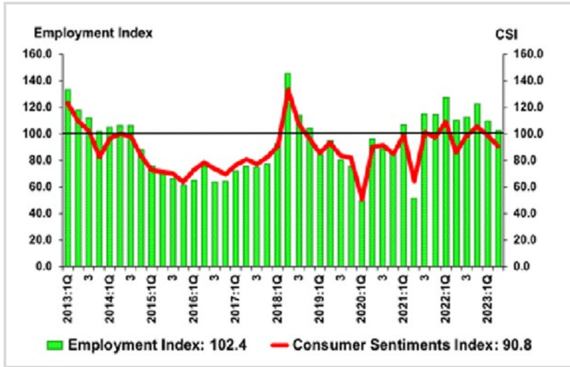
Electrification likely to remain a policy focus. Structurally, we believe Government policies will continue to favour electrification of the auto sector (and broadly, the land transport sector) in line with decarbonisation ambitions in the National Energy Transition Roadmap and Low Carbon Mobility Blueprint with a target of achieving 15%/38% xEV (defined as BEV/PHEV/HEV/FCEV) penetration by 2030/2040 and 10K charging points by 2025. At this juncture, a key policy to drive 4-wheeler BEV demand is the 100% duty exemption for CBU BEVs up till 2025 and CKD BEVs up till 2027. However, the RM100K floor price imposed on CBU BEVs still poses a challenge for more aggressive adoption given Malaysia's mass market price point of <RM90K (on our estimates). As at 9MCY23, BEV penetration in Malaysia stood at just 0.98%. We reckon adoption could accelerate once CKD BEVs at, or below this mass market price point start to be rolled out. The national cars are understood to be attempting to bring forward the introduction of national EVs within 2025-2027 albeit cost still remains a challenge. Nevertheless, the rollback of fuel subsidies could drive more aggressive BEV adoption in the higher price points in the near-term, we believe.

Chart 61: Annual TIV Trend



Source: MAA, BNM, MIDFR

Chart 62: MIER Consumer Sentiment Index



Source: MAA, BNM, MIDFR

Maintain NEUTRAL. We believe the current strong backlog orders and earnings expectations have largely played out among selective stocks under coverage. Amid peaking TIV, we keep our **NEUTRAL** call on the auto sector. Our sector picks are **BAuto (BUY, TP: RM3.36)** and **MBMR (BUY, TP: RM4.75)** as these stocks remain sector laggards trading at ~20% discount to mean PER. BAuto is our tactical favourite riding on the weak JPY and CKD model expansion, while a dividend yield of 9% is attractive. We also like MBMR (6.6x FY24F PER) as a cheap proxy to Perodua which has: (1) a high model localisation rate with minimal forex risk (2) the strongest backlog bookings among the major players (3) attractive FY24F dividend yield of 7.5%.

X. CONSUMER

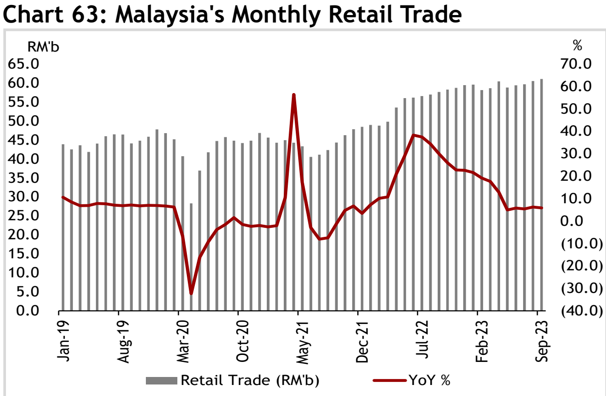
Walking on a tightrope in 2024..Maintain NEUTRAL

Analyst: ***Genevieve*** *Ng Pei Fen*

Sustained 2024 retail sales outlook for non-specialised and F&B stores. Based on DOSM, retail trade for 9MCY23 rose +10.7%yoy to RM536.4b, with strong double-digit growth from F&B, tobacco, and non-specialised stores. This signifies that Malaysians prefer physically visiting malls and/or stores following the reopening of the border and the economy. Moving forward, we expect that retail trade in F&B, tobacco, as well as non-specialised stores will remain robust. This will be underpinned by the continued steady job market, inelastic demand for essential daily items, various cash assistance supported by Budget 2024, as well as the expectation of an uptick in tourist arrivals (both leisure and business trips). Nonetheless, we believe that consumers are becoming more price-sensitive and are tightening spending on discretionary and major durable items in the face of multiple headwinds, including rising inflationary pressure, the potential rollout of RON95 and diesel price rationalisation in 2H24, and a higher services tax rate for certain services. As such, we foresee **Aeon Co (NEUTRAL, TP: RM1.14)**'s food line section to stay robust, but the hardline segment will deteriorate. Family Mart under **QL Resources (BUY, TP: RM6.25)**

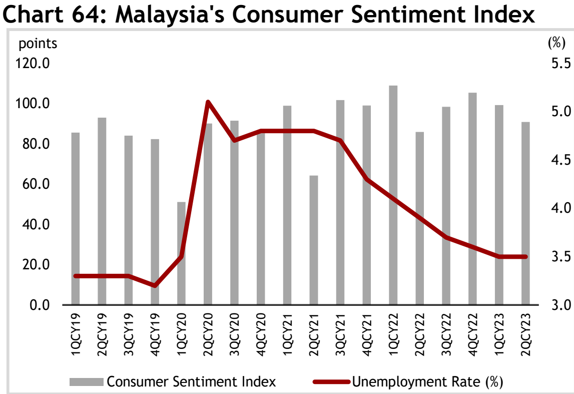
is poised to benefit from the uptrend trend in the uptick of tourism (leisure and business) for convenience food. **Padini (NEUTRAL, TP: RM3.50)** competitively priced products priced products will likely continue to outperform in FY24.

Chart 63: Malaysia's Monthly Retail Trade



Source: DOSM, MIDFR

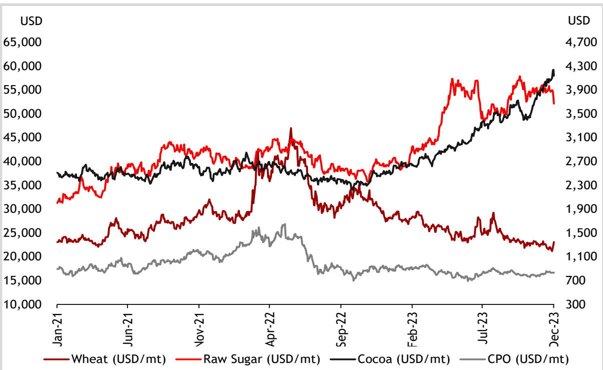
Chart 64: Malaysia's Consumer Sentiment Index



Source: DOSM, MIER, MIDFR

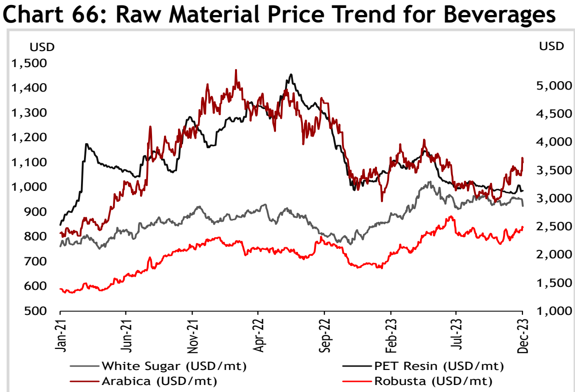
Mixed raw material cost on F&B producers ahead. Overall, the 10 global commodities that we tracked for F&B manufacturers are currently trading below the 2-year peak as of 1 December 2023. However, we have observed a mixed trend on a year-to-date basis, with 5 out of 10 commodities showing an easing trend such as wheat (-21.7%ytd), skimmed milk (-8.9%ytd), CPO (-8.2%ytd), whole milk (-6.9%ytd), and pet resin (-3.9%ytd). Meanwhile, the 3-month average futures prices for cocoa (+57.7%ytd), raw sugar (+38.3%ytd), Robusta (+29.9%ytd), white sugar (+14.3%ytd), and Arabica (+1.6%ytd) remained elevated as of 1 December 2023. Looking forward, we are cautious that the volatility in some global commodity prices is likely to persist in the near term. This is due to continuous unfavorable weather in major producing countries and persistent congestion at major Brazilian ports, resulting in a global supply deficit. The mixed commodity price pattern may indicate that certain goods for F&B manufacturers will face elevated raw material costs ahead. Hence, we anticipate the raw material costs to persist within the COS margin of 68-72% in the near term, which is lower than CY22 but higher than CY23. While well-known household names can opt to pass on higher costs through price hikes, we believe that capacity is limited. This stems from the selling price hike implemented in CY22, and given the rising inflationary pressure in Malaysia, we think that manufacturers might prioritize securing a higher sales volume over maximising margin.

Chart 65: Raw Material Price Trend for Food Producers



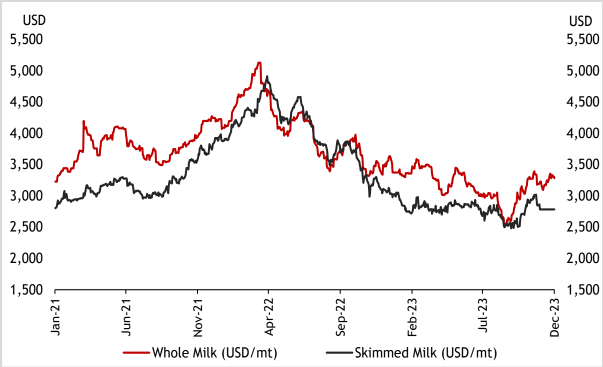
Source: Bloomberg, MIDFR

Chart 66: Raw Material Price Trend for Beverages



Source: Bloomberg, MIDFR

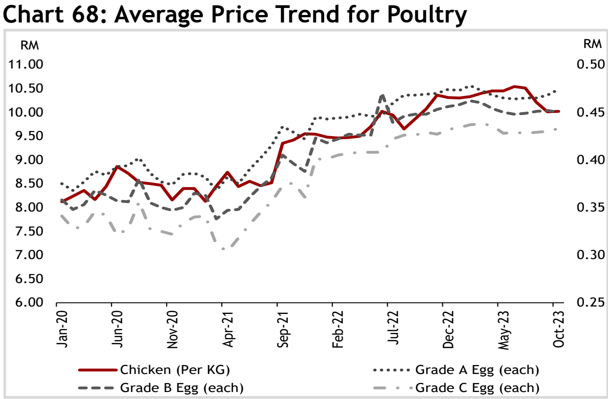
Chart 67: Raw Material Price Trend for Dairy Producer



Source: Bloomberg, MIDFR

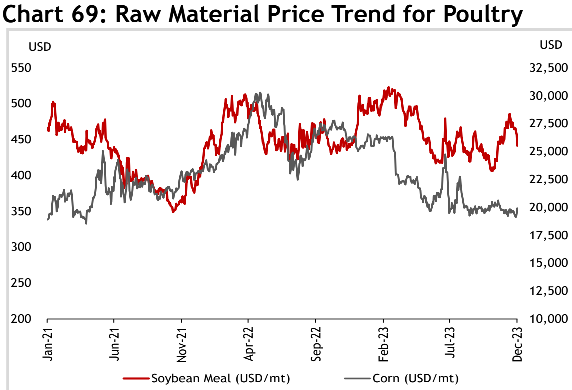
Favorable prospects outlook for poultry players. As of 1 December 2023, the key raw materials for chicken feed (soybean meal and corn) are now trending below the 2-year historical peak level and on a downward trend on a year-to-date basis. Notably, the 3-month futures average prices for Soybean meal (-4.4%ytd) and corn (-23.8%ytd). Meanwhile, the Malaysian government lifted the price controls and subsidies for chicken, effective 1 November 2023. This allows chicken producers to adjust prices based on the market demand and supply dynamic and potentially pass on the subsidies received (previously RM0.80 per kg for chicken) via a higher selling price for farm prices for live birds. We gather that after the removal, poultry producers did not manage to adjust the farm selling price after factoring in the subsidies, partly due to weaker demand in Nov 2023. However, going forward, we expect producers to be able to pass on the selling price and hence realize the margin. Note that there was a 4-5-month lag in receiving subsidies from the government previously. Nevertheless, we gather that the selling price of poultry is recovering in Indonesia post-government-managed supply in 1HCY23, hence supporting the margin ahead. Overall, the falling feed mill input cost along with the better outlook in Malaysia and Indonesia operations would benefit poultry players under our coverage, including **QL Resources (BUY, TP: RM6.25)** and **Leong Hup International (BUY, TP: RM0.90).**

Chart 68: Average Price Trend for Poultry



Source: Bloomberg, MIDFR

Chart 69: Raw Material Price Trend for Poultry



Source: Bloomberg, MIDFR

Stronger MYR to partially ease the elevated global commodities prices. The average exchange rate of USD/MYR for November 2023 was USDMYR4.69, indicating a stronger MYR compared to October 2023 at USDMYR4.75. With our in-house economists forecasting a strong USDMYR exchange rate of an average USDMYR4.38 for 2024, we anticipate that it could create a buffer against the elevated commodities prices for F&B players and lower the commodities prices for poultry players, given that most global commodities are sourced and purchased in USD. On the other hand, the stronger MYR will reduce the revenue of export-oriented companies such as **Asia**

File (SELL, TP: RM 1.60) and **Rhong Khen International (NEUTRAL, TP: RM 1.22)**, as a major portion of their sales is received in USD.

