

Mahathir given strong mandate in historical GE14 election win

Pakatan Harapan's (PH) victory in the 14th General Election (GE14) created history as it became the first party to replace the 61-year-old rule by the incumbent Barisan Nasional (BN) government. We expect the market to take some time to digest this shift in Malaysia's leadership as the newly-elected government works on its promises made during the election campaign.

One of the key elements contributing to the uncertainties is the level of power and flexibility that new Prime Minister Tun Dr Mahathir Mohamad will possess, considering his party contributes only 12 out of PH's 121 parliamentary seats, while Parti Keadilan Rakyat (PKR) has 49 seats and Democratic Action Party (DAP) 42 seats.

Strength in numbers come into play here, particularly as Dr Mahathir draws up the composition of cabinet members and ministers, which is still fluid and compounded by the clarification that Finance Minister-designate Lim Guan Eng

can only take office once he is cleared of the graft charges against him.

It is reassuring that Dr Mahathir has appointed a council of eminent persons to advise the government on economic and financial matters during the first 100 days.

In the short- to medium-term, the market will be mixed given the uncertainties, especially on the likelihood of populist measures announced during the election campaign, such as renegotiations of contracts/concessions and the abolishment of GST and toll collection. Moody's Investors Service and Standard & Poor's have already been quick to caution that some of PH's campaign promises, if implemented without any other adjustments, would be credit negative for Malaysia's sovereign. Hence, this can result in higher yield and rates for Malaysian debts and may affect funding for some of the ongoing mega projects in the country and corporate Malaysia.

Market implications

In our opinion, the market will adjust to this new reality and may recover faster if the new government proves to deliver better transparency and governance that can translate into better economic benefits in the longer term.

This may not be that difficult for the experienced Dr Mahathir since he is taking over the administration at a time when the country's GDP is above 5% and profitability of corporate Malaysia is improving through increasing business/consumer sentiment.

The recovery of oil prices will also provide another lever to manage fiscal balances and balance sheets better.

With some of the best minds in Malaysia represented in the coalition, we may see Malaysia undergo another transformation, and hopefully this time it will be more inclusive, cutting across social and ethnic lines.

With promises of lowering the people's burden and cost of living, consumer-related sectors will be the best bet in the near term to capture the sudden upsurge and excitement by the people.

The longer tenure of government servant loan to 20 years, up from 10 years, may double the liquidity in the segment, which has a very high propensity to spend every Ringgit made available to them.

What are the sectors to look out for?

The construction sector is predicted to be affected the most. We expect it will be some time before the new government re-assesses the current projects and establishes their viability, as promised in its manifesto. ECRL may be at risk, since it is still at the early stages of execution.

People may put on hold certain big ticket items, such as property and auto, while waiting for the new policies to stabilise.

With the new government promising to make broadband more affordable for the people, we expect the margins for telecom companies to be lower from what they are enjoying now.

