Market Strategy

Liquidity Wave Lifts ASEAN Equities

- **Value in ASEAN.** Robust global liquidity, structural weakness in the USD, a stable global macroeconomic base case, and relative underperformance in 2025 are reasons for investors to consider ASEAN equity markets in 2026. Key risks include the US economy undershooting expectations and potential US financial market corrections. We are constructive on equities in 2026, but advise circumspection in building out portfolios, and recommend investors to adopt a trading mentality.
- **Indonesia.** The JCI enters 2026 with a powerful re-rating momentum, fuelled by an earnings rebound and stronger liquidity. Policy tailwinds – lower rates and fiscal expansion on tax incentives, the Electricity Supply Business Plan (RUPTL), and the nationwide free meal initiative – enhance the outlook, keeping banks and rate-sensitive names in focus. Domestic demand is set to improve, while cyclical and renewable energy stocks continue to strengthen. Our 10 Top Picks offer quality exposure and compelling rerating catalysts. Key risks: A soft IDR and the potential impact of MSCI Indonesia's proposed methodology changes, which could lead to a lower country weighting. Our end-2026 target for the JCI is 9,400pts, implying P/Es of 14.9x (FY26F) and 13.6x (FY27F) – at +1SD from the 5-year forward average.
- **Malaysia.** We remain constructive on the outlook for Bursa Malaysia going into 2026, although over-riding risks indicate that the 2026 investment playbook should be more measured. With robust domestic liquidity, any realisation of event risks will likely be well-supported by investors buying into dips. A defensive stance to begin the year would be appropriate, although 2026 is looking more like a trading market requiring investors to be nimble, and to sift through laggard stocks while buying on weakness. A widening valuation gap between the FBM SC and FBM KLCI points to an increasingly compelling argument for small- and mid-cap names. We remain OVERWEIGHT on banks, energy, consumer, healthcare, property, basic materials, construction, REITs, and technology. Our end-2026 FBM KLCI target is 1,720pts, derived from applying a 15x target P/E to FY27F EPS.
- **Singapore** equities enter 2026 on a firmer footing, underpinned by resilient external demand, a supportive macroeconomic backdrop, and a maturing global rate-easing cycle. Expected US Federal Funds Rate (FFR) cuts and lower domestic funding costs should revive yield strategies, restoring the appeal of REITs while broadening earnings growth across both cyclical and defensive sectors. Equity market reforms remain a key positive. Continued deployment of the SGD5bn Equity Market Development Programme (EQDP) and Value Unlock package should further improve liquidity, participation, and capital-raising conditions, with additional fund manager appointments expected in 2Q26. Our strategy focuses on four themes: Beneficiaries of the reform agenda identified through systematic and bottom-up selection; undervalued names with underappreciated growth or recovery catalysts; selective accumulation of REITs as DPU growth stabilises; and high-dividend defensive stocks (ex-REITs) to anchor income and downside resilience.

Company Name	Rating	Target	% Upside (Downside)	P/E (x) Dec-26F	P/B (x) Dec-26F	ROAE (%) Dec-26F	Yield (%) Dec-26F
Bank Negara Indonesia	Buy	IDR4,990	17.7	7.0	0.9	13.2	9.3
Bank Rakyat Indonesia	Buy	IDR4,300	16.8	8.8	1.5	16.5	8.5
Capitaland Integrated Commercial Trust	Buy	SGD2.69	12.7	17.8	1.1	6.2	5.0
City Developments	Buy	SGD9.50	13.2	19.2	0.8	4.2	2.1
Heineken Malaysia	Buy	MYR26.50	15.5	14.6	12.6	87.1	6.8
Hong Leong Bank	Buy	MYR25.70	13.0	10.1	1.1	11.0	4.6
MAP Aktif Adiperkasa	Buy	IDR900	38.5	10.8	1.9	19.2	1.6
Raffles Medical	Buy	SGD1.15	12.3	25.4	1.8	7.2	2.5
SD Guthrie	Buy	MYR6.95	23.6	16.6	1.9	11.5	3.0
ST Engineering	Buy	SGD9.40	8.3	28.3	7.8	28.2	2.6
Sumber Alfaria Trijaya	Buy	IDR2,700	35.3	32.6	4.1	18.5	1.9
Tenaga Nasional	Buy	MYR14.80	9.0	19.0	1.2	6.5	3.4

Source: Company data, RHB

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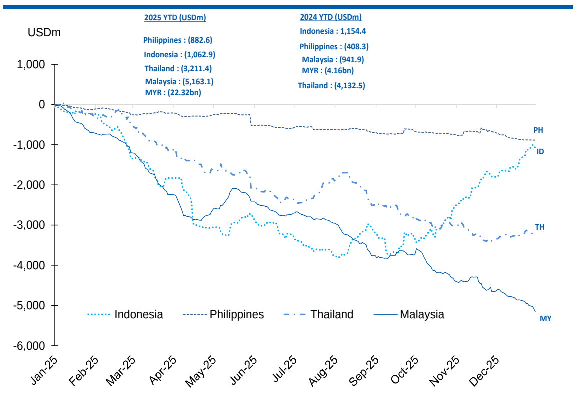
Regional – foreign portfolio equity flows in 2025



Source: Company data, RHB

Indonesia: The Earnings Upswing Begins

2026 State Budget: Fuelling growth, guarding stability

Indonesia's 2026 State Budget strikes a balance between growth ambitions and fiscal prudence, with policies centred on food security, energy stability, and strengthening human capital. The Government projects c.5% GDP growth in 2025, supported by firm household spending, recovering investment, and solid export performance. For 2026, priority targets include lowering unemployment, reducing poverty and inequality, and lifting productivity — particularly in rural and agricultural areas.

Fiscal measures emphasise on maintaining purchasing power, building economic resilience, and continuing major national programmes. The budget is built on these assumptions: 5.4% GDP growth, 2.5% inflation, an IDR16,500 per USD rate, and a 6.9% 10-year government bond or SBN yield. With IDR3,147.7trn in revenue and IDR3,786.5trn in spending, the deficit remains contained at 2.48% of GDP.

Key allocations rose across food security (IDR164.4trn), energy subsidies (IDR210.1trn), education (IDR757.8trn; including the Free Nutritious Meals (MBG) rollout), and health (IDR244trn for the National Health Insurance (JKN) expansion, reduction of child stunting, and hospital upgrades). Social protection increased to IDR508.2trn, while SME and village empowerment is being accelerated through financing schemes, digitalisation, and cooperative development.

Several sectors have emerged as beneficiaries. Banks are set to gain from: i) Stronger liquidity flows, ii) CASA growth, iii) micro, small, & medium enterprise (MSME) financing, and iv) favourable bond yields – lifting prospects for Bank Rakyat Indonesia, Bank Negara Indonesia, Bank Mandiri, Bank BTPN Syariah (BTPS IJ, NR) and Bank Syariah Indonesia (BRIS). Consumer and retail companies will benefit from expanded social assistance measures and the MBG, while poultry players such as Japfa Comfeed Indonesia, Charoen Pokphand Indonesia, and Malindo Feedmill see structural demand upside from surging protein consumption. Healthcare names like Mitra Keluarga Karyasehat, Medikaloka Hermina, Kalbe Farma, and Kimia Farma (KAEF IJ, NR) are also set to benefit from wider JKN and public health programmes.

The energy, infrastructure, and digital sectors should enjoy tailwinds from subsidy support, the renewable energy (RE) push, and ongoing digital transformation – favouring Pertamina Geothermal Energi, Medco Energi Internasional, Perusahaan Gas Negara, Elnusa, Telkom Indonesia, Indosat Ooredoo, XLSmart Telecom Sejahtera, Mastersystem Infotama and Metrodata Electronics. Meanwhile, regional transfer (TKD) -driven spending and irrigation upgrades should support construction and cement names.

Two major regulatory shifts will significantly influence 2026. The mandatory placement of natural-resource export proceeds (DHE) in state-owned banks (Himbara) will enhance domestic FX liquidity and strengthen state-bank treasury income. The Government's 8+4+5 acceleration package will boost short-term household income through food aid, cash-for-work, and graduate internships, while 2026 follow-up programmes should support SMEs, tourism, and labour-intensive sectors.

The MBG programme has become a powerful structural catalyst for poultry demand, with beneficiaries rising to almost 40m people and a huge IDR335trn budget slated for 2026, driving volume expansion across the industry.

Bank asset quality continues to improve heading into 2026, although consumer NPLs need close monitoring. The Sumatra disaster poses isolated credit risks – most evidently for BRIS – but overall sector exposure is limited, with expected relief measures from Otoritas Jasa Keuangan (OJK, the regulator) helping to mitigate stress.

Finally, OJK's planned free-float reforms – lifting minimum thresholds to 10-15% and eventually towards 25% – aim to enhance market liquidity and governance, favouring large, well-traded issuers while pressuring tightly held stocks. MSCI's proposed free float methodology could further trim Indonesia's index weight, reinforcing the urgency for issuers to increase public float. MSCI is expected to announce its methodology decision by end-Jan 2026, which could affect the May 2026 rebalancing. The consultation is still ongoing, and no final ruling has been confirmed.

Indonesia equity 2026: Re-rating on the rise

Indonesia's equity market is positioned for an earnings-driven re-rating in 2026, with our base-case JCI target of 9,400pts (+1SD valuation) supported by steady domestic inflows, improved liquidity, and stronger sentiment following the FY25 earnings trough. A bull case points to 10,200pts, while a bear case suggests 6,920pts amid global earnings risks.

The recovery is anchored by FY26-27 net profit growth of +10.2% YoY and +9.6% YoY, led by banks (+12.0% YoY) and the energy, consumer, and healthcare sectors, while defensive sectors remain resilient, and industrials/property lag. As earnings expand, forward P/E is set to compress, enhancing valuation appeal with >4% dividend yields and improving ROE.

Across sectors, we stay OVERWEIGHT, as: Banks benefit from easing rates, consumer names gain from stronger sentiment, poultry demand is lifted by the MBG, pharmaceutical companies outperform seasonally, telcos expand margins through cost efficiency, property is supported by tax incentives, metal-mining enters a multi-year volume upcycle, oil & gas (O&G) enjoys resilient profitability and RE gains from Perusahaan Listrik Negara's (PLN) 69GW RUPTL rollout. Overall, FY26-27 should deliver a healthier, broad-based earnings recovery that supports a continued JCI re-rating.

Base-case: End-2026 JCI target of 9,400pts

We set our end-2026 JCI target at 9,400pts, implying P/Es of 14.9x (FY26F) and 13.6x (FY27F) — at +1SD from the 5-year forward average. The projection reflects steady domestic fund inflows and continued momentum from selective rallies in heavily held "cornered" stocks.

Under a bull case scenario, we see the JCI potentially rising to 10,200pts, translating to P/Es of 16.2x (FY26F) and 14.8x (FY27F), equivalent to +2SD above the 5-year average. Conversely, in a bear case scenario, the index could pull back to 6,920pts, implying 11.0x and 10.1x P/Es for FY26F and FY27F — near -1SD, reflecting downside risks from weaker global sentiment, slower earnings delivery, or capital outflows.

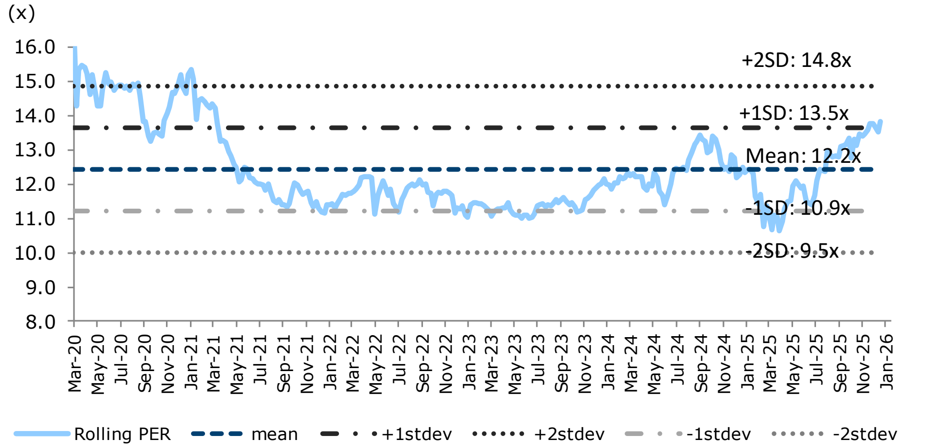
In 4Q25, the JCI's 12-month forward P/E moved decisively above its 12.2x long-term mean and towards the +1SD band, reflecting stronger optimism from easing liquidity, expected policy support, and a shift to a risk-on sentiment, contrasting with the weakness seen in early 2025. FY25 represents the earnings trough, but FY26-27 show an earnings-led re-rating, with forward P/E compressing on recovering profits, dividend yields above 4%, and ROE trending towards 14%. The earnings rebound is broad-based, led by banks (+12.0% YoY) and consumer non-cyclicals (+10.1% YoY), while energy and consumer cyclicals outperform, reinforcing a diversified earnings profile supportive of a market re-rating.

Figure 1: Scenario analysis

Indicator	2026			2027		
	Bearish	Base case	Bullish	Bearish	Base case	Bullish
JCI	6,920	9,400	10,200	7,543	10,246	11,118
JCI Z-score*	-1SD	+1SD	+2SD	-1SD	+1SD	+2SD
USD-IDR	17,073	16,665	16,256	16,700	16,400	16,100
UST 10-Yr Yield	4.00%	3.60%	3.00%	4.00%	3.60%	3.00%
SUN 10-Yr Yield	6.21%	6.06%	5.94%	6.05%	5.85%	5.79%
SUN 15-Yr Yield	6.37%	6.22%	6.11%	6.21%	6.01%	5.95%
SUN 20-Yr Yield	6.44%	6.29%	6.17%	6.28%	6.08%	6.01%
IND GDP growth	4.80%	5.00%	5.20%	4.90%	5.10%	5.30%
IND CAD to GDP	-1.70%	-1.40%	-1.10%	-1.40%	-1.00%	-0.70%
IND Budget Deficit to GDP	2.80%	2.70%	2.60%	2.80%	2.70%	2.60%
BI rate	3.75%	4.00%	4.25%	3.75%	4.00%	4.25%
IND Inflation	2.80%	2.50%	2.20%	3.00%	2.70%	2.40%
US Federal Reserve Rate	3.00-3.25%	3.25-3.50%	3.50-3.75%	3.00-3.25%	3.25-3.50%	3.50-3.75%
US Inflation	3.00%	2.50%	2.00%	3.00%	2.50%	2.00%
US GDP growth	1.50%	2.00%	2.50%	1.50%	2.00%	2.50%

Source: Bloomberg, RHB

Figure 2: The JCI's 12-month forward-rolling P/E band



Note: Based on the cut-off price as of 28 Nov 2025
Source: Bloomberg, RHB

♦ In Nov 2025, the JCI's 12-month forward P/E climbed to around 13.5x, nearing +1SD above its 5-year mean. This valuation uplift reflects improving sentiment driven by fiscal stimulus, looser liquidity conditions, and sharp gains in tightly held stocks

The JCI's 12-month forward rolling P/E in 4Q25 shows a clear re-rating towards the upper end of its historical valuation band. After spending most of 2023 and up to mid-2024 hovering slightly below the long-term mean of 12.2x, the ratio began charting a gradual upward trend in late-2024. By Oct–Nov 2025, it decisively moved above the mean and approached the +1SD level (13.5x), signaling stronger investor optimism. This re-rating reflects improved liquidity conditions, expectations of policy easing, and a broad risk-on tone, contrasting with the depressed sentiment in early 2025 when valuations briefly dipped towards the -1SD range (c.10.9x). Overall, 4Q25 marks a sentiment-driven valuation expansion, consistent with a recovery positioning into 2026.

Figure 3: The JCI's key statistics

Market Data	FY25F	FY26F	FY27F
Revenue growth (%)	3.3	6.3	45.6
Opr. profit growth (%)	(1.1)	10.2	9.4
Net profit growth (%)	(5.4)	10.2	9.6
Current P/E (x)	11.9	10.8	9.9
Implied PE at TP target (x)	12.7	11.5	10.5
EPS (IDR)	572	631	691
PEG (x)	(2.2)	1.1	1.0
EV/EBITDA (x)	8.3	7.6	6.9
P/BV (x)	1.6	1.5	1.4
Div. yield (%)	4.1	4.0	4.4
ROE (%)	13.1	13.6	13.9

Note: Based on the cut-off price of 6 Jan 2026
Source: Company data, RHB

♦ A recovery is projected for FY26-27, with net profit returning to double-digit growth and the JCI's P/E compressing to 10.8x. Dividend yields above 4% and ROE nearing 14% highlight stronger returns, while FY25 remains the cycle trough amid weak earnings and tight macroeconomic conditions

♦ Growth metrics normalise as PEG improves to 1.1x, and implied P/E at target levels signal confidence in policy support, liquidity gains, and sectoral recovery

A firm recovery is expected in FY26-27F, with net profit estimated to return to double-digit growth (+10.2% in FY26F and +9.6% in FY27F). As earnings strengthen, forward valuations become more compelling, with the JCI's P/E compressing from 11.9x to 10.8x, while shareholder returns remain solid through dividend yields above 4% and ROE rising towards 14%. In contrast, FY25 represents the earnings trough, marked by a 5.4% decline in net profit, consistent with a constrained macroeconomic backdrop – high real rates, soft credit expansion, delayed capital investment, and a softer performance in commodity-linked sectors.

Growth-adjusted indicators should also improve after the contraction in FY25. The PEG ratio normalises from -2.2x to 1.1x in FY26F, signalling a healthier risk-return profile as the earnings cycle turns. Moreover, the implied P/E at target levels remains significantly above current market valuations, indicating expectations of stronger policy support, liquidity improvements, and broader confidence in 2026.

Overall, FY25 acts as the valuation floor driven by weaker earnings, while FY26-27 provide a clearer earnings-led re-rating trajectory, underpinned by policy easing, improving liquidity, and a recovery in banks, consumer sectors, and corporate profitability.

Figure 4: Earnings growth by sector (2026-2027F)

Sector	Mkt cap IDRtrn	Weight %	2026F Net profit growth (YoY %)		2026F P/E (x)		2027F Net profit growth (YoY %)		2027F P/E (x)	
			RHB	Cons.	RHB	Cons.	RHB	Cons.	RHB	Cons.
Financial services	2,355	48.1%	12.0	9.3	10.4	10.5	11.1	10.1	9.3	9.5
Consumer non-cyclical	709	14.5%	10.1	14.6	12.1	14.4	9.6	13.3	11.0	12.7
Infrastructure	587	12.0%	7.3	18.0	16.2	15.5	6.7	12.1	15.2	13.8
Industrials	400	8.2%	1.4	4.2	8.0	7.8	(1.5)	2.2	8.1	7.6
Energy	220	4.5%	20.2	16.7	7.5	7.9	6.5	11.1	7.0	7.1
Basic materials	328	6.7%	7.7	25.3	13.5	12.6	25.3	42.2	10.8	8.9
Healthcare	128	2.6%	10.1	9.9	17.7	17.8	8.9	9.6	16.2	16.2
Consumer cyclical	105	2.1%	14.3	14.3	9.6	9.1	15.0	9.1	8.4	8.4
Property	65	1.3%	4.0	2.8	6.2	6.5	3.9	7.3	5.9	6.0
Total	**4,896**	**100%**	**10.2**	**11.0**	**10.8**	**10.7**	**9.6**	**11.6**	**9.9**	**9.6**

*Note: *Sector classification is based on the JCI's official grouping index – the table above excludes the tech and transport indices*
Source: Company data, RHB

The FY26 earnings outlook points to a broad recovery across the JCI. We are projecting total net profit growth of 10.2% YoY, slightly under the 11.0% YoY estimate from the consensus. Financial services remain the core engine, representing nearly half of the JCI market cap (49.4%) of companies under our coverage. The sector is expected to post 12.0% YoY earnings growth, driven by improved liquidity, lower funding costs and stable asset quality. Consumer non-cyclicals also demonstrate resilience with an expected +10.1% YoY growth, supported by solid demand for consumer staples and margin tailwinds from easing input prices.

Beyond the defensive sectors, energy (+20.2% YoY) and consumer cyclicals (+14.3% YoY) should lead the anticipated performance, reflecting stronger commodity profitability and healthier discretionary spending. Infrastructure (+7.3% YoY) and basic materials (+7.7% YoY) are expected to record mid-single-digit growth, tempered by execution delays, softer exports, and margin challenges, while healthcare (+10.1% YoY) should benefit from structural demand and sector consolidation. By contrast, industrials lag at +1.4% YoY, and property is expected to remain muted at +4.0% YoY amid weak mortgage appetite and delayed project launches.

Overall, FY26F earnings should be anchored by banks and defensives, complemented by selective cyclical rebounds, supporting a diversified growth base conducive to a market re-rating.

