Bursa poised to perform better next year

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Phillip Capital Research said it has a 2026 year-end target of 1,710 points for the FBM KLCI.

PETALING JAYA: Easing global trade tensions, a more accommodative international monetary policy stance, firm ringgit, attractive market valuations and liquidity are anticipated to help Bursa Malaysia perform better in 2026.

Phillip Capital Research said it has a “neutral” call on the outlook for Bursa with a 2026 year-end target of 1,710 points for the FBM KLCI.

It noted the country’s strong domestic fundamentals, positive labour market conditions and stable household spending would continue driving economic growth, which it forecasts to expand by 4.5%.

“Realisation of investments will also play a key role in supporting gross domestic product growth, with a record high level of approved investment in 2025 suggesting that momentum is likely to remain strong in the near term.

“As a trade-dependent economy, Malaysia remains exposed to downside risks from global trade fragmentation, which could temper growth,” Phillip Capital said in a 2026 market strategy report.

The research house added that Visit Malaysia 2026 (VM2026) would support external demand for services and overall economic growth.

Domestic demand remained resilient while private consumption is expected to be the main growth driver in 2026, supported by a robust labour market.

It also expected the ringgit to trade within a range of RM4.05 to RM4.15 against the US dollar, noting any further support for the local unit from narrowing interest rate differential is likely to be modest.

Phillip Capital expected the US Federal Reserve (Fed) to deliver one rate cut of 25 basis points in 2026, bringing the target range to 3.25% to 3.5% with further moves contingent on incoming data and the policy stance of the incoming Fed chairman.

Bank Negara Malaysia is likely to hold its policy rate steady at 2.75% in 2026, according to the research house.

It saw the stock market’s performance to be supported by a few key themes namely rising foreign direct investment driven by trade diversion, investment upcycles, data centre expansion, green energy transition, an artificial intelligence technology cycle and VM26.

“Most of these themes align closely with the government’s long-term policy agenda, offering a multi-year investment roadmap with strong visibility.

“Among them, data centre growth and energy transition stand out as particularly compelling drivers heading into 2026,” Phillip Capital noted.

It has an “overweight” rating on banking, construction, electronics manufacturing services, industrial and renewables, with healthcare, transport and oil and gas sectors remaining attractive given their strong earnings visibility.

Its top “buy” calls among large cap stocks is for companies like CIMB Group Holdings Bhd, Gamuda Bhd, Telekom Malaysia Bhd, SD Guthrie Bhd, IHH Healthcare Bhd and Frontken Corp Bhd.

In the small to mid-cap stocks space, Phillip Capital has “buy” calls on companies like Bumi Armada Bhd, BM Greetech Bhd, Binastra Corp Bhd, MN Holdings Bhd, Uzma Bhd, Solarvest Holdings Bhd, AGX Group Bhd and Dayang Enterprise Holdings Bhd.