Maintain NEUTRAL. Overall, we remain NEUTRAL for the sector with a cautiously optimistic outlook for consumer staples underpinned by (1) its defensive nature, (2) a solid domestic consumption outlook, and (3) an improved outlook for poultry players ahead. However, we remain cautious as volatility in certain global commodity prices (sugar, coffee, and cocoa) is likely to persist in the near term. This could more than outweigh the drop in other key commodities (such as wheat and CPO), thus exerting inflationary pressure on the margins of F&B manufacturers in the near term. Besides, we also expect sluggish demand for consumer discretionary in 2024, primarily due to growing inflationary pressures, the potential rollout of RON95 and diesel price rationalization, persistently high interest rates in the US, and normalised OPR in Malaysia. These factors are expected to erode household discretionary expenditure, leading to tighter spending on durable items. Hence, we maintain our **NEUTRAL** recommendation with our top picks being consumer staples with strong fundamentals such as **QL Resources (BUY, TP: RM6.25)** and **Fraser & Neave Holdings (BUY, TP: RM33.50).** We like QL due to the sustained demand for marine and livestock products. Additionally, we hold a positive outlook on the company's strategic move to explore new markets by providing in-flight hot food to MAS Awana. We also like F&N because the company is likely to benefit from the rising demand for RTG beverages, driven by increasing tourist traffic. We also appreciate F&N's initiative to continue growing via the upcoming integrated dairy farm that could ensure the self-sufficiency of dairy and potentially expand the revenue base.

XI. GLOVES

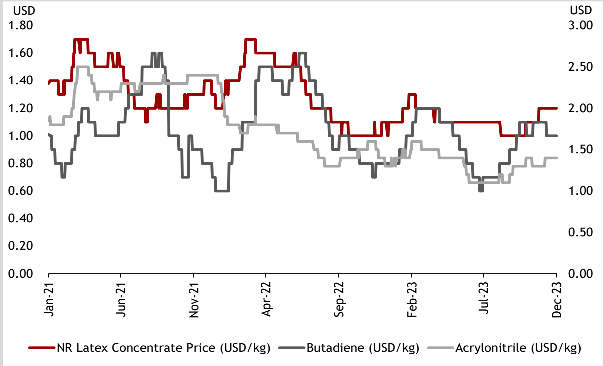
A glimpse of the tunnel's end...Maintain NEUTRAL

*Analyst: **Genevieve** Ng Pei Fen*

Raw material costs likely remain elevated in 2024. Raw materials typically account for 30-40% of the total production cost. The 3-month average futures commodity prices for the key glove raw materials have reduced from the 2-year peak level yet remained elevated on a year-to-date basis. Notably, there has been an upward trend in NR Latex Concentrate Price (+10%ytd), Butadiene (+29%ytd), and Acrylonitrile (+3.4%ytd). This is consistent with the higher Brent crude oil price in CY23. Moving into 2024, we foresee higher Acrylonitrile and Butadiene prices, mainly due to elevated crude oil prices, which may result in higher production costs. Recall that Acrylonitrile is derived from crude oil refining, while Butadiene typically comes from the cracking of hydrocarbons in crude oil or natural gas. Therefore, we anticipate slightly higher raw material costs for nitrile gloves in the near term, while natural rubber gloves could potentially benefit from lower NR Latex Concentrate prices.

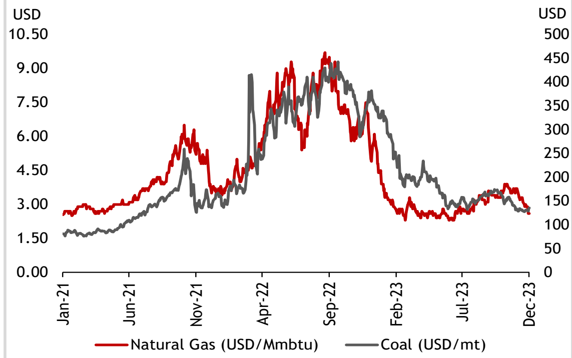
Higher fuel costs in 2024. Fuel costs typically made up 15-25% of the total production cost for Malaysian glovemakers. As of 1 December 2023, global natural gas has plunged -37.3%ytd to USD 3.2/mmbtu. This suggests a possible lower natural gas tariff in Malaysia in 2024, mainly due to the typical 4-month gap between Malaysia Petroleum Management (MPM) and natural gas prices on the New York Mercantile Exchange (NYMEX). Note that the natural gas tariff in Malaysia is determined based on the natural gas price on NYMEX plus the currency exchange rate of USD/MYR, as well as other associated expenses (like transportation and administrative costs). Meanwhile, given the positive correlation between natural gas prices and crude oil, we foresee a rising trend in natural gas tariff, following our in-house Brent crude oil price forecast of USD84pb in 2024 (vs. USD83pb in 2023), which would increase the fuel cost and compress the margin.

Chart 70: Raw Material Price Trend for Glovemakers



Source: Bloomberg, MIDFR

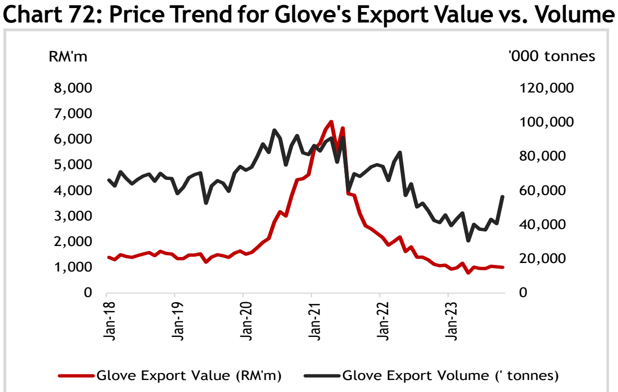
Chart 71: Price Trend for Natural Gas & Crude Oil



Source: Bloomberg, MIDFR

Anticipate an uptick in global glove demand in 2024. In 3QCY23, glove export volume in Malaysia rose +11.6%qoq to 56,460 tonnes. This corresponds with the gradual increase in sales volume among the glovemakers under our coverage for the quarter, indicating the replenishment of inventory from customers after the expiry of pandemic-related stockpiles. Looking ahead, we anticipate a continuous increase in global glove demand, subsequently boosting the utilisation rate of the glovemakers under our coverage. We note that China's glovemakers consistently maintain an average utilisation rate of over 90%, while the Malaysian glovemakers operate at a rate below 40%. Despite this, we believe that both Chinese and Malaysian glovemakers will have the opportunity to capture demand due to the surging global demand. That is expected to increase sales volume and enhance their utilisation rates.

Chart 72: Price Trend for Glove's Export Value vs. Volume



Source: Bloomberg, MIDFR

ASP compression is likely to persist in 2024 due to intense competition from Chinese glovemakers. In 3QCY23, Malaysia's export volume increased by +11.6%qoq, but the ASP slightly declined by -5 to -8%qoq. This was primarily because price-sensitive customers requested manufacturers to lower selling prices due to reduced input costs. Meanwhile, the cost advantage that Chinese glovemakers enjoyed which stemmed from the high utilization rate, economies of scale, the use of natural gas only for fuel, and the establishment of new factories during the pandemic period, has led to an ASP price gap of USD1-2/1k pieces with Malaysian glovemakers. On a positive note, many Malaysian glovemakers have either shut down or temporarily closed inefficient factories to enhance cost efficiency, making them more competitive with Chinese glovemakers and enabling them to offer competitive prices to capture sales volume.

Depreciation of USD against MYR. The USDMYR has dropped -5.9%ytd to USDMYR4.69, indicating a stronger USD. This will benefit all glovemakers under our coverage. We gather that 25-30% of the total sales from Malaysian glovemakers were contributed by the USA. Meanwhile, our in-house economists expect a slightly lower exchange rate of USDMYR4.38 for CY24 compared to USDMYR4.55 for CY23. Moving forward, we expect the appreciation of the MYR against USD in CY24 to affect the revenue of all glovemakers within our coverage negatively, given that its revenues are denominated in USD. However, this loss will be partially mitigated by the purchase of raw material costs in USD as well as the lower natural gas tariff (which is closely related to NYMEX denominated in USD).

Maintain NEUTRAL. Moving forward, we remain cautious about intense competition from Chinese players, which may exert upward pressure on pricing flexibility for all glovemakers under our coverage. On a positive note, the replenishment of inventory following the expiry of pandemic inventory is expected to boost demand for gloves. This, combined with recent permanent and temporary closures of production facilities, could potentially improve production efficiency and reduce production costs per unit. As such, we expect earnings to turn around albeit gradually. Our top picks for the sector are **Hartalega (NEUTRAL, TP: RM2.20)** and **Kossan Rubber Industries (NEUTRAL, TP: RM1.38)**. This is primarily based on their effective cost management and higher net cash position.

XII. PLANTATION

Delayed catalyst...Maintain NEUTRAL

Analyst: MIDF Research Team

SUPPLY SIDE

In perspective, to date, the oil palm industry has performed well, with local production increasing by +0.4%yoy to 15.2m Mt based on a 10-month period and increasing by +1.2% as opposed to 10MCY21 suggesting that estate activity has remained strong. October production level was the highest since 2018, in line with robust local FFB numbers received by mills at 9.6m Mt thanks to the higher tonnage contributions from eastern areas. Meanwhile, our nation's average FFB yield increased by +7.1%yoy to 1.65 tonne/ha, this was well supported by an OER of 20.34% following better evacuation activities in the said month. Overall, performance remained encouraging on improved estate activities following more boots on the ground (due to newly hired foreign workers), particularly in peninsular areas aided by optimum weather situations.

Jumping into CY24, with the closing stocks now closed nearly at 2.5m Mt (vs. 10MCY18: 1.6m Mt) – which, way above the pre-pandemic level, we opine supply disruption is no longer an issue that plaguing local production. But an adverse weather event e.g., EL-Nino could trigger crop productivity risks, as the event still has more than +80% (dropped from +95% probability) chance of happening in 2024, according to MET Malaysia. Hence, we anticipate the normal production level to remain in 1QCY24 (subject to its seasonality) but would gradually decline in drier months in 2QCY24. Hence, this would usher CPO price to hinge on the high side in 1HCY24.

Recovery in local estates to continue in CY24. We reiterate our base case CY24 assumptions (refer to Table 14) that the local production will remain steady or grow by +2.6%yoy to 19.4m Mt, although there might be some dryness in the 1HCY24 (due to El-Nino event). The way we see it, it’s going to be a mild El-Nino event, and normally the mild event doesn’t have a significant impact on production levels and the earliest impact of the event can only be seen at least 6 months after or earliest part in CY25. On top of that, it appears that the issue related to labour shortage has been mostly handled, although most planters still had to deal with freshly hired workers or harvesters which took anywhere from 6 to 12 months to become competent in harvesting activities nevertheless, we anticipate harvesters’ productivity to normalize in 1QCY24.

