



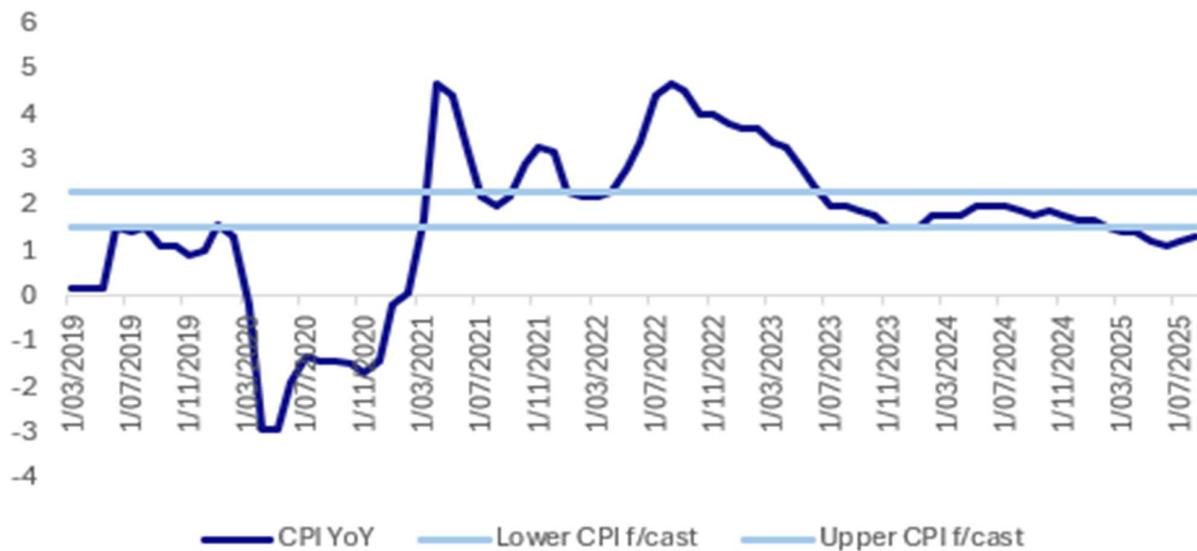
The Macro, Valuation, Sentiment and Technical Lens

Macro: The key data releases last week were the third quarter advanced GDP which surprised to the upside. At 5.2% YoY it easily surpassed market forecasts of 4.2% YoY with Agriculture +0.4% YoY; mining +10.9% YoY; manufacturing +4% YoY, Construction +11.2% YoY and services +5.1% YoY. Advanced estimates are based on the first two months of the quarter. Exports for September came in at +12.2% against estimates of +3.1% and with August revised down to 1.7%. Imports were strong also rising +7.3% having declined in August leaving a strong September trade balance of MYR19.6bn from a revised MYR15.8bn in August. Malaysia now sees the full year growth range to be 4.00% to 4.50%.

This week the key release is the September CPI on Wednesday. Price pressures in Malaysia have remained low this year, prompting the central bank to trim its inflation forecast for 2025 to 1.5% to 2.3%, from 2% to 3.5% in early September. The current market survey suggests that September's CPI will remain below the lower BNM forecast band at +1.4%. If correct this will be the seventh consecutive month below the BNM's target range.

Whilst some domestic commentators are suggesting a cut could be on the cards given the inflation trajectory, the growth story outweighs this argument for most with the majority of market commentators suggesting that the BNM will remain on hold for the remainder of 2025. The BNM next meets on November 6.

Fig 1: Malaysia CPI YoY vs BNM Target Forecast Band



Valuation: Based on the last 5-Years, the equity market is nearing the top end of the range for P/E and current forecasts are for a moderation into 2026. The 10-Yr government bond is back at 2021 levels when rates were starting to climb from their COVID period lows, yet well-off all-time lows. The MYR is at the mid-point of a 14-day Relative Strength Index suggesting it is at fair value.

