

## MONTHLY REPORT: APRIL 2020

### Fund Manager Commentary: Tactical and a Slow Recovery

JCI posted the worst quarterly performance of -28% in 1Q20 since the 1998 driven by a double whammy hit of COVID-19 outbreak and strong USD as a flight-to-safety re-emerged. The delayed response of the government against the pandemic crisis and acute USD funding risk globally exacerbated the capital outflow from Indonesian markets as IDR depreciated significantly during the period.

However, given the nature of the pandemic crisis, excessive monetary policy boost is ill-suited without proper coordination with fiscal measures, especially for countries that relies heavily on external financing such as Indonesia. In turn, the government has shifted its fiscal stance drastically into expansionary following other countries by enlarging deficits temporarily up to 5% to provide a necessary relief for the economy. The funding will undoubtedly come from BI's quantitative easing as investors shying away from risky countries.

Fiscal takes turns as the core policies to maintain solvency of the economy and softening the economic blow from COVID-19 containment measures. While, monetary policy acts as stabilizers against capital outflow risks due to ongoing flight-to-safety and credit rating downgrade risk should the fiscal normalization face obstacles. Respectively, we may see a break in BI rate cuts cycle should the capital outflow risks increasing while maintaining significant liquidity support.

The 2Q earnings will likely be the trough with the possibility of a slow recovery given the social distancing measures may remain for longer than expected. Earnings estimates are bound to be downgraded further. We therefore maintain adequate cash levels to capitalize the emerging opportunities. We expect that a massive liquidity injection from the central banks and astronomical fiscal measures would only provide a tactical trading opportunity given the nature of the crisis. Hence, the catalyst for bullish signal comes from COVID-19 outbreak development. This is more apparent domestically, as investors still see the current government's response on the outbreak as inadequate to justify a lower risk premium on Indonesian assets.

Our core stocks focus remains on telecommunications and consumers as well as companies with strong balance sheet and net cash (several coal, metals and CPO names). Leveraged stocks (property and construction) offer trading opportunity following the global risk-off sentiment, while we remain cautious on banks due to its heavy weightings on the index make it vulnerable on passive outflows.

Global Equity Indices	Changes (%)			
	YTD	1M	3M	1Y
IHSG (ID)	-28,87	-4,48	-28,69	-30,87
IDX30 (ID)	-34,60	-9,96	-35,31	-35,77
LQ45 (ID)	-34,68	-9,46	-35,35	-35,28
Jakarta Islamic Index (ID)	-31,77	-1,40	-31,28	-32,40
Indonesia Sharia Index (ID)	-28,91	-1,53	-27,74	-29,82
S&P 500 (US)	-13,09	+17,33	-14,89	-3,48
Dow Jones (US)	-17,30	+16,59	-18,92	-11,01
London (UK)	-25,82	+9,27	-26,36	-24,67
DAX (GR)	-22,25	+17,84	-23,31	-15,24
Nikkei (JP)	-18,46	+13,46	-19,34	-13,41
Hang Seng (HK)	-15,23	+4,09	-16,57	-20,31
Shanghai (CN)	-7,24	+1,10	-8,74	-13,58

	Inflation (% yoy)	CDS-5yr (bps)	NDF (%)	Trade Bal (USDmn)	Reserve (USDbn)
Last	2,96	196,51	8,23	743,40	120,97
1yr-Avg	3,09	99,58	6,97	-45,68	125,89

Global Currency	Changes (%)		
	YTD	1W	1Y
USDIIDR	-10,97	+1,53	-9,94
SGDIIDR	-6,06	+1,43	-5,67
EURIDR	-8,44	+1,25	-6,65
JPYIDR	-12,36	+0,10	-14,04
USDJPY	-0,88	-0,53	-3,69
Gold (USD/t oz.)	+13,29	-0,91	+35,23
DXY (G7/USD)	+3,40	+0,51	+3,11
ADX (USD/Asian)	-3,37	-0,53	-5,03

Commodities	Changes (%)		
	YTD	1W	1Y
CRB Index	-33,83	-3,28	-33,75
Crude Oil (USD/bbl)	-67,79	-12,70	-68,84
Natural Gas (USD/MMBtu)	-22,87	-2,71	-33,02
COAL (Australia, USD/tonne)	-2,14	-1,66	-29,28
COAL (Rotterdam, USD/tonne)	-16,30	-2,65	-36,96
Alumunium (USD/tonne)	-17,51	+3,51	-18,65
Nickel (USD/tonne)	-17,82	+0,79	-8,76
Tin (USD/tonne)	-12,00	+0,01	-26,68
Silver (USD/t oz.)	-13,22	-2,68	+4,57
CPO (MYR/Tonne)	-27,38	-5,62	+5,59
Rubber (JPY/kg)	-20,47	-0,70	-22,53

Maybank Funds	Changes (%)			
	YTD	1M	3M	1Y
Maybank Dana Ekuitas	-27,32	-2,77	-26,97	-31,16
Maybank Dana Berimbang	-21,51	-4,49	-20,14	-23,25
Maybank Dana Pasti 2	-2,26	-2,60	-3,51	+3,84
Maybank Syariah Money Market Fund 2	+1,39	+0,20	+1,06	+5,99
Maybank Dana Pasar Uang	+1,94	+0,50	+1,63	+6,92

Data as of April 18<sup>th</sup>, 2020

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