Table 14: Annual PO Production, Exports & End Stocks Forecast for CY23-24

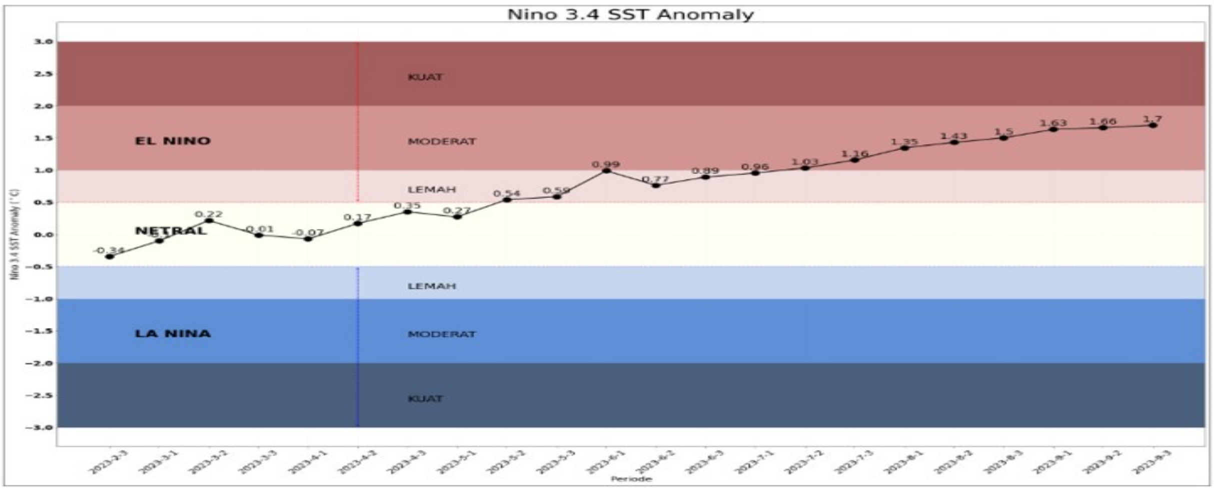
million Mt	CY22	CY23E	Diff	YoY%	CY24F	Diff	YoY%
Opening Stocks	1.6	2.2	0.6	36.0	2.5	0.3	12.3
Production	**18.5**	**18.9**	**0.4**	**2.4**	**19.4**	**0.5**	**2.6**
Imports	1.1	1.0	-0.1	-13.1	1.0	0.0	3.1
Total Supply	**21.2**	**22.1**	**0.9**	**4.2**	**22.9**	**0.8**	**3.6**
Exports	15.7	16.6	0.9	5.7	16.6	0.0	2.4
Dom Usage	3.3	3.0	-0.3	-8.4	3.0	0.0	0
Total Demand	**19.0**	**19.6**	**0.6**	**3.2**	**19.6**	**0.0**	**0**
End Stocks	**2.2**	**2.5**	**0.3**	**12.3**	**3.3**	**0.8**	**32.4**

Source: MIDFR

Indonesia supply prospects. Comparatively, Indonesia's PO production has been sluggish on-to-date basis, falling drastically to 40.8m tonnes (-20%ytd), as crop seasonality has been jeopardised by deficit rainfall in key producing areas such as Sumatera and Kalimantan. Based on the BMKG data (refer to Chart 73), the rising temperature which now stands at +1.7°C (above the mean of sea surface temperature (SST) anomalies) is grappling the country into dryness, putting the palm tree to stress position. GAPKI in contrast, estimates that the overall production in CY23 will remain consistent and increase to 53.7m Mt (+5.0%yoy) even though the harvesting months have been pushed back due to EL-Nino.

Going into CY24, it appears that there will be a continuation of the domestic market obligation (DMO) for palm oil, to keep cooking oil prices stable. Because in some parts of Indonesia, there are occasional shortages of affordable cooking oil and prices in the eastern regions can be higher than the government-set limit of IDR14,000/liter. Note that, PO players can still export 4x the amount sold domestically under the current system. From what we gather, as of now the implementation of a B40 biodiesel blend rate remains unclear, this is mainly due to The B35 directive not being fully enforced since some blending facilities needed to be modernised in rural areas.

Chart 73: Rising Mild El-Nino Temperature in Indonesia



Source: BMKG Indonesia

DEMAND SIDE

Subdued import trend from major importing countries. On a to-date basis, the total volume of palm oil exports to major importing countries has been subdued at 7.3m Mt, marking a -4.5%ytd decrease. This is attributed to notably weaker demand from China (1.1 m Mt, -17.1%ytd), Netherlands (422,000 Mt, -36.5%ytd), and the Philippines (345,000 Mt, -38.6%ytd), mainly due to price effects (refer to Table 15). On the flip side, closing stock levels have remained robust, experiencing double-digit growth in China (+14.1%ytd) and Pakistan (+52.5%ytd), while India has maintained a relatively flat position (-1.6%ytd) compared to pre-pandemic levels. Compared to CY18, end stocks for India, China, and Pakistan have now returned to pre-pandemic levels, reaching 5.4m Mt, 7.4m Mt, and 3.7m Mt, respectively. Notably, Pakistan's stocks have seen a significant increase. With abundant stockpiles and no lingering supply disruptions concern on major imports, it appears unlikely that there will be a substantial catalyst for higher palm oil exports in the coming year.

Table 15: Export to Major Importing Countries (Mt)

Country	10MCY23	10MCY22	Chg (%)
India	2,276,442	2,285,273	-0.40%
China	1,137,902	1,371,814	-17.10%
Turkiye	797,655	706,715	12.90%
Kenya	725,911	625,371	16.10%
Japan	456,445	448,024	1.90%
Netherlands	422,226	664,867	-36.50%
Pakistan	422,789	427,403	-1.10%
South Korea	391,458	343,787	13.90%
Philippines	345,744	563,269	-38.60%
Vietnam	377,491	262,761	43.70%
Total	**7,354,063**	**7,699,284**	**-4.50%**

Source: MPOB, MIDFR

Table 16: End Stocks of Major Importing Countries (Mt)

Country	10MCY23	10MCY18	Chg (%)
China			
PO	7,380,600	6,470,000	14.10%
SBO	7,851,100	13,934,800	-43.70%
India			
PO	5,370,492	5,458,134	-1.60%
SBO	2,099,572	1,926,261	9.00%
SFO	2,260,203	1,978,208	14.30%
Pakistan			
PO	3,654,346	2,396,351	52.50%
SBO	358,750	147,486	143.20%
Total PO	**16,405,438**	**14,324,485**	**14.50%**

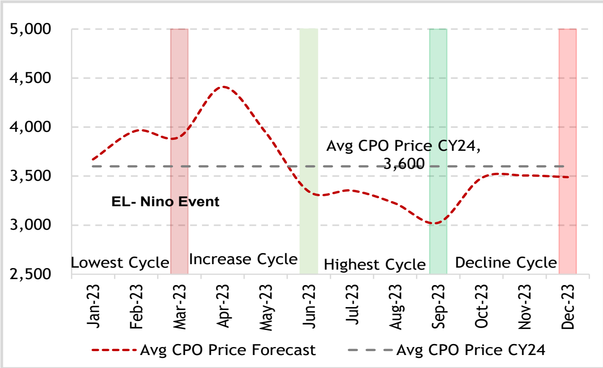
Source: MPOB, MIDFR

As a result, we maintained our CY23E's export number of 16.6m Mt to CY24F (refer to Table 16), bringing the end stocks much higher at 3.3m Mt (+32.4%yoy) in CY24. Our assumption on subdued volume demand for CY24 was based on:

- Higher PO end stocks in major importing countries (India, China & Pakistan).
- Elevated global interest rate hurts demand for downstream products e.g., Oleochemical, finished products. This has been reflected in recent quarter results, where integrated companies like KLK, IOI Corp, and FGVH downstream arm (Oleo plant and refinery) have -1.6% to merely +0.7% profit margin.
- Strengthening of the Ringgit (our economists forecast USD/MYR to be an average of 4.38 in CY24) – lose competitiveness against other currencies.
- Competition from Black Sea sunflower seed oil, which is trading at an abnormal discount.

CPO PRICE OUTLOOK

Chart 74: Annual CPO Price Forecast for CY23-24



Source: MIDFR

CPO Price to trend lower. As outlined earlier, with the expected surge in ending stocks reaching 3.3m Mt (refer to Table 16), we have revised our CY24 CPO price forecast downward by -5.3%yoy to RM3,600/Mt. This adjustment is made in light of the expectation of abundant supply without any significant constraints in local productions. However, it's crucial to note that the potential delayed onset of the EL-Nino event could pose risks to crop productivity in the 2QCY24, we opine this could create a favourable trajectory for CPO prices, potentially driving them from 3,600/Mt to nearly RM4,500/Mt in the 2QCY24 (Chart 74).

Additionally, our CPO TP forecast has factored in the widened discount spread between Soybean Oil (SBO), which now stands at USD274.7/Mt, roughly equivalent to USD274.5/Mt 3-year historical average. The optimism surrounding soybean export prices emerged in October, driven by higher trade values for South American soybeans. This surge was fuelled by robust demand from China for Brazilian soybeans at the start of the new marketing year, coupled with dry weather conditions in central Brazil causing delays in planting progress.

Maintain NEUTRAL. We maintain NEUTRAL call on the sector with an average CPO price of RM3,800/Mt and RM3,600/Mt for CY23-24. Our new top pick is **Ta Ann (BUY, TP: RM4.25)**. Note that Ta Ann is purely an upstream player, and the share price is highly connected with CPO movement c. 0.82 correlation, hence any upward trajectory in CPO prices (due to the upcoming EL-Nino in 2Q24) would provide trading opportunity in the stock. While we acknowledge the delayed upcoming El-Nino events (which would constrict the supply side) could be a potential catalyst for the CPO prices to remain elevated for the remainder of the months c. RM3,600-3,900/Mt. However, we are also concerned about its downstream product prospects, as high inflationary pressures combined with tight household spending due to high base interest rates locally and worldwide are hindering demand.

XIII. TECHNOLOGY

The start of the super cycle?..Maintain NEUTRAL

*Analyst: **Martin** Foo Chuan Loong*

Looking for a clearer signal. We maintain our **NEUTRAL** recommendation for the technology sector as we envisage conflicting signals from the market. While WSTS' forecast of +13.1% growth in the semiconductor industry for 2024 appears bullish, we note that it was mainly due to a sizeable contraction anticipated for 2023. Compared with 2022, the growth only translates to an uptick of +2.5%. IMF's GDP forecast for 2024 indicates lukewarm growth. Fortunately, the smartphone market and automotive semiconductor market are anticipated to return to growth in 2024, although we view that that pace of recovery may vary for different semiconductor subsectors and firms. Our channel check indicates that a more meaningful growth could only be observed towards 2HCY24. On another note, the upheaval in the relationship between the US and China will continue to provide 'windows of opportunity' for OSAT companies, including those under our coverage. However, we understand that there could potentially be long-term repercussions. All factors considered, **D&O Green Technology Bhd (D&O) (TP: RM4.03)** remains our sole BUY recommendation at this juncture.

WSTS on a more positive note. Taking a cue from the 2QCY23 and 3QCY23 results, the World Semiconductor Trade Statistics (WSTS) is turning more positive on the global semiconductor outlook. For 2023, it has revised its forecast from the contraction of -10.3%yoy to a narrower -9.4%yoy. The revision mainly came from an expected growth of +5.8%yoy from discrete semiconductors which is primarily propelled by power semiconductors. Meanwhile, other segments are still expected to contract, albeit at a less pronounced pace. Regionally, only the European market is expected to register a growth of +5.9%yoy.

The positivity is also reflected in its 2024 sales forecast whereby a +13.1%yoy improvement is anticipated, towards USD588.4m. Growth from the memory sector is expected to surge by +44.8%yoy, outpacing the other segments. Regionally, the Americas and Asia Pacific regions are expected to register a commendable double-digit growth of +22.3%yoy and +12.0%yoy respectively.

Table 17: Worldwide Semiconductor Sales Forecast Summary

Fall 2023	Amounts in US$M			Year on Year Growth in %		
	2022	2023	2024	2022	2023	2024
Americas	141,136	132,536	162,154	16.2	-6.1	22.3
Europe	53,853	57,048	59,480	12.8	5.9	4.3
Japan	48,158	47,209	49,275	10.2	-2.0	4.4
Asia Pacific	330,937	283,333	317,455	-3.5	-14.4	12.0
Total World - $M	574,084	520,126	588,364	3.3	-9.4	13.1
Discrete Semiconductors	33,993	35,951	37,459	12.0	5.8	4.2
Optoelectronics	43,908	42,583	43,324	1.2	-3.0	1.7
Sensors	21,782	19,417	20,127	13.7	-10.9	3.7
Integrated Circuits	474,402	422,174	487,454	2.5	-11.0	15.5
Analog	88,983	81,051	84,056	20.1	-8.9	3.7
Micro	79,073	76,579	81,937	-1.4	-3.2	7.0
Logic	176,578	174,944	191,693	14.0	-0.9	9.6
Memory	129,767	89,601	129,768	-15.6	-31.0	44.8
Total Products - $M	574,084	520,126	588,364	3.3	-9.4	13.1

Source: WSTS

The global economy remains in expansionary mode, albeit at a lukewarm pace. The International Monetary Fund GDP growth forecast suggests that advanced and developing economies remain on an expansionary path. Nonetheless, we view that the pace of growth was lacking enthusiasm. There is also concern about the political disputes between the US and China as well as the Russia-Ukraine war which could potentially put a dent in the global economy. This could suggest the pace of recovery for demand might still be lukewarm at this juncture which would indirectly dictate the well-being of the semiconductor market. Our channel check also indicates that the demand outlook may remain tepid in the first half of 2024 before picking up pace in the second half. Nonetheless, some are more conservative, suggesting that the great rebound could only be seen in 2025. Thus, we deduced that the pace of recovery could vary for different semiconductor subsectors and firms.