Sector preferences and Top Picks

Across sectors, we maintain an OVERWEIGHT stance as multiple themes point to a stronger 2026. Banks should rebound with a 12.0% YoY earnings growth on wider NIMs and easing funding costs, while risks from Sumatra-related NPLs appear manageable. Top Picks: Bank Central Asia, Bank Negara Indonesia, Bank Rakyat Indonesia and Bank Tabungan Negara. Consumer names are lifted by seasonal factors, stable input costs, improving confidence, and cash-assistance support, with Sumber Alfaria Trijaya expected to be a beneficiary. The demand for poultry is set to surge further under the expanding MBG, benefitting Japfa Comfeed Indonesia. The growth momentum of the healthcare industry should benefit Kalbe Farma, on seasonal factors. Meanwhile, the telco companies will focus on cost efficiency to expand margins, with Indosat as our Top Pick. Property benefits from extended tax incentives and stronger high-end exposure (Bumi Serpong Damai). Metal-mining enters a multi-year volume-driven earnings upcycle, supporting Aneka Tambang and Vale Indonesia. O&G earnings should climb 17% YoY in 2026 on resilient operations (Elnusa, Perusahaan Gas Negara), while RE shoud gain from PLN's RUPTL rollout and supportive policies, with Pertamina Geothermal Energi being in the best position to capitalise on opportunities.

Still OVERWEIGHT on banks. The sector is on track for a broader recovery in 2026, as earnings are projected to grow 12% YoY after a mild 2025 decline, supported by wider NIMs as funding costs ease following Bank Indonesia's benchmark interest rate cuts, even though loan yields may stay sticky. Stronger economic growth and higher government spending should lift credit demand and gradually improve asset quality, while 4Q25 earnings are expected to strengthen as faster loan growth and lower funding costs start to benefit margins. A key risk is a potential uptick in NPLs from regions affected by the Sumatra disasters, though the impact should remain manageable. Anticipated OJK relief measures – such as restructuring and temporary payment moratoriums – should help cushion any short-term rise in reported NPLs.

Our preferred pecking order is still Bank Central Asia>Bank Negara Indonesia>Bank Rakyat Indonesia>Bank Tabungan Negara.

We upgraded the consumer sector to OVERWEIGHT as companies are expected to deliver stronger results in 4Q25 and 1Q26 – driven by seasonal demand, stable commodity costs, and a possible uplift from government cash-assistance programmes, assuming smooth execution. Although some headwinds persist, the sector seems to have weathered its 3Q25 trough, with improving consumer confidence and healthier savings trends signalling a gradual recovery. Entering 2026, steady input costs should support margins, while further stimulus measures could provide additional momentum, although minimum wage policy details remain outstanding. Top Pick: Sumber Alfaria Trijaya.

Poultry (OVERWEIGHT) sector earnings are set to strengthen in 2026, underpinned by the Government's rapidly expanding MBG. The scheme has sharply boosted demand as beneficiaries climbed to 39.6m by October, and the number of public kitchens increased to 13,737. Backed by IDR35trn in funding for Jan-Oct 2025 and a significantly larger IDR335trn allocation planned for 2026 to cover 82.9m participants, this nationwide initiative should anchor higher consumption, support the sector's recovery, and generate meaningful multiplier effects. Heading into 4Q25, poultry producers are expected to sustain a solid momentum, benefitting from a healthier supply-demand balance, resilient broiler prices, stable input costs, and firm demand across the broiler, day-old chick (DOC), and processing segments. Our preferred pick is Japfa Comfeed Indonesia.

We make no change to our OVERWEIGHT rating for healthcare, and lean towards pharmaceutical names in 4Q25-1Q26, as festive season-related downtime may cap hospital traffic but typically boost the demand for pharmaceutical products. The sector should recover in 2026 from a low patient-volume base, with government stimulus initiatives likely to aid purchasing power, although policy clarity on BPJS class standardisation and the Indonesian Diagnosis Related Groups (iDRG) system is still pending. Operator feedback indicates steady October hospital momentum helped by adverse weather, although case intensity may be softer and December volumes could ease during the holidays. Overall, the pharmaceutical space is expected to outperform in 4Q25 – supported by seasonal demand, stable margins, and government cash-assistance measures. Top Pick: Kalbe Farma.

Telecommunications is still an OVERWEIGHT space as operators continue to face muted ARPU growth due to soft consumer purchasing power and a competitive mobile market, despite rising data usage. While consolidation has helped to temper price wars, improvements remain gradual – prompting telcos to prioritise profitability through tighter cost control, store-keeping unit (SKU) rationalisation, marketing optimisation, and expanded network-sharing – supporting steady EBITDA margin improvement through FY26F. In 2026, revenue growth is expected to remain a low-single digit, with ARPU stabilising and long-term opportunities shifting towards enterprise, fixed broadband, and digital-service monetisation. For 4Q25, earnings should be underpinned largely by cost efficiencies rather than pricing, with Telkom Indonesia and Indosat showing margin gains and XLSmart Telecom Sejahtera progressing on network integration. Top Pick: Indosat.

Property remains an OVERWEIGHT sector, supported by the Government's tax incentive extension to Dec 2026, which should continue to benefit developers that can accelerate unit handovers despite shrinking inventories – especially in less-preferred high-rise stocks. Although soft purchasing power still weighs on presales, we expect bookings to normalise in FY26, and favour developers with stronger exposure to the high-end segment or a larger share of recurring income. Fundamentals should stay resilient in 2026, underpinned by robust presales from previous years, although the recovery in the middle-income market may be more subdued. Heading into 4Q25, developers are likely to step up deliveries to capture incentives, driving a seasonal lift in revenues. Our Top Pick is Bumi Serpong Damai.

Metal mining (OVERWEIGHT) enters a multi-year growth phase, supported by rising production capacity, a healthier supply-demand landscape, and improving operational efficiency. Earnings are expected to surge in 2026 – well ahead of overall market growth – driven by higher output across gold, nickel, and copper producers, alongside better cost discipline and asset utilisation. Stable-to-mildly favourable commodity prices and the ramp-up of major Indonesian projects through 2026-2028 should reinforce margins, particularly for goldminers benefitting from elevated prices. In 4Q25, most companies should post stronger sequential results on higher volumes and better cost efficiency, although global metal price volatility and operational or ESG issues remain key risks. Our picks: Aneka Tambang and Vale Indonesia.

We maintain our OVERWEIGHT rating for the O&G sector, supported by resilient revenues and profitability despite weaker crude oil prices – aided by cost recovery and progress in the energy transition agenda. With the Government targeting 1m bpd of oil and 12bcfd of gas output by 2030 and the macroeconomic outlook improving, we see a constructive setup for 2026, where sector earnings are projected to rise 17% YoY – well above the JCI's expected 9% growth. This would be driven by modest revenue expansion, stronger net income, and solid contributions from names like Medco Energi Internasional, Elnusa and Perusahaan Gas Negara. Results should stay positive in 4Q25, led by Elnusa's robust upstream activities, Medco Energi Internasional's improved lifting and cost recovery, Amman Minerals' earnings support from concentrate exports, and AKRA's historically strong year-end performance, while PGAS may face one-off expense risks. Our Top Picks: Elnusa and Perusahaan Gas Negara.

Renewable energy remains an OVERWEIGHT sector, supported by PLN's RUPTL 2025–2034, which targets 69GW of new renewable power capacity, with geothermal and hydropower standing out as the most cost-efficient sources for Indonesia's energy transition. Competitive tariffs (geothermal: USD8-10/kWh, hydro: USD6-8/kWh) and recent government incentives – ie tax reductions and streamlined geothermal permitting – offer meaningful upside, particularly for Pertamina Geothermal Energi (PGEO). Looking into 2026, growth should be underpinned by additional power purchase agreements (PPA) for hydropower players Arkora Hydro and Kencana Energi Lestari, as well as PGEO's ramp-up of the 55MW Lumut Balai II plant, with lower interest rates providing further earnings leverage. For 4Q25, we expect sequential profit improvements across the sector driven by new capacity additions, stable capacity factors, and favourable operating conditions. PGEO is our Top Pick.

Figure 5: Sector Top Picks

Sector	Top Picks (denoted by stock code)
OVERWEIGHT	
Banks	BBCA, BBNI, BBRI, BBTN
Consumer	AMRT
Healthcare	KLBF
Metal mining	ANTM, INCO
O&G	ELSA, PGAS
Poultry	JPFA
Renewable energy (RE)	PGEO
Residential property	BSDE
Telecommunications	ISAT
NEUTRAL	
Auto & autoparts	AUTO
Cement	INTP
Coal	UNTR
IT Solution	MSTI
Plantation	LSIP, NSSS
Pulp & paper	INKP
Property – Industrial estates	SSIA
Tobacco	HMSP

Source: RHB

Our strategy favours interest rate-sensitive names like Bank Central Asia, Bank Negara Indonesia, Bank Rakyat Indonesia, Bank Tabungan Negara and Bumi Serpong Damai – supported by NIM recovery, easing funding costs, and improving property demand. We also highlight Sumber Alfaria Trijaya and Japfa Comfeed Indonesia as consumer and poultry sector beneficiaries of stronger seasonal demand, government stimulus support, and the expanding free-meal programme. Kalbe Farma remains our healthcare pick on resilient demand for pharmaceuticals while Elnusa, Perusahaan Gas Negara and PGEO stand out in O&G and RE, given steady profitability, policy support, and capacity growth. We also see value in oversold yet fundamentally strong names, ie Sumber Alfaria Trijiaya MAP Aktif Adiperkasa, Bank Syariah Indonesia and Mastersystem Inforama, while continuing to favour high-dividend plays like Elnusa, CIMB Niaga, Bank Negara Indonesia and Bank Mandiri for their solid yields and earnings resilience.

i. **Interest rate-sensitive names: Bank Central Asia, Bank Negara Indonesia, Bank Tabungan Negara, Bumi Serpong Damai.** Bank earnings are set to recover in 2026 as funding costs ease, margins improve, and credit demand strengthens. Although the Sumatra natural disaster may trigger some NPL pressure, the impact should remain contained, with potential OJK relief measures helping absorb short-term stress. In property, tax-incentive extensions and solid fundamentals provide support. While presales remain soft, FY26 bookings should stabilise, with high-end and recurring-income developers being the best positioned. Developers are also likely to accelerate unit handovers into 4Q25 to fully capture available incentives.

ii. **Turnaround in the consumer and poultry sectors: Sumber Alfaria Trijaya, Japfa Comfeed Indonesia.** We upgraded our rating for the consumer sector to OVERWEIGHT, supported by stronger-than-expected demand in 4Q25-1Q26, stable input costs, and potential fiscal aid. Improving sentiment after a soft 3Q25 should lift margins in 2026, though wage-policy clarity is still pending. Poultry earnings are also poised to improve, driven by the expanded free-meal programme, a rising beneficiary count, and a larger 2026 budget allocation for it. Firm demand, steady feed costs, and a healthier supply–demand backdrop should sustain momentum into 4Q25.

iii. **Healthcare pick: Kalbe Farma.** The pharmaceutical segment remains preferred given its strong seasonal demand and steady margins. While hospital visits may dip during the holiday periods, a broader recovery is expected in 2026 as patient volumes normalise and government support lifts purchasing power, despite pending BPJS policy details.

iv. **O&G, renewable energy: Elnusa, Perusahaan Gas Negara, PGEO.** O&G has been upgraded to OVERWEIGHT, supported by steady profitability, cost recovery, and strong government production targets, with Medco Energi Internasional, Elnusa and Perushaan Gas Negara lifting 2026 earnings. Renewables remain appealing, given PLN's 69GW RUPTL plan, competitive geothermal and hydro costs, and policy incentives, positioning PGEO, ARKO, and KEEN to benefit from new PPAs, expanding capacity, and lower rates.

v. **Oversold but fundamentally solid: Sumber Alfaria Trijaya (AMRT), MAP Aktif Adiperkasa (MAPA), Bank Syariah Indonesia (BRIS) and Mastersystem Infotama (MSTI).** These names offer appealing entry points despite notable price corrections in 2025 – AMRT fell 37%, MAPA 30%, and BRIS and MSTI about 10% – while their 2026 earnings prospects remain strong.

vi. **Dividend plays.** Amid heightened uncertainty, high-yield names remain attractive. We prefer Elnusa (FY26F yield of 10.1%), CIMB Niaga (9.8%), Bank Negara Indonesia (9.3%), Bank Mandiri (8.9%), and Mastersystem Infotama (8.5%) for their strong FY26F dividends and resilient earnings profiles.

Sector highlights and outlook

Figure 6: Sector highlights and outlook (i)

Sector	Rating	Highlight/outlook	Top Picks
Banks	OVERWEIGHT	**Summary.** We expect a wider sector recovery heading into 2026. FY26F earnings of the Indonesia banks we cover are projected to expand 12% YoY, reversing FY25F's estimated 3.2% YoY decline. The rebound should be supported by a wider NIM as funding costs ease in line with the central bank's aggressive rate cuts in 2025. A key risk stems from potential NPL increases linked to slower regional activity in areas impacted by the Sumatra disaster, though the effect should be contained. Expected OJK relief policies – including restructuring options and temporary payment moratoriums akin to measures taken after the Nias earthquake – should soften any near-term pressure on reported NPLs. The latest 10M25 data showed a mixed performance: Sector PPOP slipped 1.2% YoY, with mid-tier banks outperforming. Bank Tabungan Negara (BBTN) and Bank Syariah Indonesia (BRIS) led the operating momentum, while Bank Central Asia (BBCA) was the only Big-4 bank to record positive PPOP. Overall earnings fell 4.3% YoY due to weakness from the large banks, although BBTN, BRIS and CIMB Niaga still posted solid gains. Key operating metrics remained stable, with loan growth at 8% YoY, NIM steady at 4.9%, and CoC unchanged at 1.3%. Liquidity also improved as the LDR declined to 86.4%, TPF increased 12.3% YoY, and CASA stayed close to 70%, supporting our view of a broader sector upturn in 2026. **2026 outlook.** We maintain a positive view on Indonesian banks, supported by a clear earnings recovery and healthier operating fundamentals. Loan growth is expected to pick up in line with stronger economic activity and increased government expenditure, while asset quality – though soft in 2025 – is anticipated to gradually improve. We project sector earnings to expand by 12.0% YoY in FY26, reversing FY25F's decline, as lower funding costs from the central bank's substantial 2025 rate cuts expand NIMs and drive margin upside. **4Q25 results preview.** We expect quarterly earnings to gain momentum in 4Q25, supported by faster loan growth and easing funding costs. Recent monthly banking data indicated improving liquidity, although its full impact on NIM is likely to materialise by mid-to-late 4Q25.	BBCA, BBNI, BBRI, BBTN
Consumer	OVERWEIGHT	**Summary.** We expect consumer companies to book a solid performance in 4Q25 and 1Q26, mainly driven by seasonality. Recent government cash assistance measures – if executed effectively – should help bolster purchasing power. Earnings should also be supported by stable commodity price dynamics. Our Top Pick is Sumber Alfaria Trijaya (AMRT) **2026 outlook.** We will stay vigilant regarding the recent government stimulus which, if executed effectively, may have a positive impact on performance. Moreover, earnings should be supported, in view of the stable commodity price outlook so far. However, we are still waiting for the Government's minimum wage growth policy. **4Q25 results preview.** While several challenges persist, we believe the trough was reached in 3Q25, with improvements anticipated in 4Q25, supported by seasonality. Recent government cash assistance measures should help bolster purchasing power. Consumer confidence in Oct 2025 also grew YoY and MoM, accompanied by a MoM increase in the savings category as a percentage of monthly spending allocations (the first rise since Aug 2025).	AMRT
Healthcare	OVERWEIGHT	**Summary.** We favour pharmaceutical companies due to their 4Q25 and 1Q26 performance, mainly due to seasonality as we consider the high number of festivals – leading to shorter working days – that might rein in hospitals' volume growth. Top Pick: Kalbe Farma (KLBF). **2026 outlook.** We anticipate an improvement in 2026 due to the low patient volume base in 2025. Government stimulus measures – if executed effectively – should also help strengthen purchasing power. We will continue to monitor the rollout of planned government policies, ie BPJS class standardisation and the iDRG system, as details on their implementation remain scarce. **4Q25 results preview.** Discussions with hospital operators indicate a continued solid momentum in Oct 2025. This may continue, given the current unfavourable weather conditions – supporting patient volume, although case intensity could decline as weather-related illnesses typically yield lower revenue intensity. However, we remain vigilant on potential softness in December patient traffic due to the year-end holidays. Hence, we favour pharmaceutical companies in 4Q25, given the expectation of a stronger QoQ performance – driven by seasonality, the recent unfavourable weather, and government cash assistance – while margins should remain stable amid steady commodity prices.	KLBF

Source: Company data, RHB

Figure 7: Sector highlights and outlook (ii)

Sector	Rating	Highlight/outlook	Top Picks
Metal mining	OVERWEIGHT	**Summary.** Indonesia's metal mining sector is entering a multi-year expansion cycle. This is supported by new production capacity, a healthier balance of supply and demand across key commodities, and improving operational efficiency. Despite the volatility seen across base metal prices in recent years, the combination of ongoing energy-transition demand, stable industrial consumption, and the ramp-up of several domestic mining assets provides a constructive backdrop for earnings. We expect the sector to deliver stellar earnings growth in 2026, outpacing the projected rate of overall market earnings. This is driven primarily by higher ore and metal output from gold, nickel (all enhanced products for both steel and EV-related), and copper producers (notably, concentrate from Amman Minerals and Freeport Indonesia's ongoing recovery), as well as sustained cost discipline and improving asset utilisation across the board (eg Timah (TINS IJ, NR)). Top Picks are Aneka Tambang (ANTM) and Vale Indonesia (INCO). **2026 outlook.** Sector earnings should be underpinned by meaningful production growth and stable-to-mildly supportive commodity prices. Several Indonesian mining projects (spanning gold, nickel, copper, bauxite, and tin) are scheduled to move into higher levels of production between 2026 and 2028, lifting aggregate volumes and enabling stronger operating leverage. As utilisation improves, unit cash costs are likely to trend lower, leading to margin expansion – particularly among gold producers that benefit from the combination of higher output and structurally elevated gold prices. Meanwhile, nickel and base-metal producers should see modest revenue growth, provided global demand remains intact, with electrification and infrastructure spending continuing to support medium-term pricing. Taken together, we estimate sector-wide net profit growth of c.30-40% YoY (including the low base effect from Merdeka Battery Materials (MBMA IJ, NR) and INCO), assuming stable metal prices and no significant macro or regulatory disruptions. **4Q25 results preview.** We maintain a broadly positive outlook ahead of 4Q25 results. Most mining companies under our coverage should report stronger sequential earnings, driven by higher production volumes, improving cost efficiency, and favourable operating conditions. Gold-focused companies are expected to benefit from margin gains as operating leverage improves and average realised prices remain resilient. For nickel, copper, and other base-metal producers, earnings momentum will likely depend on throughput improvements and any early signs of tightening supply in global markets. While near-term commodity-price volatility remains a risk, the improving production base and gradual normalisation of operating conditions suggest that the majority of companies are well positioned to deliver a solid quarter. Key risks include fluctuations in global metal prices, the pace of economic recovery in major consuming regions, and any operational or ESG-related developments that could affect output stability.	ANTM, INCO
O&G	OVERWEIGHT	**Summary.** Over the past two years, Indonesia's O&G sector has recorded robust revenues and profitability despite the decline in oil prices, supported by cost recovery and the ongoing energy transition. The Government has production targets of 1m bpd of oil and 12bcfd of gas by 2030, and a positive outlook for economic growth may lead to brighter skies next year. We expect the sector to chart 17% YoY earnings growth in 2026 (vs JCI earnings: +9% YoY), which justifies our weighting upgrade. Top Pick: Elnusa (ELSA) and Perusahaan Gas Negara (PGAS) **2026 outlook.** For 2026, we forecast sector revenue to increase by a modest 2% YoY, while net income is projected to grow a strong 17% YoY (vs JCI earnings growth of 9% YoY). Within our coverage, Medco Energi Internasional is expected to post the highest earnings growth (+27% YoY), supported by Amman Minerals commencing operations of its Phase 8 expansion. Meanwhile, lower interest expenses for Elnusa and Perusahaan Gas Negara are expected to help drive earnings growth of over 10% YoY. **4Q25 results preview.** Overall, a positive outlook for 4Q25 results. We expect ELSA (a Top Pick) to post 16% QoQ growth, driven by the upstream segment. Medco Energi Internasional's cost recovery and more lifting following the recent participating interest acquisition, combined with Amman Minerals' positive earnings due to concentrate export permits, should boost the former's 4Q25 performance. Historically, AKR Corporindo posts strong earnings in 4Q, either from Java Integrated Industrial & Ports Estate (JIIPE) land sales or margin improvement from more mining customers. We are cautious on PGAS' 4Q25 results for its tendency of booking substantial one-time expenses.	ELSA, PGAS

