

08 April 2026

## Seaport & Logistics

### Rock the Boat

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**NEUTRAL**



We maintain our NEUTRAL stance on the sector. The WTO in March 2026 raised its projection for CY26 global merchandise trade volume growth to 1.9% (from 0.5% in its October 2025 projection), while introducing CY27 growth at 2.6% quoting a surge in AI-related products, adaptations in supply chains and the avoidance of tit-for-tat retaliation on tariffs. However, this baseline forecast is under pressure from the conflict in the Middle East and sustained increases in energy prices. Note that, the high energy price scenario would see world merchandise trade volume growth slow to 1.4% from 1.9%. Locally, the rising fuel prices exacerbated by the reduced traffic in the Straits of Hormuz currently has minimal impact to the sector. Logistics players are insulated by the rising diesel price by using subsidy fleet card to pump at a fixed price of RM2.15 per litre, while seaport operators cushioned the use of unsubsidized diesel with the rising containers storage income on expected port congestion from the reduced shipping traffic to the middle-east. Nevertheless, the domestic logistics sector fared better as Malaysia is a beneficiary of the booming e-commerce and trade diversion on US-China trade tensions. We do not have any top picks for the sector.

**Cautiously Optimistic.** The WTO in March 2026 raised its projection for CY26 global merchandise trade volume growth to 1.9% (from 0.5% in its October 2025 projection), while introducing CY27 growth at 2.6% quoting a surge in AI-related products, adaptations in supply chains (restructuring logistics, sourcing, and technology to boost resilience against volatility) and the avoidance of tit-for-tat retaliation on tariffs. However, this baseline forecast is under pressure from the conflict in the Middle East and sustained increases in energy prices with potential spillovers for food security and cost pressures on consumers and businesses. Note that, the high energy price scenario would see world merchandise trade volume growth slow to 1.4% from 1.9%, shaving 0.5 percentage points off.

Moreover, the shipping diversion from the Red Sea is continuing to weigh down on global trade, especially the Asia-Europe routes (**WPRTS** indicated that 80% of shipping lines still arrived outside of scheduled time). The diversion from the Suez Canal to the Cape of Good Hope has resulted in longer voyage for the Asia-Europe route (which contributes 30% of global container volume), reducing the frequency of calls that shipping lines could make at **WPRTS's** ports (as well all other ports in the region).

Locally, the rising fuel prices exacerbated by the reduced traffic in the Straits of Hormuz currently has minimal impact to the sector. Logistics players are unaffected by the rising diesel price (at time of writing diesel pump price is at RM5.52 per litre) as logistics players are eligible to purchase diesel at a fixed price of RM2.15 per litre under Malaysia's Targeted Diesel Subsidy (SKDS 2.0) for logistics using subsidy fleet card (limit varies based on the type of logistics vehicle approved by KPDN). On the contrary, seaport operators can only use unsubsidized diesel (largely for its tugboats), but it is expected to be cushioned by the expected increase in container storage income following the potential port congestion arising from the reduced traffic in the Straits of Hormuz.

Closer to home, the WTO cited an emerging trend of connecting economies or countries that benefited from the trade diversion on US-China trade tensions. Malaysia, Singapore, India and Vietnam's growth are surging due to their emerging role as "connecting" economies, trading across geopolitical blocs, thereby potentially mitigating the risk of trade fragmentation. Based on the latest Malaysia's external trade in February 2026, exports to the US recorded a strong growth of 42.3% YoY (higher than January's 33.9%) due to robust demand for E&E product. The US now is Malaysia's largest export destination during the month. We expect domestic logistic sector growth to remain steady in 2026, which is a beneficiary of the booming e-commerce, supported by the global tech up-cycle led by AI data centre demand, a resilient US economy, and potential trade diversion amid US-China trade tensions.

We believe that Malaysia will benefit from the trade diversion as the global trade reposition itself around the higher US tariff barriers. Note that, during the 12-month period for the trade war from Feb 2018 (see Exhibit 3), we saw local listed port operators' share prices trading sideways except for **BIPORT (MP; TP: RM5.30)** which took a dive due to its largest exposure to China, its biggest LNG export market. China, the biggest export destination for Malaysia in 2019–2022 (Singapore took first place starting 2022), saw a double whammy (US tariff hike and ports closure due to the pandemic lockdown). Overall, Malaysian ports' container growth volume is expected to remain in low single-digit growth (based on Kenanga estimates of 4% growth for 2026 as Malaysian ports are heavily invested in the intra-Asia trade route which are less affected by the surges in tariff to the US), partially benefitting from the potential trade diversion amid US-China trade tensions while the biggest beneficiary in the long-run could be **BIPORT** due to its largest exposure to China as its biggest LNG export market. Nevertheless, Petronas MLNG complex is currently running at maximum capacity which we expect to persist for few years until Petronas finalised its plan to expand (no timeline given at the moment).