Political tension remains high. The year 2023 revealed that the political tension between the US and China continues to rise. This is seen from China's restriction of germanium and gallium products. Under the new rules, exporters of both products need to obtain an export license for dual-use items and technologies especially those with potential military and civilian applications. In retaliation, the US further restricted China's access to advanced chips and chipmaking tools which aimed at curbing the latter's technological and military advances.

The ongoing tension has compelled global manufacturers to seek alternative production bases in Asia which is dubbed the "China Plus One" strategy. In this regard, 'The Economist' has identified 14 Asian countries which are collectively known as "Altasia". The term "Altasia" is short for an alternative Asian supply chain and refers to new production sites in Asia outside of China. The new supply chain stretches from Japan's Hokkaido to Gujarat, northwest India, passing through South Korea, Taiwan, the Philippines, Indonesia, Singapore, Malaysia, Thailand, Vietnam, Cambodia, and Bangladesh. Among these countries, Malaysia is one of the preferred countries given the existing resources and infrastructure.

Thus, we view that OSAT with a manufacturing presence in both Malaysia and China would stand in a better position to reap benefits. For OSAT under our coverage, this would primarily be Inari Amertron Bhd and Unisem (M) Bhd.

On a separate, we note that the Chinese semiconductor equipment suppliers are filling the void left by the US export restriction. Suppliers such as Advanced Micro-Fabrication Equipment (AMEC) and ACM Research Shanghai have been gaining pace in capturing domestic orders. This would serve as a challenge to the overseas competitors which predominantly command the major share.

The smartphone market coming out from a low base in 2023. This year is undoubtedly a blip in terms of smartphone shipment. This may be due to subdued global sentiment, in particular the Chinese market given the unfavorable economic prospects and low consumer confidence. Globally, there is also concern about high inflation. However, 2024 is set to be a recovery year for smartphone shipment. The International Data Corporation (IDC) and Canalys are expecting the worldwide smartphone shipment to grow at a similar pace of +3.8%yoy to +4.0%yoy.

We echoed the resumption of smartphone market expansion due to several factors. There has been an improvement in the sentiment among the consumer in China, especially with the resurgence of Huawei. To recall, Huawei managed to finally participate in the 5G phone market via the introduction of the Huawei Mate 60. Chinese manufacturer Transsion, which makes smartphones under the TECNO, Infinix, and itel brands has also garnered a lot of market share in recent times. Apart from this, Oppo, Realme, Vivo, and Xiaomi are also upbeat on 2024 prospects. This seems to suggest that the smartphone market remains competitive.

We expect the unwavering rollout of 5G smartphones, especially for the emerging market, to continue to excite the market in 2024 as well. There should be no let-up in terms of new smartphone model launches in 2024. In addition, we anticipate more traction for the foldable phones subsegment as more models are also being launched next year.

The above should have a positive spillover effect for Malaysian-based outsourced semiconductor assembly and test companies. Note that the smartphone market has been favoured given its high volume and quick pace of model rollout as compared to other markets. The latter will create an opportunity for OSAT to ultimately raise its ASP.

China remains at the forefront of the EV market. We continue to view China as the bellwether for the EV market. In the middle of 2023, the Chinese government announced two critical electric vehicle (EV) industry policies. This includes the fourth round of tax exemption and reduction package for EV purchases nationwide as well as a series of measures to promote new energy vehicles in rural areas. This is expected to have a positive impact on the demand for EVs. Moreover, this will also encourage further investment by the automotive player. This will bode well for OSAT companies who positioned themselves with China's EV supply chain.

Samsung Electronics going big into the automotive semiconductor market. According to IHS Markit, the global automotive semiconductor market will reach USD76b by 2023 and progressively increase to USD143b by 2029 which translates into a CAGR of more than 10%. We view that Samsung also shared optimism for the automotive semiconductor market. Initially, the group was reluctant to invest in the automotive market attributable to lower profit margins due to the high safety requirements, long product update cycles, and challenges in achieving economies of scale. However, it recently launched various automotive ICs mainly due to the increasing performance demands in self-driving and automotive infotainment. It also aims the surpass Micron who currently commands 45% of the global market share.

Maintain NEUTRAL. D&O is our sole BUY recommendation for the semiconductor sector. Taking into consideration the above-mentioned factors. We are only upgrading our recommendation for D&O to buy with a target price of RM4.03 in conjunction with the recently concluded 3QCY23 results season. We see a clearer indication that after the production output hit bottom in 2QCY23, the group has been showing improvement in utilisation rate. The latter should hit at least 85% which translates to a more favourable profit margin. This momentum should be seen to continue in the coming years given better demand coming from the Asia and European markets.

XIV. TELECOMMUNICATION

Seeking more clarity on 5G development..Maintain NEUTRAL

*Analyst: **Martin** Foo Chuan Loong*

In need of better clarity on the 5G milestone and development. We remain **NEUTRAL** on the telecommunication sector at this juncture. While we note that there has been some progress regarding 5G, there are still several questions that have yet to be answered. This includes achievement of the 80% target, possible changes to DNB's mandate, divulgement of the details of the second network operator as well as the exit clause for MNOs to divest DNB.

Notwithstanding this, we view that the sector lacks the rerating catalyst. Premised on the financial performance of various telcos, we see very limited revenue growth. While the telcos have started to incorporate 5G into their respective mobile offerings, the overall adoption rate of 5G remains in its infancy. Moreover, we are of the view that 5G would benefit commercial users as compared to the consumer. Thus, we opine that profitability would primarily depend on the ability to have a favourable cost structure. In this regard, **CelcomDigi Bhd (BUY, TP:RM4.94)** is our top pick for the sector.

Awaiting the start of Jendela Phase 2. To recall, Jendela phase 1 was completed on December 2022 its targets being exceeded. This includes 7.74m premises with fibre connections, 96.92% 4G population coverage and average mobile network speeds of more than 116.0Mbps. These achievements have set a good foundation for Jendela Phase 2.

However, to this date, phase 2 has yet to take off. Based on MCMC guidance, phase 2 should have started towards the end of 2023. However, the decision to shift from a single wholesale network to a dual wholesale network has led to the delay in the commencement of phase 2. Recently, we noted that there has been some positive development led by the signing of SSAs between DNB and the five major MNOs. We expect this should serve as a precursor to the commencement of Jendela phase 2. Nonetheless, we view that the delay would not have a notable impact on the telco earnings as high-yielding areas have been covered in Jendela Phase 1.

Table 18: Jendela's Target & Progress

	Premises Passed with Fibre Connectivity	Mobile Broadband Speed*	4G Coverage In Populated Areas
JENDELA Phase 2 Targets	9 mil Premises Passed	100 Mbps*	100%**
JENDELA Phase 1 Targets (End of 2022)	7.5 mil Premises Passed	35 Mbps*	96.9%
JENDELA Phase 1 Achievement (31 December 2022)	7.74 mil Premises Passed	116.03 Mbps* (Mean) | 43.46 Mbps* (Median)	96.92%
Baseline (September 2020)	4.96 mil Premises Passed	25 Mbps	91.8%

Source: MCMC

SSAs signed. Five MNOs have finally signed share subscription agreements (SSAs) to acquire a collective 70% equity stake in Digital Nasional Bhd (DNB) from the Ministry of Finance Incorporated (MOF Inc). This comprises of CelcomDigi Bhd, Maxis Bhd, Telekom Malaysia Bhd (TM), U Mobile Sdn Bhd and YTL Communications Sdn Bhd. Collectively, each of the MNOs could own 20% of DNB amounting to RM424m, should MOF Inc decide to completely divest its stake in DNB.

We view this positively as the new shareholder structure would put DNB in a better position to drive the development of the 5G infrastructure, in particular its near-term goal of achieving 80% 5G coverage in populated areas. The latter would also lead to the creation of the second wholesale 5G network operator i.e., “Entity B”. Note that as of the end of October 2023, 5G coverage has reached 73%.

Marginal topline growth. Throughout 2023, we note that it is challenging to grow the service revenue in a mature mobile market. Based on our observation, revenue growth for both postpaid and prepaid are in the low single-digit domain, at best. We foresee the introduction of 5G does not necessarily translate to better revenue growth. This is given the competitive pricing to make 5G more affordable and accessible to the masses. Also, given the 5G network arrangements, it would spell the end of network supremacy declaration by the telcos.

On the home fibre segment, we view that revised MSAP would further restrict the telcos from raking in more revenue given the pressure from the average revenue per user (ARPU) perspective. This is especially so for TM, being the primary provider of fixed broadband. On the other hand, we view that the revised MSAP would have a more positive impact on the MNOs as it may lead to better pricing of the converged plan.

Paying more attention to the enterprise business. Given the stagnant consumer market, the enterprise segment has been receiving more attention. Premised on 2023, we see mixed performance for this segment. While both CelcomDigi and Maxis continue to show improvement in revenue, TM’s income from the enterprise segment has been under pressure. To remain competitive, all the telcos have been showcasing their offerings. These offerings are expected to increase further with the introduction of 5G.

The growing importance of having a supportive cost structure. In the absence of notable revenue growth, telcos would need to focus on optimising their respective cost structures to grow their earnings. In this regard, we understand that all the telcos have reemphasized the need to make the cost structure leaner. Maxis has commenced its cost rationalisation exercise which will last for a period of three years. Meanwhile, CelcomDigi is still executing its merger integration efforts. This is expected to pick up pace. On the contrary, TM's cost has increased, as seen in its 9MFY23 financial performance. However, the growth in TM's bottom line will be supported by the utilisation of tax credits.

Cautious on capital expenditure. To remain competitive, all the telcos would need to continue their respective capital spending. This would be mainly for network improvement and/or capacity upgrade as well as modernisation of the IT system. Nonetheless, the telcos are spending prudently given the 5G development. Also, to remain committed to the capex investment, we view that dividend payout could be on the conservative end.

Top pick resides with CelcomDigi. Taking into consideration the above-mentioned factors, our top pick for the telecommunication sector resides with CelcomDigi. We view that the merger has put the group in a better position to compete with its peers. This is in terms of market share as well as economies of scale. As seen in its latest mobile offering, we view that it is rather aggressive. Operationally, we also seen a more favourable cost structure. This is expected to improve further in the coming years, especially in terms of procurement.

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APPENDIX Table i: MIDF RESEARCH STOCK UNIVERSE as at 5 December 2023

