Astute
Fund Management

Portfolio Manager's Views

When do KLCI corrections end?

November 2026

www.astutefm.com.my

1. Executive Summary

1 **Special Feature: When do KLCI corrections end?** (Refer to pages 3-5)

2 **Global equities fell 0.8% MoM in Oct-26** as investors questioned returns on heavy AI spending. The Philadelphia Semiconductor Index fell 15.4%, dragging the S&P 500 down 0.9% even as its equal-weighted version rose 5.0%. Energy rose 12.8% as Middle East tensions lifted Brent crude to US$118/bbl, yet safe-haven demand pulled the US 10-year Treasury yield down 36bp to 4.93%. The Fed held rates at 3.75–4.00%. Emerging markets fell 8.1%, led by tech-heavy Korea (-16.2%) and Taiwan (-8.4%).

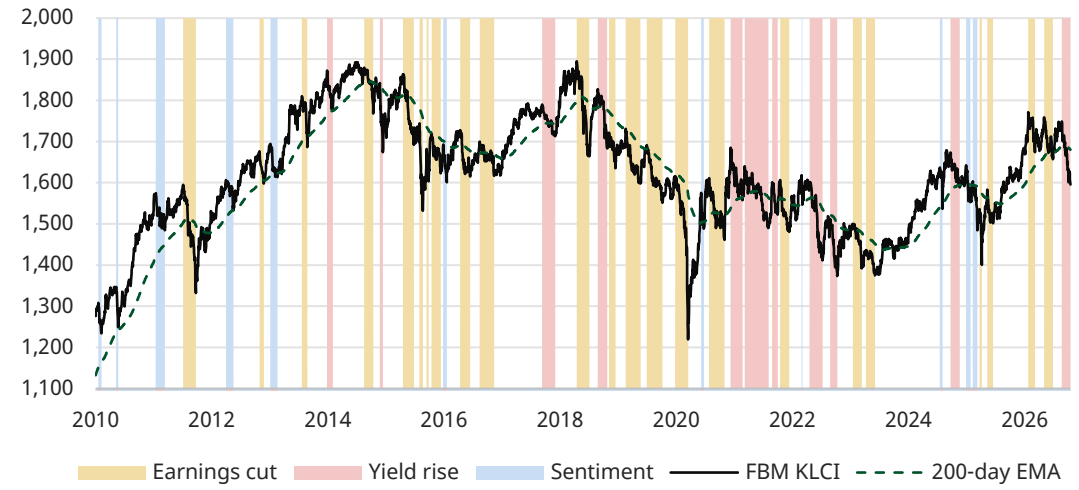
3 **The FBM KLCI fell 2.2% MoM in Oct-26** to 1,615.6, outperforming the MSCI AC Asia ex-Japan (-8.3%) as its lack of tech stocks shielded it from the AI sell-off. Foreign outflows eased to RM874m from RM1.6bn in Sep-26, yet foreign shareholding hit another record low of 17.7%. Economic data stayed resilient, with advance 3Q26 GDP up 5.3% YoY (consensus: 5.1%) and Sep-26 exports up 54.5% YoY (consensus: 39.9%). Politics remains a key concern, with the Melaka state election in November and Sarawak's to follow.

4 FBM KLCI valuations remain undemanding, with FY26 PER of 14.4x (10Y range 12.4x–21.7x), PBV of 1.5x (10Y range 1.2x–1.9x), and a forecast dividend yield of 4.5% (10Y range 2.7%–5.3%) [Source: Bloomberg]. We maintain a positive outlook and remain positioned to deploy capital as opportunities arise.

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Feature: KLCI Corrections

Exhibit 1: FBM KLCI and its corrections by type, 2010 to 19th Oct-26



Source: Bloomberg, Astute Research

1 We studied 45 corrections of more than 4% since 2010.

We found that corrections occur 2.7 times a year with an average fall of 7.4%. We grouped them by cause. An earnings cut is a 2% or more cut in consensus EPS. A yield rise is a 15bp or more jump in the 10Y MGS yield. Sentiment is when neither occurs.

Exhibit 2: How each type of correction behaves, 2010 to 19th Oct-26

Measure	Sentiment	Earnings cut	Yield rise
Number of corrections	11	23	11
Average fall	5.7%	8.2%	7.4%
Length (days, median)	22	57	58
Days to regain the old high (median)	49	94	397
Foreign net selling (average)	RM1.3b	RM3.6b	RM2.2b

Source: Bloomberg, Astute Research

2 Each correction type has its own depth and length.

Sentiment corrections are short and shallow. Earnings cuts fall the most. Yield rises take over a year to regain the old high as higher yields compress valuations, prompting investors to pursue higher-yielding investments.

