

## MONTHLY REPORT: AUGUST 2020

### Fund Manager Commentary: Independence Day: Fiscal Boost

In the past month, JCI has been in positive mood, in line with global equities and commodities (nickel, gold, CPO). Global yields have compressed further with US bond yield almost testing the new record low in post World War II era. The EU massive fiscal stimulus (the first kind of political union), the dovish Fed and willingness of government around the world to double down on stimulus bodes well for risky assets and gold benefitting the current negative USD real rates.

However, the rising C-19 infections threat remains. Additionally, fiscal disputes in US congress creates new risk. Nonetheless, market already expected the pandemic will remain until vaccines are available. News flow in the past month indicates a higher possibility of some vaccines to be approved by year end and there are hopes for more normalization next year when the drugs are widely distributed.

With global yields at historic lows and gold at record highs, the market is prone for the condition of "good" news is "bad" news as improving economic data globally introduces fears over less responsive stimulus from the regulators. This coupled with rising US-China tension upcoming the US election in November may create demand for hedging as VIX already traced back to pre-C-19 level. This turned us to look for more domestic catalyst.

Most companies reported 2Q20 earnings results as inline or below consensus' estimates. Good results was well appreciated while bad results only had short-term reaction. This reflects a pass-through look into long-term recovery story rather than short-term bumps. In this case, gov't plans and execution on generating aggregate demand is crucial.

Respectively, Indonesia just celebrated Independence day and the government announced the 2021 fiscal budget plan which focuses on balancing between recovery and reform as well as credible fiscal consolidation plan. The budget deficit is still set wide at -5.5% of GDP (vs. -6.34% this year), which represents a lower deficit reduction than initial plan. The government plans to maintain support on economic momentum while increasing productive spending to jump start the delayed agenda and embracing new reforms on digital and healthcare.

We think one notable risk to be concerned with the new budget is the financing part due to the absence of debt monetization next year. Nonetheless, government focus on fiscal to generate aggregate demand is positive for equities. In addition, continuous reforms plan with Omnibus Law is back at the table serves as new domestic driver. In this case, we allocate more cyclicals to play the demand recovery theme.

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Global Equity Indices	Changes (%)			
	YTD	1M	3M	1Y
IHSG (ID)	-16.23	+3.82	+16.08	-15.64
IDX30 (ID)	-17.38	+5.96	+24.22	-14.13
LQ45 (ID)	-17.58	+5.69	+24.40	-14.26
Jakarta Islamic Index (ID)	-19.37	+1.74	+10.22	-17.13
Indonesia Sharia Index (ID)	-19.01	+1.57	+8.40	-19.25
S&P 500 (US)	+6.52	+6.71	+16.10	+20.52
Dow Jones (US)	-0.54	+6.95	+15.71	+10.46
London (UK)	-19.54	-0.31	+1.86	-13.96
DAX (GR)	-1.38	+1.78	+17.99	+12.53
Nikkei (JP)	-2.84	+1.03	+12.74	+10.98
Hang Seng (HK)	-9.77	+3.43	+11.43	-2.40
Shanghai (CN)	+11.37	+5.91	+20.32	+16.85

	Inflation (% yoy)	CDS-5yr (bps)	NDF (%)	Trade Bal (USDmn)	Reserve (USDbn)
Last	1.54	103.60	5.87	1,267.40	135.10
1yr-Avg	2.61	119.87	6.81	369.15	128.47

Global Currency	Changes (%)		
	YTD	1W	1Y
USDIDR	-5.08	+0.85	-3.11
SGDIDR	-3.67	+1.07	-4.30
EURIDR	-10.10	+0.98	-9.30
JPYIDR	-7.97	+0.49	-3.81
USDJPY	-2.66	-0.02	+0.56
Gold (USD/t oz.)	+26.94	-2.89	+26.27
DX (G7/USD)	-3.56	+0.48	-4.45
ADX (USD/Asian)	-0.57	+0.13	+1.64

Commodities	Changes (%)		
	YTD	1W	1Y
CRB Index	-19.0	+0.3	-10.3
Crude Oil (USD/bbl)	-30.9	-0.6	-21.3
Natural Gas (USD/MMBtu)	+15.0	+7.4	+16.8
COAL (Australia, USD/tonne)	-21.5	+0.0	-18.1
COAL (Rotterdam, USD/tonne)	-16.9	-2.9	-24.2
Alumunium (USD/tonne)	-3.6	+1.3	-0.7
Nickel (USD/tonne)	+4.3	+2.2	-4.7
Tin (USD/tonne)	+1.8	-0.1	+9.0
Silver (USD/t oz.)	+47.8	-3.8	+52.8
CPO (MYR/Tonne)	-10.6	-0.1	+25.3
Rubber (JPY/kg)	-6.4	-2.7	+6.4

Maybank Funds	Changes (%)			
	YTD	1M	3M	1Y
Maybank Dana Ekuitas	-12.62	+3.45	+17.86	-12.96
Maybank Dana Berimbang	-14.01	+2.21	+10.99	-14.32
Maybank Dana Pasti 2	+5.66	+0.85	+5.59	+8.52
Maybank Syariah Money Market Fund 2	+3.37	+0.45	+1.35	+5.71
Maybank Dana Pasar Uang	+3.96	+0.43	+1.41	+6.48

Data as of August 24<sup>th</sup>, 2020