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PER			DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RM m)	52-week Price	
					FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22							High (RM)	Low (RM)
CONSTRUCTION																															
Cahya Mata Sarawak	Dec	BUY	1.05	1.32	287.1	130.6	157.5	26.7	12.2	14.7	40.2	-54.5	20.6	3.9	8.6	7.2	2.0	3.0	3.0	1.9	2.9	2.9	0.35	2.99	13.08	2.69	3.76	1,074.2	1,127.9	1.36	0.96
Gamuda	Jul	BUY	4.48	5.55	806.2	1,838.4	1,085.9	31.9	69.9	40.2	36.1	119.5	-42.5	14.1	6.4	11.1	12.0	12.0	12.0	2.7	2.7	2.7	1.11	4.05	22.36	7.73	16.83	2,699.2	12,092.4	4.77	3.43
IJM Corp	Mar	BUY	1.88	2.11	794.9	158.3	323.2	22.2	4.5	9.2	86.3	-79.8	105.3	8.5	41.9	20.4	6.0	6.0	8.0	3.2	3.2	4.3	0.67	2.81	3.48	0.77	1.44	3,506.2	6,591.6	1.95	1.43
KKB Engineering	Dec	BUY	1.41	1.77	11.7	29.1	30.1	4.1	10.1	10.4	-59.7	148.9	3.4	34.8	14.0	13.5	6.0	6.0	6.0	4.3	4.3	4.3	1.01	1.40	7.52	5.28	6.57	288.7	407.1	1.51	1.30
MRCB	Dec	NEUTRAL	0.42	0.42	64.8	39.0	70.4	1.5	0.9	1.6	302.8	-39.8	80.5	28.6	47.5	26.3	1.0	1.0	1.0	2.4	2.4	2.4	0.41	1.01	1.22	0.42	0.86	4,467.5	1,854.0	0.52	0.29
Pekat	Dec	BUY	0.43	0.63	10.0	12.0	14.9	1.6	1.9	2.3	-41.4	19.3	24.2	27.2	22.8	18.4	0.0	1.0	1.0	0.0	2.4	2.4	2.06	0.21	6.70	6.33	9.27	645.0	274.1	0.57	0.38
Pintaras Jaya	Jun	BUY	1.56	1.68	41.2	-2.1	16.0	24.8	-1.3	9.6	-35.9	-105.2	-842.0	6.3	n.a.	16.2	10.0	5.0	5.0	6.4	3.2	3.2	0.65	2.42	-0.64	-0.38	-0.53	165.9	258.7	2.22	1.48
Sunview	Mar	BUY	0.64	1.13	8.9	13.0	14.1	734.0	3.0	3.0	7.2	-99.6	0.4	0.1	21.2	21.1	0.0	0.0	0.0	0.0	0.0	0.0	2.87	0.22	3.75	4.56	12.56	468.0	297.2	0.99	0.48
Sunway Construction	Dec	BUY	1.83	2.09	135.2	140.8	160.9	10.5	10.9	12.5	20.0	4.2	14.2	17.5	16.8	14.7	5.5	6.0	6.0	3.0	3.3	3.3	3.04	0.60	6.53	6.30	17.15	1,289.4	2,359.5	1.99	1.48
WCT	Dec	NEUTRAL	0.48	0.52	128.7	49.3	74.8	9.1	3.5	5.3	31.6	-61.7	51.7	5.2	13.7	9.0	0.5	0.5	0.5	1.1	1.1	1.1	0.21	2.21	2.36	0.59	1.26	1,417.2	673.2	0.60	0.39
CONGLOMERATE																															
YTL Corp	Jun	BUY	1.49	1.78	695.1	1,095.7	1,818.5	6.3	10.0	16.6	-287.6	57.6	66.0	23.5	14.9	9.0	2.5	3.0	9.5	1.7	2.0	6.4	1.09	1.37	3.75	1.35	5.45	10,964.4	16,336.9	1.71	0.55
TELECOMMUNICATIONS																															
Axiata	Dec	NEUTRAL	2.33	2.42	9,751.1	425.5	655.8	106.3	4.6	7.1	1,094.4	-95.6	54.1	2.2	50.3	32.6	14.0	8.0	10.0	6.0	3.4	4.3	0.95	2.45	1.96	0.52	1.39	9,179.1	21,387.3	3.22	2.16
CelcomDigi	Dec	BUY	4.21	4.94	763.8	2,227.0	2,368.0	9.4	19.0	20.2	-36.9	101.9	6.3	44.8	22.2	20.8	13.0	13.3	14.1	3.1	3.2	3.4	3.04	1.38	32.88	5.93	13.65	11,731.5	49,354.5	4.60	3.64
Maxis	Dec	NEUTRAL	3.96	4.08	1,182.0	1,248.0	1,322.0	15.1	15.9	16.9	-9.6	5.5	5.9	26.2	24.9	23.5	20.0	16.0	16.0	5.1	4.0	4.0	5.16	0.77	12.75	5.42	19.59	7,832.1	31,015.0	4.59	3.68
Telekom Malaysia	Dec	NEUTRAL	5.30	5.22	1,143.3	1,745.4	1,668.3	30.2	45.5	43.5	27.4	50.6	-4.4	17.5	11.7	12.2	16.5	15.5	16.5	3.1	2.9	3.1	2.33	2.28	14.40	7.55	21.58	3,836.8	20,334.8	5.64	4.74
TECHNOLOGY																															
D & O Green Tech	Dec	BUY	3.48	4.03	70.2	69.0	113.4	5.7	5.6	9.2	-35.7	-1.9	64.3	61.3	62.5	38.0	1.3	1.3	1.5	0.4	0.4	0.4	6.80	0.51	7.02	4.32	7.86	1,238.3	4,309.3	4.94	3.03
Datasonic	Mar	NEUTRAL	0.43	0.46	10.2	76.4	71.1	0.4	2.7	2.5	28.6	644.4	-5.6	119.4	16.0	17.0	0.4	1.3	2.0	0.8	2.9	4.7	3.44	0.12	22.15	16.41	21.19	2,810.3	1,208.4	0.53	0.41
Globetronics	Dec	SELL	1.67	0.89	45.5	23.8	30.7	6.8	3.5	4.6	-14.2	-47.9	29.0	24.6	47.2	36.6	3.0	3.5	4.5	1.8	2.1	2.7	3.68	0.45	13.22	7.28	7.92	672.3	1,122.8	1.71	0.99
Inari Amertron	Jun	NEUTRAL	2.89	3.04	390.9	323.5	391.5	10.7	8.7	10.5	6.4	-18.5	20.4	27.1	33.3	27.7	10.0	8.2	7.9	3.5	2.8	2.7	4.10	0.70	23.89	10.91	12.42	3,746.1	10,826.3	3.20	2.15
My E.G.	Dec	BUY	0.80	0.97	398.7	419.8	447.7	5.4	5.6	6.0	22.5	4.4	6.6	14.8	14.2	13.3	2.0	1.7	1.8	2.4	2.1	2.3	2.80	0.29	64.47	16.53	22.42	7,459.5	5,967.6	0.95	0.56
Unisem	Dec	NEUTRAL	3.37	2.95	385.4	80.3	189.3	23.9	5.0	11.7	93.9	-79.2	135.7	14.1	67.7	28.7	2.0	6.0	6.0	0.6	1.8	1.8	2.28	1.48	4.51	2.66	3.32	1,613.1	5,436.1	3.67	2.64
PLANTATION																															
FGV	Dec	SELL	1.35	1.06	1,329.2	153.5	193.9	36.4	4.2	5.3	13.7	-88.4	26.3	3.7	32.1	25.4	11.0	2.0	3.0	8.1	1.5	2.2	0.83	1.63	0.60	0.85	1.95	3,648.2	4,925.0	1.63	1.30
Genting Plantations	Dec	NEUTRAL	5.45	5.76	471.4	224.9	281.1	52.5	25.1	31.3	9.1	-52.3	25.0	10.4	21.7	17.4	34.0	15.0	15.0	6.2	2.8	2.8	0.92	5.93	7.05	2.56	4.24	897.2	4,889.5	6.25	5.11
IOI Corp	Jun	BUY	3.98	4.45	1,725.3	1,114.2	1,008.0	27.7	18.0	16.2	24.6	-35.3	-9.5	14.3	22.2	24.5	14.0	11.0	10.5	3.5	2.8	2.6	2.20	1.81	9.62	6.34	9.55	6,203.7	24,690.7	4.22	3.65
KL Kepong	Sep	BUY	21.30	24.60	2,166.3	834.3	790.5	200.9	77.4	73.3	-4.0	-61.5	-5.3	10.6	27.5	29.1	100.0	20.0	40.0	4.7	0.9	1.9	1.60	13.28	3.53	2.77	5.17	1,078.4	22,970.7	23.94	20.50
PPB Group	Dec	NEUTRAL	13.90	13.86	2,196.8	1,232.0	1,375.5	154.4	86.6	96.7	46.8	-43.9	11.6	9.0	16.1	14.4	28.0	30.0	30.0	2.0	2.2	2.2	0.74	18.86	20.09	4.26	4.64	1,422.6	19,774.1	18.00	13.80
Sarawak Plantation	Dec	NEUTRAL	2.17	2.20	96.7	61.4	69.8	34.7	22.0	25.0	-24.3	-36.5	13.7	6.3	9.9	8.7	15.0	0.1	0.1	6.9	0.1	0.1	0.80	2.70	8.64	6.46	8.70	279.0	605.5	2.32	2.02
Sime Darby Plantation	Dec	NEUTRAL	4.52	4.10	2,488.1	944.6	1,153.5	36.0	13.7	16.7	10.4	-62.0	22.1	12.6	33.1	27.1	16.0	8.5	8.0	3.5	1.9	1.8	1.53	2.95	4.49	3.03	4.97	6,915.7	31,259.0	4.77	4.10
TSH Resources	Dec	NEUTRAL	0.99	0.97	456.4	92.3	110.7	33.1	6.7	8.0	169.5	-79.8	19.9	3.0	14.7	12.3	8.0	2.0	2.0	8.1	2.0	2.0	0.66	1.48	7.07	3.12	4.33	1,380.2	1,359.5	1.15	0.92
GLOVE																															
Hartalega	Mar	NEUTRAL	2.46	2.20	3,234.5	-235.1	40.1	94.6	-6.9	1.2	12.1	-107.3	-117.1	2.6	n.a.	209.4	53.5	53.5	0.0	21.7	21.7	0.0	1.82	1.35	-9.76	-4.43	-5.05	3,413.3	8,396.6	2.71	1.41
Kossan	Dec	NEUTRAL	1.69	1.38	157.1	37.1	110.8	6.2	1.5	4.3	-94.5	-76.4	198.6	27.4	116.2	38.9	14.5	0.0	1.5	8.6	0.0	0.9	1.12	1.51	1.58	0.86	0.95	2,551.6	4,312.2	1.77	1.02
Top Glove	Aug	NEUTRAL	0.83	0.70	225.6	-926.6	72.9	2.8	-11.6	0.9	-97.1	-510.3	-107.9	29.4	n.a.	91.2	1.2	0.0	1.1	1.4	0.0	1.3	1.13	0.73	-41.06	-13.09	-15.66	8,008.2	6,646.8	1.25	0.66
HEALTHCARE																															
IHH Healthcare	Dec	BUY	5.84	7.08	1,496.2	1,491.6	1,517.1	17.0	16.9	17.2	-15.8	-0.4	1.7	34.4	34.5	33.9	7.0	6.0	7.0	1.2	1.0	1.2	1.84	3.17	8.29	3.08	5.12	8,807.0	51,432.8	6.17	5.53
KPJ	Dec	BUY	1.34	2.12	172.0	294.8	360.9	3.8	6.8	8.3	222.7	75.9	22.4	34.9	19.8	16.2	0.6	3.0	4.0	0.4	2.2	3.0	2.59	0.52	10.09	4.22	12.52	4,364.3	5,848.2	1.39	0.93
Pharmaniaga	Dec	NEUTRAL	0.33	0.48	-607.3	-34.0	73.0	-46.4	-2.4	5.1	-452.5	-94.9	-314.7	n.a.	n.a.	6.5	6.9	0.1	2.0	20.9	0.3	6.1	-1.68	-0.20	-0.97	-1.84	9.76	1,441.2	475.6	0.57	0.22
CONSUMER (F&B, Retail)																															
AEON Co.	Dec	NEUTRAL	1.09	1.14	111.2	117.3	114.8	7.9	8.4	8.2	30.5	5.5	-2.1	13.8	13.0	13.3	4.0	4.2	4.1	3.7	3.9	3.8	0.84	1.30	2.83	2.16	6.49	1,404.0	1,530.4	1.40	1.02
Asia File	Mar	SELL	1.97	1.60	43.4	31.6	33.0	22.3	16.2	17.0	-6.9	-27.1	4.5	8.8	12.1	11.6	2.0	3.5	2.6	1.0	1.8	1.3	0.49	3.99	9.96	3.95	4.23	194.5	383.2	2.15	1.68
Fraser & Neave	Sep	BUY	27.72	33.50	383.2	536.9	571.6	104.5	146.5	155.8	-3.1	40.2	6.4	26.5	18.9	17.8	60.0	27.0	70.0	2.2	1.0	2.5	3.04	9.12	10.74	10.50	16.02	366.8	10,167.1	28.68	20.80
Hup Seng	Dec	BUY	0.78	0.98	26.1	42.7	50.4	3.3	5.3	6.3	-4.4	63.7	18.0	23.8	14.5	12.3	2.0	5.0	6.0	2.6	6.5	7.7	4.17	0.19	13.42	20.06	30.26	800.0	620.0	0.85	0.63
Leong Hup	Dec	BUY	0.65	0.90	218.9	336.9	389.8	6.0	9.2	10.7	156.4	53.8	15.7	10.8	7.0	6.0	0.0	4.0	4.1	0.0	6.2	6.4	1.06	0.61	3.73	5.11	13.01	3,650.0	2,354.3	0.74	0.47
MSM	Dec	BUY	1.46	1.70	-178.7	-15.2	219.3	-25.4	-2.2	31.2	-242.6	-91.5	-1,542.8	n.a.	n.a.	4.7	0.0	0.0	3.0	0.0	0.0	2.1	0.72	2.02	-0.59	-0.54	-1.00	703.0	1,026.4	1.55	0.73
Nestlé	Dec	NEUTRAL	120.00	129.70	620.3	746.1	842.1	265.0	318.2	359.1	9.1	20.1	12.9	45.3	37.7	33.4	262.0	314.6	355.1	2.2	2.6	3.0	40.51	2.96	11.20	20.99	119.13	234.5	28,140.0	140.60	111.60
Padini	Jun	NEUTRAL	3.64	3.50	154.1	222.7	160.0	23.4	33.9	24.3	184.9	44.5	-28.2	15.5	10.8	15.0	10.0	11.5	10.0	2.7	3.2	2.7	2.28	1.60	12.22	13.37	21.41	657.9	2,394.8	4.16	3.23
QL Resources	Mar	BUY	5.64	6.25	217.3	346.8	405.9	9.0	14.0	16.7	-30.8	55.6	19.1	62.7	40.3	33.8	3.5	7.0	8.3	0.6	1.2	1.5	4.89	1.15	5.56	6.56	12.01	2,433.7	13,725.8	6.09	5.23
Rhong Khen International	Jun	NEUTRAL	1.25	1.22	35.5	22.6	11.7	18.0	12.0	6.0	-35.7	-33.3	-49.8	6.9	10.4	20.8	10.0	4.0	1.8	8.0	3.2	1.4	0.35	3.56	3.48	2.78	3.29	194.3	242.8	1.56	1.22
Spritzer	Dec	BUY	1.82	2.10	37.0	55.6	61.5	11.8	17.5	19.4	52.8	49.1	10.6	15.5	10.4	9.4	8.3	6.0	6.6	4.6	3.3	3.6	1.11	1.63	12.83	9.25	11.27	317.3	577.4	1.91	1.38
BANKING																															
Affin Bank	Dec	SELL	2.01	1.71	1,178.5	448.0	573.0	54.4	19.1	24.4	117.8	-64.9	27.9	3.7	10.5	8.2	0.0	6.1	7.6	0.0	3.0	3.8	0.42	4.79	14.64	0.50	4.21	2,346.5	4,716.4	2.21	1.79
Alliance Bank	Mar	BUY	3.47	4.08	572.8	677.8	653.0	37.0	43.8	42.2	59.5	18.4	-3.7	9.4	7.9	8.2	18.5	22.0	21.1	5.3	6.3	6.1	0.80	4.36	24.47	1.02	10.05	1,548.1	5,371.9	3.84	3.22
AMMB	Mar	BUY	4.06	4.23	1,502.7	1,735.2	1,699.0	45.5	52.4	51.3	-135.8	15.1	-2.0	8.9	7.7	7.9	5.0	18.3	17.9	1.2	4.5	4.4	0.73	5.60	24.02	0.88	9.63	3,309.0	13,434.4	4.25	3.42
Bank Islam	Dec	NEUTRAL	2.30	2.29	491.7	521.0	598.0	22.9	23.0	26.4	-11.2	0.6	14.8	10.1	10.0	8.7	10.4	13.7	14.4	4.5	6.0	6.3	0.70	3.29	15.40	0.58	7.67	2,266.5	5,212.9	2.73	1.70
CIMB	Dec	BUY	5.77	6.62	5,439.9	6,821.0	7,229.0	52.2	64.0	67.8	21.7	22.6	6.0	11.1	9.0	8.5	26.0	36.0	38.1	4.5	6.2	6.6	0.90	6.40	25.40	1.02	10.69	10,665.1	61,537.6	5.92	4.80
Hong Leong Bank	Jun	BUY	19.14	21.38	3,289.3	3,818.2	4,013.0	160.6	186.4	185.1	15.0	16.1	-0.7	11.9	10.3	10.3	55.0	59.0	68.6	2.9	3.1	3.6	1.15	16.68	40.06	1.36	11.23	2,167.7	41,490.1	21.20	18.46
Hong Leong Financial	Jun	BUY	16.48	20.65	2,452.2	2,791.3	2,798.0	216.3	246.1	244.3	8.3	13.8	-0.7	7.6	6.7	6.7	46.0	49.0	49.4	2.8	3.0	3.0	0.67	24.54	26.82	0.89	7.04	1,145.2	18,873.6	19.10	16.10
Malayan Banking	Dec	NEUTRAL	9.00	9.28	8,234.9	9,196.0	9,828.0	68.8	76.3	81.5	-1.3	10.8	6.9	13.1	11.8	11.0	58.0	61.5	65.7	6.4	6.8	7.3	1.19	7.56	26.08	0.97	10.32	12,060.2	108,542.2	9.20	8.26
Public Bank	Dec	BUY	4.32	4.69	6,119.5	6,909.0	7,160.0	31.5	35.6	36.9	8.2	12.9	3.6	13.7	12.1	11.7	17.0	18.5	19.6	3.9	4.3	4.5	1.58	2.74	34.28	1.40	13.41	19,410.7	83,854.2	4.47	3.78
RHB Bank	Dec	BUY	5.47	6.50	2,707.7	2,870.0	3,007.0	64.7	67.0	70.2	0.0	3.5	4.8	8.5	8.2	7.8	40.0	37.3	38.8	7.3	6.8	7.1	0.78	6.98	24.92	0.92	9.98	4,286.3	23,446.3	5.81	5.29
Malayan Banking	Dec	BUY	8.74	9.28	8,234.9	9,208.0	9,828.0	68.8	76.4	81.5	-1.3	11.0	6.7	12.7	11.4	10.7	58.0	61.5	65.7	6.6	7.0	7.5	1.23	7.12	26.52	0.97	10.36	12,054.1	105,353.1	9.03	8.26
Public Bank	Dec	BUY	3.88	4.76	6,119.5	7,121.0	7,231.0	31.5	36.7	37.3	8.2	16.4	1.5	12.3	10.6	10.4	17.0	18.3	18.6	4.4	4.7	4.8	1.47	2.64	35.33	1.44	13.82	19,410.7	75,313.5	4.72	3.78
RHB Bank	Dec	BUY	5.40	7.58	2,707.7	3,151.0	3,355.0	64.7	73.5	78.3	0.0	13.6	6.5	8.3	7.3	6.9	40.0	41.0	43.3	7.4	7.6	8.0	0.77	6.97	27.36	1.01	10.95	4,286.3	23,146.3	5.98	5.29

