

MONTHLY REPORT: FEBRUARY 2020

Fund Manager Commentary: Coronavirus Hit: a Black Swan?

The first 1.5 month of 2020 has become the weakest start of the year since 2011 for the JCI as it posted -6.9% YTD. The equity market turned to negative territory after Coronavirus outbreak with commodity prices taking the lead in the declines and uncertainty rise with China as the main risk towards the global slowdown. Locally, there has been a domino effect stemming from domestic graft case which led liquidity in the market drying up.

This outbreak and the domino effect signify the left-tail risk events which we mentioned in previous update. However, the magnitude of the correction is surpassing our expectations as these left-tail events are difficult to quantify by macroeconomic models. Although, several short-term technical was able to anticipate it albeit with limited actionable trading plan.

The score of our multi asset indicators was reduced to 2.0 as of end January 2020 (0-4; negative, slight negative, neutral, slight positive and positive) from 2.5 as of December 2019 due to a slight negative development on liquidity and technical scoring as IDR hedging cost raised slightly on higher volatility. A steep correction in February upgraded the market technical briefly as support level was reached. However, the risk-off sentiment clouded global markets as the coronavirus outbreak raised uncertainty coupled with the Fed's stance on reducing its mini-QE operation sooner than later.

Low core inflation and growth theme are likely to persist in 2020 considering the Coronavirus outbreak. Therefore, bonds is still a safer bet as Central Banks in the world will remain or to be more dovish. However, potential positive catalysts do exist for equity which include potential fiscal stimulus (local and global) and structural reforms.

Any recovery from Coronavirus outbreak will depend much on how the world will respond going forward of which a U or L-shaped global growth recovery is more realistic. Therefore, we are opting a mixed of thematic and alpha play. For thematic and beta play, we like big banks as core and middle-small caps rate-sensitives (constructions and properties) for trading. For structural and alpha play we like tower companies, industrial estates, media and selected commodities (e.g. gold). Nonetheless, expectation on market recovery can be jeopardized if this left-tail risk is much fatter, of which a delayed response from governments on the outbreak may prolong the downturn as a result of extreme measures that have to be taken at later stage.

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Global Equity Indices	Changes (%)			
	YTD	1M	3M	1Y
IHSG (ID)	-6.87	-7.25	-3.80	-8.61
IDX30 (ID)	-5.82	-7.49	-0.65	-5.19
LQ45 (ID)	-5.97	-7.59	-1.10	-4.68
Jakarta Islamic Index (ID)	-11.21	-11.01	-8.42	-11.02
Indonesia Sharia Index (ID)	-10.20	-9.22	-8.95	-11.67
S&P 500 (US)	+4.93	+2.95	+9.16	+23.11
Dow Jones (US)	+3.29	+1.58	+5.82	+15.56
London (UK)	-2.35	-2.80	+1.60	+2.95
DAX (GR)	+3.74	+2.14	+4.28	+23.94
Nikkei (JP)	+0.13	-1.41	+2.36	+12.05
Hang Seng (HK)	-1.78	-3.70	+5.67	-2.17
Shanghai (CN)	-4.05	-6.11	+0.25	+7.25

	Inflation (% yoy)	CDS-5yr (bps)	NDF (%)	Trade Bal (USDmn)	Reserve (USDbn)
Last	2.68	60.11	5.51	-28.20	131.70
1yr-Avg	3.02	85.57	7.05	-193.95	125.60

Global Currency	Changes (%)		
	YTD	1W	1Y
USDIDR	+1.69	-0.13	+2.90
SGDIDR	+4.73	+0.07	+5.23
EURIDR	+5.09	+1.00	+6.93
JPYIDR	+2.24	-0.18	+1.71
USDJPY	+0.83	+0.03	-0.63
Gold (USD/t oz.)	+4.22	+0.90	+20.84
DX (G7/USD)	+2.46	+0.45	+2.21
ADXY (USD/Asian)	-0.61	+0.25	-1.71

Commodities	Changes (%)		
	YTD	1W	1Y
CRB Index	-7.43	+1.67	-3.23
Crude Oil (USD/bbl)	-15.61	+3.44	-4.34
Natural Gas (USD/MMBtu)	-15.97	-1.13	-28.60
COAL (Australia, USD/tonne)	+1.20	0.00	-29.54
COAL (Rotterdam, USD/tonne)	-3.68	+4.80	-32.52
Alumunium (USD/tonne)	-6.13	-0.38	-6.85
Nickel (USD/tonne)	-9.08	+1.92	+6.68
Tin (USD/tonne)	-2.79	+2.16	-20.93
Silver (USD/t oz.)	-1.48	+0.24	+14.21
CPO (MYR/Tonne)	-14.11	-7.38	+20.91
Rubber (JPY/kg)	-12.01	+6.85	-14.43

Maybank Funds	Performances (%)			
	YTD	1M	3M	1Y
Maybank Dana Ekuitas	-6.45	-6.63	-2.99	-11.03
Maybank Dana Berimbang	-5.72	-4.68	-1.80	-10.17
Maybank Dana Pasti 2	+3.17	+1.83	+3.62	+12.85
Maybank Syariah Money Market Fund 2	+0.77	+0.47	+1.68	+6.50
Maybank Dana Pasar Uang	+0.88	+0.59	+1.80	+6.95

Data as of February 14th, 2020