

## Fund Manager Commentary: Rotation to EM: Yet to come

The current US real rates stands at c.1% and is still considerably low compared to previous Fed's tightening cycle (2-3%). Theoretically, the neutral real-rate should be in line with sustainable real growth. Hence, we remain hawkish on the Fed's stance and look for more upward yields trajectory than downward which means taking shelter in long term EM bond can be at risk.

In this case, we view BI will move in tandem and Indonesia's high real-rates should act as the normalization mechanism for the current macro backdrop as this year's EM sell-off are systematically and fundamentally driven by the above factors.

However, each market reacted to risk-off trade with different magnitude due to other variables at play namely, high oil price, geopolitical tension, China slowdown and US-China trade war. Indeed, outside Russia and Middle-East, EM nations are net losers of high oil prices. EM valuation has returned to previous low and ADXY is flirting with 98 AFC level providing temptation to bottom-fish EM.

For Indonesian market, more bottom-up picks have resurfaced supported by attractive valuation and technical avoiding us to underweighting the market for too long. However, given a more dominant ETF flows nowadays, we view a full rotation back into EM that will support Indonesian bull market will depend more on overall EM sentiment, namely China slowdown concern (Yuan depreciation, USD strength, PBoC loosening) and high oil price.

	Inflation (% yoy)	CDS-5yr (bps)	NDF (%)	Trade Bal (USDmn)	Reserve (USDbn)
Last	3.20	142.57	11.10	-2030.30	117.90
1yr-Avg	3.35	104.81	6.82	-28.32	125.17

Global Currency	Changes (%)		
	YTD	1W	1Y
USDIDR	-10.7	-0.8	-11.1
SGDIDR	-7.7	-0.2	-9.9
EURIDR	-7.1	-0.1	-9.2
JPYIDR	-10.4	-1.5	-10.7
USDJPY	-0.4	-2.0	-0.4
Gold (USD/t oz.)	-9.2	-0.8	-7.2
DXY (G7/USD)	+3.7	-0.3	+2.0
ADXY (USD/Asian)	-5.7	-0.7	-3.5

Commodities	Changes (%)		
	YTD	1W	1Y
CRB Index	+2.2	-1.5	+9.5
Crude Oil (USD/bbl)	+21.1	-4.2	+47.6
Natural Gas	+11.2	+1.7	+15.9
COAL (AUS Daily)	+0.0	+0.0	+0.0
COAL (Rotterdam)	+12.0	-4.9	+29.9
Alumunium (tonne)	-9.5	-7.3	-5.1
Nickel (USD/tonne)	-0.6	-0.7	+15.1
Tin (USD/tonne)	-5.0	+0.2	-8.4
Silver (USD/t oz.)	-16.4	-2.3	-15.6
CPO ( USD/Tonne)	-13.3	-0.4	-22.7
Rubber (JPY/kg)	-22.9	-0.1	-23.9

Global Equity Indices	Changes (%)			
	YTD	1M	3M	1Y
IHSG (ID)	-8.4	-0.5	-1.0	-1.6
IDX30 (ID)	-15.5	-1.1	-0.8	-6.8
LQ45 (ID)	-15.2	-1.3	-1.5	-7.2
Jakarta Islamic Index (ID)	-15.6	+0.6	-3.6	-13.4
Indonesia Sharia Index (ID)	-9.0	+0.3	-1.4	-6.5
S&P 500 (US)	+4.2	-3.0	-0.3	+9.5
Dow Jones (US)	+3.6	-1.2	+2.7	+12.5
London (UK)	-7.1	-1.8	-7.1	-4.8
DAX (GR)	-9.3	-2.1	-7.1	-9.7
Nikkei (JP)	+3.3	+5.4	+5.9	+13.6
Hang Seng (HK)	-12.5	-2.9	-8.7	-7.5
Shanghai (CN)	-17.6	+0.9	-3.6	-19.2

Maybank Funds	Changes (%)			
	YTD	1M	3M	1Y
Maybank Dana Ekuitas	-6.3	-1.3	-3.3	+2.9
Maybank Sector Rotation Equity Fu	-11.3	-1.1	-2.9	-11.3
Maybank Syariah Equity Fund	-13.9	+0.9	-1.5	-12.2
Maybank Dana Berimbang	+12.8	+0.1	-1.8	+21.0
Maybank Balance Fund	-0.7	-0.4	-2.7	-0.7
Maybank Dana Pasti 2	-4.8	+1.0	-2.3	-2.3
Maybank Dana Pasar Uang	+4.4	+0.5	+1.4	+5.8