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Exhibit 3: KLCI, consensus EPS and 10Y bond yields, Jan-26 to 19th Oct-26

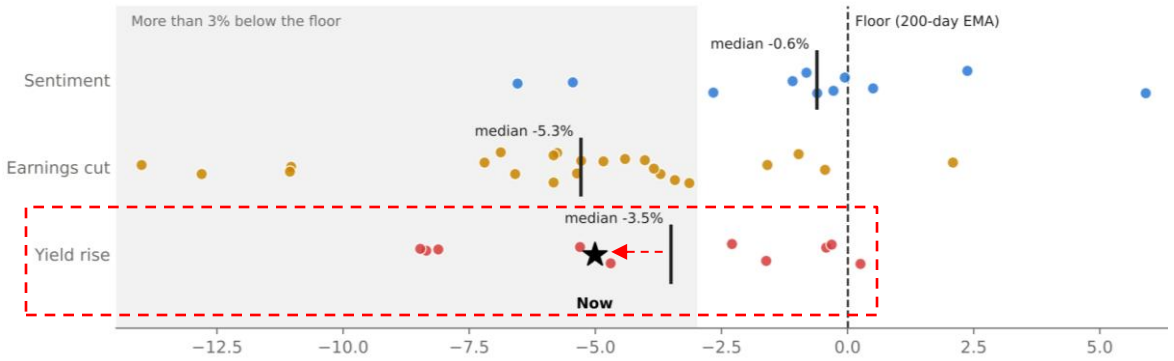


Source: Bloomberg, Astute Research

3 The current correction is a yield rise.

We classify this correction as a yield-rise correction for three reasons. The 10Y MGS yield rose 35bp. Consensus EPS has not been cut. The KLCI is 5.0% below its long-term average (200-day EMA), beyond the 3% where sentiment corrections usually end.

Exhibit 4: KLCI against its 200-day EMA at each low (%), 2010 to 19th Oct-26



Source: Bloomberg, Astute Research

4 The KLCI tends to rebound near its long-term average.

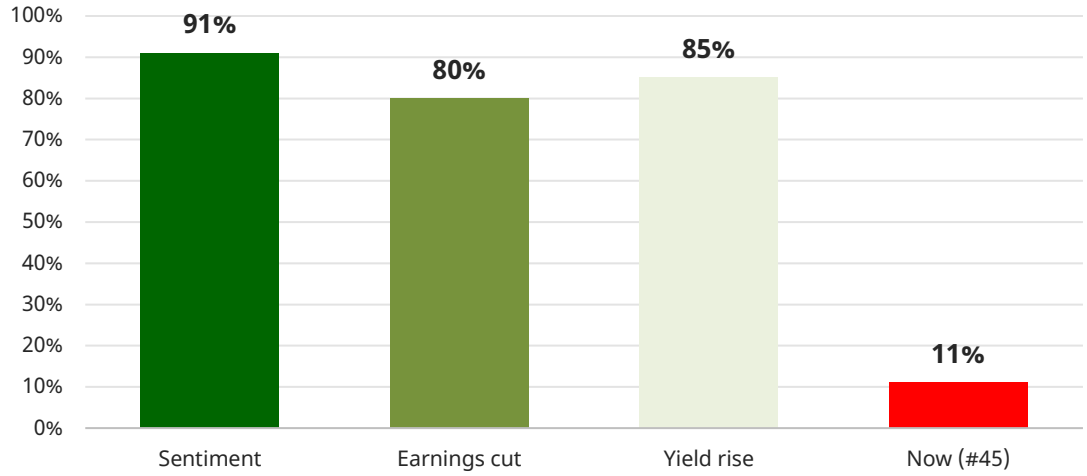
In past yield-rise corrections, the KLCI bottomed at a median of 3.5% below its long-term average (200-day EMA). Today it is 5.0% below. The KLCI has already fallen further than usual for a yield rise correction.

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Exhibit 5: Local buying as a share of foreign selling (median), 2010 to 19th Oct-26



Source: Bloomberg, Bursa dealing data, Astute Research

5 **Local institutions have bought less in this correction.**

They usually buy about 80% of what foreigners sell. This time they only bought 11%. The magnitude of past corrections was higher when local buying was weak.