Source: Company data, RHB

Figure 8: Sector highlights and outlook (iii)

Sector	Rating	Highlight/outlook	Top Picks
Poultry	OVERWEIGHT	**Summary.** The Government's MBG programme is a major growth catalyst for the poultry industry. According to the National Nutrition Agency or BGN, as of Oct 2025, the number of beneficiaries reached c.39.6m, up from 30m in September and 22m in August. The number of dedicated kitchens or SPPGs also increased from 9,653 in September to 13,737 in October. The Government allocated nearly IDR35trn for the programme in Jan-Oct 2025 and plans to significantly expand the MBG initiative in 2026 with IDR335trn in funding to serve c.82.9m participants. Top Pick: Japfa Comfeed Indonesia (JPFA). **2026 outlook.** We project a faster earnings recovery, supported by the full-scale uplift in poultry demand stemming from the MBG programme, which began ramping up in Sep 2025. We believe this nationwide initiative will solidify long-term demand fundamentals, enabling sustained sector growth and delivering broader consumption and economic benefits through multiplier effects. Furthermore, rising consumer spending – underpinned by larger government stimulus – should provide an additional tailwind to poultry demand. **4Q25 results preview.** Poultry companies are well positioned to sustain growth momentum through the year-end, driven by a more balanced supply-demand condition, strong broiler prices, stable costs, and stronger poultry demand from the MBG. We believe the sector is set to sustain momentum into 4Q25, supported by broad-based growth in the broiler, DOC, and processing segments.	JPFA
Property – Residential developer	OVERWEIGHT	**Summary.** The Government is extending the tax incentive programme until Dec 2026. If the requirements remain the same, we expect developers to benefit as long as they can accelerate deliveries, as some are currently running low on inventory (with the majority of properties in less favourable high-rise assets). This is on top of risks from still-weak purchasing power that could threaten presales achievements. We expect presales to normalise in FY26, while we prefer developers with higher exposure to the higher-end market. Top Pick: Bumi Serpong Damai (BSDE). **2026 outlook.** Although the fundamentals will remain strong as we believe the developers also benefit from robust presales from 1-2 years prior, we are concerned on the modest recovery in purchasing power which may hurt property demand, especially in the mid-income segment. We prefer developers with higher exposure to the higher-end market and/or higher contributions from recurring income. **4Q25 results preview.** We expect developers to start catching up with deliveries in 2H25, especially in 4Q25, to take advantage of the government incentives. Hence, we expect revenue to increase ahead. Due to seasonality, property developers are likely to book higher revenues in 2H.	BSDE
Renewable Energy	OVERWEIGHT	**Summary.** State-owned electricity company PLN's RUPTL for 2025-2034 specified that 69GW of new power plants should produce RE. We see geothermal and hydropower as superior in supporting the Government's energy transition. Cheaper tariff rates, at c.USD8-10/kwh from geothermal power plants and c.USD6-8/kwh from hydropower, make for more efficient costs for PLN as the sole electricity off-taker in Indonesia. The Ministry of Energy and Mineral Resources' (MEMR) initiatives to reduce income tax and simplify geothermal permits serve upside potential for both earnings and business prospects for Pertamina Geothermal Energi (PGEO), which is our Top Pick. **2026 outlook.** Entering 2026, we expect more PPAs to be distributed to hydropower players Arkora Hydro and Kencana Energi Lestari (KEEN), offering upside potential for both companies. PGEO is expected to ramp up production following the latest expansion at its Lumut Balai II 55MW capacity plant. Its 2026 net income could rise by 3% if effective interest rates drop 1%. PGEO has the potential to book higher earnings if it is able to attract low-rate investments. As at FY24, it recorded a 4.3% effective interest rate expense (KEEN: 6.8%). We estimate that every 1% reduction in the benchmark interest rate should boost net income by 3% for PGEO and 4% for KEEN. **4Q25 results preview.** Due to committed capacity factor for PPAs, we expect better QoQ earnings in 4Q25 following PGEO's Lumut Balai II plant being operational. For KEEN and Arkora Hydro, the acceleration of new asset construction, combined with conducive weather which leads to stable generated capacity factor, could result in better QoQ growth.	PGEO

Source: Company data, RHB

Figure 9: Sector highlights and outlook (iv)

Sector	Rating	Highlight/outlook	Top Picks
Telecommunications	OVERWEIGHT	**Summary.** Weak consumer purchasing power and a still-competitive mobile landscape continue to limit operators' ability to raise prices, keeping ARPU growth broadly muted despite rising data usage. While competition has begun to rationalise following ongoing sector consolidation, the pace of improvement remains gradual and not yet sufficient to drive a meaningful ARPU uplift. As a result, operators are expected to prioritise profitability by strengthening cost discipline through SKU simplification, marketing optimisation, tighter opex control, and greater network-resource sharing. These measures should support steady EBITDA margin expansion even amid modest topline growth – reinforcing the industry's focus on margin preservation, cash-flow generation, and balance sheet discipline through FY26F. Top Pick: Indosat (ISAT). **2026 outlook.** We expect 2026 to remain a transition year for the sector, with revenue growth at a low-single digit and an extended focus on operating efficiency. ARPU should stabilise as consolidation curbs excessive price competition while further recovery relies heavily on purchasing power recovery. Growth opportunities will increasingly shift towards enterprise, fixed broadband, and digital-service monetisation, helping diversify revenue away from the saturated prepaid segment. Overall, FY26F is positioned for healthier margins and improving balance sheet strength, albeit within a still-moderate topline environment. **4Q25 results preview.** We expect telco operators to maintain a cautious approach to pricing amid weak household spending and rising competition in prepaid data plans. Earnings growth will continue to rely on operational cost control and selective portfolio adjustments, rather than price-driven expansion. We see sector profitability strengthening on leaner cost structures, with Telkom Indonesia and ISAT gradually widening their margins, while XLSmart Telecom remains focused on network integration. Overall, the sector remains defensive with steady EBITDA momentum despite topline constraints.	ISAT
Auto & autoparts	NEUTRAL	**Summary.** Our outlook for 2026 remains cautious, with a hint of slight recovery in domestic auto sales volume. We maintain our sector call and prefer Astra Otoparts (AUTO), which should be able to record higher earnings growth in FY26-27F despite the soft industry outlook. **2026 outlook.** We remain cautious for 2026 due to the lack of government incentives and still-weak consumer purchasing power. We expect the sector to chalk 4-wheeler (4W) domestic sales volume of c.800k units (+2.6% YoY), and steady two-wheeler (2W) demand to support the overall domestic sales volume at c.6.4m units (flat YoY). We maintain our sector call and prefer AUTO, which should still benefit from the demand for replacements and auto parts services, based on the company's strong market share in auto parts production. In addition, we see meaningful upside from new local assembly facilities coming onstream, for which AUTO is well-positioned to capture incremental demand. **4Q25 results preview.** We expect auto sales volumes to catch up in 2H25 due to seasonality (fewer working days leading to lower production and sales volumes in 1H25). AUTO may still perform better, in our view, helped by after-sales and export demand.	AUTO
Cement	NEUTRAL	**Summary.** We remain NEUTRAL on the cement sector as we still see a challenging industry outlook from oversupply as well as stagnant demand. However, we expect modest recovery that will be driven by government spending through new programmes and initiatives. Our sector pick is Indocement (INTP). **2026 outlook.** We still have a conservative 2026 sales volume forecast of 63m tonnes (+2% YoY) and expect a slight recovery in bulk sales volume, supported by government projects. Key catalysts also include higher-than-expected demand for bag cement, especially products from main brands. This spike would be triggered by a faster-than-expected recovery in consumer purchasing power – particularly related to the housing sector. Indocement is our preferred pick, as we expect it to perform better than its peers. A recent acquisition could also support the company's domestic sales volumes, in our view. **4Q25 results preview.** Due to seasonal factors, domestic cement sales volume may decrease QoQ as we enter the rainy season in November-December, in addition to the year-end long holiday period.	INTP

Source: Company data, RHB

Figure 10: Sector highlights and outlook (v)

Sector	Rating	Highlight/outlook	Top Picks
Coal	NEUTRAL	**Summary.** Indonesia's coal sector enters 2026 against a backdrop of stabilising benchmark prices, normalising supply-demand dynamics, and moderating export volumes after the volatility of the previous two years. While global coal prices have eased from their peaks, they remain at levels that continue to support healthy profitability, aided by disciplined cost management and favourable operating conditions across major producers. Domestic demand should remain resilient, supported by PLN's baseload requirements and steady consumption from industrial users, while export trends may fluctuate, depending on China and India's procurement patterns. Given the absence of strong catalysts on pricing and the expectation of relatively stable production volumes, we maintain a NEUTRAL stance on the sector. Overall, we project low-to-mid single digit earnings growth in 2026, with sector performance largely driven by cost efficiency rather than material topline expansion. We prefer United Tractors (UNTR). **2026 outlook.** The sector will navigate a more balanced price environment. Benchmark indices are likely average or slightly higher YoY (+5% from relative support at USD105-110/tonne for Newcastle coal) but should remain above pre-pandemic norms, supported by occasional supply disruptions and steady demand from South Asia and ASEAN. On the domestic front, the domestic market obligation (DMO) framework continues to anchor pricing stability and ensures consistent offtake for producers with strong PLN exposure, eg Bukit Asam. Production volumes across major miners are expected to remain broadly flat, as regulatory constraints, licensing discipline, and logistical considerations limit aggressive output growth. As such, earnings performance will be more dependent on the industry's ability to maintain cost competitiveness. Lower fuel prices, improved stripping ratios at several mines, and better fleet utilisation should help offset the softness in ASPs, allowing producers to preserve margins even as revenue growth normalises. All considered, we estimate sector net profit to be flat or see a slight increase of 3-5% YoY in 2026 (excluding low-base player Bumi Resources (BUMI IJ, NR) and the single non-thermal coal producer Alamtri Minerals Indonesia (ADMR IJ, NR), reflecting a period of consolidation rather than expansion. **4Q25 results preview.** We expect the results to be stable, with most producers reporting sequentially steady performance amid relatively unchanged coal prices and consistent production levels. Companies with favourable mining sequences and improved strip ratios are likely to post firmer margins, while those with higher overburden (OB) profiles may see a slight squeeze in cost efficiency. Export-oriented producers could record minor variations depending on shipment timing and price realisation, although overall performance should remain within guidance ranges. Domestic-focused miners may benefit from solid DMO deliveries and seasonal demand strength towards the year-end. Key risks to 4Q25 performance include sharper-than-expected fluctuations in international coal prices, adverse weather impacting production and hauling activities, and any regulatory adjustments related to domestic obligations or royalty schemes. While 4Q25 should reflect a stable operational environment, we do not yet see catalysts strong enough to shift our sector stance.	UNTR
IT Solutions	NEUTRAL	**Summary.** EMIS Insights expects cybersecurity strategies going forward to mainly focus on adopting cloud security (44%), access management (40%), and securing IoT and operational technology (OT) (40%). The research platform stated that there were 15m data breaches recorded in Indonesia in 2022, incurring a total cost of c.USD4.8bn. IDC predicts that Indonesia's IT spending will grow 5% annually from 2023 to 2027, increasing from USD31.7bn in 2023 to USD38.9bn in 2027. Software and IT services are expected to see the highest growth rates, at 12% and 13% per year. This growth will likely benefit Indonesian IT providers in the future. **2026 outlook.** We expect revenue to grow by a conservative 6% YoY in 2026, with capex returning to normal levels of IDR30-50bn. Mastersystem Infotama (MSTI) highlighted that several foreign-sourced income (FSI) contracts secured late in FY25 will spill over into FY26, as these projects cannot be completed by the year-end. As a result, part of the FSI-related revenue will be carried over into FY26. **4Q25 results preview.** Supported by the conversion of delayed enterprise and SOE projects into revenue, we expect 4Q earnings to grow 12% YoY. A large portion of MSTI's 9M25 contract backlog is scheduled for execution in 4Q25, which is typically the company's strongest quarter (40% of annual earnings generated in 4Q). Management notes that there has been a sector-wide delay in IT procurement due to SOE leadership changes, which slowed contract issuance and pushed back revenue recognition.	MSTI

Source: Company data, RHB

Figure 11: Sector highlights and outlook (vi)

Sector	Rating	Highlight/outlook	Top Picks
Plantation	NEUTRAL	**Summary.** We maintain NEUTRAL with unchanged CPO price assumptions at MYR4,350/tonne and MYR4,250/tonne for 2025 and 2026. As such, while we expect CPO prices to remain volatile, given the ever-changing geopolitical situation, we believe prices are likely to average slightly lower YoY in 2026 vs 2025. In addition, we believe the increases in stock-usage ratios indicate that stock levels should be at more comfortable levels in 2026F, resulting in lower YoY PO prices. 2025 spot prices were at MYR4,306/tonne. Our Top Picks are unchanged: London Sumatera (LSIP) and Nusantara Sawit Sejahtera (NSSS). **2026 outlook.** Overall, we expect 2026 to be a more balanced year fundamentally. Our base case assumptions: i) No weather extremities, ii) B50 to be implemented from 2H26F, resulting in 2m tonnes of additional consumption of palm oil for biodiesel in Indonesia, iii) slow ramp-up of US soybean imports from China, and iv) no delay in US biofuel policy. **4Q25 results preview.** 4Q25 sector earnings are expected to be lower QoQ and YoY for Indonesian planters, given the lower CPO prices from early October at MYR4,507/tonne to MYR4,000/tonne in early December. Weaker earnings YoY in 4Q25 were due to the high base of prices in 4Q24, which were at MYR4,825/tonne on average. Our channel checks reveal that following the Sumatra floods, the impact on palm oil plantations in the flooded areas has been relatively manageable. Most planters said that the flood waters receded quickly and therefore, did not have a major impact on productivity. Companies with landbank in North Sumatra include Astra Agro Lestari, LSIP, Golden-Agri Resources (GGR SP), Kuala Lumpur Kepong (KLK MK) and SD Guthrie (SGD MK).	LSIP, NSSS
Pulp & paper	NEUTRAL	**Summary.** Bleached Hardwood Kraft (BHK) pulp prices have rebounded from the August low of c.USD495/tonne to above USD530/tonne, driven mainly by restocking at low entry levels and scheduled 4Q25 downtime at major producers. While recent hikes were largely absorbed, the market remains structurally oversupplied, with weak downstream demand and comfortable inventories limiting producers' ability to push prices meaningfully higher. The acceptance of price increases in September–October reflected depleted distributor stock and anticipation of supply tightening rather than genuine consumption recovery. With paper and packaging demand still lagging and global inventories elevated, further upside remains capped, keeping the USD520-560/tonne range intact for the near term. Our sector pick is Indah Kiat Pulp & Paper (INKP). **2026 outlook.** We expect 2026 to remain characterised by structural oversupply in BHK despite intermittent restocking windows and selective producer downtime. The reopening of curtailed Latin American capacity and new volumes entering the market will keep supply growth ahead of demand – maintaining pressure on mills attempting to implement sustained price hikes. Downstream segments, particularly printing, writing, and packaging grade, are likely to show only modest volume improvement – insufficient to materially tighten the market. As a result, BHK may continue to trade within a narrow range, with seasonal upticks limited by weak passing power and thin converter margins. FX dynamics may offer some margin support for Indonesian producers, but overall earnings recovery in 2026 will rely more on cost management, operational efficiency, and disciplined production planning rather than a strong pricing cycle. **4Q25 results preview.** We expect 4Q25 performance to reflect the seasonal improvement in BHK pricing and the benefit of scheduled producer downtime, which temporarily tightened supply. INKP and TKIM should book sequential earnings improvement on stronger USD pulp realisation and a weaker IDR, though full-year earnings will still fall short of initial expectations. Profitability gains will come mainly from cost control, lower raw material prices, and better mill utilisation rather than meaningful demand recovery. With downstream margins remaining thin and resistance to further price hikes increasing, producers may find it harder to pass on higher pulp costs in early 2026. Overall, 4Q25 should mark a quarter of QoQ improvement but still within a subdued FY25 backdrop marked by oversupply and muted demand.	INKP

Source: Company data, RHB

Figure 12: Sector highlights and outlook (vii)

Sector	Rating	Highlight/outlook	Top Picks
Property – Industrial estates	NEUTRAL	**Summary.** BYD's success story for EV sales in Indonesia is expected to continue, with even more upside following the Government's gasoline import restriction, which creates an opportunity for EV makers to grab more market share. Puradelta Lestari's (DMAS) prospects could be hindered by trade wars and tighter competition from Malaysia in attracting data centre (DC) investments in industrial estates. Our preferred pick is Surya Semesta Internusa (SSIA). **2026 outlook.** BYD's plant construction acceleration by end-2025 should attract more interest from its supply chain to accommodate the company in penetrating the automotive industry, not only in Indonesia but also regionally. This would propel industrial land sales in Subang Smartpolitan. Yet, the challenges faced from the re-emergence of the global trade war and other nearby industrial estates might sway BYD's supply chain companies to invest in other places favourable for production operations. **4Q25 results preview.** Similar to IT services, industrial estate players like DMAS and SSIA often book their best quarterly performance in 4Q. We foresee more upside for SSIA, with Melia Bali (now Paradisus) expected to reopen after renovation.	SSIA
Tobacco	NEUTRAL	**Summary.** The sector continues to face structural headwinds from weak consumer purchasing power, soft volumes, and persistent competition from illicit products. However, the Government's decision to impose a zero-excise tax hike for 2026 provides a critical relief point after years of cumulative increases, removing a major source of cost pressure for the industry. Easing excise policy is expected to support better affordability and ease margin compression across the board. Earnings recovery for tobacco players will therefore depend on gradual volume stabilisation, modest and carefully executed price adjustments, improved mix, and stricter enforcement against illegal cigarettes rather than further tax changes. **2026 outlook.** With no excise increase in 2026, the industry enters a much more stable operating environment. Price adjustments can be more measured, helping to preserve affordability and reduce the pace of downtrading. Hand-rolled *kretek* cigarettes (SKT) should benefit from ongoing labour-related policy attention, while the absence of new tax burdens allows producers to focus on rebuilding profitability after several challenging years. Hanjaya Mandala Sampoerna (HMSP) and Wismilak Inti Makmur (WIIM) stand to gain from a healthier SKT landscape and disciplined portfolio management, while Gudang Garam's (GGRM) recovery will depend on its ability to stabilise machine-rolled *kretek* cigarettes (SKM) demand and regain share. Margins should improve gradually as producers enjoy a full year without excise-driven cost escalation, supported by tighter cost controls and easing competitive pressure from illicit products. The predictable tax landscape also enhances dividend visibility in 2026. **4Q25 results preview.** 4Q25 results are expected to remain subdued despite seasonal year-end demand, as affordability challenges persist for the SKM segment. SKT volumes should remain relatively stable, lending support to HMSP and WIIM, while SKM volumes are likely to remain weak amid ongoing downtrading and illicit market competition. Margins may show slight sequential improvement from mild price adjustments and disciplined cost control ahead of the zero-hike environment in 2026. HMSP is poised to deliver the most resilient quarter given its stronger SKT mix and pricing discipline, while GGRM may continue to experience pressure from soft SKM volumes. Overall, 4Q25 should reflect continued stabilisation before a more constructive margin outlook unfolds in 2026 under a no-hike excise regime.	HMSP

Source: Company data, RHB

Our Top 10 picks

Figure 13: Top Picks

Name	Ticker	Rating	Price (IDR)	TP (IDR)	Upside/ downside (%)	Market cap (USDbn)	EPS growth (%)	2026F P/E (x)	P/BV (x)	PEG (x)	ROAE (%)	Yield (%)
Bank Central Asia	BBCA IJ	BUY	8,175	10,260	25.5	60.1	6.7	16.5	3.3	2.5	19.9	4.2
Bank Rakyat Indonesia	BBRI IJ	BUY	3,680	4,300	16.8	33.3	12.0	8.9	1.5	0.7	16.3	8.5
Bank Negara Indonesia	BBNI IJ	BUY	4,240	4,990	17.7	9.4	11.2	7.0	0.9	0.6	12.9	9.3
Sumber Alfaria Trijaya	AMRT IJ	BUY	1,995	2,700	35.3	4.9	10.2	23.4	3.8	2.3	16.4	1.9
Indofood Sukses Makmur	INDF IJ	BUY	7,000	9,500	35.7	3.7	6.8	5.1	0.8	0.7	15.4	5.3
Kalbe Farma	KLBF IJ	BUY	1,195	1,830	53.1	3.3	9.2	14.3	2.1	1.6	13.4	3.7
Japfa Comfeed Indonesia	JPFA IJ	BUY	2,740	3,100	13.1	1.9	8.7	9.3	1.6	1.1	17.6	4.9
MAP Aktif Adiperkasa	MAPA IJ	BUY	650	900	38.5	1.1	14.7	10.8	1.9	0.7	17.6	1.6
Astra Otoparts	AUTO IJ	BUY	2,690	3,350	24.5	0.8	5.9	5.9	0.7	1.0	12.2	7.6
Elnusa	ELSA IJ	BUY	510	570	11.8	0.2	9.7	4.5	0.6	0.5	14.1	10.1

Note: As per 6 Jan 2026 closing price
Source: Company data, RHB

Bank Central Asia (BBCA). Looking towards 2026, loan yields may face pressure as multiple policy rate cuts and rising competition squeeze pricing. On the other hand, a lower interest rate environment should support CASA growth and strengthen asset quality. Macroeconomic indicators also point to improving growth, which should bolster loan demand. 3Q25 results were broadly in line with our and market expectations, and management maintained its FY25 guidance. BBCA remains our sector Top Pick, supported by its robust deposit franchise and superior asset quality.