We also note that tightening global climate regulations could pose structural headwinds to global trade flows, particularly those introduced by the International Maritime Organization (IMO) and the European Union (EU).

**IMO Net-Zero Framework:** At the shipping level, the IMO approved, in principle, a Net-Zero Framework at MEPC 83 in April 2025, comprising a global fuel-intensity standard and a greenhouse gas emissions pricing mechanism to support the IMO's 2023 GHG Strategy. However, formal legal adoption was deferred after the extraordinary MEPC session in October 2025 was adjourned due to

insufficient consensus among member states, and discussions remain ongoing into 2026. As such, the Net-Zero Framework has not yet been adopted and is not legally binding. Entry into force will only occur following formal adoption and completion of the IMO’s tacit acceptance process, pushing the earliest realistic implementation timeline beyond initial expectations. In the interim, existing IMO climate measures, namely the Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII), remain the only binding global efficiency requirements for international shipping.

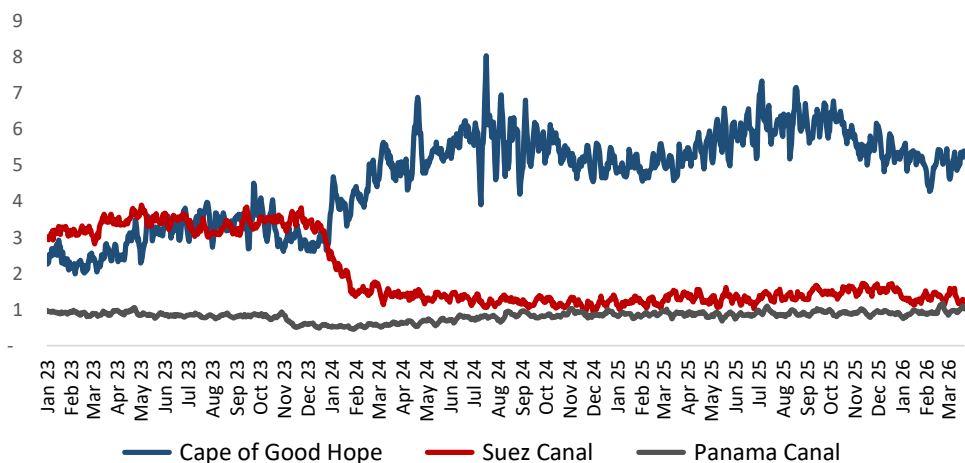
**EU Carbon Border Adjustment Mechanism (EU CBAM):** Separately, the **EU CBAM** entered its definitive regime on 1 January 2026. Under the CBAM framework, EU importers of selected carbon-intensive goods are required to report embedded emissions and, from 2027, surrender CBAM certificates priced in line with the EU Emissions Trading System. Recent “Omnibus” amendments have simplified CBAM implementation, most notably via a new 50-tonne annual mass-based de minimis exemption for certain sectors, while maintaining the overall policy objective of preventing carbon leakage.

Although the near-term impact of IMO and CBAM regulations on seaports and logistics volumes remains uncertain, Asia–Europe trade lanes, which account for roughly 18% of WPRTS’s container throughput, could face gradual volume or cargo mix adjustments over time as carbon-related costs are increasingly internalised along the supply chain. At this stage, we view IMO and CBAM regulations as **medium-term structural risks**, rather than immediate earnings shocks, with execution risk and policy uncertainty remaining elevated, particularly for global shipping decarbonisation.