Exhibit 6: The current correction against past yield rises, 2010 to 19th Oct-26

Measure	Now (as at 19th Oct-26)	Past yield rises
Fall	8.7%	7.7% (median)
Length	54 days	58 days (median)
Gap to 200-day EMA	-5.0%	-3.5% (median)
MGS 10Y rise	35bp	15bp or more
Consensus EPS	No cut	No cut
Foreign net selling	RM2.9b	RM2.2b (average)
Local buying vs foreign selling	11%	85% (median)
KLCI vs MSCI EM	-8.7% vs -5.8%	KLCI usually falls less

Source: Bloomberg, Bursa dealing data, Astute Research

6 **We believe the current correction to be near its end.**

We expected a correction in January. Three have followed since. The KLCI is down 8.7% in 54 days and is 5% below its 200-day EMA. Weak local buying and heavy foreign selling amplified the decline. With valuations undemanding (refer to Appendices), we believe the bottom to be close.

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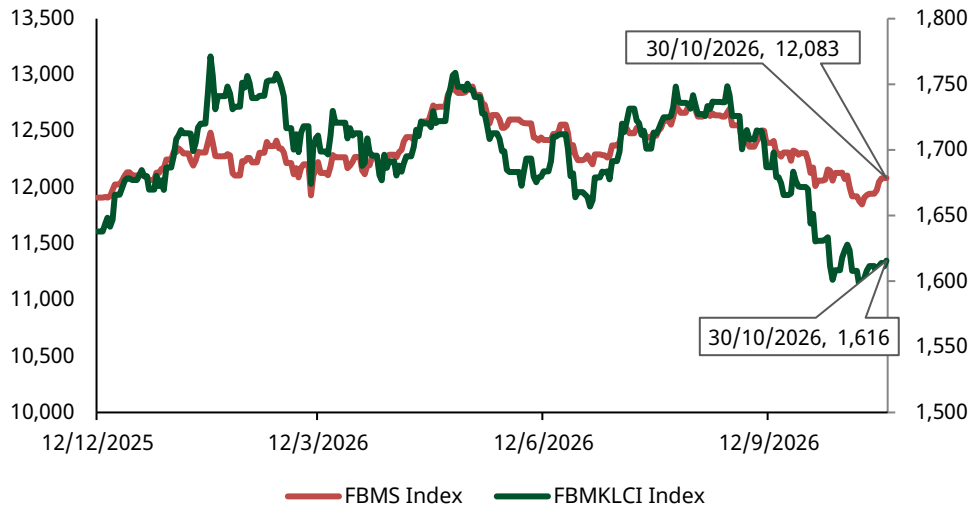
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Appendices

Appendices

Exhibit 7: KLCI & Shariah Index

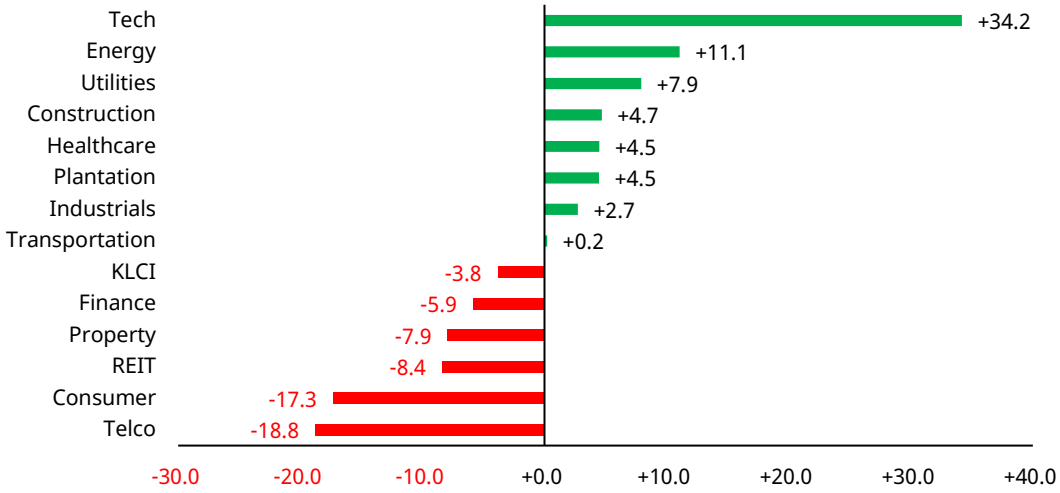


Source: Bloomberg

7 **The KLCI has corrected since August as macroeconomic uncertainty persists.**

The KLCI declined 2.2% in October 2026, while the FBM Shariah declined 0.8% during the same period.

