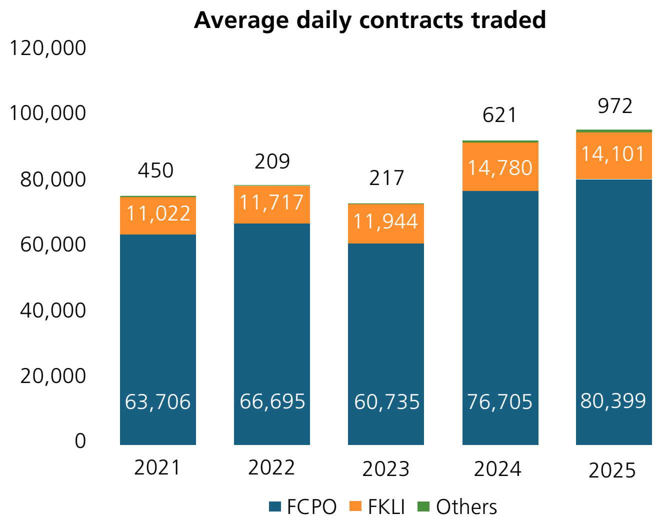
CHART 10
Average daily contracts traded on the Malaysian derivatives market increased in 2025



Source: Bursa Malaysia.

The Malaysian derivatives market showed a robust performance in 2025, hitting a second consecutive year of record volume with 23.30 million contracts traded (2024: 22.75 million). Average daily contracts traded increased +3.65% to 95,472, largely driven by strong activity in Crude Palm Oil Futures contracts (FCPO), solidifying its role as the global benchmark for palm oil pricing. FCPO's average daily contracts traded rose +4.81% to 80,399. Q1 2025 saw elevated CPO prices trading at a premium to main competitor soybean oil, driven by supply concerns stemming from floods in Malaysia, along with Indonesia's move to raise its bio-diesel blending mandate to 40%. Speculation surrounding a potential B50 rollout, which was later postponed, provided additional upward momentum to benchmark prices. Prices fell over the next few months, weighed down by rising inventories and as a strong Malaysian ringgit curbed export demand. A temporary recovery emerged in Q3 2025 as palm oil's price advantage to other vegetable oils stimulated demand, although a renewed surge in inventories towards the year-end led to further softening of CPO prices. Meanwhile, average daily contracts traded for FTSE Bursa Malaysia KLCI Futures Contract (FKLI) decreased by -4.59%.

OUTLOOK FOR 2026

The global economy is expected to remain challenging in 2026 as growth is projected at around 3.3% (IMF), and ongoing global trade tensions and policy uncertainty present downside risks. Although monetary policy easing might support some sectors, trade and investment flows may still face headwinds amid this complex backdrop. Nevertheless, resilient domestic consumption in several countries should provide some support to growth.

For Malaysia, the economy is projected to remain resilient in 2026, underpinned by stable domestic demand, particularly private consumption and investment anchored by national development priorities such as Budget 2026 and the 13th Malaysia Plan. That said, risks to external demand remain due to global trade uncertainties and the absence of the strong front-loading export activities seen previously.

In the domestic capital market, performance may be aided by global monetary easing, which could increase foreign portfolio flows into emerging markets like Malaysia. Moreover, technological advancements and rising AI-related investments are expected to spur regional market activity. Overall, the Malaysian capital market in 2026 appears supported by robust macro fundamentals, sound corporate performance, ample domestic liquidity, and well-established market infrastructure.

SIGNS OF RESILIENCE AMONG MALAYSIA'S PUBLIC-LISTED COMPANIES

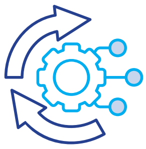
INTRODUCTION

The year 2025 has been marked by significant global uncertainties, driven by trade tensions, the tightening of interest rates by major central banks and other external shocks that have tested economic resilience worldwide.[1] Malaysia has not been exempted from these challenges. As an open and trade-dependent economy,[2] the country has felt the ripple effects across financial markets, business sentiment and corporate performance.