Source: Company, MIDFR
*: Change in financial year end

Table i: MIDF RESEARCH STOCK UNIVERSE as at 5 December 2023 (cont'd)

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PER			DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RM m)	52-week Price	
					FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22							High (RM)	Low (RM)
FINANCE																															
AEON Credit	Feb	BUY	5.71	15.00	355.3	407.5	420.4	69.6	79.8	82.3	58.7	14.7	3.2	8.2	7.2	6.9	24.3	21.8	55.8	4.2	3.8	9.8	1.17	4.90	22.18	3.67	16.14	510.6	2,915.6	6.75	5.44
Bursa Malaysia	Dec	BUY	6.75	7.50	226.6	246.9	266.3	28.0	30.5	32.9	-36.2	9.0	7.9	24.1	22.1	20.5	23.0	29.0	29.0	3.4	4.3	4.3	7.15	0.94	42.18	5.82	31.38	809.3	5,462.8	6.99	6.16
OIL & GAS																															
Bumi Armada	Dec	BUY	0.51	0.67	732.4	664.8	738.2	12.4	11.2	12.5	27.1	-9.3	11.0	4.1	4.5	4.1	0.0	0.8	1.0	0.0	1.6	2.0	0.50	1.02	27.64	5.67	13.05	5,922.7	3,020.6	0.73	0.42
Deleum	Dec	BUY	0.96	1.19	42.1	42.1	51.9	10.5	10.5	12.9	146.8	-0.1	23.3	9.1	9.1	7.4	2.0	3.4	4.8	2.1	3.6	5.0	0.96	0.99	6.03	5.90	10.16	401.6	383.5	1.18	0.84
Dialog Group	Jun	BUY	2.07	3.28	508.0	510.5	756.5	9.0	9.1	13.4	-6.5	0.6	48.1	23.0	22.9	15.4	3.4	3.7	4.7	1.6	1.8	2.3	1.89	1.10	17.01	5.48	8.29	5,642.6	11,680.1	2.73	2.03
Gas Malaysia	Dec	BUY	3.10	3.71	389.5	452.5	564.9	30.0	35.2	44.0	57.9	17.5	24.8	10.3	8.8	7.0	22.8	25.4	32.3	7.3	8.2	10.4	3.15	0.98	5.92	14.38	35.40	1,284.0	3,980.4	3.46	2.97
MMHE	Dec	NEUTRAL	0.47	0.51	67.8	-432.0	35.0	4.2	-27.0	2.2	-125.1	-736.8	-108.1	11.1	n.a.	21.5	0.0	1.6	1.8	0.0	3.4	3.8	0.61	0.77	-26.16	-12.86	-24.41	1,600.0	752.0	0.77	0.44
Petronas Chemicals	Dec	NEUTRAL	7.20	7.16	6,322.0	2,170.0	3,183.0	79.0	27.1	39.8	-13.9	-65.7	46.7	9.1	26.5	18.1	48.0	40.0	41.0	6.7	5.6	5.7	1.45	4.97	7.49	3.91	5.46	8,000.0	57,600.0	8.72	5.84
Petronas Dagangan	Dec	BUY	22.30	24.91	776.6	1,050.0	1,102.0	78.2	105.7	110.9	46.7	35.2	5.0	28.5	21.1	20.1	62.0	93.3	99.4	2.8	4.2	4.5	3.83	5.82	2.86	9.33	18.14	993.5	22,154.0	23.60	20.04
Petronas Gas	Dec	BUY	16.68	18.75	1,645.4	1,978.6	2,067.6	83.2	100.0	104.5	-17.2	20.2	4.5	20.0	16.7	16.0	72.0	80.0	105.3	4.3	4.8	6.3	2.45	6.81	32.12	10.05	14.75	1,978.7	33,005.2	17.78	16.12
PROPERTY & REITS																															
Al 'Aqar Healthcare REIT	Dec	NEUTRAL	1.26	1.25	60.1	68.0	69.0	8.2	8.1	8.2	-18.2	-0.9	1.5	15.4	15.6	15.3	8.1	7.8	7.8	6.4	6.2	6.2	0.99	1.28	61.13	3.64	7.00	839.6	1,057.9	1.35	1.20
Axis REIT	Dec	BUY	1.80	1.97	190.4	150.0	155.0	11.6	8.6	8.9	-15.8	-25.9	3.3	15.5	20.9	20.2	9.8	7.6	7.8	5.4	4.2	4.4	1.14	1.58	52.58	3.52	5.83	1,741.1	3,133.9	1.94	1.77
Eco World	Oct	NEUTRAL	1.01	1.14	157.2	268.0	264.0	5.3	9.1	9.0	-14.0	70.5	-1.5	18.9	11.1	11.3	3.0	6.0	6.0	3.0	5.9	5.9	0.62	1.64	13.11	2.85	5.66	2,944.4	2,973.8	1.12	0.61
Glomac	Apr	BUY	0.37	0.43	37.9	31.5	15.0	4.9	4.1	2.0	35.4	-16.8	-52.3	7.4	8.9	18.7	1.0	1.0	1.3	2.7	2.7	3.6	0.23	1.56	9.24	1.55	2.53	767.5	280.1	0.41	0.30
IGB REIT	Dec	BUY	1.71	1.86	396.2	357.0	373.0	11.1	9.9	10.4	97.0	-10.3	4.5	15.5	17.3	16.5	9.9	9.1	9.5	5.8	5.3	5.6	1.52	1.12	64.16	6.71	9.22	3,601.6	6,158.8	1.78	1.57
IOI Prop	Jun	BUY	1.70	1.94	686.7	1,393.0	705.0	12.5	25.3	12.8	4.0	102.9	-49.4	13.6	6.7	13.3	4.0	5.0	5.0	2.4	2.9	2.9	0.42	4.02	53.72	3.27	6.21	5,506.1	9,360.4	1.90	1.05
KLCCP Stapled	Dec	NEUTRAL	7.02	7.08	279.4	761.0	778.0	15.5	42.2	43.1	121.0	172.5	2.2	45.4	16.7	16.3	38.0	35.8	35.9	5.4	5.1	5.1	2.47	2.84	52.15	4.20	5.02	1,805.3	12,673.4	7.18	6.59
Mah Sing	Dec	BUY	0.78	0.99	180.1	207.0	235.0	6.5	8.5	9.7	48.1	31.2	13.5	12.0	9.1	8.1	5.7	3.4	3.9	7.2	4.4	5.0	0.52	1.50	8.93	3.24	5.77	2,427.7	1,893.6	0.92	0.55
Matrix Concepts	Mar	BUY	1.62	1.86	205.2	207.2	256.0	13.0	19.7	20.5	-37.9	51.5	3.8	12.5	8.2	7.9	2.7	10.8	9.8	1.6	6.6	6.0	0.98	1.66	18.62	7.85	10.42	1,251.3	2,027.2	1.65	1.37
Pavilion REIT	Dec	BUY	1.21	1.48	397.8	286.0	312.0	13.0	7.8	8.5	217.0	-39.9	9.1	9.3	15.5	14.2	8.4	7.6	7.8	6.9	6.2	6.5	0.94	1.29	50.20	4.41	7.04	3,652.3	4,419.3	1.45	1.18
S P Setia	Dec	BUY	0.73	1.08	308.1	225.0	281.0	7.6	5.2	6.5	8.1	-31.7	24.9	9.6	14.1	11.3	1.5	1.6	1.7	2.0	2.2	2.3	0.24	2.99	5.05	0.75	1.47	4,354.6	3,178.8	1.06	0.51
Sunway REIT	Dec	BUY	1.54	1.70	323.6	334.0	360.0	8.9	9.8	10.5	188.6	10.1	7.8	17.4	15.8	14.7	9.2	8.8	9.5	6.0	5.7	6.1	0.97	1.59	51.27	3.55	6.04	3,424.8	5,274.2	1.66	1.43
Sunway	Dec	BUY	1.90	2.25	676.8	680.0	718.0	10.7	13.3	14.0	-76.5	24.7	5.6	17.8	14.3	13.5	3.5	6.5	6.5	1.8	3.4	3.4	0.94	2.03	13.09	2.61	5.01	5,117.5	9,723.2	2.07	1.52
UOA Development	Dec	NEUTRAL	1.74	1.79	219.9	208.0	212.0	0.1	8.4	8.5	-99.1	9,180.0	1.9	1,933.3	20.8	20.4	10.0	30.0	10.0	5.7	17.2	5.7	0.82	2.13	46.05	3.22	3.52	2,490.4	4,333.3	1.92	1.56
TRANSPORT																															
- Aviation																															
Capital A	Dec	NEUTRAL	0.87	0.80	-2,626.4	-398.0	407.1	-64.8	-9.4	9.7	-18.0	-85.4	-202.3	n.a.	n.a.	9.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.43	-2.00	-6.18	-2.00	4.18	4,214.1	3,645.2	1.12	0.56
Malaysia Airports	Dec	NEUTRAL	7.11	7.80	129.7	447.7	686.0	7.8	26.8	41.1	-115.7	243.1	53.2	90.9	26.5	17.3	3.9	12.0	19.0	0.5	1.7	2.7	1.76	4.03	14.32	2.30	6.03	1,668.6	11,863.4	7.80	6.30
- Logistics																															
CJ Century Logistics	Dec	BUY	0.38	0.50	28.2	13.9	23.9	4.8	2.4	4.1	320.0	-50.5	71.9	7.8	15.7	9.1	1.5	0.7	1.2	4.0	1.9	3.2	0.49	0.77	1.49	1.81	3.12	581.9	218.2	0.54	0.37
Suria Capital	Dec	NEUTRAL	1.74	1.70	59.1	56.0	62.4	17.1	16.2	18.0	49.6	-5.3	11.4	10.2	10.7	9.6	1.5	4.9	5.4	0.9	2.8	3.1	0.52	3.36	18.54	3.79	4.75	345.8	601.7	1.84	1.09
Swift Haulage	Dec	NEUTRAL	0.54	0.52	48.5	28.5	41.5	5.5	3.2	4.7	-26.4	-40.8	45.6	9.9	16.7	11.5	2.0	1.0	1.4	3.7	1.9	2.6	0.68	0.79	4.43	1.83	4.34	880.5	475.5	0.62	0.44
Tasco	Mar	BUY	0.79	1.30	65.2	90.8	75.1	8.2	11.4	9.4	58.1	39.1	-17.3	9.7	7.0	8.4	1.0	3.5	3.0	1.3	4.4	3.8	1.06	0.75	5.65	5.91	13.68	800.0	632.0	1.04	0.78