Exhibit 8: Sector Performance 2026 (%)



Source: Bloomberg

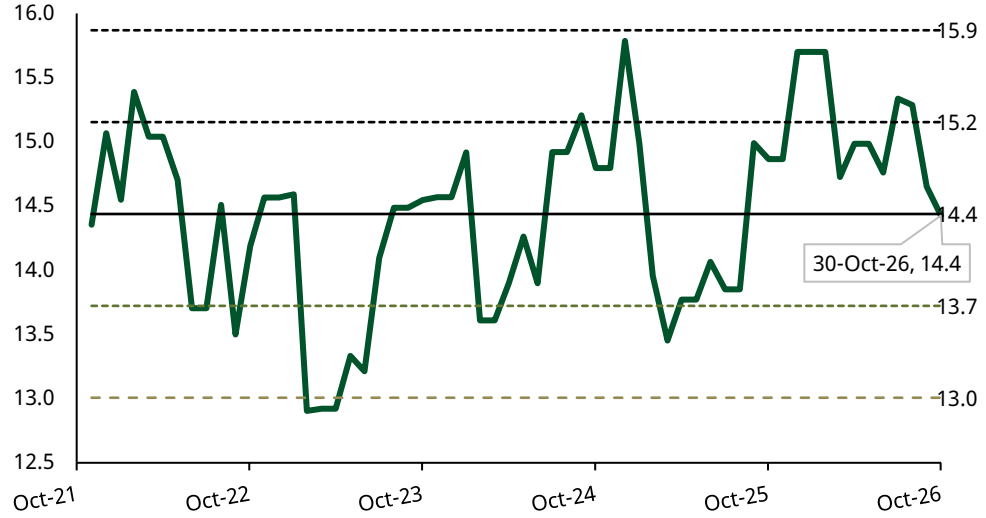
8 **Sector Performance YTD-26 – Tech Leads, Telco Lags**

Tech (+34.2%) was the clear standout in YTD-26, followed by Energy (+11.1%), and Utilities (+7.9%). Telco (-18.8%) , on the other hand was the top underperformer.

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Exhibit 9: KLCI's FY26 PER (x)

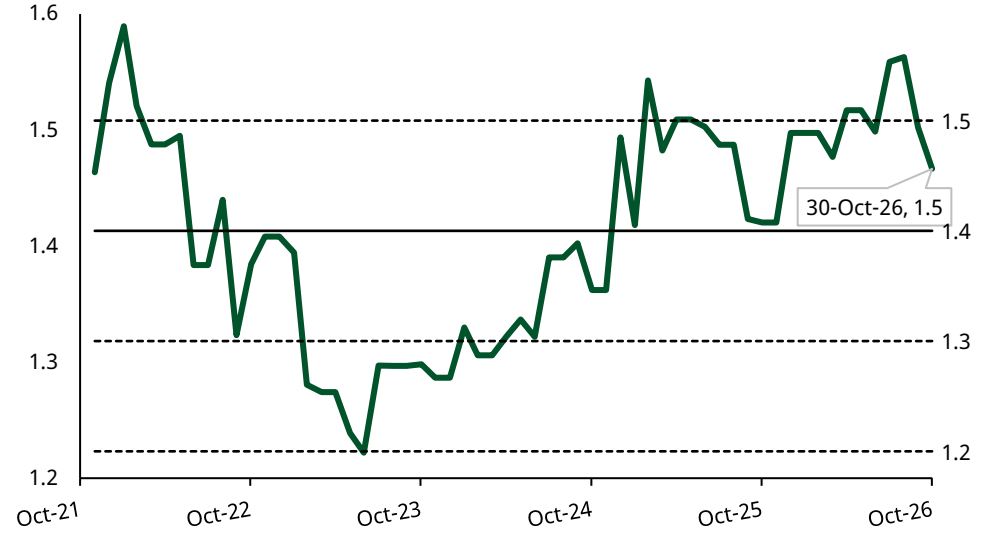


Source: Bloomberg

9 **The KLCI's valuation is valued at the 5-year mean.**

The KLCI trades at a FY26 PER of 14.4x (5Y range 12.9x to 16.3x, 5Y mean of 14.4x).

