

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.

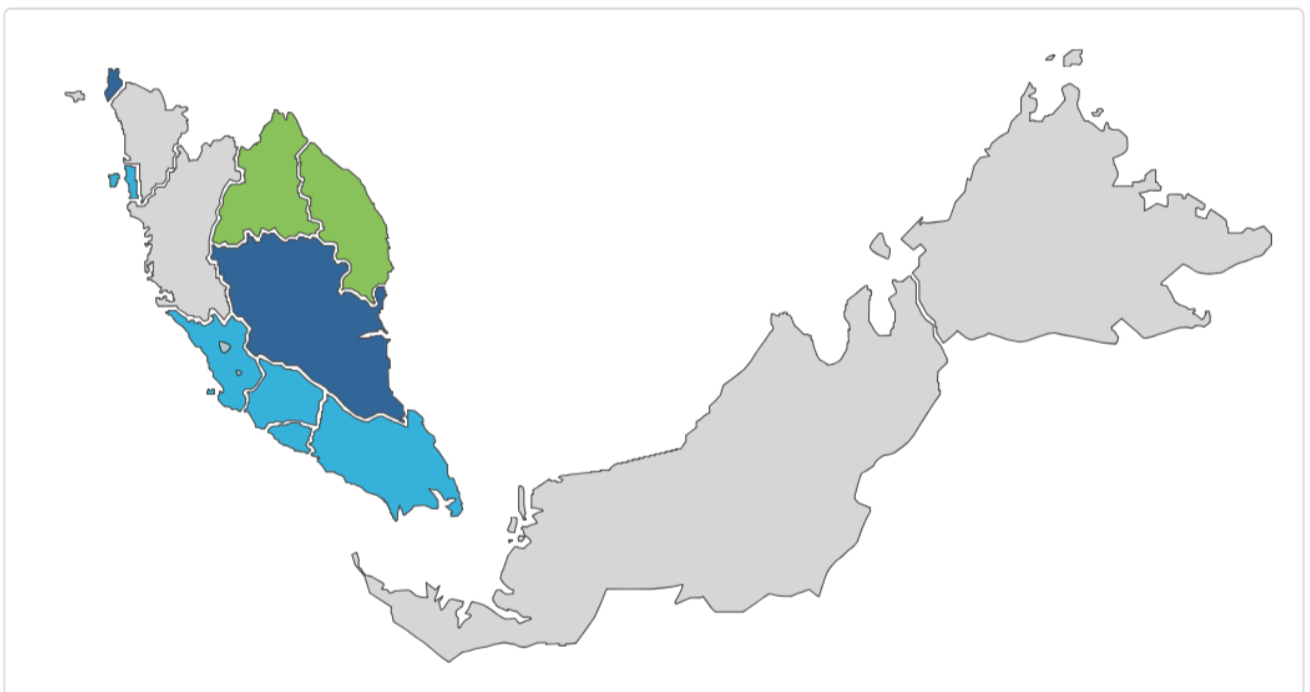
The banking sector should be resilient during this period,

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

General Disclaimer: The term "Maybank AM" used herein refers to Maybank Asset Management. This presentation is for informational purpose only and does not constitute (1) an offer to buy or sell or a solicitation to buy or sell any security or financial instrument mentioned in this presentation and (2) any professional investment advice. It does not have any regard to the specific objectives, financial situation and particular needs of any specific person and is based on information obtained from sources believed to be reliable. The information, materials & contents provided in this presentation, including but not limited to products, data, text, images, graphics, opinions, analysis, forecast, projections and/or expectations (hereinafter collectively referred to as 'Information') are provided by Maybank AM for informational purposes only. The Information is subject to change without notice. Maybank AM does not make any representations or warranties of any kind express or implied, about the completeness, accuracy, reliability, suitability or availability with respect to this presentation or the Information. Without derogation of the above, reasonable measures will be taken by Maybank AM to ensure the accuracy and validity of the Information provided in this presentation. An investment into any financial products mentioned in this presentation carries risks and may not be suitable for persons who are averse to such risks. The investor should refer to the relevant prospectus/information memorandum for inherent risks of investing in the financial products. Unless otherwise indicated, the copyright/trademarks in this presentation and not limited to the text, images, graphics, service marks and logos are the property of Maybank/AM, and are protected by applicable Malaysian laws. No part or parts of this presentation may be modified, copied, distributed, retransmitted, broadcasted, displayed, performed, reproduced, published, licensed, transferred, sold or commercially dealt with in any manner without prior express written consent of Maybank AM. In no event shall Maybank AM be liable for any loss or damages howsoever arising whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising i) from incompleteness, inaccuracy, unreliability, unsuitability or unavailability with respect to this presentation or the Information and/or reliance thereon; or ii) from reproduction or use of the Information/copyright/trademark.