Bank Negara Indonesia (BBNI). Combined monetary and fiscal actions have alleviated liquidity pressures, as reflected in BBNI's September average deposit cost falling by 30bps MoM, while management anticipates stronger loan growth ahead. Nonetheless, NIM may still face headwinds from loan yield compression amid lower policy rates and heightened competition. 3Q25 performance was broadly in line, supported by stronger non-II. We maintain BUY, given its appealing valuation (0.98x P/BV vs FY26F ROE of 13%) and attractive dividend yields.

Bank Rakyat Indonesia (BBRI). Supported by solid digital expansion and ultra-micro loans growth, BBRI is well-placed for an earnings recovery in 2026. The bank posted resilient 9M25 results with IDR40.8trn in net profit (-9.5% YoY), reaching 73% of our full-year forecast, as 3Q25 earnings rose 15% QoQ on lower provisioning and steady margins. Loan growth stood at 6.3% YoY, with management anticipating a stronger 4Q25 driven by increased government spending. NIM remained robust at 7.7%, CoC improved to 3.2%, and CASA expanded 14.1% YoY, maintaining a healthy 67.6% ratio.

Sumber Alfaria Trijaya (AMRT). We view AMRT as one of the key beneficiaries of the recent government cash assistance programme. We also believe the company has likely passed its trough in 3Q25 and is undertaking several initiatives to strengthen its margins. The recent share price pullback offers an attractive opportunity to accumulate.

Indofood Sukses Makmur (INDF). We like the company for its defensive nature in the consumer business along with the benefits from high CPO prices. INDF is also trading at an attractive c.5x 2026F P/E, at -1 STD from the 5-year band.

Kalbe Farma (KLBF) stands out due to its positive outlook, attractive valuation (c.15x 2026F P/E, around -2SD from the 5-year band), and with the recent MSCI reclassification already priced in. Over the long term, its growth should be supported by new product launches, rejuvenation of legacy products, and ongoing collaborations.

Japfa Comfeed Indonesia (JPFA) stands to benefit meaningfully from the rapid expansion of the free meal programme, which serves as a major catalyst for poultry consumption. Its ongoing shift into processed products should help stabilise earnings and potentially broaden EBIT margins. 3Q25 net profit surged 111.4% QoQ (+90.6% YoY) – beating expectations – driven by stronger broiler prices and a healthier supply-demand balance following reduced 2024 grandparent stock (GPS) imports.

Elnusa (ELSA). ELSA recently reported c.IDR10.9trn in carry-over contracts and secured IDR2.9trn in new contracts as of Sep 2025. Up to September, it has converted about IDR3.9trn of these contracts into revenue. Therefore, for 4Q25, we expect the company to generate c.IDR1.2trn in revenue – in line with its historical revenue pattern. We use 2026F EPS of IDR114/share and +1SD to value the stock as ELSA has a superior dividend yield of 10.1% vs its peer average of c.2.5%.

MAP Aktif Adiperkasa (MAPA). We like MAPA for its ability to deliver a solid 3Q25 performance despite the low season. The company has maintained stable margins while actively clearing inventory, and its recent international consolidation efforts have begun to yield results. In our view, MAPA is now in a stronger position to capitalise on seasonal tailwinds in the coming quarters.

Astra Otoparts (AUTO). Our outlook for AUTO remains positive, supported by several key catalysts: i) Recovery in domestic 4W sales, ii) stable 2W demand, and iii) the company's strong market share in auto parts production. In addition, we see meaningful upside from new local assembly facilities coming onstream, from which it is well-positioned to capture incremental demand. Our TP implies a 7.3x FY26F P/E, or around +1SD from its 3-year mean, reflecting our view that the stock merits a valuation premium given its robust 2-year EPS growth outlook amid a still-modest domestic auto demand environment.

Malaysia: Global Imbalances Temper Investor Confidence

Pretty scenery but…

The RHB macroeconomic base case paints a pretty picture of the operating backdrop for equity markets going into 2026. The US economy is forecast to grow 1.9% and 2.0% in 2025 and 2026 respectively. The house view is for the US Federal Reserve (US Fed) to remain on course to cut the FFR twice in 2026, totalling 50bps, with the end-2026 USDMYR forecast at MYR4. Similarly, the domestic macroenvironment base case looks encouraging after a solid 5.2% YoY expansion in 3Q25 (9M25 +4.7%), compelling RHB Economics to lift 2025 GDP to +4.7% (from +4.2%) with 2026 GDP growth maintained at +4.7%. The upgrade was predicated on stronger mining output, a robust manufacturing sector, and higher net exports. The domestic economy continues to demonstrate resilience, driven by robust consumer spending, steady investment, easing tariff risks (64% of Malaysia's exports to the US are excluded from reciprocal tariffs), and even as Visit Malaysia 2026 delivers a boost.

In summary, the following are the key factors shaping our constructive view on domestic equities looking ahead in 2026:

i. Improved clarity on tariffs lowers overhanging risks and uncertainty;

ii. Sanguine RHB Economics macroeconomic forecasts for 2025 and 2026;

iii. Commencement of the US rate cutting cycle;

iv. Easing USD trends;

v. Nascent domestic growth initiatives;

vi. Imminent general elections within two years suggests that a positive feel-good environment will be preferred with markets likely to price in a populist election budget for 2027;

vii. The above factors (i)-(vi) have positive implications for the operating environment for businesses and are supportive of improved business investment and sustained profitability trends;

viii. Malaysia's commitment to reforms;

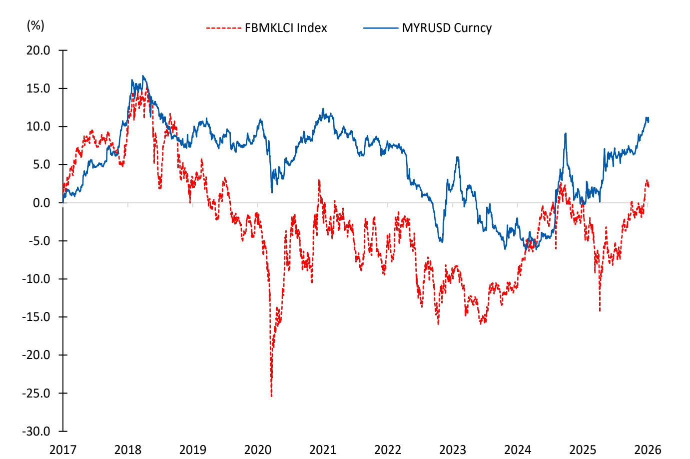
ix. Record low foreign ownership levels;

x. Bursa Malaysia's laggard performance in 2025.

Figure 14: USD/MYR forecasts

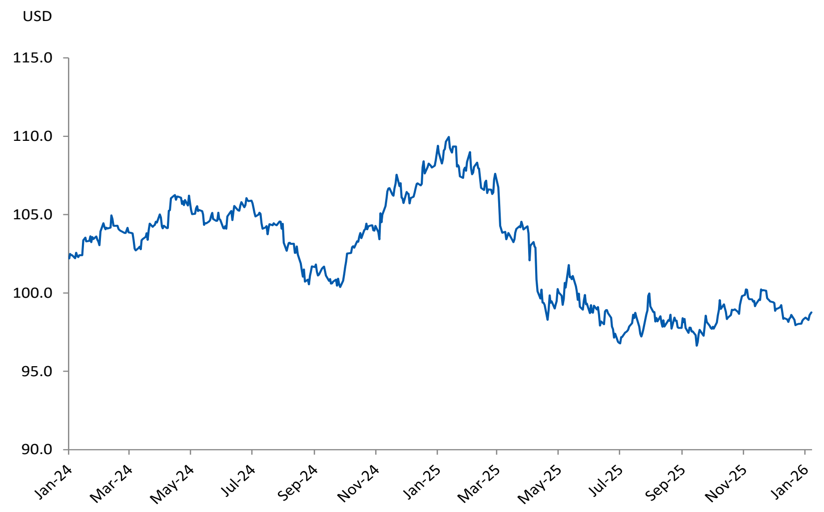
Source: RHB, Bloomberg

Figure 15: FBM KLCI is positively correlated to the MYR/USD



Source: RHB, Bloomberg

Figure 16: DXY headed lower



Source: RHB, Bloomberg

The risks for a structurally lower USD going forward will come from the following factors:

i. The onset of the US Fed rate-cutting cycle;

ii. US consumer confidence weakening on the back of persistent uncertainty on the impact of tariffs, inflationary concerns, and uncertainty in the employment market;

iii. Pressure from the Executive for lower interest rates;

iv. The Trump administration's signature One Big Beautiful Bill (OBBB) that will add USD3-4trn to federal deficits through 2034 (requiring ever larger issuances of treasuries);

v. The decoupling of the US from the global economy via unilateral tariffs;

vi. Reduced global prestige for the US after Trump's upending of the post-World War II global world order that has given new impetus to the BRICS movement;

vii. Acceleration of de-dollarisation trends;

viii. The realisation that the US is an unreliable global partner will reduce demand for USD holdings and US treasuries, pressuring long-dated treasury yields higher;

ix. Spurring a growing desire by countries to reduce dependencies on the US financially, economically, militarily, and politically.

The prognosis for a weaker USD going forward is nominally positive for Bursa Malaysia, as the majority of PLCs are domestic oriented while exporters are not well represented. Companies with USD-denominated debt or capex also stand to benefit from a weaker USD.

...beware the sinkholes

The outlook for markets will be heavily dependent on external macroeconomic and geopolitical developments impacting domestic investor sentiment and operating conditions for businesses. Potential sinkholes that could put our constructive base case view for domestic equities at risk include:

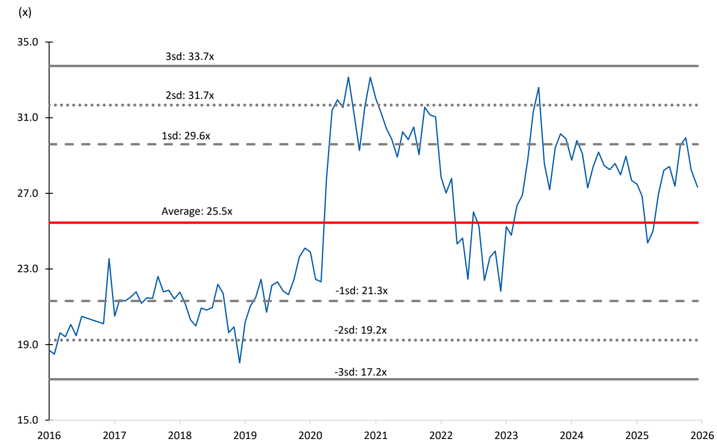
i. US financial markets correction

The sustained bull market seen in the US financial markets over the past three years has brought benchmark indices and associated valuations to unprecedented highs. Some elements of the market run-up can be fundamentally justified, being driven by strong corporate earnings and resilient US consumer spending trends, as the US economy followed through from the post-pandemic rebound and boosted by supportive fiscal policies (CHIPS and Science Act – semiconductor investment; Inflation Reduction Act – renewable energy and manufacturing; and Infrastructure Act – transport and infrastructure investment). But most of all, the US market boom has been concentrated around infrastructure spending on AI (specifically on DCs, chip production, and cloud infrastructure), the rise of the Magnificent Seven stocks, and elevated investor expectations for significant future productivity gains.

There are now growing concerns that US equities could be in bubble territory and that valuations are no longer supported by fundamentals. We observe narrow market breadth with gains driven by a few mega cap stocks while investors are pricing in aggressive assumptions on productivity, earnings growth and technology adoption, in addition to evidence of growing retail speculation as markets become increasingly decoupled from recent economic data and the real economy.

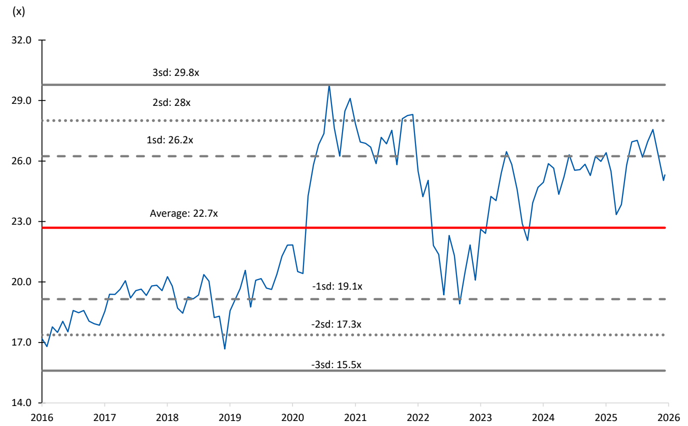
A not-inconceivable significant correction upwards of 10% would reverberate through emerging markets, hurting investor sentiment and fuelling concerns about whether markets are pricing in slower economic growth. A correction of 20% or more would put US equities into bear market territory.

Figure 17: NASDAQ Comp P/E band



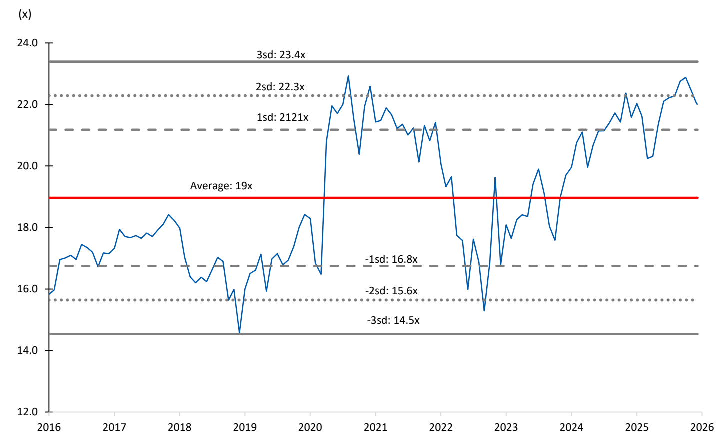
Source: RHB, Bloomberg

Figure 18: Nasdaq-100 P/E band



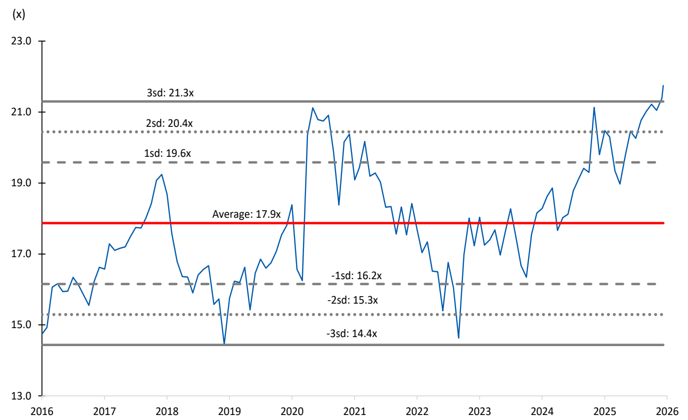
Source: RHB, Bloomberg

Figure 19: SPX P/E band



Source: RHB, Bloomberg

Figure 20: DJIA P/E band



Source: RHB, Bloomberg

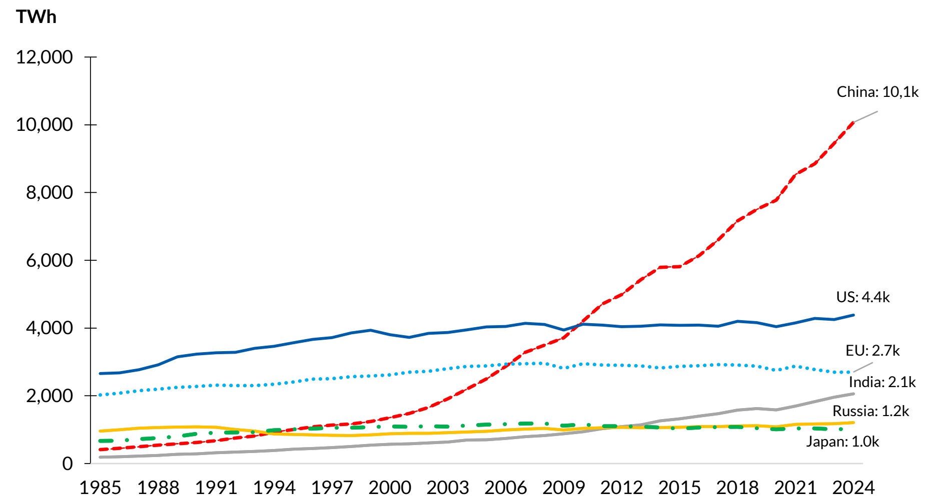
ii. Real US economy undershooting expectations

We cannot ignore the growing risks of slower-than-expected US economic growth or worse. Initiatives by the Trump administration that may have hurt the US economy include new and higher "reciprocal" tariffs on imported goods from every other country in the world, tariffs on steel, aluminium, copper and imported cars, persistent policy flip-flops, indiscriminate clampdowns on migrant workers from the stricter enforcement of immigration policies by ICE agents – which have reduced labour supply impacting labour-intensive sectors like agriculture and construction – and Department of Government Efficiency(DOGE)-inspired public sector cuts.

Unilateral tariffs risk adding to inflationary pressures as prices of imported goods rise, coupled with reduced global trade activity and dampening investment. The policy flip flops also serve to undermine investor confidence and delay investment decisions. The avalanche of AI investments is already placing strain on the US power grid, and emphasises the lack of investment in new energy infrastructure in the US. This undermines the ability of the Trump administration's objectives of reshoring manufacturing industries back into the US.

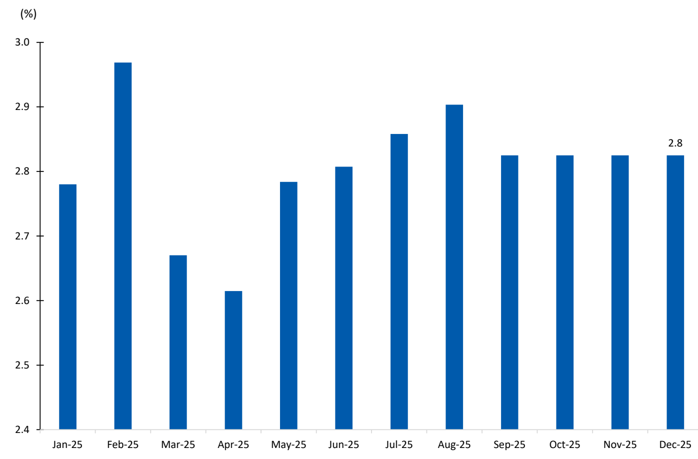
The recent 43-day US government shutdown will complicate the task of the US Fed due to the loss of the Oct 2025 labour market data. With inflationary pressures also beginning to feed into the economy, the onset of stagflationary conditions will muddy the waters for the US Fed to chart a clear monetary policy path forward.