Yet, as the year closed, the overall picture was more balanced than initially feared.[3] Despite periods of volatility, Malaysia's capital market demonstrated notable strength throughout the challenging months. The FBMKLCI, which had retreated to a year-to-date low of 1,400.59 points (-14.72%) on 9 April 2025 following tariff-related announcements, gradually recovered and ended the year at 1,680.11 points (+2.30%), reflecting renewed investor confidence and improved market conditions.

However, stock price performance alone does not provide a complete assessment of corporate health.[4] Beyond the movement of stock indices, it is essential to examine the underlying fundamentals of Malaysia's public-listed companies (PLCs). Evaluating their financial resilience, operational adaptability and strategic positioning offers a deeper understanding of how well these companies have navigated the turbulence of 2025.

Against this backdrop, this article assesses the resilience of Malaysian PLCs to shifts in the global trade landscape. Specifically, it examines:



1. Whether the fundamentals of Malaysian PLCs have changed during this period?

2. Do investors remain confident in Malaysian PLCs?

The analysis focuses on 43 export-oriented Malaysian PLCs with exposure to revenue from the US, categorised into Tier 1, Tier 2 and Tier 3 based on market capitalisation as of 31 December 2025. Further details on the selection criteria are outlined in the Methodology section.

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1 International Monetary Fund, 2025, *World Economic Outlook: Global Economy in Flux, Prospects Remain Dim.* https://www.imf.org/-/media/files/publications/weo/2025/october/english/text.pdf

2 According to TheGlobalEconomy.com, Malaysia's trade openness (exports plus imports as a percentage of GDP) was 137.37% in 2024, compared to the global average of 92.80% based on data from 133 countries. https://www.theglobaleconomy.com/Malaysia/trade_openness/

3 *Ibid*.

4 Shleifer, A., 2000, *Inefficient Markets: An Introduction to Behavioral Finance*. https://doi.org/10.1093/0198292279.001.0001

METHODOLOGY

This study assesses the resilience of Malaysian PLCs with significant revenue exposure from the US as of October 2025. A structured screening and analytical process was undertaken. The methodology involved two key steps:

1. Identifying PLCs with meaningful US revenue exposure
2. Assessing their financial and market performance across key indicators

The analysis started with more than 1,000 Malaysian PLCs. By using the latest available audited financial statements of 2024, in which PLCs disclose their revenue distribution by geography, companies with more than 15% of their total revenue originating from the US were shortlisted. Of the 46 companies that met this threshold, three were excluded because their US-related revenue was derived from services rendered within the US, while one company was excluded due to its recent listing, which meant prior-year financial data was unavailable for comparison. This resulted in a final sample set of 43 PLCs.

To capture differences in resilience and market behaviour across company sizes, the shortlisted PLCs were categorised into three market-capitalisation groups as at end Dec 2025:

- **Tier 1** – **FBM100 constituents (six PLCs)**
- **Tier 2** – **Small Cap / Fledgling / ACE Market with market capitalisation above RM200 million (19 PLCs)**
- **Tier 3** – **Small Cap / Fledgling / ACE Market with market capitalisation below RM200 million (18 PLCs)**

Following this segmentation, several key indicators were examined to assess their financial resilience up to Q3 2025, based on these companies' quarterly financial results.

Gearing Ratio

The gearing ratio measures how much a company relies on debt relative to equity, which influences its ability to withstand challenging conditions. For PLCs with significant US revenue exposure, high gearing can heighten the pressure to meet fixed interest payments and strain cash flows during periods of softer external demand, increasing their financial vulnerability. In contrast, lower gearing reflects a stronger equity buffer and greater resilience to external shocks.[5]

Quick Ratio

The quick ratio assesses a company's ability to meet short-term obligations using its most liquid assets, an important consideration when revenue may decline due to shifting US demand. For PLCs exposed to external market volatility, low liquidity can constrain cash flow and limit the firm's ability to meet upcoming obligations, raising the risk of financial distress. Strong quick ratios therefore signal greater near-term resilience under external demand fluctuations.[6]

Gross Profit Margin

Gross profit margin indicates how effectively a company manages production costs relative to revenue and therefore, provides insight into its operational performance under changing market conditions. For PLCs with significant exposure to the US market, fluctuations in tariffs, raw material costs and supply chain disruptions may directly affect both sales revenue and the cost of goods sold. Variations in this margin highlight the firm's ability to manage external cost pressures and maintain profitability in the face of adverse trade conditions.[7]