- Ports																															
Westports	Dec	NEUTRAL	0.54	0.52	48.5	28.5	41.5	5.5	3.2	4.7	-26.4	-40.8	45.6	9.9	16.7	11.5	2.0	1.0	1.4	3.7	1.9	2.6	0.68	0.79	4.43	1.83	4.34	880.5	475.5	0.62	0.44
- Shipping																															
MISC	**Dec**	**NEUTRAL**	**7.25**	**7.37**	**1,822.9**	**1,947.7**	**2,380.1**	**40.8**	**43.6**	**53.3**	**-0.5**	**6.9**	**22.2**	**17.8**	**16.6**	**13.6**	**33.0**	**0.4**	**0.5**	**4.6**	**0.1**	**0.1**	**0.81**	**8.98**	**14.05**	**3.11**	**5.08**	**4,463.7**	**32,362.2**	**7.61**	**6.94**
UTILITIES																															
Ranhill Utilities	Dec	NEUTRAL	0.85	0.80	95.3	46.5	49.2	7.4	3.6	3.8	183.1	-51.2	5.8	11.4	23.4	22.1	0.8	3.0	3.2	0.9	3.6	3.8	1.44	0.59	2.69	1.43	4.87	1,289.5	1,089.6	0.98	0.42
Samaiden	Jun	BUY	1.13	1.54	11.9	10.1	23.3	3.2	2.6	5.7	73.5	-18.7	117.2	35.2	43.3	19.9	0.0	0.5	0.0	0.0	0.4	0.0	4.07	0.28	5.90	5.18	10.29	411.0	464.4	1.35	0.72
Tenaga Nasional	**Dec**	**BUY**	**10.02**	**11.00**	**3,463.3**	**3,402.0**	**4,830.0**	**60.4**	**58.8**	**83.5**	**-5.8**	**-2.6**	**42.0**	**16.6**	**17.0**	**12.0**	**46.0**	**36.2**	**51.3**	**4.6**	**3.6**	**5.1**	**1.00**	**10.05**	**6.69**	**1.65**	**5.58**	**5,787.3**	**57,989.1**	**10.20**	**8.82**
YTL Power	Jun	BUY	2.28	2.99	1,476.8	2,028.0	2,904.3	18.2	25.0	35.8	-1,090.8	37.3	43.2	12.5	9.1	6.4	4.5	2.5	17.8	2.0	1.1	7.8	1.04	2.19	9.26	3.43	12.37	8,102.2	18,472.9	2.41	0.71
AUTO																															
Bermaz Auto	Apr	BUY	2.32	3.36	155.1	305.8	323.9	13.4	26.3	27.7	15.9	96.9	5.5	17.4	8.8	8.4	6.3	14.5	22.2	2.7	6.3	9.6	3.68	0.63	8.64	17.10	36.35	1,167.6	2,708.8	2.55	1.85
MBM	Dec	BUY	4.47	4.75	280.4	269.7	247.1	71.7	69.0	63.2	63.7	-3.8	-8.4	6.2	6.5	7.1	37.0	55.3	34.0	8.3	12.4	7.6	0.84	5.33	11.69	10.67	11.52	390.9	1,747.3	4.54	2.99
Tan Chong	**Dec**	**NEUTRAL**	**0.98**	**0.92**	**-51.1**	**-98.7**	**-60.2**	**-7.8**	**-15.1**	**-9.2**	**232.2**	**93.1**	**-39.0**	**n.a.**	**n.a.**	**n.a.**	**3.0**	**3.0**	**3.0**	**3.1**	**3.1**	**3.1**	**0.22**	**4.42**	**-3.23**	**-1.96**	**-3.46**	**651.8**	**638.8**	**1.25**	**0.97**
UMW	Dec	ACCEPT OFFER	4.91	4.86	484.9	555.9	454.4	41.5	47.6	38.9	43.4	14.7	-18.3	11.8	10.3	12.6	14.2	19.0	15.6	2.9	3.9	3.2	1.18	4.16	3.52	4.48	7.79	1,168.3	5,736.3	4.92	3.22
BUILDING MATERIAL																															
- Cement																															
Malayan Cement	Jun	BUY	4.22	4.91	83.5	159.0	312.1	6.8	12.1	23.8	702.4	78.0	96.2	61.9	34.8	17.7	0.0	6.0	6.0	0.0	1.4	1.4	0.91	4.62	4.23	1.45	2.67	1,310.2	5,529.1	4.45	2.04
- Timber																															
Ta Ann	Dec	BUY	3.57	4.25	320.5	182.9	208.2	72.8	41.5	47.3	0.9	-42.9	13.8	4.9	8.6	7.6	40.0	25.0	20.0	11.2	7.0	5.6	0.84	4.23	8.36	6.56	9.39	440.5	1,572.4	4.07	3.03

Source: Company, MIDFR

Table ii: Performance of various markets in Local Currency (% change)

In Local Currency	Index point	4Q22	2022	1Q23	2Q23	3Q23	4Q23^	2023*
Nikkei 225	32,775.82	0.6%	-9.4%	7.5%	18.4%	-4.0%	2.9%	25.6%
Taiwan Weighted	17,328.01	5.3%	-22.4%	12.2%	6.6%	-3.3%	6.0%	22.6%
Mumbai Sensex 30	69,296.14	5.9%	4.4%	-3.0%	9.7%	1.7%	5.3%	13.9%
KOSPI	2,494.28	3.8%	-24.9%	10.8%	3.5%	-3.9%	1.2%	11.5%
Dow Jones	36,204.44	15.4%	-8.8%	0.4%	3.4%	-2.6%	8.0%	9.2%
Jakarta Composite	7,100.86	-2.7%	4.1%	-0.7%	-2.1%	4.2%	2.3%	3.7%
FBM KLCI	1,449.46	7.2%	-4.6%	-4.9%	-3.2%	3.4%	1.8%	-3.1%
Shanghai Composite	2,972.30	2.1%	-15.1%	5.9%	-2.2%	-2.9%	-4.4%	-3.8%
Philippines Composite	6,308.95	14.4%	-7.8%	-1.0%	-0.5%	-2.3%	-0.2%	-3.9%
Straits Times	3,077.16	3.9%	4.1%	0.2%	-1.6%	0.4%	-4.4%	-5.4%
SET Index	1,383.54	5.0%	0.7%	-3.6%	-6.6%	-2.1%	-6.0%	-17.1%
Hang Seng	16,327.86	14.9%	-15.5%	3.1%	-7.3%	-5.9%	-8.3%	-17.5%

Source: Bloomberg
*as at 5th December 2023

Table iii: Performance of various markets in US Dollar (% change)

In US Dollar	Index point	4Q22	2022	1Q23	2Q23	3Q23	4Q23^	2023*
Taiwan Weighted	550.24	8.8%	-30.1%	13.1%	4.3%	-6.6%	8.5%	19.6%
Mumbai Sensex 30	831.69	4.3%	-5.9%	-2.4%	9.8%	0.4%	5.0%	13.1%
Nikkei 225	222.84	11.1%	-20.3%	6.0%	8.9%	-7.3%	4.5%	11.9%
Dow Jones	36,204.44	15.4%	-8.8%	0.4%	3.4%	-2.6%	8.0%	9.2%
KOSPI	1.90	18.1%	-29.2%	7.3%	2.4%	-6.7%	4.5%	7.1%
Jakarta Composite	0.46	-4.3%	-4.2%	2.9%	-1.9%	0.5%	2.3%	3.8%
Philippines Composite	114.11	20.6%	-15.5%	1.5%	-2.3%	-4.6%	2.2%	-3.2%
Straits Times	2,298.96	11.4%	4.8%	0.9%	-3.2%	-0.7%	-2.4%	-5.3%
Shanghai Composite	416.19	5.4%	-21.8%	6.4%	-7.4%	-3.4%	-2.4%	-7.1%
FBM KLCI	310.58	12.9%	-9.9%	-5.0%	-8.5%	2.8%	2.4%	-8.5%
Hang Seng	2,088.79	15.6%	-15.5%	2.5%	-7.1%	-5.8%	-8.2%	-17.6%
SET Index	39.25	14.6%	-3.2%	-2.0%	-9.7%	-5.5%	-2.4%	-18.5%

Source: Bloomberg
*as at 5th December 2023

APPENDIX

Table iv: Performance by sectors (% change)

	Index point	4Q22	2022	1Q23	2Q23	3Q23	4Q23^	2023*
Utilities	1,223.51	5.7%	0.6%	4.0%	8.1%	14.8%	8.8%	40.4%
Property	841.18	4.6%	-8.9%	7.3%	0.2%	26.9%	-3.9%	31.2%
Construction	183.03	-0.1%	-0.8%	4.8%	1.4%	13.8%	-0.9%	19.9%
Transport & Logistics	915.58	10.8%	0.2%	4.4%	0.8%	1.9%	-1.0%	6.1%
Energy	809.22	15.8%	10.3%	7.8%	-7.5%	15.5%	-9.5%	4.3%
Healthcare	1,807.89	17.9%	-25.5%	1.3%	-6.2%	0.8%	8.4%	3.8%
Reits	783.63	0.8%	-2.4%	3.4%	-2.8%	-0.1%	1.0%	1.4%
Financial Services	16,340.29	3.6%	6.0%	-4.8%	-2.4%	3.8%	2.7%	-1.0%
Plantation	6,988.90	9.4%	8.1%	-4.8%	-0.6%	2.7%	1.6%	-1.4%
Technology	62.03	4.2%	-34.3%	-1.3%	-2.8%	3.3%	-1.4%	-2.3%
Consumer Products & Services	551.27	6.4%	1.5%	-2.6%	-4.1%	0.9%	-0.2%	-6.0%
Telecommunications & Media	551.35	6.3%	-8.3%	1.3%	-3.2%	-0.8%	-3.8%	-6.5%
Industrial Products & Services	169.83	7.0%	-10.3%	-5.9%	-8.3%	9.3%	-1.0%	-6.6%
FBM Small Cap	16,047.57	8.8%	-5.3%	2.2%	-2.7%	9.0%	-0.9%	7.5%
FBM Emas	10,682.37	7.3%	-5.4%	-2.6%	-2.7%	4.3%	0.9%	-0.2%
FBM 100	10,353.06	7.1%	-5.4%	-2.9%	-2.7%	4.1%	1.1%	-0.6%
FBM KLCI	1,449.46	7.2%	-4.6%	-4.9%	-3.2%	3.4%	1.8%	-3.1%