Figure 21: Top power producing countries



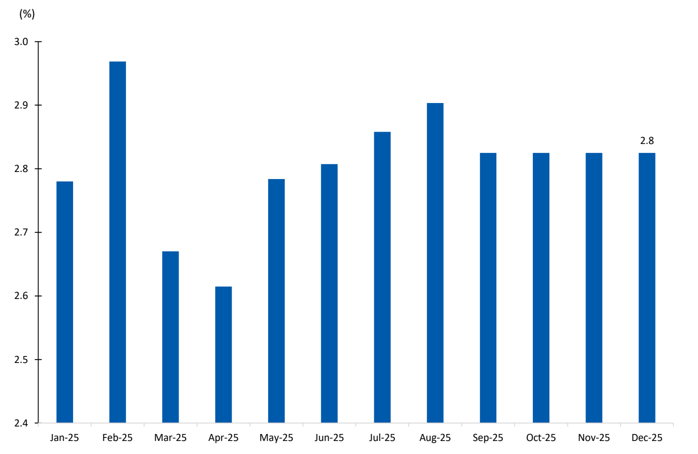
Source: Our World in Data

Figure 22: 2025 US Personal Consumption Expenditure Index



Source: RHB, Bloomberg

Figure 23: 2025 US unemployment bar chart



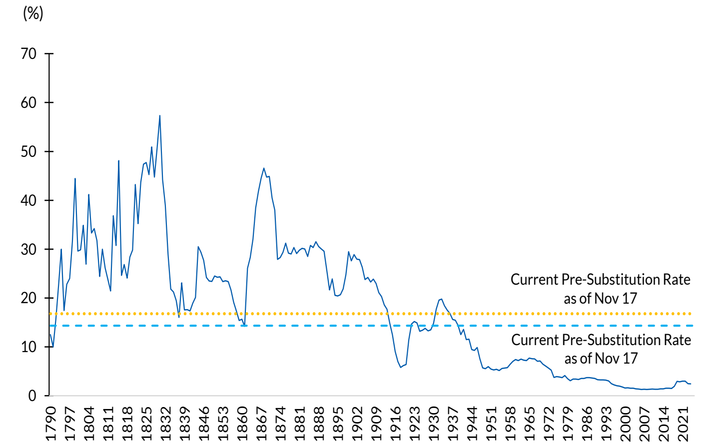
Source: RHB, Bloomberg

iii. Supreme Court decision on the legality of the Trump tariffs

As detailed earlier in this report, the US Supreme Court is currently reviewing the legality of Trump's tariffs, which were imposed under the International Emergency Economic Powers Act (IEEPA) on an expedited schedule and oral arguments were heard in early Nov 2025.

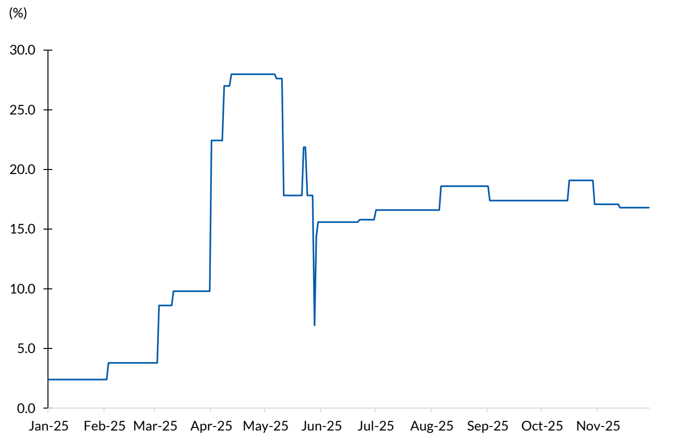
If the Trump tariffs were to be declared illegal, we would expect a period of uncertainty for markets and cannot rule out desperate attempts by the Trump administration to use other statutes to implement his tariff strategy. The greater implication of such a decision would be the impact on bond yields, the politically embarrassing failure of a core plank of his administration's policy, putting at risk inbound commitments to invest in the US.

Figure 24: US average effective tariff rate since 1790



Source: The Budget Lab at Yale

Figure 25: US average effective tariff rate 2025



Source: The Budget Lab at Yale

iv. Donald Trump "lame duck" President scenario

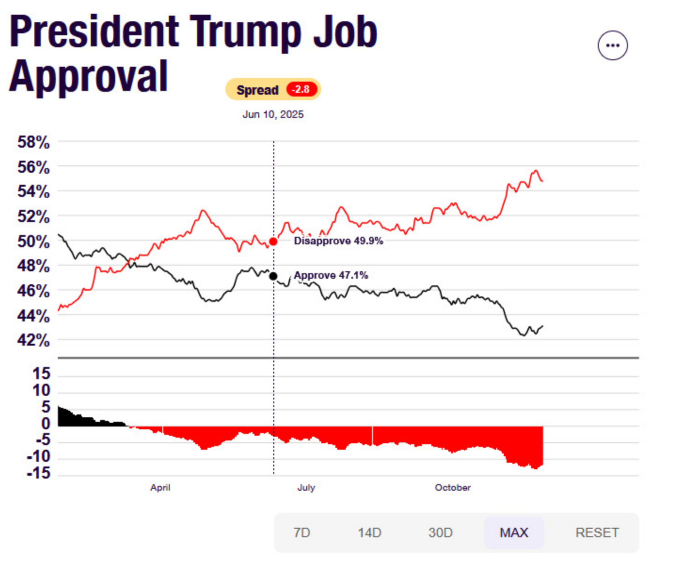
With Trump already serving his second and final term as President and beset by potential scandal and controversy, he is already being viewed as a "lame duck" President. Historically, the likelihood of the US Congress supporting a president in the last years of their second term is generally lower than earlier in their tenure. Politicians will naturally shift their attention towards the next presidential election, focusing on potential successors and their policy agendas, as members of Congress – even from the President's own party – feel less pressure to toe the presidential line.

Figure 26: Trump approval ratings summary

POLLSTER	DATE	SAMPLE	APPROVE	DISAPPROVE	SPREAD
RCP Average	11/5 - 11/25	—	43.1	54.8	Spread -11.7
Economist/YouGov	11/21 - 11/24	1511 RV	43	56	Spread -13
Yahoo News	11/20 - 11/24	1132 RV	44	54	Spread -10
Morning Consult	11/21 - 11/23	2200 RV	45	52	Spread -7
Rasmussen Reports	11/19 - 11/25	1500 LV	47	51	Spread -4
InsiderAdvantage	11/20 - 11/21	800 LV	44	49	Spread -5
Big Data Poll	11/20 - 11/21	2006 RV	45	50	Spread -5
CBS News	11/19 - 11/21	2489 A	40	60	Spread -20
Daily Mail	11/19 - 11/20	1246 RV	45	55	Spread -10
FOX News	11/14 - 11/17	1005 RV	41	58	Spread -17
Reuters/Ipsos	11/14 - 11/17	1017 A	38	60	Spread -22
RMG Research*	11/12 - 11/20	3000 R	46	53	Spread -7
NPR/PBS/Marist	11/10 - 11/13	1291 RV	40	57	Spread -17
Quantus Insights	11/11 - 11/12	1000 RV	43	55	Spread -12
Marquette	11/5 - 11/12	1052 A	43	57	Spread -14

Source: https://www.realclearpolling.com/polls/approval/donald-trump/approval-rating

Figure 27: Trump approval ratings trend



Source: https://www.realclearpolling.com/polls/approval/donald-trump/approval-rating

With economic data turning down, the effectiveness of Trump's tariff policies is being called into question and – despite the Republican Party's control of both houses of Congress – could see him increasingly unable to rally support for future policy initiatives. Trump's plunging approval ratings also risk further loss of political support as the US mid-term elections (Nov 2026) approaches.

A lame duck president scenario could see attempts to bypass Congress, possibly by increasing the use of Executive Orders that can create volatility. Controversial decisions without political consultation on foreign policy or trade could raise geopolitical risks.

The signing of the Epstein Files Transparency Act by Trump compelled the Department of Justice to release the Epstein files by 19 Dec 2025. Jeffrey Epstein was a convicted sex offender boasting an elite social circle. The release of the files could offer a smoking gun that could embarrass high profile individuals and complicate the political situation in the US. However, according to news reports, over 99% of the materials have not yet been made public despite the signing of the Act.

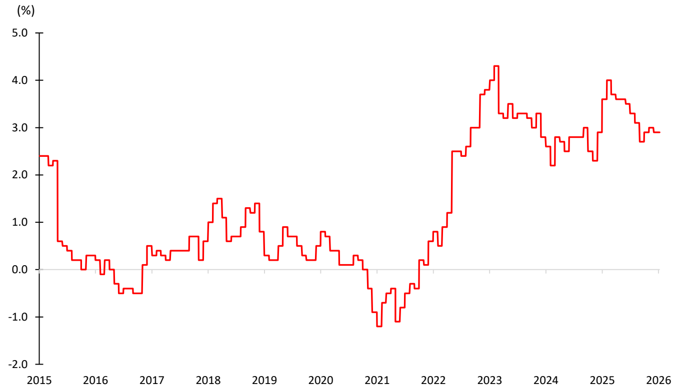
v. Risk of another US government shutdown?

The underlying political and procedural conflicts that resulted in the recent 43-day shutdown (ended in Nov 2025) have not been fully resolved. The continuing resolution (CR) that ended the shutdown in Nov 2025 only funds most federal agencies through 30 Jan 2026. Congress and the President need to pass the remaining nine out of 12 annual appropriations bills (or another CR) to keep the government fully open. If a deal is not reached by 30 Jan, a partial government shutdown for the unfunded agencies will occur automatically. In particular, the Bureau of Labour Statistics (BLS) is likely to be affected by a potential government shutdown at the end of January. During the previous government shutdowns, BLS activities were almost entirely suspended given its status as a non-essential agency. As previously seen, the closure of the BLS could lead to delays in data releases and the permanent loss of certain data metrics resulting in the inability of the US Fed to make monetary policy decisions based on current and reliable data and raising the risk of severe policy error.

vi. BOJ turning more hawkish – the end of the JPY carry trade?

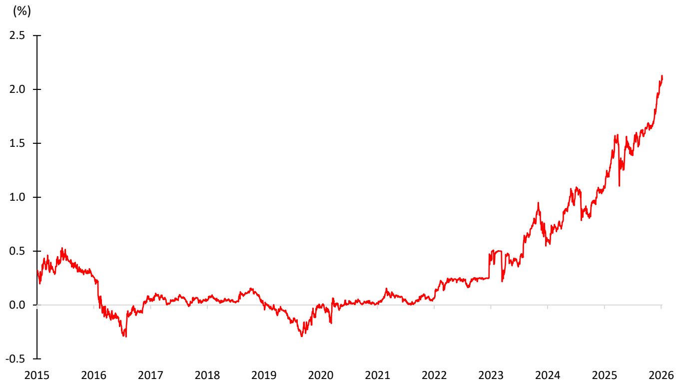
With the BOJ flagging a rate hike and a shift away from ultra-low interest rates, coinciding with the US Fed's Dec 2025 rate cut, this could result in higher Japanese Government Bond (JGB) yields as inflation ticking higher could contrive to significantly strengthen the JPY and drive funds back to Japan. Reduced Japanese demand for foreign assets and carry trade unwind raise the risk of US treasury yields moving higher as Japan is the largest single bond holder. China, the third largest holder of US Treasuries, is also likely to continue reducing its positions. A potential bond market collapse and sustained USD debasement risks could spur another US banking crisis on the back of potential mark-to-market losses.

Figure 28: Japan inflation



Source: RHB, Bloomberg

Figure 29: 10-year JGB yields



Source: RHB, Bloomberg

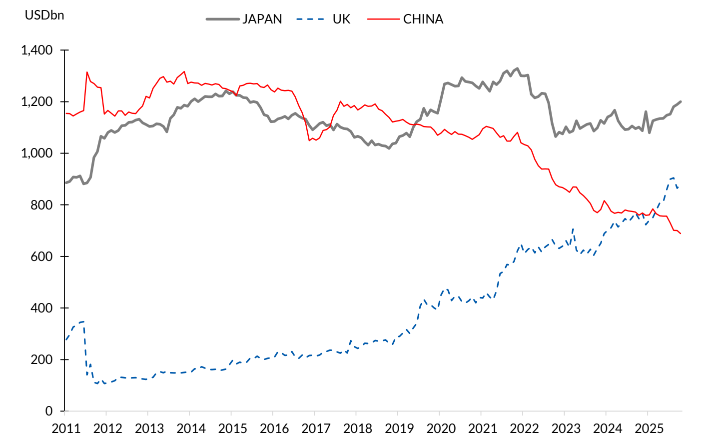
Figure 30: USD/JPY

Source: RHB, Bloomberg

Figure 31: 10-year US treasury yields

Source: RHB, Bloomberg

Figure 32: Top 3 US treasury foreign holdings 2011-2025



Source: https://en.macromicro.me/

Figure 33: 30-year US treasury yields

Source: RHB, Bloomberg

Earnings outlook: A more conducive operating environment

Figure 34: Earnings outlook and valuations

	FBM KLCI				RHB BASKET				RHB BASKET (EX-FBM KLCI)			
COMPOSITE INDEX @ 1,672.35 6 Jan 2026	**2024A**	**2025F**	**2026F**	**2027F**	**2024A**	**2025F**	**2026F**	**2027F**	**2024A**	**2025F**	**2026F**	**2027F**
Revenue Growth (%)	7.7	1.5	3.2	3.5	7.2	1.8	3.4	3.7	6.1	2.2	3.8	4.0
EBITDA Growth (%)	9.2	0.8	7.0	4.4	11.2	(0.0)	7.1	4.3	16.3	(2.1)	7.2	4.0
Total PATAMI (MYRm)	69,309	69,963	74,579	79,625	92,715	94,275	101,733	108,866	23,406	24,312	27,154	29,241
Total PATAMI Growth (%)	**8.9**	**0.9**	**6.6**	**6.8**	**10.7**	**1.7**	**7.9**	**7.0**	**15.8**	**3.9**	**11.7**	**7.7**
Weighted Earnings Growth (%)	**6.6**	**1.5**	**5.8**	**5.6**	**6.0**	**1.9**	**7.2**	**6.2**	**12.4**	**0.3**	**11.8**	**11.2**
P/E (x)	**17.1**	**17.0**	**15.9**	**14.9**	**17.0**	**16.8**	**15.5**	**14.5**	**16.8**	**16.2**	**14.5**	**13.5**
P/BV (x)	1.8	1.8	1.7	1.6	1.6	1.6	1.6	1.5	1.1	1.2	1.1	1.1
Dividend Yield (%)	3.4	3.4	3.6	3.8	3.5	3.4	3.6	3.8	3.9	3.5	3.7	3.9
ROE (%)	10.8	10.5	10.8	11.0	9.3	9.7	10.0	10.4	6.7	7.2	7.7	8.2

Note: Includes FBM KLCI stocks not under RHB Research coverage using consensus data (RHB, YTLC. and PPB)
Source: Bloomberg, RHB

2026 investment themes

The improved clarity on the US reciprocal tariff rate for Malaysia, and encouraging domestic macroeconomic data points have helped to reinforce investor sentiment and expectations that 2026 will offer an improved backdrop for corporate earnings growth.

We continue to hope that Bursa Malaysia's underperformance in 2025, Malaysia's relative political and social stability within ASEAN, and continued emphasis on good governance and reform may prove to be a winning formula in 2026, especially considering the rich equity valuations seen in the US markets and the strong run-up in North Asia. Nonetheless, we remain realistic on the likelihood of a sustained return on foreign portfolio funds into domestic equity markets given Bursa Malaysia's premium valuation, weak corporate earnings growth track record, largely domestic centric-listed companies, and relatively small domestic market presenting scale challenges as well as the modest 1.15% country weightage on the benchmark MSCI EM Index.

We continue to acknowledge the strong liquidity levels within the institutional investor space and believe that relative outperformance in 2026 will depend on strong stock-picking abilities and a nimble stance. A trading market means that timing is everything and we expect that the onset of market volatility would represent buying opportunities. A focus on laggard stocks would be a key stock-picking strategy. However, the prevailing risks highlighted above suggest that some attention towards defensive stocks at the outset would not go amiss.

Focus areas for 2026:

i. Johor-Singapore Special Economic Zone;

ii. Sarawak;

iii. Construction;

iv. Renewable energy;

v. Energy infrastructure;

vi. Water infrastructure;

vii. Weak USD risks – beware USD exporters, nominally positive for commodities.

Defensive qualities still key

With markets not far off fair value and considering prevailing external risks, we believe investors ought to begin the year focusing on stocks with resilient and defensive qualities.

Figure 35: Defensive stocks with domestic-centric characteristics

	Rec	Price (MYR/s) 6 Jan 2026	TP (MYR/s)	Mkt cap (MYRm)	EPS (sen) FY26F	EPS (sen) FY27F	EPS Growth (%) FY26F	EPS Growth (%) FY27F	3-yr EPS CAGR (%) FY24-27F	P/E (x) FY26F	P/E (x) FY27F	P/BV (x) FY27F	P/CF (x) FY27F	DY (%) FY27F
Tenaga Nasional	Buy	13.58	14.80	79,160	71.6	69.9	4.1	(2.4)	1.2	19.0	19.4	1.2	4.3	3.3
99 Speed Mart	Buy	3.83	3.56	32,172	8.8	9.3	17.2	6.0	14.9	43.5	41.1	14.5	28.6	1.7
Nestle	Buy	120.30	120.00	28,210	290.0	308.9	19.2	6.5	17.0	41.5	38.9	49.7	27.0	2.5
Mr DIY Group	Buy	1.52	1.87	14,406	7.7	8.3	11.9	7.8	10.7	19.6	18.2	6.2	12.4	4.7
Time DotCom	Neutral	5.62	5.10	10,390	27.5	30.1	6.8	9.5	8.4	20.4	18.7	2.7	15.1	2.7
Farm Fresh^	Buy	2.73	3.03	5,141	9.1	10.3	15.8	13.1	21.3	30.0	26.6	4.9	19.2	1.3
Matrix^	Buy	1.31	1.72	2,459	18.5	19.7	4.6	6.2	6.3	7.1	6.7	0.7	6.0	7.6
CTOS Digital	Buy	0.83	1.11	1,888	4.4	4.4	13.1	0.4	(2.0)	19.0	18.9	2.7	23.9	3.7
Taliworks Corporation	Buy	0.50	1.01	1,008	4.6	4.9	9.2	6.6	10.4	10.9	10.2	1.4	5.8	9.0

Note: ^FY26F-27F valuations refer to those of FY27F-28F
Source: RHB

A trading market – look at laggard plays

The improving investor sentiment and positive macroeconomic backdrop suggest a natural rotation towards the laggard names that we remain convicted on.

Figure 36: Laggards

	FYE	Price (MYR/s) 6 Jan 2026	TP (MYR/s)	*Shariah* compliant	Market Cap (MYRm)	EPS (sen) FY26F	EPS (sen) FY27F	EPS Growth (%) FY26F	EPS Growth (%) FY27F	3-yr EPS CAGR (%) FY24-FY27F	P/E (x) FY26F	P/E (x) FY27F	P/BV (x) FY27F	P/CF (x) FY27	DY (%) FY27F
CIMB	Dec	7.99	9.00	NO	86,220	75.0	79.3	4.3	5.7	3.2	10.7	10.1	1.1	n.a.	6.3
Tenaga Nasional	Dec	13.58	14.80	YES	79,160	71.6	69.9	4.1	(2.4)	1.2	19.0	19.4	1.2	4.3	3.3
Axiata Group	Dec	2.56	2.95	YES	23,517	8.3	15.3	0.1	84.7	17.5	30.9	16.7	1.1	14.8	7.8
IJM Corporation^	Mar	2.54	3.43	YES	8,903	15.2	16.2	9.7	6.6	2.6	16.7	15.7	0.8	12.2	3.1
Malakoff	Dec	0.84	1.00	YES	4,081	4.6	5.0	20.1	8.7	4.5	18.3	16.9	0.9	n.a.	4.7
Mah Sing Group	Dec	1.09	1.60	YES	2,791	11.7	12.2	11.8	4.4	8.5	9.3	8.9	0.6	9.5	5.3
Guan Chong	Dec	0.75	1.50	YES	2,055	11.0	14.9	15.3	35.8	(3.5)	6.8	5.0	0.7	1.7	5.0
CTOS Digital	Dec	0.83	1.11	YES	1,888	4.4	4.4	13.1	0.4	(2.0)	19.0	18.9	2.7	23.9	3.7
Padini	Jun	1.81	2.16	YES	1,786	17.7	18.5	4.5	4.5	4.0	10.2	9.8	1.3	4.1	4.4
AEON Co	Dec	1.09	1.46	YES	1,530	11.0	11.8	4.8	7.2	0.9	9.9	9.2	0.7	1.9	5.4
Duopharma Biotech	Dec	1.26	1.60	YES	1,212	10.4	11.1	8.0	5.8	13.8	12.1	11.4	1.3	9.4	2.4
BM Greentech^	Mar	1.46	2.50	YES	1,004	11.0	11.2	1.1	1.8	2.2	13.2	13.0	109.0	13.7	1.9
Cloudpoint	Dec	0.69	1.13	YES	367	5.7	6.8	22.8	20.1	18.4	12.2	10.1	2.8	9.9	3.9

Note: ^FY26F-27F valuations refer to those of FY27F-28F
Source: RHB

Domestic-centric stocks picks – BUY on weakness

Seek attractive entry points into fundamentally robust stocks that avoid external risks. Ample externals risks suggest opportunities should present itself to accumulate at lower levels.