Share Price

Share price movement reflects how investors react to new information about a company's prospects, including changes in US-related demand and global trade conditions. For PLCs with significant US revenue exposure, declining share prices can signal weaker investor confidence, particularly among foreign investors, while rising prices indicate improving sentiment. Because markets adjust rapidly to new information, share price trends provide a timely gauge of market expectations.[8]

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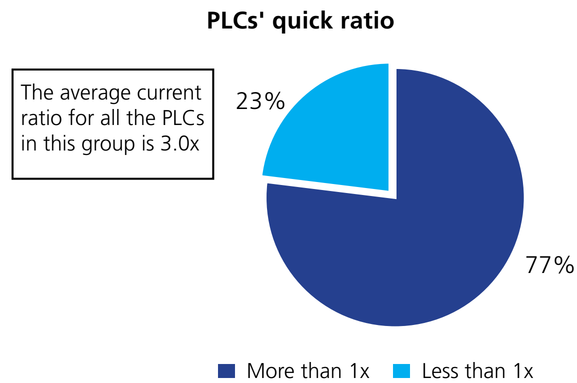
5 Situm, M., 2014, *Inability of Gearing-Ratio as Predictor for Early Warning Systems.*
6 Ross, S.A., Westerfield, R.W. & Jordan, B.D., 2013, *Fundamentals of Corporate Finance.*
7 Mahruzal, M., & Khaddafi, M., 2020, *The Influence of Gross Profit Margin, Operating Profit Margin and Net Profit Margin on Stock Price.*
8 Malkiel, B. G., 2003, *The Efficient Market Hypothesis and Its Critics.*

KEY FINDINGS

Quick Ratio

Despite the increasingly challenging business environment, most PLCs demonstrated healthy liquidity positions, with nearly 80% maintaining a quick ratio above the prudent threshold of 1.0x. Furthermore, Although the average quick ratio rose marginally by 0.02 points, indicating a slight improvement in liquidity, with the overall average remained strong at 32.08x. Among the nineteen PLCs with a quick ratio below 1.0x, their current ratios were still mostly maintained above 1.0x (with two recording ratios above 0.9x), suggesting that although immediate liquidity pressures may be rising, short-term liquidity risks remain manageable, provided these firms are able to convert other short-term assets to meet their liabilities.

CHART 1
Quick ratio analysis

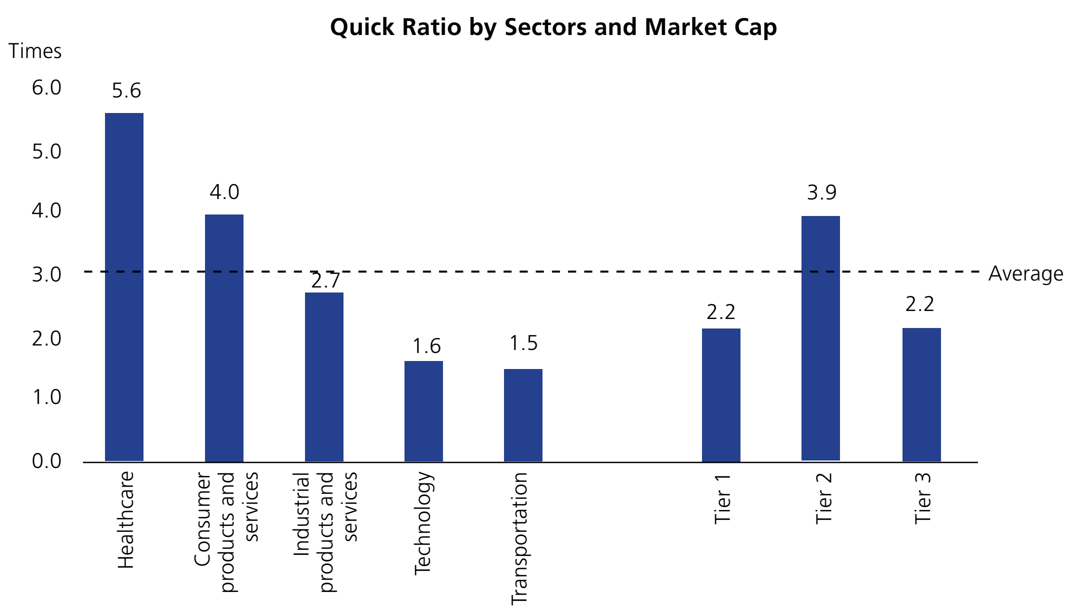


Source: Bloomberg, SC.