Exhibit 10: KLCI's FY26 PBR (x)



Source: Bloomberg

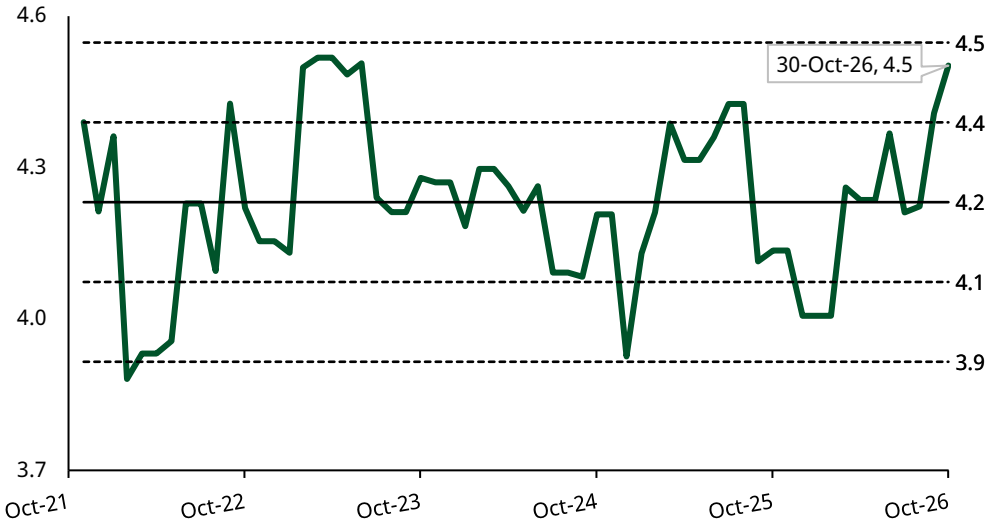
10 **PBR still trades above the 5-year mean.**

The KLCI trades at a FY26 PBR of 1.5x (5Y range 1.3x to 1.6x, 5Y mean 1.5x).

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Exhibit 11: KLCI's FY26 DY (%)

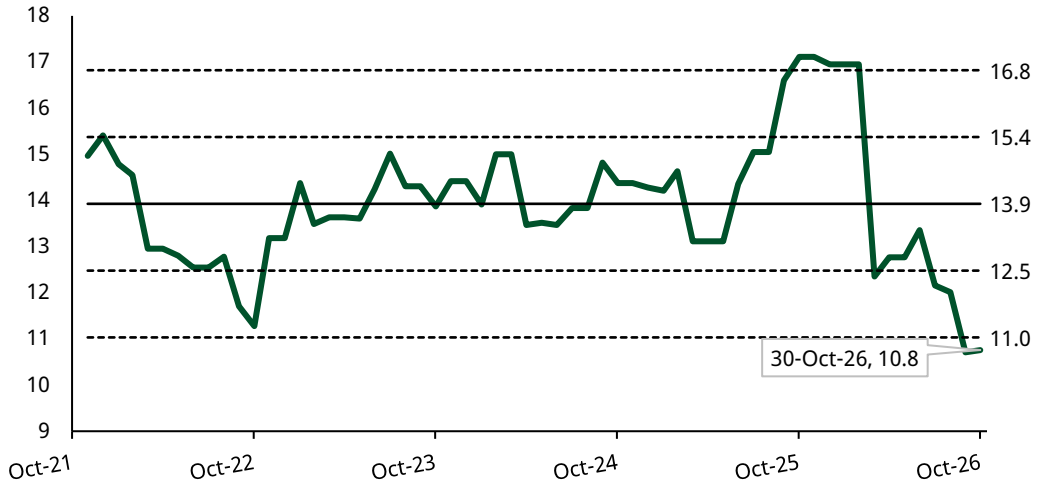


Source: Bloomberg

11 The KLCI dividend yield is attractive.

The KLCI trades at a FY26 DY of 4.5% (5Y range 3.9% to 4.5%, mean of 4.2%). The appealing dividend yield is likely to support share prices.

Exhibit 12: MSCI AxJ Index's FY26 PER (x)



Source: Bloomberg

12 Asia ex Japan has corrected below historical averages.

The MSCI AC Asia ex Japan index trades at a FY26 PE of 10.8x (5Y range 10.8x to 19.4x, mean of 14.0x).

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