Figure 37: Top BUYs

	FYE	Price (MYR/s) 6 Jan 2026	TP (MYR/s)	*Shariah* compliant	Market Cap (MYRm)	EPS (sen) FY26F	EPS (sen) FY27F	EPS Growth (%) FY26F	EPS Growth (%) FY27F	3-yr EPS CAGR (%) Y24-FY27F	P/E (x) FY26F	P/E (x) FY27F	P/BV (x) FY27F	P/CF (x) FY27F	DY (%) FY27F
CIMB	Dec	7.99	9.00	NO	86,220	75.0	79.3	4.3	5.7	3.2	10.7	10.1	1.1	n.a.	6.3
Tenaga Nasional	Dec	13.58	14.80	YES	79,160	71.6	69.9	4.1	(2.4)	1.2	19.0	19.4	1.2	4.3	3.3
Press Metal	Dec	7.06	7.30	YES	58,172	28.9	29.4	13.5	1.8	9.3	24.4	24.0	4.4	17.7	1.3
SD Guthrie	Dec	5.62	6.95	YES	38,866	33.8	31.8	(5.0)	(5.9)	1.6	16.6	17.6	1.8	9.8	2.8
99 Speed Mart	Dec	3.83	3.56	NO	32,172	8.8	9.3	17.2	6.0	14.9	43.5	41.1	14.5	28.6	1.7
TM	Dec	7.71	8.30	YES	29,589	48.1	54.5	10.9	13.3	9.0	16.0	14.1	2.4	6.3	3.8
Nestle	Dec	120.30	120.00	YES	28,210	290.0	308.9	19.2	6.5	17.0	41.5	38.9	49.7	27.0	2.5
Mr DIY Group	Dec	1.52	1.87	YES	14,406	7.7	8.3	11.9	7.8	10.7	19.6	18.2	6.2	12.4	4.7
KPJ Health	Dec	2.68	3.03	YES	11,722	8.1	8.7	9.2	7.8	6.8	33.1	30.7	3.8	13.4	1.7
Sime Darby Property	Dec	1.46	2.33	YES	9,929	8.6	9.0	8.6	4.4	6.8	17.0	16.2	0.9	13.7	3.1
Binastra^	Jan	2.13	2.69	YES	2,325	15.5	18.8	26.2	21.2	31.4	13.7	11.3	3.9	13.1	2.6
CTOS Digital	Dec	0.83	1.11	YES	1,888	4.4	4.4	13.1	0.4	(2.0)	19.0	18.9	2.7	23.9	3.7

Note: ^FY26F-27F valuations refer to those of FY27F-28F
Source: RHB

Figure 38: High-dividend yield stocks

	Rec	Price (MYR/s) 6 Jan 2026	Target (MYR/s)	DY (%) FY26F	DY (%) FY27F	EPS Growth (%) FY26F	EPS Growth (%) FY27F	P/E (x) FY25F	P/E (x) FY26F	P/BV (x) FY26F	ROE (x) FY26F
Taliworks Corporation	Buy	0.50	1.01	9.0	9.0	9.2	6.6	11.9	10.9	1.4	12.6
Sentral REIT	Buy	0.79	0.92	8.7	9.1	6.4	4.5	11.7	11.0	0.7	6.2
DXN Hldg^	Buy	0.52	0.70	7.7	8.6	26.1	12.2	8.2	6.5	1.6	25.8
MBSB	Buy	0.73	0.79	7.6	8.6	22.7	13.8	14.5	11.9	0.6	0.0
IGB Commercial REIT	Buy	0.65	0.72	7.3	7.8	9.4	7.0	17.0	15.5	0.7	4.4
Matrix Concepts^	Buy	1.31	1.72	7.3	7.6	4.6	6.2	7.4	7.1	0.7	10.3
SKP Resources^	Buy	0.63	0.92	7.2	8.4	27.1	17.8	9.8	7.7	0.9	12.2
Carlsberg	Buy	17.02	20.00	7.2	7.5	1.9	4.2	14.1	13.8	18.2	132.2
Texchem	Buy	0.81	1.37	7.1	8.6	55.9	21.3	7.7	4.9	0.5	9.8
Sports Toto^	Buy	1.35	1.55	6.9	7.4	(27.5)	3.6	7.3	10.0	1.5	15.1
Heineken Malaysia	Buy	22.94	26.50	6.8	7.2	2.0	6.6	14.9	14.6	12.6	86.7
Focus Point	Buy	0.49	0.74	6.7	7.3	11.5	9.4	8.3	7.5	1.7	24.5
UOA Development	Buy	1.86	2.08	6.5	7.0	3.6	4.6	16.7	16.1	0.9	5.7
MGB	Buy	0.45	0.83	6.3	7.8	17.0	24.3	5.6	4.8	0.4	8.4
CIMB	Buy	7.99	9.00	6.0	6.3	4.3	5.7	11.1	10.7	1.1	11.0

Note: ^FY26F-27F valuations refer to those of FY27F-28F
Source: RHB

Our view on small-mid caps – From Laggard To Leader

Figure 39: Small-mid cap Top Picks

	Price (MYR/s) 6 Jan 2026	TP (MYR/s)	*Shariah* Compliant	Mkt Cap (MYRm)	EPS (sen) FY26F	EPS (sen) FY27F	EPS Growth (%) FY26F	EPS Growth (%) FY27F	P/E (x) FY26F	P/E (x) FY27F	P/BV (x) FY27F	P/CF (x) FY27F	DY (%) FY27F	Rec
Heineken Malaysia	22.94	26.50	NO	6,930	157.5	167.8	2.0	6.6	14.6	13.7	12.5	11.4	7.2	Buy
Johor Plantations	1.57	1.80	YES	3,925	11.7	11.4	(5.3)	(2.9)	13.4	13.8	1.2	8.2	3.7	Buy
Kerjaya Prospek	2.65	3.45	YES	3,332	16.6	17.5	7.3	5.2	16.0	15.2	2.4	15.6	4.5	Buy
Solarvest^	3.13	3.49	YES	2,952	9.1	9.9	8.4	8.6	34.2	31.5	3.4	113.6	0.0	Buy
Guan Chong	0.75	1.50	YES	2,055	11.0	14.9	15.3	35.8	6.8	5.0	0.7	1.7	5.0	Buy
CTOS Digital	0.83	1.11	YES	1,888	4.4	4.4	13.1	0.4	19.0	18.9	2.7	23.9	3.7	Buy
VS Industry	0.48	0.65	YES	1,850	3.4	5.4	151.8	59.4	14.0	8.8	0.8	19.2	5.7	Buy
Bumi Armada	0.31	0.65	YES	1,838	9.4	8.8	(6.4)	(5.8)	3.3	3.5	0.2	5.3	0.0	Buy
Taliworks	0.50	1.01	YES	1,008	4.6	4.9	9.2	6.6	10.9	10.2	1.4	5.8	9.0	Buy
Mynews Holdings	0.58	0.80	NO	431	3.7	4.4	42.9	18.8	15.7	13.2	1.5	2.9	2.3	Buy
Coraza Integrated	0.57	0.83	YES	279	4.3	5.4	44.3	24.3	13.1	10.6	1.4	9.6	0.0	Buy
JHM Consolidation	0.41	0.52	YES	245	2.9	4.5	424.7	56.3	14.1	9.0	0.8	9.4	2.5	Buy

Note: ^FY26F-27F valuations refer to those of FY27F-28F
Source: RHB

A laggard year. Both the FBM 70 (-9.9%) and FBM SC (-11.3%) posted laggard performances in 2025, significantly underperforming the FBM KLCI (-0.1%). While there was a brief resurgence of interest in mid-caps between Sep and Nov 2025, the rebound proved short-lived as investors swiftly rotated back into defensive names amid broad-based return-realisation activities. Overall market sentiment weakened amid elevated geopolitical risks, compounded by uncertainties over newly introduced local and global policy measures that kept investors on the sidelines. On a regional basis, the Malaysia MSCI Small Cap Index ranked among the weakest performers, trailing only Thailand, which was weighed down by ongoing political turmoil and economic slowdown.

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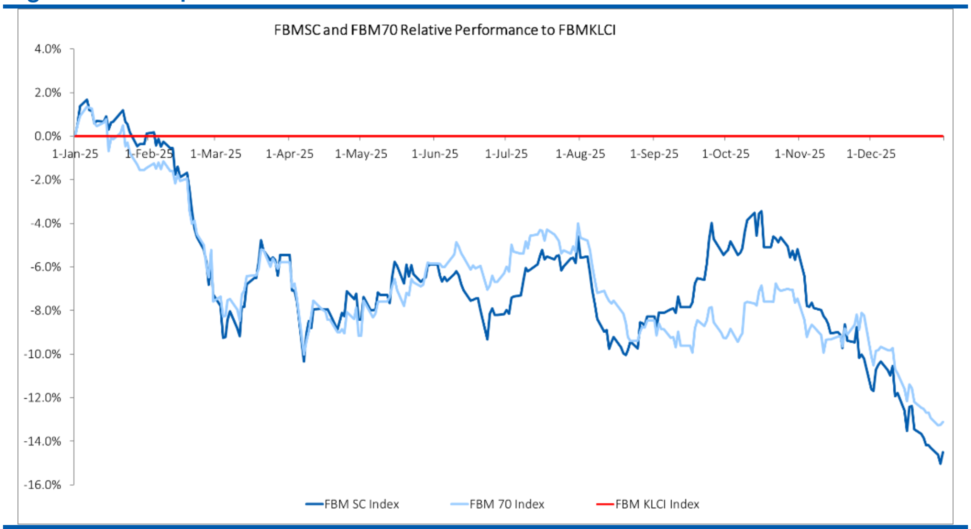
Figure 40: 2025 performances of the FBM SC and FBM 70 vs the FBM KLCI



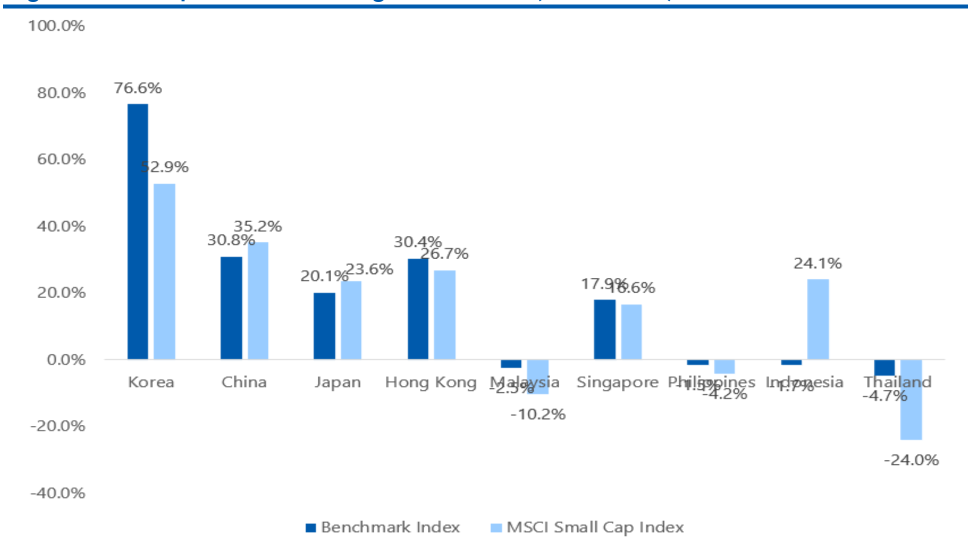
Source: Bloomberg, RHB

Figure 41: Yearly returns of the major indices

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FBM KLCI	11.0%	-5.7%	-3.9%	-3.0%	9.4%	-5.9%	-6.0%	2.4%	-3.7%	-4.6%	-2.7%	12.6%	2.6%
FBM SC	36.0%	-4.2%	6.0%	-7.7%	15.9%	-33.7%	25.4%	9.9%	1.3%	-5.3%	9.6%	9.8%	-12.1%
FBM 70	15.5%	-7.9%	0.5%	-0.8%	23.4%	-18.7%	8.7%	6.6%	-6.2%	-8.4%	12.3%	28.8%	-10.7%

Source: Bloomberg, RHB

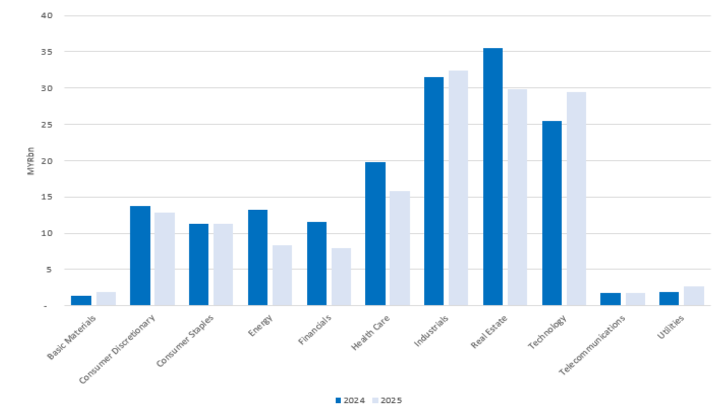
Figure 42: 2025 performance of regional markets (MSCI Index)



Source: Bloomberg, RHB

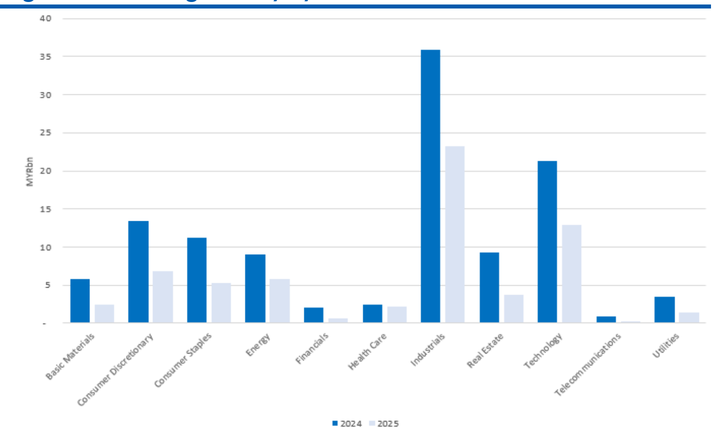
Lacklustre trading activities. While market activity improved modestly from end-3Q into early-4Q, 2025 trading volume and turnover for the FBM KLCI, FBM 70 and FBM SC kept firmly in a YoY contraction trend. Although domestic liquidity remains ample, overall sentiment has been jittered by persistent uncertainties surrounding tariffs, geopolitical tensions, and cost escalation. Within the FBM 70, weaker investor interest vs 2024 was observed across most sectors except industrials, technology, basic materials, and utilities. The sectoral uptick was driven by firmer demand for infrastructure-related activities, DCs, renewable energy, the ongoing semiconductor recovery, and commodity-led strength.

Figure 43: Trading activity by sector – FBM 70



Source: Bloomberg, RHB

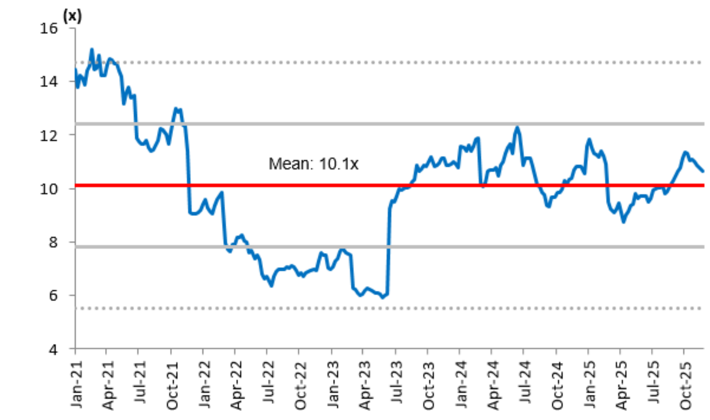
Figure 44: Trading activity by sector – FBM SC



Source: Bloomberg, RHB

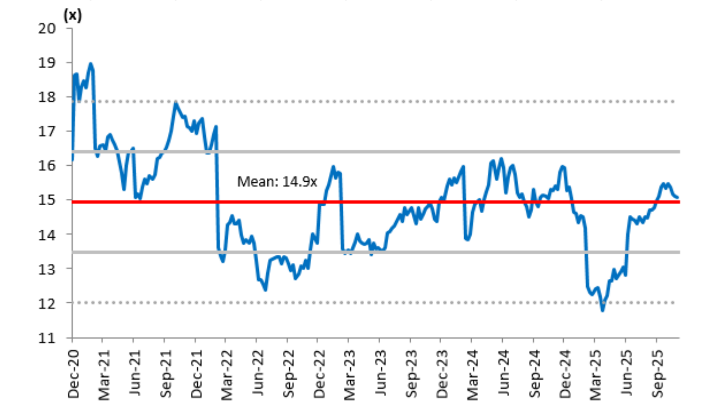
Valuations are increasingly compelling. The FBM SC is currently trading at a 4-5x P/E discount to the FBM KLCI, while the FBM 70 (14.5-15x) is valued broadly in line with the FBM KLCI at c.15-15.5x, based on Bloomberg data. Importantly, growth expectations in the small-cap space remain more compelling, with a 19.3% forecasted earnings growth vs 7.6% for the FBM KLCI. Both indices are now trading below their 10-year median valuation spreads to the FBM KLCI, underscoring an improving risk-reward proposition for alpha-seeking investors.

Figure 45: P/E band for the FBM SC



Source: Bloomberg, RHB

Figure 46: P/E band for the FBM 70



Source: Bloomberg, RHB

FY26 outlook: Rebound potential for mid- and small-caps. Coming off a laggard 2025, both the FBM 70 and FBM SC are poised for a potential rebound in 2026, based on the historical tendency of alternating years of outperformance over the past decade. As one of the weakest-performing markets in the region in 2025, we believe attractively valued Malaysia small- and mid-cap stocks are likely to regain investor interest in 2026 – particularly in an environment where catalysts for large-cap names remain relatively scarce. Trading below long-term valuation means and offering a more balanced risk-reward profile, small- and mid-cap counters should be prime beneficiaries of rotational flows as investors seek incremental alpha. Importantly, ample domestic liquidity should continue to serve as a key pillar of support and market stability.

Stock selection to be more discerning. While the small- and mid-cap space is often favoured for its higher growth potential, we advocate a balanced strategy combining both value and growth names in the current environment. Investors should prioritise earnings quality, margin resilience, cash flow visibility and sustainable yield, against a backdrop of elevated geopolitical risks, cost escalation and lingering demand uncertainties.

Structural themes to anchor FY26 opportunities. Key domestic policy pillars such as the National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030), and Visit Malaysia 2026 are set to underpin multiple investment themes in 2026. This is reinforced by expectations of a low-base earnings recovery from 2025, following the drag from tariff uncertainties, SST implementation, and e-invoicing adjustments. A weakening USD trend, together with rising corporate activities such as restructuring and value-unlocking initiatives should further lift sentiment in this space.

We expect bottoming-out laggard plays to re-emerge as a key theme amid potential cyclical recovery and sector rotation. Sectors likely to be in favour include: i) Consumer, ii) construction, iii) industrial products, iv) logistics, v) oil & gas, vi) technology, and vii) green energy.

Singapore: From Macro Resilience To Reform-Led Opportunities

Singapore macro remains constructive

2026 GDP growth at 3%. We maintain our Singapore GDP growth forecast at 3% YoY in 2026, following the 4.8% expansion in 2025. Growth momentum is expected to remain firm, underpinned by resilient external demand. Our 2026 forecast sits at the upper end of the official 1-3% range. Our full-year 2026 growth outlook is anchored by improving trade conditions, expected global monetary easing, and solid growth momentum carried over from late 2025. Tariff-related risks are likely to ease, supported by recent exemptions under Annex 2 and the prospect of further measures, alongside moderating US-China tensions. We also expect cumulative policy rate cuts of 50bps by the US Fed in 2026, with other developed and emerging markets following. Domestically, growth momentum from 2H25 should extend into early 2026, supported by resilient consumption, investment activity, and policy support, providing a favourable base for sustained expansion.