Across categories, Tier 2 PLCs exhibited the strongest liquidity profile, with an average quick ratio of 3.9x. Tier 3 PLCs recorded a relatively lower average of 2.2x, implying that smaller PLCs may face higher liquidity risks as their business fundamentals are still developing. Meanwhile, Tier 1 PLCs showed a slightly below-average quick ratio of 2.2x.

By sector, all industries reported average quick ratios above 1.0x. Healthcare and consumer products and services stood out with above-average ratios of 5.6x and 4.0x, respectively (Chart 2). This was followed by industrial products and services (2.7x), technology (1.6x) and transportation and logistics (1.5x).

CHART 2
Quick ratio analysis

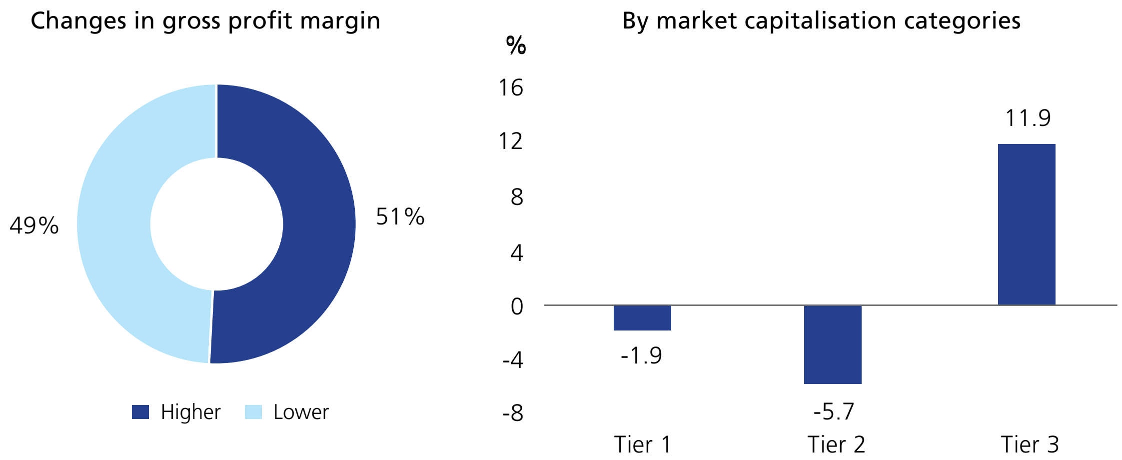


Source: Bloomberg, SC.

Gross Profit Margin

Regarding gross profit margins, approximately half of the PLCs reported improvements during the period. Despite a weaker US dollar, which could pressure revenue conversion for export-oriented companies, profitability remained resilient, underscoring the firms' ability to manage external challenges.

CHART 3
Analysis on gross profit margin



Source: Bloomberg, SC.

By market capitalisation, Tier 3 PLCs (below RM200 million) showed notable resilience by delivering higher profit margins, supported mainly by consumer products and services and industrial products and services PLCs. In contrast, Tier 1 and Tier 2 PLCs recorded lower margins, with the decline most pronounced in Tier 2, dragged significantly by a technology PLC that reported quarterly losses after several profitable quarters.

Across Bursa Malaysia sectors, consumer products and services, industrial products and services and transportation and logistics shows improved gross margins. However, the healthcare sector experienced margin compression due to heightened competition in the regional glove industry.