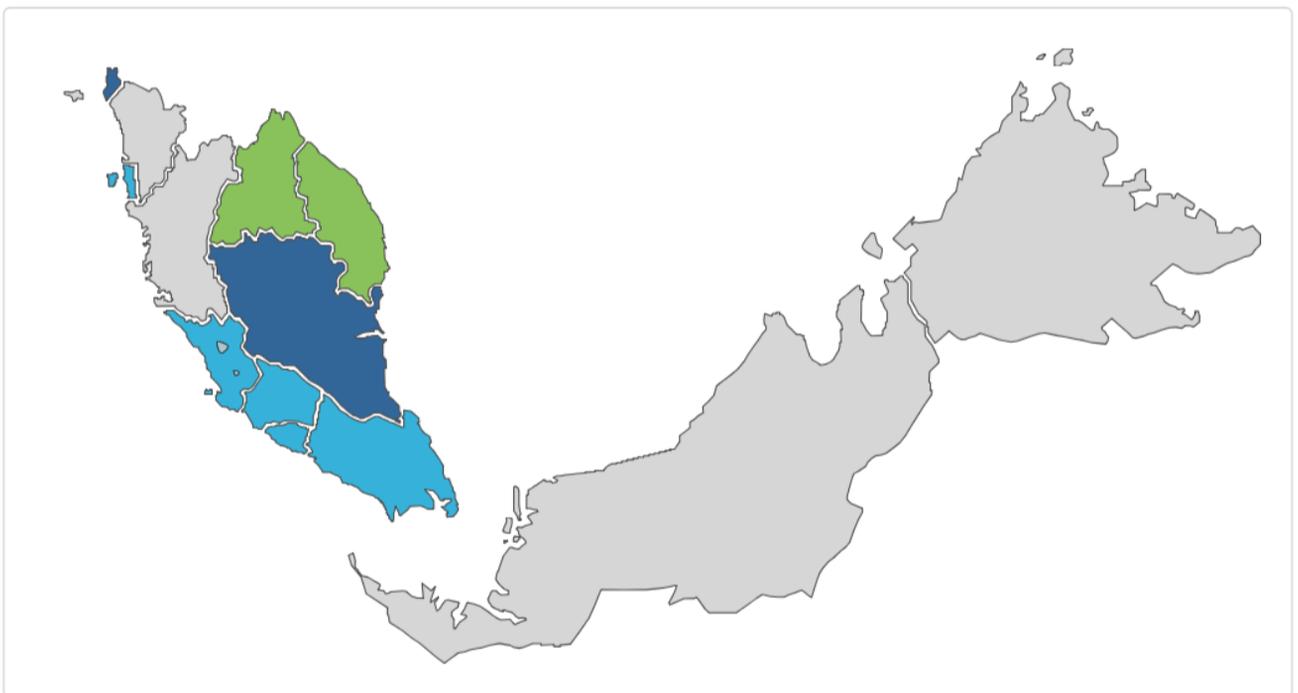
The banking sector should be resilient during this period,

particularly the big banks, such as Maybank and Public Bank, as they are being perceived to be safe havens. Higher dividends from banks coming from better NIM as a result of higher OPR, can cushion any potential sell-down.

Another sector that is neutral is plantation, where a stable CPO price of RM2,300 to RM2,500 per MT should provide support for local plantation companies to maintain good earnings, especially those with strong production growth and young plant profile.

The oil & gas sector, being apolitical and backed by strong market conditions, should do well especially when crude oil is now hovering above USD70 per barrel, partly due to the recent affirmation by the US to sanction Iran oil over the country's nuclear ambitions.

KEPUTUSAN TERKINI DEWAN UNDANGAN NEGERI



STATISTIK KESELURUHAN BAGI PARLIMEN PRU14

Pemilih Berdaftar Yang Mengambil Bahagian Dalam PRU14: 14,940,624

| Keputusan | Parti Bertanding | | | | | | | JUMLAH |
|-------------------|------------------|-----------|-----------|----------|----------|----------|----------|------------|
| NEGERI | | | | | | BEBAS | | |
| PERLIS | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 3 |
| KEDAH | 10 | 2 | 3 | 0 | 0 | 0 | 0 | 15 |
| KELANTAN | 0 | 5 | 9 | 0 | 0 | 0 | 0 | 14 |
| TERENGGANU | 0 | 2 | 6 | 0 | 0 | 0 | 0 | 8 |
| PULAU PINANG | 11 | 2 | 0 | 0 | 0 | 0 | 0 | 13 |
| PERAK | 13 | 11 | 0 | 0 | 0 | 0 | 0 | 24 |
| PAHANG | 5 | 9 | 0 | 0 | 0 | 0 | 0 | 14 |
| SELANGOR | 20 | 2 | 0 | 0 | 0 | 0 | 0 | 22 |
| W.P. KUALA LUMPUR | 10 | 0 | 0 | 0 | 0 | 1 | 0 | 11 |
| W.P. PUTRAJAYA | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| NEGERI SEMBILAN | 5 | 3 | 0 | 0 | 0 | 0 | 0 | 8 |
| MELAKA | 4 | 2 | 0 | 0 | 0 | 0 | 0 | 6 |
| JOHOR | 18 | 8 | 0 | 0 | 0 | 0 | 0 | 26 |
| W.P. LABUAN | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| SABAH | 3 | 10 | 0 | 3 | 8 | 0 | 1 | 25 |
| SARAWAK | 4 | 19 | 0 | 6 | 0 | 2 | 0 | 31 |
| JUMLAH | 104 | 79 | 18 | 9 | 8 | 3 | 1 | 222 |

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