Fig 2: FTSE Bursa Malaysia KLCI Index Valuation Analysis

FTSE Bursa Malaysia KLCI Index - Kuala Lumpur Composite Index								Compare <Sec>	Periodicity	Annuals	Cur	FRC (MYR)
1) Key Stats	2) Fundamentals	3) Custom	4) Shared									
11) Highlights	12) Valuation	13) Profitability	14) Leverage & Liquidity	15) Market Data								
12 Months Ending	2021 Y	2022 Y	2023 Y	2024 Y	Current	2025 Y Est	2026 Y Est					
	12/31/2021	12/30/2022	12/29/2023	12/31/2024	10/20/2025	12/31/2025	12/31/2026					
Valuation Metrics												
Price/Earnings	14.75	15.72	13.16	14.84	15.11	14.95	14.03					
Price/Earnings before ...	13.80	15.15	14.23	14.08	14.13	14.76	13.97					
Price/Earnings before ...	14.43	15.20	15.89	14.08	14.41							
Price/Book Value	1.57	1.44	1.31	1.49	1.47	1.42	1.36					
EV/Sales	2.84	2.65	2.69	2.61	2.55							
EV/EBIT	13.53	13.91	15.83	15.63	15.07							
EV/EBITDA	7.68	8.02	9.16	8.77	9.83	9.97	9.42					
Dividend Yield	4.47	4.19	4.54	3.93	4.10	4.12	4.39					

Source: Bloomberg Finance LP / MNI

Sentiment: Sentiment for the equity market has remained muted over recent months despite the economic data strength. Returns are barely positive for the FTSE Malay KLCI over one month, and at the lower end of the range for regional peers. For rates, following the BNM remaining on hold in September and the mini rate rally in the 10-Yr we saw leading into it, we anticipated a modest unwind. This has now occurred suggesting that sentiment has normalized in rates with the 10-Yr MGS back in line with recent rages. For the 3-Yr MGS, it continues to yield more than base rates, suggesting that despite some local forecasters suggesting a rate cut in November from the BNM, the market may be thinking otherwise.

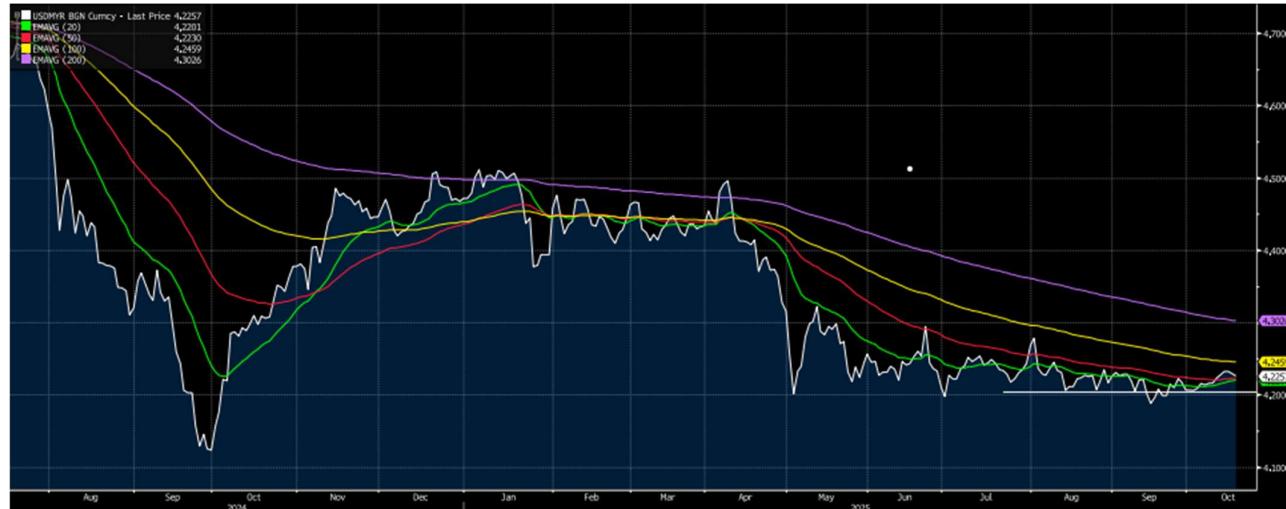
Fig 3: MGS 3-Yr yield vs BNM Overnight Rate



Source: Bloomberg Finance LP / MNI

Technicals: The currency had been the only of the regional currencies that had produced gains over the last three months (this comparison excludes CNY/CNH and HKD). It continues to trade in tight ranges around the 20-day and 50-day EMA having failed to hold below the key resistance level of 4.2050 which it has unsuccessfully tried several times since July. There appears no intervention from the BNM, though it would seem that the Central Bank would be very comfortable with a lower vol currency for now.

Fig 4: MYR vs 20, 50, 100 and 200-day EMA



Source: Bloomberg Finance LP / MNI

For the week ahead, Malaysia to Sell MYR2.5 Billion 2044 Bonds on October 21.



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