TABLE 1
Changes in gross profit

Sector	Average Changes in Gross Profit
Consumer products and services	+10.0%
Transportation and logistics	+2.7%
Industrial products and services	+2.3%
Technology	-8.4%
Healthcare	-21.9%

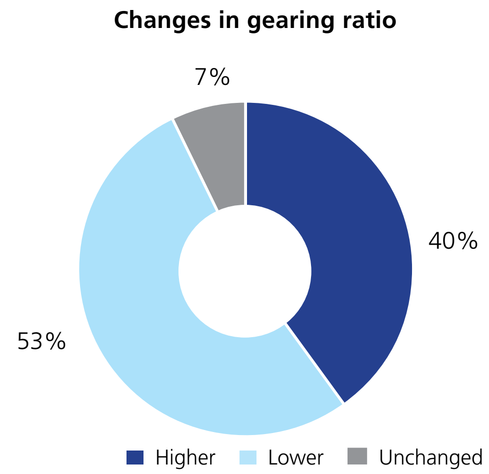
Source: Bloomberg, SC.

Gearing Ratio

During challenging periods, businesses may increase borrowings to mitigate downside risks. However, more than half of the PLCs reduced their gearing ratios over the period, suggesting a disciplined balance-sheet management. Only about 40% increased leverage, indicating that reliance on debt financing remained contained (Chart 4).

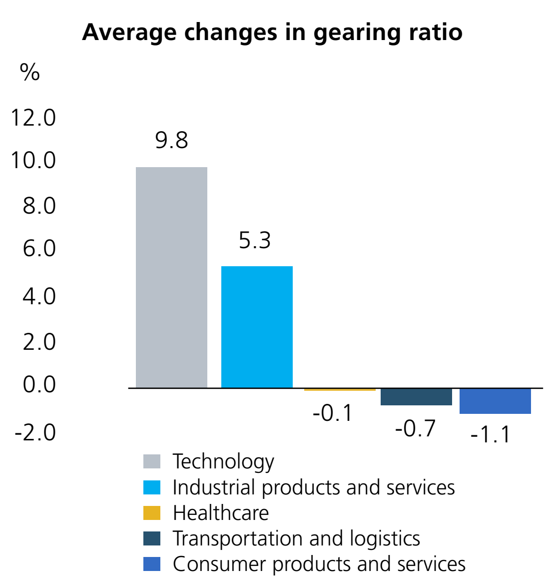
On average, gearing ratios rose by 3.5%, with the largest increase seen among Tier 3 PLCs (+5.8%) (Chart 5). However, it was skewed by one PLC that increased its debt significantly to purchase non-current assets. After excluding that particular PLC to better understand the dynamics of the remaining PLCs within the group, the average gearing ratio for Tier 3 PLCs would have declined by 0.5%. Sector-wise, technology was the main driver of the higher gearing trend, averaging a 9.8% increase, followed by industrial products and services. Other sectors recorded stable or declining gearing, with consumer products and services posting the largest reduction (-1.1%).

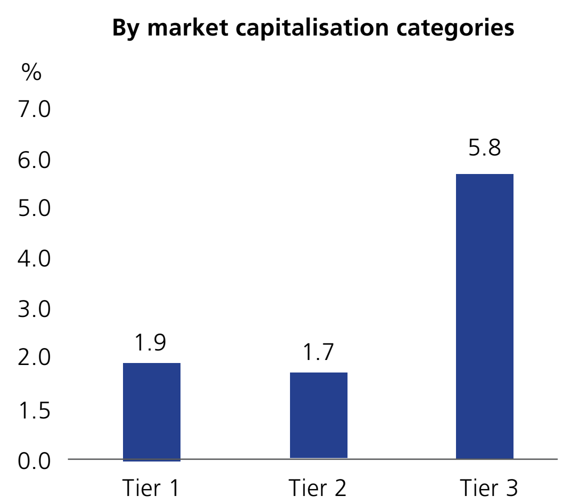
CHART 4
Gearing ratio analysis



Source: Bloomberg, SC.