Figure 47: Singapore – key economic forecasts

	2025E	2026F	2027F	1H26F	2H26F	1H27F	2H27F
Real GDP growth (% YoY)	4.0	3.0	3.3	3.1	3.0	3.2	3.4
Private consumption	1.4	1.6	1.7	1.8	1.4	1.8	1.7
Government consumption	-	0.4	0.6	0.2	0.5	0.5	0.6
Gross fixed capital formation	1.2	1.0	0.9	1.2	0.9	0.9	1.0
Net exports	1.5	0.4	0.8	0.3	0.6	0.7	0.8
CPI	1.0	1.5	1.8	1.8	1.5	1.8	1.8
Current account balance (% of GDP)	17.0	17.0	17.5	17.0	17.2	17.5	17.5
Fiscal balance (% of GDP)	(0.8)	0.2	(0.1)	0.3	0.1	(0.1)	(0.1)

Source: Bloomberg & CEIC, RHB EMS

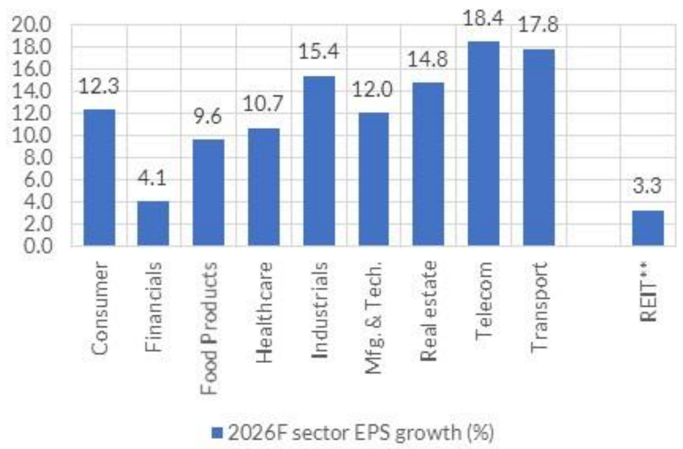
Scope for further SGD strength. MAS' policy framework continues to anchor a mild appreciation bias for the SGD, and our SGD nominal effective exchange rate (S$NEER) model indicates that the path of least resistance for USD/SGD remains lower. We maintain a constructive currency outlook that favours a gradual, orderly decline in USD/SGD rather than a sharp adjustment. Singapore's macro fundamentals remain supportive, with growth expected to stay at the upper end of the official range and inflation pressures firming but contained, leaving the current MAS stance appropriate through at least 1H26. This policy continuity, combined with strong external balances and prudent fiscal positioning, underpins confidence in the currency. While external risks remain, Singapore's track record of relative resilience argues for continued outperformance. Overall, the balance of factors points to a controlled medium-term appreciation in the SGD, with USD/SGD trending lower in a measured fashion.

Measured US Fed easing to anchor a gradual decline in SORA. We expect two additional US FFR cuts in 2026, totalling 50bps. Our baseline view is that the US Federal Open Market Committee (FOMC) will retain a broadly dovish bias into 2026, although policy communication is likely to become more nuanced as US Fed Chair Jerome Powell's term concludes in May 2026. From a Singapore rates perspective, a gradual and measured US Fed easing cycle is likely to translate into a downward bias for SORA in 2026, though the pace should remain orderly rather than abrupt. As US policy rates ease, global funding conditions should become more accommodative, exerting downward pressure on domestic money market rates, especially given Singapore's open capital account and exchange rate-centred monetary framework. However, with MAS expected to maintain its current policy stance amid firm domestic growth and gradually rising inflation, declines in SORA are likely to be moderate rather than aggressive.

Strong earnings growth in 2026 before moderating in 2027

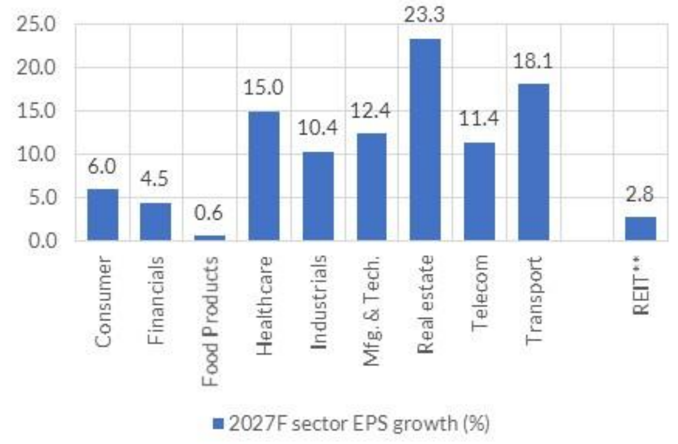
For our coverage universe – excluding the S-REIT sector – we forecast market cap-weighted EPS growth of 7.2% in 2026 and 5.7% in 2027, accelerating from an estimated 2% growth in 2025. For REITs under our coverage, excluding US REITs, we project market cap-weighted DPU growth of 3.3% in 2026 and 2.0% in 2027, improving from an estimated 2.0% growth in 2025.

Figure 48: 2026F sector EPS growth for RHB's coverage universe



Note: Data as of 6 Jan 2026
Note 2: Data for the REITs sector represents DPS growth and excludes data for US REITs
Source: RHB

Figure 49: 2027F sector EPS growth for RHB's coverage universe



Note: Data as of 6 Jan 2026
Note 2: Data for the REITs sector represents DPS growth and excludes data for US REITs
Source: RHB

Figure 50: MSCI Singapore profit growth by sector

Sector growth	CY25(%)	CY26(%)	CY27(%)
Financials	(6.9)	5.7	5.9
Food Products	9.7	11.8	8.5
Industrials	10.7	15.5	13.2
Technology	102.3	48.1	41.4
Real estate	33.1	14.5	12.1
REIT	(0.5)	6.4	3.9
Telecoms	7.5	24.1	16.4
Transport	(65.8)	0.6	5.3
Utilities	0.3	4.7	4.9
Total	**(3.7)**	**11.2**	**10.9**

Note: Data as of 6 Jan 2026
Source: MSCI, Bloomberg

Figure 51: MSCI Singapore profit contribution by sector

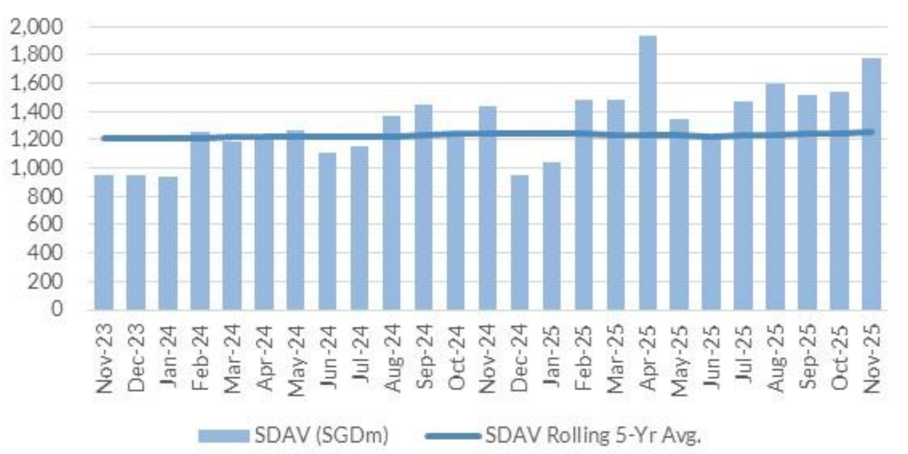
Sector contribution	CY25 (%)	CY26 (%)	CY27 (%)
Financials	62.3	59.2	56.5
Food Products	4.4	4.4	4.3
Industrials	8.2	8.6	8.7
Technology	7.4	9.9	12.6
Real estate	1.7	1.7	1.7
REIT	3.9	3.7	3.5
Telecoms	6.8	7.6	8.0
Transport	2.6	2.4	2.2
Utilities	2.6	2.5	2.4
Total	**100.0**	**100.0**	**100.0**

Note: Data as of 6 Jan 2026
Source: MSCI, Bloomberg

Singapore equity market reform measures to continue

Singapore's equity market reform agenda is gaining traction, with policy support beginning to translate into improved market activity. The centrepiece is the SGD5bn EQDP announced in Feb 2025, which is aimed at broadening investor participation beyond large-cap stocks by allocating capital to Singapore-based asset managers with strong domestic equity focus.

Figure 52: With exception of Jun 2025, the monthly SDAV for SGX since Feb 2025 has been trending higher than the 5-year rolling average, indicating growing investor interest



Source: SGX, RHB

Equity trading liquidity has improved meaningfully since mid-2025, with securities daily average volume (SDAV) remaining above earlier year levels even before the bulk of EQDP funds were fully deployed. As of Nov 2025, around SGD3.95bn had been allocated to nine fund managers, although channel checks suggest only partial drawdowns to date. This points to further scope for liquidity and turnover uplift as deployment continues into 2026.

Primary and secondary market activity has also shown signs of revival. SGX listings picked up in 2025, with stronger retail participation and significantly higher subscription rates vs the 2022-2024 period, reflecting renewed investor engagement. Given the broad mandates of EQDP fund managers, upcoming IPOs and secondary placements are likely to attract incremental institutional attention. Beyond EQDP, MAS has rolled out a comprehensive set of complementary measures, including enhancements to the Global Investor Programme, funding to strengthen the equity research ecosystem, the Value Unlock package, initiatives to attract quality listings, and the launch of the iEdge Singapore Next 50 indices to raise visibility of mid-cap names.

Figure 53: List of policy measures supporting the equity market in 2025

Month	Measures	Details
Feb	First set of measures by the Equities Market Review Group	SGD5bn EQDP; adjustments to Global Investor Programme with new Single Family Offices (SFOs) to invest >SGD50m in SG equities
May	Streamlining of IPO listing process	Shift to disclosure-based regime
Jul	First set of EQDP fund managers (FM) and improved GEM Scheme	SGD1.1bn allocated to three FMs. Increase in GEMS research funding
Sep	Launch of the iEdge Singapore Next 50 Index	Tracking next 50 largest stocks outside the STI
Nov	Second set of EQDP FMs	SGD2.85bn allocated to six FMs
Nov	Improvements to market structure	Reduction in board lot size
Nov	SGX and Nasdaq = Dual listing	SGD2bn market cap requirement, attempt to mirror listing requirements
Nov	Value Unlock package	SGD30m to improve corporate strategy, investor relations
2Q26	Next set of EQDP FMs	

Source: Bloomberg, RHB

Looking ahead, continued reform momentum should underpin the resilience and competitiveness of Singapore equities into 2026. Market strength will depend on sustained EQDP deployment alongside potential third-party capital crowd-ins, as well as ongoing inflows linked to new single-family offices or SFOs establishing a presence in Singapore. While these measures are not a short-term catalyst for valuation re-rating on their own, they provide a more supportive structural backdrop for liquidity, capital raising, and investor participation. MAS has signalled that market development efforts are ongoing, with a further round of EQDP fund manager appointments expected in 2026 – reinforcing confidence that equity market reforms will remain a policy priority. We expect the next round of EQDP fund manager appointments to be in 2Q26.

Declining rates should continue to support yield plays (eg REITs)

Declining global and domestic interest rate conditions are set to provide a supportive backdrop for yield plays in 2026, with S-REITs among the key beneficiaries. A lower rate environment should translate into easing funding costs, improved interest coverage, and greater balance sheet flexibility – helping to stabilise asset valuations and support a recovery in DPU growth across the sector. For REITs under our coverage (excluding US REITs), we are already projecting market capitalisation weighted DPU growth of 3.3% in 2026 and 2.0% in 2027, improving from an estimated 2.0% growth in 2025.

Beyond rates, sector fundamentals remain underpinned by Singapore's resilient domestic economy and ample SGD liquidity. S-REIT valuations continue to look attractive, trading close to book value while offering relatively high and stable distribution yields in a market where alternative income options remain limited. A stable SGD and Singapore's safe haven status continue to draw capital from both domestic and offshore investors seeking defensiveness and income visibility, reinforcing S-REITs' appeal within diversified portfolios.

Policy initiatives add a further layer of support. The SGD5bn EQDP allows investments into S-REITs, including small- and mid-cap names, potentially improving liquidity and broadening the investor base. The introduction of the iEdge Singapore Next 50 Indices, which include a meaningful representation of S-REITs, should also enhance visibility and trading interest for mid-tier counters. In addition, Singapore's relatively lower tariff exposure and stable operating environment may indirectly support property demand as firms reassess regional footprints. We maintain a constructive sector stance on S-REITs, with a preference for industrial REITs given their stronger income resilience. This is followed by office assets where valuations appear more compelling after recent corrections. With financing conditions improving, selected S-REITs are also better positioned to revisit inorganic growth opportunities after a prolonged hiatus, supported by lower cost of capital, improved debt headroom, and targeted portfolio optimisation efforts undertaken during the higher rate period.

Singapore Investment Themes

Theme 1: EQDP screen and our bottom-up small-cap picks

Policy-driven liquidity support under the EQDP is becoming an increasingly important structural tailwind for Singapore small- and mid-cap equities. Initial allocations under the programme have been deployed across selected asset managers with mandates spanning secondary market purchases, IPO participation, and capital-raising activity. The launch of new Singapore-focused funds under the scheme signals a clear intent to broaden investor participation beyond index heavyweights and channel incremental flows into quality SMID names. With further manager appointments expected in 2Q26, and existing fund managers yet to deploy the allocated funds, the breadth and persistence of EQDP-related inflows should improve liquidity depth and valuation discovery across a wider segment of the market.

Complementing EQDP, the introduction of the SGX iEdge Singapore Next 50 indices enhances visibility for companies just below the largest benchmark constituents. These indices are designed to support both active and passive investment strategies and could catalyse additional institutional interest, particularly if exchange-traded products are developed around them. Together, these initiatives should help narrow valuation dispersion between large caps and the broader market, while encouraging more consistent fund flows into fundamentally sound mid-tier names.

To capitalise on these structural tailwinds, we have refreshed our screen for high-quality SMID-cap names using the following criteria: i) Exclusion of STI constituents, ii) market capitalisation between SGD300m and SGD3bn, iii) minimum free float of 20%, iv) average daily trading volume (ADTV) of at least USD0.5m over the past 20 sessions, and v) positive trading momentum, defined as the 20-day ADTV exceeding the 3-month average.

The updated results are presented in the table below. For comparison, we have also included stocks that meet the first four quantitative filters but currently exhibit weaker trading momentum, where the 20-day ADTV has fallen below the 3-month average.

Figure 54: Singapore – our updated EQDP screen (sorted by 20-day ADTV exceeding 3-month average)

BBG ticker	Name	M Cap (USDm)	Free float (%)	ADTV USDm (5d)	ADTV USDm (20d)	ADTV USDm (3m)	5D over 20D	20D over 3M
UGAI SP Equity	UltraGreen.ai Ltd	2,413	22.1	4.6	4.8	na	(5.3)	na
8YZ SP Equity	Yangzijiang Maritime Development Ltd	2,163	82.8	3.3	4.1	na	(21.3)	na
SSREIT SP Equity	Alpha Integrated REIT	540	37.2	0.2	4.0	1.4	(96.3)	182.7
SAMU SP Equity	Samudera Shipping Line Ltd	619	34.0	1.5	1.0	0.6	47.8	64.6
MPM SP Equity	Marco Polo Marine Ltd	575	56.7	6.1	6.3	3.9	(2.9)	62.3
SPWG SP Equity	Sunpower Group Ltd	435	47.5	1.4	1.2	0.8	17.8	55.5
HPHT SP Equity	Hutchison Port Holdings Trust	2,284	72.3	2.0	1.5	1.0	32.6	51.2
BS SP Equity	Bukit Sembawang Estates Ltd	1,243	57.6	0.4	0.6	0.4	(37.4)	38.7
LKH SP Equity	Low Keng Huat Singapore Ltd	543	28.0	1.3	1.0	0.7	28.1	36.2
NCL SP Equity	Nam Cheong Ltd	388	67.6	5.1	2.7	2.1	89.6	26.7
DCREIT SP Equity	Digital Core REIT Management Pte Ltd	892	67.6	3.5	1.8	1.6	92.7	17.1
CDREIT SP Equity	CDL Hospitality Trusts	1,067	69.0	0.5	0.8	0.8	(36.1)	2.4
NTTDCR SP Equity	NTT DC REIT	1,331	74.9	3.0	4.8	4.8	(37.9)	(0.3)
SGREIT SP Equity	Starhill Global REIT	1,365	62.1	0.4	0.6	0.6	(30.8)	(3.2)
UOBK SP Equity	UOB-Kay Hian Holdings Ltd	2,494	44.5	0.7	0.9	0.9	(19.1)	(3.6)
STH SP Equity	StarHub Ltd	1,946	33.6	0.4	0.8	0.8	(42.3)	(5.0)
EREIT SP Equity	ESR-REIT	2,198	100.0	1.4	1.5	1.8	(9.1)	(12.8)
CSE SP Equity	CSE Global Ltd	724	81.8	6.6	4.8	5.6	37.6	(14.6)
CLINT SP Equity	Capitaland India Trust	1,654	94.4	1.2	1.7	2.0	(27.3)	(17.4)
OUEREIT SP Equity	OUE Real Estate Investment Trust	1,987	42.0	0.5	0.5	0.6	3.0	(18.1)
RFMD SP Equity	Raffles Medical Group Ltd	1,877	43.6	0.5	0.9	1.2	(49.2)	(19.1)
NANO SP Equity	Nanofilm Technologies International Ltd	378	47.9	0.7	0.9	1.1	(21.6)	(20.7)
FEH SP Equity	Food Empire Holdings Ltd	1,339	41.3	2.0	1.6	2.0	29.4	(21.9)
AAREIT SP Equity	AIMS APAC REIT	1,242	69.9	1.5	1.5	2.0	(4.1)	(23.1)
CENT SP Equity	Centurion Corp Ltd	1,143	26.2	1.0	1.1	1.5	(6.5)	(26.8)
YZJFH SP Equity	Yangzijiang Financial Holding Ltd	1,410	88.6	5.5	5.4	7.5	1.2	(28.4)
CLCT SP Equity	CapitaLand China Trust	1,367	58.9	0.9	0.8	1.1	23.0	(29.3)
IFAST SP Equity	iFAST Corp Ltd	2,937	67.5	3.4	5.1	7.6	(34.1)	(32.0)
CAO SP Equity	China Aviation Oil Singapore Corp Ltd	1,419	28.5	0.9	0.9	1.4	(8.2)	(32.1)
WHUR SP Equity	Wee Hur Holdings Ltd	699	46.1	1.1	1.3	1.9	(10.3)	(32.4)
CNMC SP Equity	CNMC Goldmine Holdings Ltd	422	66.1	3.1	4.1	6.0	(23.4)	(32.7)
HLA SP Equity	Hong Leong Asia Ltd	1,885	23.3	2.0	1.8	2.7	13.1	(33.1)
LREIT SP Equity	Lendlease Global Commercial REIT	1,821	79.0	1.5	4.3	6.5	(66.6)	(33.4)
SPOST SP Equity	Singapore Post Ltd	901	100.0	1.4	1.1	1.9	25.9	(39.9)
RSTON SP Equity	Riverstone Holdings Ltd	1,304	39.4	1.4	1.5	2.5	(6.7)	(40.1)
FRKN SP Equity	Frencken Group Ltd	615	74.8	2.3	2.3	4.1	(2.2)	(42.6)
UMSH SP Equity	UMS Integration Ltd	1,016	85.8	3.1	2.8	5.0	8.5	(42.8)
PREIT SP Equity	Parkway Life Real Estate Investment Trust	2,688	66.9	1.3	1.6	2.9	(19.7)	(46.3)
PROP SP Equity	Propnex Ltd	1,436	21.7	1.3	1.1	2.1	19.4	(46.7)
CAREIT SP Equity	Centurion Accommodation REIT	1,891	55.9	1.2	1.9	4.0	(36.6)	(53.1)
AEM SP Equity	AEM Holdings Ltd	543	80.5	1.3	2.0	4.3	(32.6)	(54.3)
GERL SP Equity	Geo Energy Resources Ltd	595	47.8	1.1	0.6	1.8	69.7	(65.9)

Note: Prices are as at 6 Jan 2026
Note 2: Blue highlights are stocks with positive trading momentum, defined as the 20-day ADTV exceeding the 3-month average.
Source: Bloomberg, RHB

From the above list of screened stocks that meet the first four quantitative criteria, the following names fall under RHB's coverage: AIMS APAC REIT, CDL Hospitality Trusts, Centurion Corp ,CSE Global, ESR-REIT, Food Empire, Frencken Group, Marco Polo Marine, Raffles Medical, Riverstone, Starhill Global REIT, StarHub, and UMS Integration.