**IMO and EU CBAM Regulatory Snapshot**

Item	IMO Net-Zero Framework (Shipping Climate Rules)	EU – Carbon Border Adjustment Mechanism (CBAM)
<b>Regulator</b>	International Maritime Organization (United Nations body)	European Union
<b>Current status (as of Mar 2026)</b>	Net-Zero Framework approved in principle but <b>not legally adopted</b> ; discussions ongoing	CBAM <b>legally in force</b> under definitive regime
<b>When</b>	<ul style="list-style-type: none"> <li>EEXI &amp; CII: In force since <b>2023</b></li> <li>Net-Zero Framework: Approved <b>Apr 2025</b>; adoption <b>deferred to at least 2026</b> following adjournment of Oct 2025 session; entry into force subject to adoption and tacit acceptance</li> </ul>	<ul style="list-style-type: none"> <li>Transitional (reporting-only) phase: <b>2023–2025</b></li> <li>Definitive regime effective: <b>1 Jan 2026</b></li> <li>First surrender of CBAM certificates: <b>30 Sep 2027</b> (for 2026 imports)</li> </ul>
<b>Who / what is in scope</b>	<ul style="list-style-type: none"> <li>Oceangoing ships <b>above 5,000 GT</b> engaged in international trade</li> <li>Covers the majority of container, tanker and bulk shipping</li> </ul>	<ul style="list-style-type: none"> <li>EU imports of <b>iron &amp; steel, aluminium, cement, fertilisers, electricity and hydrogen</b></li> <li><b>50-tonne annual mass-based de minimis exemption</b> per importer for certain goods (excludes electricity and hydrogen)</li> </ul>
<b>Key requirements</b>	<ul style="list-style-type: none"> <li>Technical energy-efficiency compliance (EEXI)</li> <li>Annual operational carbon-intensity rating (CII)</li> <li>Proposed future fuel-intensity standard and emissions pricing under the Net-Zero Framework (not yet binding)</li> </ul>	<ul style="list-style-type: none"> <li>Importers to report embedded emissions</li> <li>Purchase and surrender CBAM certificates priced in line with EU ETS</li> </ul>
<b>Penalties / compliance impact</b>	<ul style="list-style-type: none"> <li>Poorly rated ships under CII must submit corrective action plans</li> <li>Future compliance costs under the Net-Zero Framework remain uncertain pending adoption</li> </ul>	<ul style="list-style-type: none"> <li>Financial penalties aligned with EU ETS</li> <li>Customs authorities may restrict or block imports for non-compliance</li> </ul>
<b>Implications for trade &amp; logistics</b>	<ul style="list-style-type: none"> <li>Regulatory uncertainty may delay fleet and fuel investment decisions</li> <li>Potential longer-term impact on vessel deployment and port call patterns</li> </ul>	<ul style="list-style-type: none"> <li>Higher landed costs for carbon-intensive imports</li> <li>Indirect impact on trade flows, sourcing decisions and Asia–Europe volumes</li> </ul>
<b>Overall sector view</b>	Medium-term structural headwind, with elevated policy execution risk	Medium-term structural headwind

**Exhibit 1: Daily Transit Trade Volume\***



\*million tonnes, 7-day moving average

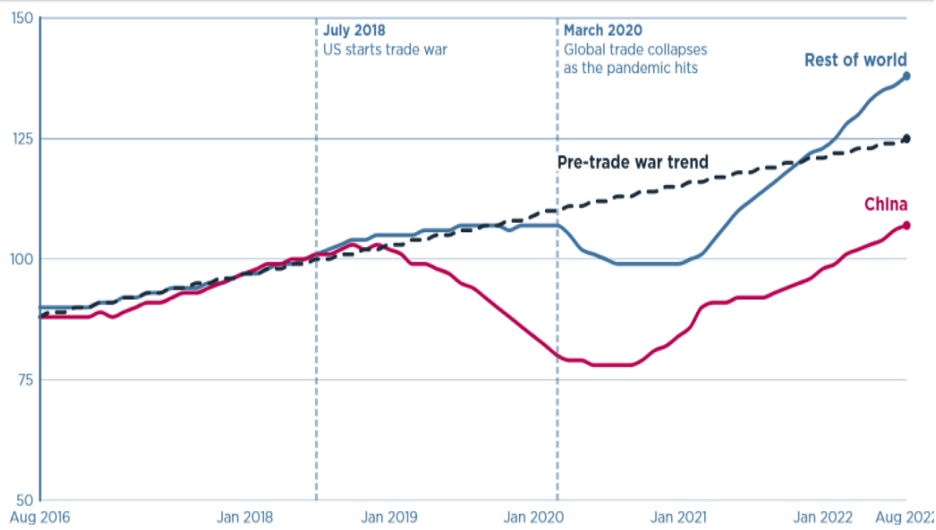
Source: International Monetary Fund, United Nations, Port Watch