CHART 5
Changes in gearing ratio





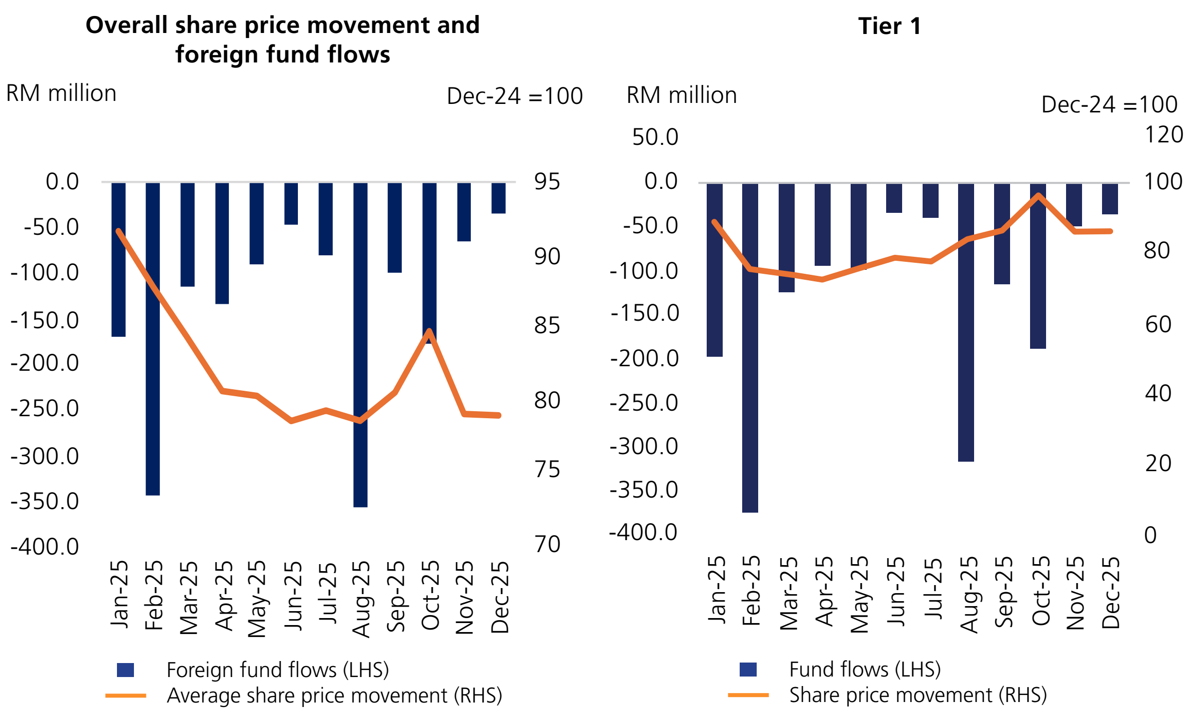
Source: Bloomberg, SC.

Share Price Performance and Foreign Fund Flows

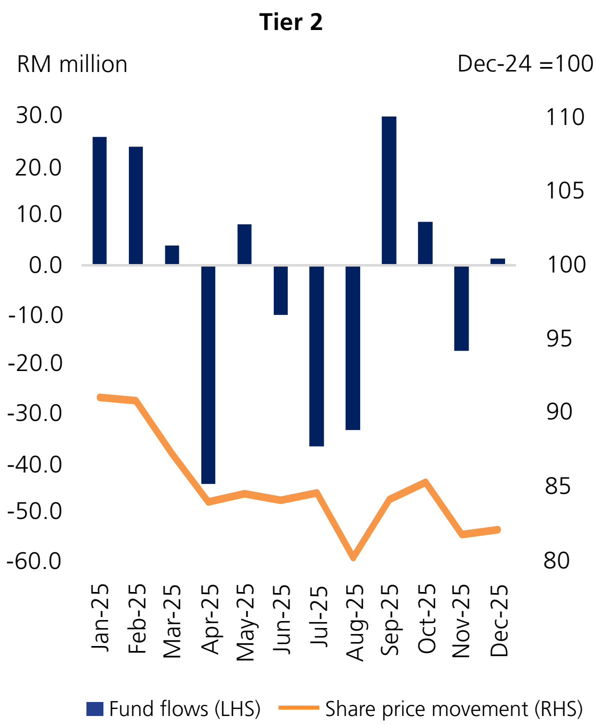
The share prices of these PLCs had already experienced significant declines before the broad-based global market sell-off during Liberation Day on 7 April 2025. As of end-April, approximately 93% of PLCs recorded negative YTD performance. However, sentiment improved thereafter, with 23% of the PLCs posting overall positive gains as at the end of 2025, as investor confidence returned. On average, share prices fell by nearly 20% YTD as of end-April and weakened further between June and August. Share prices recovered in September and October, but declined again in November onwards amid weakened market sentiment (Chart 6).