Figure 55: Singapore – valuation comparison (i) for preferred EDQP and SMID-cap exposure

	M Cap			Upside	1FY	P/E (x)		EPSG (%)		Div. yield (%)		DPSG (%)	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
AIMS APAC REIT	966	Buy	1.52	-0.1	Mar-26	9.3	9.5	147.7	-2.1	6.5	6.7	3.5	3.2
CDL Hospitality	820	Neutral	0.88	4.4	Dec-25	84.1	52.1	-3.8	61.5	5.5	6.2	-14.1	12.5
Centurion Corp	882	Buy	1.86	36.7	Dec-25	10.3	14.4	12.5	-28.6	3.0	3.0	33.3	0.0
CSE Global	568	Buy	1.22	21.8	Dec-25	21.6	16.2	-9.5	33.1	2.1	2.8	-9.5	28.4
ESR REIT	1,696	Buy	3.20	17.2	Dec-25	40.9	11.9	na	242.9	8.2	8.4	5.1	2.3
Food Empire	1,054	Buy	2.95	20.6	Dec-25	18.5	15.5	8.5	19.0	3.5	4.0	46.5	14.1
Frencken Group	465	Buy	1.66	15.0	Dec-25	14.7	13.5	9.5	8.9	1.9	2.0	14.5	9.5
Marco Polo Marine	456	Buy	0.14	-9.2	Sep-26	14.1	13.2	46.7	6.8	1.4	1.5	46.9	6.8
Raffles Medical	1,445	Buy	1.15	12.3	Dec-25	28.7	25.2	12.6	13.9	2.4	2.5	4.1	5.3
Riverstone	1,014	Neutral	0.93	5.9	Dec-25	20.0	18.8	-28.0	6.1	3.6	3.8	-59.0	6.1
Starhill Global REIT	1,071	Buy	0.60	2.0	Jun-26	11.9	12.0	0.7	-0.7	6.2	6.3	0.3	0.3
StarHub	1,526	Neutral	1.19	5.3	Dec-25	17.2	14.2	-18.0	20.7	5.7	6.2	4.8	7.7
UMS Integration	790	Buy	1.86	30.1	Dec-25	22.1	18.8	10.4	17.2	2.1	2.1	-6.3	0.0

Note: Prices are as at 6 Jan 2026
Note 2: EPSG = EPS growth, DPSG = DPS growth
Source: Bloomberg, RHB

Figure 56: Singapore – valuation comparison (ii) and returns for preferred EDQP and SMID-cap exposure

	M cap			Upside	1FY	P/BV (x)		ROE (%)		ND/E (x)		Returns	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1M	YTD
AIMS APAC REIT	966	Buy	1.52	-0.1	Mar-26	1.2	1.2	13.1	12.7	0.7	0.7	4.1	1.3
CDL Hospitality	820	Neutral	0.88	4.4	Dec-25	0.6	0.6	0.7	1.1	0.8	0.8	0.0	0.6
Centurion Corp	882	Buy	1.86	36.7	Dec-25	0.9	0.9	9.2	6.3	0.0	0.0	3.0	1.5
CSE Global	568	Buy	1.22	21.8	Dec-25	2.9	2.2	13.2	15.6	0.2	0.0	5.8	1.5
ESR REIT	1,696	Buy	3.20	17.2	Dec-25	1.0	1.0	1.6	7.3	1.0	1.0	-1.8	0.7
Food Empire	1,054	Buy	2.95	20.6	Dec-25	3.1	2.9	11.3	19.5	-0.3	-0.2	-0.4	2.1
Frencken Group	465	Buy	1.66	15.0	Dec-25	1.3	1.2	9.1	9.2	-0.2	-0.3	3.6	4.3
Marco Polo Marine	456	Buy	0.14	-9.2	Sep-26	2.1	1.8	16.1	15.1	-0.1	-0.2	9.3	-8.9
Raffles Medical	1,445	Buy	1.15	12.3	Dec-25	1.8	1.8	6.5	7.2	-0.2	-0.3	4.1	0.0
Riverstone	1,014	Neutral	0.93	5.9	Dec-25	2.5	2.4	12.9	13.2	-0.5	-0.5	2.9	1.1
Starhill Global REIT	1,071	Buy	0.60	2.0	Jun-26	0.8	0.8	6.9	6.7	0.6	0.5	2.6	-0.8
StarHub	1,526	Neutral	1.19	5.3	Dec-25	3.2	3.1	18.8	22.4	1.2	1.1	-0.9	0.9
UMS Integration	790	Buy	1.86	30.1	Dec-25	2.3	2.1	10.4	11.7	-0.2	-0.2	5.1	0.7

Note: Prices are as at 6 Jan 2026
Note 2: ND/E = net debt/equity
Source: Bloomberg, RHB

Our preferred small-cap picks. We have refreshed our SMID-cap screen to identify high-quality small-cap names best positioned to benefit from renewed investor interest and structural fund inflows.

Figure 57: Singapore – valuation comparison (i) for preferred small-cap exposure

	M Cap			Upside	1FY	P/E (x)		EPSG (%)		Div. yield (%)		DPSG (%)	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
AIMS APAC REIT	971	Buy	1.52	-0.1	Mar-26	9.3	9.5	147.7	-2.1	6.5	6.7	3.5	3.2
Centurion Corp	894	Buy	1.86	36.7	Dec-25	10.4	14.6	12.5	-28.6	2.9	2.9	33.3	0.0
CSE Global	566	Buy	1.22	21.8	Dec-25	21.4	16.1	-9.5	33.1	2.2	2.8	-9.5	28.4
Frencken Group	481	Buy	1.66	15.0	Dec-25	15.1	13.9	9.5	8.9	1.8	2.0	14.5	9.5
Stoneweg European Stapled Trust	1,094	Buy	1.90	15.0	Dec-25	11.4	11.1	149.2	2.4	8.0	8.2	-6.4	2.8

Note: Prices are as at 6 Jan 2026
Note 2: EPSG = EPS growth, DPSG = DPS growth
Source: Bloomberg, RHB

Figure 58: Singapore – valuation comparison (ii) and returns for preferred small-cap exposure

	M cap			Upside	1FY	P/BV (x)		ROE (%)		ND/E (x)		Returns	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1M	YTD
AIMS APAC REIT	971	Buy	1.52	-0.1	Mar-26	1.2	1.2	13.1	12.7	0.7	0.7	4.1	1.3
Centurion Corp	894	Buy	1.86	36.7	Dec-25	0.9	0.9	9.2	6.3	0.0	0.0	3.0	1.5
CSE Global	566	Buy	1.22	21.8	Dec-25	2.9	2.2	13.2	15.6	0.2	0.0	5.8	1.5
Frencken Group	481	Buy	1.66	15.0	Dec-25	1.3	1.2	9.1	9.2	-0.2	-0.3	3.6	4.3
Stoneweg European Stapled Trust	1,094	Buy	1.90	15.0	Dec-25	0.8	0.8	7.1	7.2	0.8	0.8	5.8	1.2

Note: Prices are as at 6 Jan 2026
Note 2: ND/E = net debt/equity
Source: Bloomberg, RHB

Theme 2: Undervalued or underappreciated stocks

The undervalued or underappreciated stocks theme focuses on companies where share prices do not fully reflect underlying earnings resilience, recovery potential, or balance sheet strength. These names are typically weighed down by near-term execution issues, sector-specific concerns, or broader macroeconomic headwinds, rather than structural deterioration. As market liquidity improves and investor risk appetite broadens into 2026, we see scope for valuation gaps to narrow, particularly for stocks with visible catalysts.

Within our coverage universe, ComfortDelGro stands out as a clear valuation disconnect. Despite delivering resilient earnings, a credible growth outlook, and an above-market dividend yield, the stock continues to trade at depressed valuation multiples. We view this as inconsistent with its improving operational momentum, suggesting scope for re-rating as earnings visibility improves.

Raffles Medical Group is another underappreciated name, where investor sentiment remains cautious due to concerns around its China operations. We see upside potential should China hospitals progress towards EBITDA breakeven, alongside optionality from balance sheet optimisation and higher dividend payouts in the absence of near-term large-scale acquisitions.

Thai Beverage also features within this theme, offering above-market yield and recovery-driven earnings upside as economic conditions in Thailand and Vietnam gradually improve.

Figure 59: Singapore – valuation comparison (i) for stocks that are undervalued or underappreciated

	M Cap			Upside	1FY	P/E (x)		EPSG (%)		Div. yield (%)		DPSG (%)	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
ComfortDelGro	2,472	Buy	1.75	19.9	Dec-25	12.9	10.9	16.9	17.8	5.8	6.4	9.6	9.9
Raffles Medical	1,467	Buy	1.15	12.3	Dec-25	29.0	25.4	12.6	13.9	2.3	2.5	4.1	5.3
Thai Beverage	9,132	Buy	0.62	32.3	Sep-26	10.3	9.6	9.7	6.5	5.7	6.0	3.6	6.5

Note: Prices are as at 6 Jan 2026
Note 2: EPSG = EPS growth, DPSG = DPS growth
Source: Bloomberg, RHB

Figure 60: Singapore – valuation comparison (ii) and returns for stocks that are undervalued or underappreciated

	M Cap			Upside	1FY	P/BV (x)		ROE (%)		ND/E (x)		Returns	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1M	YTD
ComfortDelGro	2,472	Buy	1.75	19.9	Dec-25	1.2	1.1	9.2	10.4	0.2	0.1	1.4	-1.4
Raffles Medical	1,467	Buy	1.15	12.3	Dec-25	1.8	1.8	6.5	7.2	-0.2	-0.3	4.1	0.0
Thai Beverage	9,132	Buy	0.62	32.3	Sep-26	1.9	1.7	18.9	18.5	1.1	1.0	0.0	1.1

Note: Prices are as at 6 Jan 2026
Note 2: ND/E = net debt/equity
Source: Bloomberg, RHB

Theme 3: Building exposure in S-REITs

Declining interest rates are set to support a recovery in yield plays in 2026, with S-REITs benefitting from lower funding costs, improved balance sheet flexibility, and a rebound in DPU growth. Attractive valuations near book value, stable yields, and Singapore's safe haven status continue to underpin investor demand amid limited income alternatives. Policy support through the EQDP and enhanced market visibility should further improve liquidity, reinforcing a constructive sector outlook.

We prefer industrial>office>retail>overseas>hospitality, with CapitaLand Ascendas REIT (CLAR), CapitaLand Integrated Commercial Trust (CICT), Frasers Centrepoint Trust (FCT), Suntec REIT (SUN), and AIMS APAC REIT (AAREIT) as our Top Picks.

Figure 61: Singapore – valuation comparison (i) for preferred REITs across subsectors

	M Cap			Upside	1FY	P/E (x)		EPSG (%)		Div. yield (%)		DPSG (%)	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
AIMS APAC REIT	971	Buy	1.52	-0.1	Mar-26	9.3	9.5	147.7	-2.1	6.5	6.7	3.5	3.2
CapitaLand Ascendas REIT	10,236	Buy	3.20	12.7	Dec-25	16.4	15.5	3.4	6.2	5.4	5.6	-0.3	4.5
CICT	14,216	Buy	2.69	12.7	Dec-25	17.7	17.8	0.9	-0.7	4.8	5.0	4.5	5.6
ESR REIT	1,718	Buy	3.20	17.2	Dec-25	41.2	12.0	na	242.9	8.2	8.3	5.1	2.3
Frasers Centrepoint	3,626	Buy	2.70	18.2	Sep-26	17.0	17.5	26.4	-2.8	5.5	5.7	2.2	2.0
Prime US REIT	283	Buy	0.25	26.9	Dec-25	na	7.3	-155.0	na	2.8	6.8	86.5	146.4
Starhill Global REIT	1,067	Buy	0.60	2.0	Jun-26	11.8	11.9	0.7	-0.7	6.3	6.3	0.3	0.3
Stoneweg European Stapled Trust	1,094	Buy	1.90	15.0	Dec-25	11.4	11.1	149.2	2.4	8.0	8.2	-6.4	2.8
Suntec REIT	3,246	Buy	1.60	13.6	Dec-25	14.9	13.1	104.4	13.2	4.7	4.9	6.7	4.0

Note: Prices are as at 6 Jan 2026
Note 2: EPSG = EPS growth, DPSG = DPS growth
Source: Bloomberg, RHB

Figure 62: Singapore – valuation comparison (ii) and returns for preferred REITs across subsectors

	M Cap			Upside	1FY	P/BV (x)		ROE (%)		ND/E (x)		Returns	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1M	YTD
AIMS APAC REIT	971	Buy	1.52	-0.1	Mar-26	1.2	1.2	13.1	12.7	0.7	0.7	4.1	1.3
CapitaLand Ascendas REIT	10,236	Buy	3.20	12.7	Dec-25	1.2	1.2	7.4	8.1	0.6	0.6	2.5	0.4
CICT	14,216	Buy	2.69	12.7	Dec-25	1.1	1.1	6.2	6.2	0.6	0.6	2.6	0.0
ESR REIT	1,718	Buy	3.20	17.2	Dec-25	1.0	1.0	1.6	7.3	1.0	1.0	-1.8	0.7
Frasers Centrepoint	3,626	Buy	2.70	18.2	Sep-26	1.0	1.0	5.9	5.8	0.5	0.5	0.9	-2.1
Prime US REIT	283	Buy	0.25	26.9	Dec-25	0.4	0.4	-0.7	5.2	0.8	0.8	-3.9	0.0
Starhill Global REIT	1,067	Buy	0.60	2.0	Jun-26	0.8	0.8	6.9	6.7	0.6	0.5	2.6	-0.8
Stoneweg European Stapled Trust	1,094	Buy	1.90	15.0	Dec-25	0.8	0.8	7.1	7.2	0.8	0.8	5.8	1.2
Suntec REIT	3,246	Buy	1.60	13.6	Dec-25	0.7	0.7	4.6	5.2	0.6	0.6	2.2	-2.1

Note: Prices are as at 6 Jan 2026
Note 2: ND/E = net debt/equity
Source: Bloomberg, RHB

Theme 4: Stocks offering defensive high dividend yields (ex S-REITs)

The Singapore market provides forward dividend yield of 4.0% (as of 6 Jan 2026), coupled with a relatively stable currency. As the market cap-weighted sector yield for S-REITs under our coverage is 5.7% for 2026F, we screened our coverage universe to hunt for high-yield options outside of REITs, based on the following criteria: i) The stock has a dividend yield of at least 5%, ii) RHB's stock rating is a BUY or – at worst – NEUTRAL, and iii) the company is expected to see a rise in earnings and/or dividends.

Figure 63: Singapore – valuation comparison (i) for non-REIT yield plays

	M Cap			Upside	1FY	P/E (x)		EPSG (%)		Div. yield (%)		DPSG (%)	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
Bumitama Agri	1,789	Neutral	1.45	9.8	Dec-25	11.2	10.1	25.1	10.8	5.4	5.9	17.9	8.7
ComfortDelGro	2,472	Buy	1.75	19.9	Dec-25	12.9	10.9	16.9	17.8	5.8	6.4	9.6	9.9
DBS Group	128,463	Buy	59.00	1.8	Dec-25	14.6	14.7	-1.5	-0.3	5.3	5.6	37.7	5.9
First Resources	2,482	Buy	2.55	24.3	Dec-25	7.9	7.5	41.0	4.2	5.0	5.2	36.5	4.2
StarHub	1,521	Neutral	1.19	5.3	Dec-25	17.0	14.1	-18.0	20.7	5.8	6.2	4.8	7.7
Thai Beverage	9,132	Buy	0.62	32.3	Sep-26	10.3	9.6	9.7	6.5	5.7	6.0	3.6	6.5

Note: Prices are as at 6 Jan 2026
Note 2: EPSG = EPS growth, DPSG = DPS growth
Source: Bloomberg, RHB

Figure 64: Singapore – valuation comparison (ii) and returns for non-REIT yield plays

Company name	M Cap (USDm)	Rating	TP	Upside (%)	1FY year	P/BV (x) 1FY	P/BV (x) 2FY	ROE (%) 1FY	ROE (%) 2FY	ND/E (x) 1FY	ND/E (x) 2FY	Returns 1M	Returns YTD
Bumitama Agri	1,789	Neutral	1.45	9.8	Dec-25	2.0	1.8	18.1	18.7	0.1	0.0	0.0	-2.2
ComfortDelGro	2,472	Buy	1.75	19.9	Dec-25	1.2	1.1	9.2	10.4	0.2	0.1	1.4	-1.4
DBS Group	128,463	Buy	59.00	1.8	Dec-25	2.3	2.2	16.0	15.4	na	na	7.0	2.8
First Resources	2,482	Buy	2.55	24.3	Dec-25	1.6	1.5	22.0	20.6	0.0	-0.1	-1.9	-1.9
StarHub	1,521	Neutral	1.19	5.3	Dec-25	3.2	3.1	18.8	22.4	1.2	1.1	-0.9	0.9
Thai Beverage	9,132	Buy	0.62	32.3	Sep-26	1.9	1.7	18.9	18.5	1.1	1.0	0.0	1.1

Note: Prices are as at 6 Jan 2026
Note 2: ND/E = net debt/equity
Source: Bloomberg, RHB

Sector Comps, Ratings, And Preferred Picks

Figure 65: Summary of our sector weightings

OVERWEIGHT	NEUTRAL
Consumer	Financials
Industrials	Food products
Mfg. & Tech.	Healthcare
Real estate	REITs (Hospitality)
REITs (Industrial)	REITs (Retail)
REITs (Office)	Telecom
REITs (Overseas)	

Source: RHB

Figure 66: Summary of preferred stocks across sectors

Sector	Preferred picks
Consumer	DELFI, FEH, THBEV
Financials	DBS
Food products	FR
Healthcare	RFMD
Industrials	STE
Mfg. & Tech.	FRKN, UMSH, VMS
Real estate	CIT
REITs (Hospitality)	-
REITs (Industrial)	AAREIT, EREIT, CLAR
REITs (Office)	SUN
REITs (Overseas)	SERT, PRIME
REITs (Retail)	CICT, SGREIT
SMID Cap	AAREIT, CENT, CSE, FRKN, SERT
Telecom	ST
Transport	CD

Source: RHB

Figure 66: Sector valuation comparison (i)

		P/E (x)			EPSG (%)			Div. Yld (%)			DPSG (%)		
Sector name	Rating	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Consumer	OW	16.9	14.9	14.1	7.2	12.3	6.0	4.1	4.6	4.9	4.2	17.2	5.9
Financials	N	14.4	13.8	13.2	-4.5	4.1	4.5	5.0	4.9	5.1	17.2	-0.6	2.7
Food Products	N	11.1	10.1	10.0	14.4	9.6	0.6	3.3	3.6	3.6	-9.8	6.9	1.5
Healthcare	N	25.3	22.7	19.7	-4.0	10.7	15.0	2.9	3.0	3.3	-21.8	5.6	8.1
Industrials	OW	31.7	27.5	25.0	18.6	15.4	10.4	2.0	2.7	2.4	6.4	34.4	-12.2
Mfg. & Tech.	OW	19.1	17.1	15.3	0.3	12.0	12.3	4.1	4.0	4.1	4.0	-0.5	6.1
Real estate	OW	21.4	18.3	14.8	58.6	14.8	23.4	2.1	2.4	2.6	49.8	16.5	10.8
REIT	OW	20.8	18.3	17.5	22.2	15.3	4.7	5.5	5.7	5.9	2.0	3.3	2.8
Telecoms	N	26.9	22.7	20.4	12.6	18.4	11.4	4.2	4.4	4.4	13.9	5.3	0.4
Transport	OW	12.9	10.9	9.2	16.9	17.8	18.1	5.8	6.4	7.0	9.6	9.9	9.6

Note: Prices are as at 6 Jan 2026
Note 2: Market cap weighted-averages for stocks under RHB's coverage. REITs excludes the data for US REITs
Source: Bloomberg, RHB

Figure 67: Sector valuation comparison (ii) and returns

		P/BV (x)			ROE (%)			ND/E (x)			Returns			
Sector name	Rating	2025	2026	2027	2025	2026	2027	2025	2026	2027	1M	3M	6M	YTD
Consumer	OW	4.3	3.9	3.6	19.3	25.4	24.4	0.2	0.1	0.1	-1.2	8.5	17.9	0.6
Financials	N	2.2	2.1	2.0	14.6	14.4	14.4	-0.4	-0.4	-0.5	6.2	10.0	20.8	2.6
Food Products	N	0.9	0.9	0.8	10.8	10.9	10.2	0.9	0.8	0.8	0.5	8.3	15.1	-0.4
Healthcare	N	2.1	2.1	2.0	9.1	9.6	10.6	-0.3	-0.4	-0.4	3.6	8.9	13.4	0.5
Industrials	OW	8.0	7.5	6.7	37.0	27.6	27.7	1.3	1.1	0.8	6.2	-0.8	15.6	2.8
Mfg. & Tech.	OW	1.8	1.7	1.6	9.2	10.0	10.7	-0.3	-0.4	-0.4	4.3	9.4	30.5	2.1
Real estate	OW	0.8	0.8	0.8	4.5	4.7	5.6	0.8	0.8	0.8	13.2	12.8	45.5	4.4
REIT	OW	1.2	1.3	1.4	6.1	6.8	7.3	0.8	0.9	1.0	1.8	1.1	9.2	0.0
Telecom	N	3.0	2.8	2.7	11.2	12.8	13.7	0.4	0.4	0.4	-0.9	7.6	17.1	-0.2
Transport	OW	1.2	1.1	1.1	9.2	10.4	11.8	0.2	0.1	0.0	1.4	-0.7	1.4	-1.4

Note: Prices are as at 6 Jan 2026
Note 2: Market cap weighted-averages for stocks under RHB's coverage. REITs excludes the data for US REITs
Source: Bloomberg, RHB

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