**Logistics to ride on e-commerce boom.** On the other hand, the domestic logistics sector still fared better as Malaysia’s total trade moderated to 9.5% in February 2026 (Jan: 12.3%), while trade surplus narrowed to RM16.7b in the same period (Jan: RM22.2b), especially in the domestically driven third-party logistics (3PL) sector (thanks to the on-shoring business trend), which is less vulnerable to external headwinds, being buoyed by booming e-commerce. Industry experts project the local e-commerce gross merchandise volume to grow at a CAGR of 5% from 2024 to 2027, reaching RM1.5t by 2027 from RM1.2t in 2024. Local players such as **SWIFT**, however, are faced with intense competition from Chinese players which constrain local players’ ability to fully leverage on Malaysia’s strong total trade growth. This situation arises due to the irrational pricing set by Chinese logistics players despite the rising logistics operating costs (manpower & stricter weight limit regulation) and Chinese logistics players typically come in as a package following the new entrant of China’s foreign direct investment (new plants).

The booming e-commerce will spur demand for distribution hubs and warehouses to enable: (i) just-in-time (JIT) delivery, (ii) reshoring/nearshoring to bring manufacturers closer to end-customers, (iii) efficient automation system, including interconnectivity with the customer system, and (iv) warehouse decentralisation to reduce transportation costs and de-risk the supply chain. There is also strong demand for cold-storage warehouses on the back of the proliferation of online grocery start-ups.

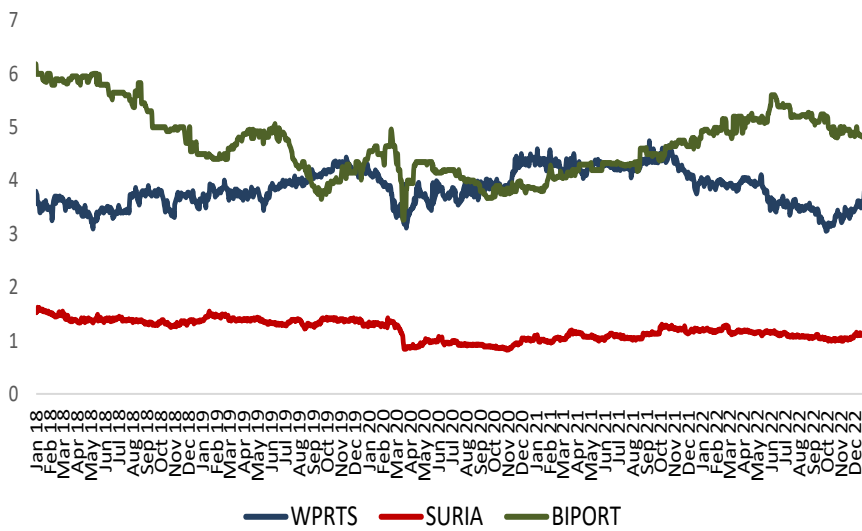
We maintain **NEUTRAL** on the sector with no top pick at the moment.

Exhibit 2: Trade War Impact in 2018–2022



Source: Constructed by the US Bureau of Census  
www.pjie.com

Exhibit 3: Listed Port Operators' Share Price Performance in 2018–2022



Source: Bloomberg, Kenanga

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### Peer Table Comparison

Name	Rating	Last Price as at 19.03.2026 (RM)	Target Price (RM)	Upside	Market Cap (RMm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
BINTULU PORT HOLDINGS BHD	MP	5.25	5.30	1.0%	2,415.0	Y	12/2025	29.8	30.9	14.3%	3.7%	17.6	17.0	1.2	6.8%	15.0	2.9%
POS MALAYSIA BHD	UP	0.295	0.140	-52.5%	230.9	Y	12/2025	(19.8)	(17.2)	-174.4%	-187.2%	N.A.	N.A.	4.1	-223.6%	0.0	0.0%
SWIFT HAULAGE BHD	UP	0.400	0.320	-20.0%	355.9	Y	12/2025	3.2	3.4	5.4%	8.2%	12.6	11.6	0.5	3.7%	1.6	4.0%
WESTPORTS HOLDINGS BHD	MP	6.19	6.20	0.2%	21,182.2	Y	12/2025	33.0	35.4	13.2%	7.1%	18.7	17.5	4.8	26.2%	24.8	4.0%
<b>SECTOR AGGREGATE</b>					<b>6,046.0</b>					<b>-35.4%</b>	<b>-42.0%</b>	<b>16.3</b>	<b>15.4</b>	<b>2.6</b>	<b>-46.7%</b>		<b>2.7%</b>

Source: Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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