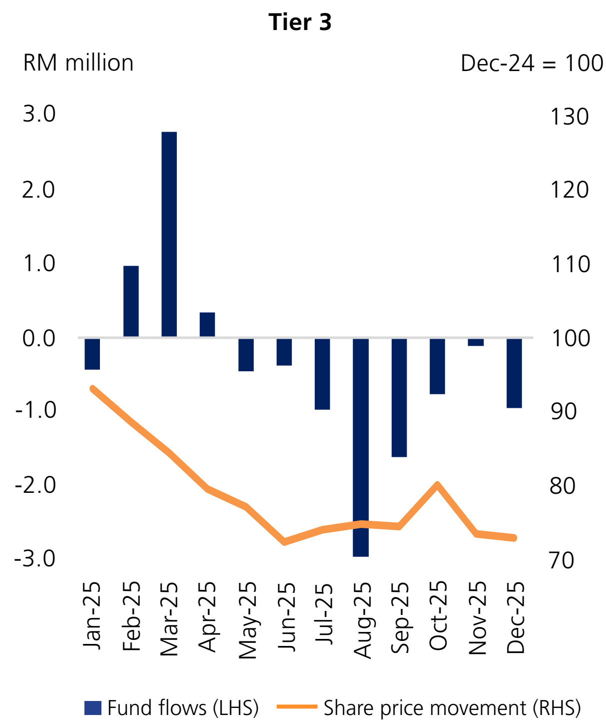
Notably, as share prices improved, foreign fund flows in these PLCs continued to record net selling, suggesting that the improvement in valuations was driven largely by domestic investor participation. However, the pace of foreign net selling eased in the latter part of the year, registering the smallest net outflow of 2025 in December.

CHART 6
Net selling momentum has subsided, while share prices remained broadly steady



Source: Bloomberg, SC.





Source: Bloomberg, DiBots, SC.

Key Takeaways and Conclusion

Corporate Malaysia Resilient to Shifting Trade Dynamics

The study finds that Malaysian PLCs with exposure to global trade uncertainty showed resilience during the study period. This resilience is fundamentally anchored in the operational strength and financial prudence of these companies.

While some companies, particularly smaller ones, face increased leverage and liquidity pressures, many maintained stable operational performance, demonstrating discipline by managing leverage and fortifying their balance sheets. This agility is vital for navigating the unpredictability of global trade conditions and cultivating investor confidence amid shifting business expectations.

Robust Fundamentals and Investor Confidence

Malaysian PLCs withstood external trade pressures, as evidenced by several key financial indicators:

Companies have maintained stable profit margins, reflecting operational resilience and effective cost management despite external headwinds.

Strong liquidity positions ensure financial flexibility, allowing PLCs to manage debt and pursue strategic opportunities.

PLCs have adopted moderate, strategic leverage to meet market demand while managing rising cost pressures responsibly.

However, the strength and resilience of the PLCs are not uniform across the market. Smaller PLCs appear more susceptible to external pressures due to thinner margins and a trend of rising leverage. Meanwhile, persistent net foreign outflows highlight the importance of local investors in supporting smaller companies to counteract the risk aversion among international investors.

CONCLUSION

Malaysia's economic performance in 2025 has exceeded expectations. GDP growth reached 5.2%, surpassing initial forecasts and reflecting the nation's ability to navigate global headwinds. This momentum is further validated by a landmark RM285.2 billion in approved investments for the first nine months of 2025, fueled by a remarkable 47.5% year-on-year surge in Foreign Direct Investment. These showcase Malaysia's appeal as an attractive investment destination.

Building on this macroeconomic strength, the resilience of Malaysian PLCs reflects a solid corporate foundation during a period of uncertainty. While a divergence in performance between large-cap corporations and smaller enterprises remains, this gap serves as a strategic roadmap for the market. By prioritising improved capital access and long-term scalability, Malaysia is well-positioned to ensure that every tier of the corporate ecosystem can capitalise on the nation's growth trajectory.