Source: Bloomberg
*as at 5th December 2023

Table v: Regional earnings and valuations

	EPS Growth (% change)					PER				
	2022	2023 (est as of)		2024 (f'cast as of)		2022	2023 (est as of)		2024 (f'cast as of)	
		Sep-23	Dec-23	Sep-23	Dec-23		Sep-23	Dec-23	Sep-23	Dec-23
Nikkei 225	-16.1%	19.0%	14.3%	9.7%	13.2%	22.2	18.1	19.4	16.5	17.2
Taiwan Weighted	-8.4%	-25.5%	-23.0%	23.9%	18.8%	14.3	18.2	18.6	14.7	15.7
Hang Seng	6.4%	-29.1%	-30.4%	10.1%	10.8%	5.8	9.0	8.4	8.2	7.6
FBM KLCI	**11.0%**	**-12.9%**	**-13.5%**	**10.1%**	**10.0%**	**12.5**	**14.1**	**14.5**	**12.8**	**13.1**
Jakarta Comp.	72.1%	485.1%	9862.4%	14.9%	-4.3%	13.7	2.3	0.1	2.0	0.1
SET Index	-1.0%	-6.5%	-8.6%	16.4%	15.0%	14.7	16.7	16.0	14.3	13.9
Philippines Comp.	27.1%	22.9%	23.2%	9.6%	8.9%	14.6	11.9	11.9	10.9	10.9
Shanghai Comp.	-0.8%	19.9%	16.0%	14.8%	14.7%	13.1	11.4	11.3	10.0	9.8
Straits Times	21.3%	10.9%	10.1%	1.3%	1.3%	11.1	10.5	10.1	10.4	10.0
Mumbai Sensex 30	14.2%	18.0%	18.2%	16.2%	16.7%	26.1	21.0	22.1	18.0	18.9
DJIA	-5.9%	5.7%	4.9%	18.0%	19.0%	20.9	18.3	19.9	15.5	16.7

Source: Bloomberg
*as at 5th December 2023

Table vi: Performance of MIDFR's stocks under coverage

OUT-PERFORMERS	Share Price (RM)		% Change	TP
	5/12/2023	30/9/2023		
Kossan	1.71	1.32	29.50%	1.38
Ranhill Utilities	0.84	0.65	28.50%	0.80
Hartalega	2.45	1.99	23.10%	2.20
MBM	4.50	3.69	22.00%	4.75
Spritzer	1.90	1.58	20.30%	2.10
KPJ	1.33	1.14	16.70%	2.12
Malayan Cement	4.21	3.61	16.60%	4.91
Suria Capital	1.73	1.52	13.80%	1.70
Leong Hup	0.63	0.55	13.60%	0.90
Hup Seng	0.79	0.71	12.10%	0.98
YTL Power	2.25	2.02	11.50%	2.99
Matrix	1.64	1.49	10.10%	1.86
Westports	3.53	3.23	9.30%	4.00
AMMB	4.04	3.70	9.20%	4.23
Fraser & Neave	27.64	25.30	9.20%	33.50
Bank Islam	2.32	2.14	8.40%	2.29
Top Glove	0.84	0.78	8.40%	0.70
MSM	1.48	1.37	8.00%	1.70
Telekom Malaysia	5.26	4.90	7.30%	5.22
Ta Ann	3.61	3.37	7.10%	4.25
Globetronics	1.66	1.56	6.80%	0.89
Sunway REIT	1.55	1.46	6.20%	1.70
CIMB	5.75	5.43	5.90%	6.62
Sime Darby Plantation	4.50	4.25	5.90%	4.10
IGB REIT	1.74	1.66	5.10%	1.86
Public Bank	4.25	4.06	4.70%	4.69
Asia File	1.97	1.89	4.50%	1.60
Gas Malaysia	3.12	2.99	4.50%	3.71
Alliance Bank	3.51	3.38	3.80%	4.08
UOA Development	1.75	1.69	3.60%	1.79
Sarawak Plantation	2.16	2.09	3.30%	2.20
YTL Corp	1.53	1.48	3.30%	1.78
IOI Prop	1.71	1.66	3.00%	1.94
D & O Green Tech	3.51	3.41	2.90%	4.03
KLCCP Stapled	7.00	6.80	2.90%	7.08
QL Resources	5.62	5.46	2.90%	6.25
UMW Holdings	4.90	4.76	2.90%	4.86
AEON Co.	1.13	1.10	2.70%	1.14
Malayan Banking	9.01	8.79	2.50%	9.28
Unisem	3.32	3.24	2.50%	2.95
IJM Corp	1.90	1.86	2.20%	2.11

Source : MIDF, Bloomberg (as at 5th December 2023)

Table vi: Performance of MIDFR's stocks under coverage (Cont'd)

UNDER-PERFORMERS	Share Price (RM)		% Change	TP
	5/12/2023	30/9/2023		
S P Setia	77.0%	1.03	-25.7%	1.08
Pharmaniaga	33.0%	0.44	-24.1%	0.48
Sunview	64.0%	0.80	-19.5%	1.13
WCT	47.0%	0.57	-17.7%	0.52
Deleum	95.0%	1.11	-14.4%	1.19
Capital A	84.0%	0.97	-13.9%	0.80
Mah Sing	78.0%	0.90	-13.9%	0.99
Samaiden	110.0%	1.23	-10.6%	1.54
MMHE	47.0%	0.53	-10.5%	0.51
PPB Group	1390.0%	15.48	-10.2%	13.86
Bumi Armada	0.51	0.57	-9.7%	0.67
Padini	3.60	3.95	-8.9%	3.50
Cahya Mata Sarawak	1.04	1.14	-8.8%	1.32
Pekat	0.42	0.46	-8.7%	0.63
Nestlé	115.00	125.78	-8.6%	129.70
MRCB	0.43	0.46	-7.6%	0.42
Pintaras Jaya	1.50	1.61	-6.8%	1.68
Datasonic	0.44	0.47	-6.5%	0.46
CJ Century Logistics	0.38	0.40	-6.3%	0.50
Affin Bank	2.02	2.13	-5.2%	1.71
Bermaz Auto	2.32	2.44	-5.0%	3.36
Tan Chong	0.98	1.03	-4.9%	0.92
Eco World	1.01	1.06	-4.7%	1.14
Hong Leong Financial	16.60	17.38	-4.5%	20.65
Rhong Khen International	1.26	1.32	-4.5%	1.22
Sunway Construction	1.82	1.90	-4.2%	2.09
AEON Credit	5.71	5.95	-4.0%	15.00
FGV	1.34	1.39	-3.6%	1.06
Sunway	1.91	1.97	-3.0%	2.25
Axiata	2.42	2.49	-2.8%	2.42
Dialog Group	2.04	2.10	-2.7%	3.28
Glomac	0.37	0.38	-2.7%	0.43
Pavilion REIT	1.19	1.22	-2.5%	1.48
CelcomDigi	4.23	4.34	-2.4%	4.94
Swift Haulage	0.55	0.56	-1.8%	0.52
Petronas Chemicals	7.07	7.19	-1.7%	7.16
Maxis	3.95	4.00	-1.3%	4.08
Tasco	0.79	0.80	-1.3%	1.30
Malaysia Airports	7.08	7.13	-0.7%	7.80
Axis REIT	1.81	1.82	-0.4%	1.97
Inari Amertron	2.89	2.90	-0.3%	3.04
Gamuda	4.42	4.43	-0.2%	5.55
IHH Healthcare	5.84	5.85	-0.2%	7.08
Tenaga Nasional	9.97	9.99	-0.2%	11.00
KL Kepong	21.38	21.40	-0.1%	26.00
TSH Resources	0.99	0.99	0.0%	0.97
Petronas Gas	16.70	16.66	0.2%	18.75
Hong Leong Bank	19.22	19.12	0.5%	21.38
IOI Corp	4.00	3.98	0.5%	4.45
KKB Engineering	1.42	1.41	0.7%	1.58
Al-'Aqar Healthcare	1.26	1.25	0.8%	1.25
RHB Bank	5.48	5.43	0.9%	6.50
Bursa Malaysia	6.81	6.74	1.0%	7.50
Petronas Dagangan	22.60	22.38	1.0%	24.91
Genting Plantations	5.46	5.40	1.1%	5.76
My E.G.	0.81	0.79	1.5%	0.97
MISC	7.20	7.08	1.7%	5.38
FBM KLCI	**1449.46**	**1424.17**	**1.8%**	**1,540.00**

Source : MIDF, Bloomberg (as at 5th December 2023)

YOUR EQUITY CAPITAL MARKET TEAM

Research

Imran Yassin bin Md Yusof ....imran.yassin@midf.com.my....................03-21738395
Head of Research, Non-bank Financials

Syed Muhammed Kifni Syed Kamaruddin....................smkifni@midf.com.my....................03-21738383
Head of Strategy

Abdul Mui'zz bin Morhalim....................abdul.muizz@midf.com.my....................03-21738393
Economist (Economics)

Muhammad Zafri bin Zulkeffeli....................muhammad.zafri@midf.com.my....................03-21738384
Economist (Economics)

Hazman bin Abdul Rahman.................... hazman@midf.com.my....................03-21738810
Economist

Hafriz Hezry bin Harihodin.................... hafriz.hezry@midf.com.my....................03-21738392
Automotive, Utility (Power)

Martin Foo Chuan Loong....................martin.foo@midf.com.my....................03-21738394
Technology, Telecommunications

Jessica Low Jze Tieng....................jessica.low@midf.com.my....................03-21738391
Property, REITs

Royce Tan Seng Hooi....................royce.tan@midf.com.my....................03-21738461
Construction

Samuel Woo Choong Yi.................... samuel.woo@midf.com.my....................03-27721669
Banking

Ng Pei Fen, Genevieve ....genevieve.ng@midf.com.my....................03-27721678
Consumer, Gloves

Intan Diana binti Fishal .... intan.diana@midf.com.my....................03-21738396
Amalia binti Zarir .... amalia.zarir@midf.com.my....................03-21738390
Muhammad 'Ammar Amsyar bin Amrus ....muhammad.ammar@midf.com.my....................03-27721668

Share Margin Financing

Henry Gan Yong Beng.................... henry.tan@midf.com.my 03-21738230
Hee Mei Yee, Macy....................Hee.MY@midf.com.my 03-27721664
Danial bin Jafeeri....................danial.jafeeri@midf.com.my 03-21738231
Eliya Farhana binti Roseli .... eliya.farhana@midf.com.my 03-27721662
Lyana Yasmin binti Abdul Hamid ....lyana.yasmin@midf.com.my 03-27721691
Nur Ameera binti Zakaria....................nur.ameera@midf.com.my 03-21738217
Julia binti Aminuddin....................julia@midf.com.my 03-27721684

Dealing

Faiz bin Khaleeque Ahmad (Head) ....faiz.ka@midf.com.my 03-27721652
Hanafi bin Husin ....hanafi.husin@midf.com.my 03-27721689
Khairul Anwar bin Abdullah....................khairul.anwar@midf.com.my 03-27721643
Mohammad Taufiq bin Abdul Jalal.................... taufiq@midf.com.my 03-21738459
Syairah binti Abdul Malek....................syairah@midf.com.my....................03-21738458
Ahmad Faizul bin Mohd Sharif ....ahmad.faizul@midf.com.my 03-21738385
Mat Razi bin Daud .... mat.razi@midf.com.my 03-21738359
Suzana binti Sultani....................suzana.sultani@midf.com.my 03-21738445
Zarina binti Yusoff.................... zarinay@midf.com.my 03-21738365
Zuraimi bin Sanayan.................... zuraimi@midf.com.my 03-21738363
Elmy bin Sharudin ....elmy.sharudin@midf.com.my 03-21738440
Khairun Adila binti Khazali ....khairun.adila@midf.com.my 03-21731655
Muhammad Fawwaz Asyraf bin Mohd Saibani....................muhammad.fawwaz@midf.com.my 03-21738457

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	*Negative* total return is expected to be -10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad
197501002077 (23878-X)
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Business Address:
11 & 12th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380