

MONTHLY REPORT: JULY 2020

Fund Manager Commentary: Faster Policy Execution is Needed

Indonesia in the midst of its 1st wave infections and currently has to face the threats of global 2nd wave infections. Nonetheless, the government cannot afford to re-implement the same lockdown as previously as economic cost would be astronomical. Hence, looser restrictions and more stimulus from the gov't are on the card, considering fiscal deficit is still far away from target. Including the recent stimulus, fiscal deficit target widens to 6.3% of the GDP, well above its prior legal limit, though some of it comes from lower revenue.

However, the stimulus is considered small relative to other nations and spending disbursement remains low. Indonesia relies heavily on foreign financing for both current and fiscal balances requiring strong policy coordination. This demands a balancing act between providing sufficient stimulus without damaging IDR's stability due to too large deficits.

The slow execution is attributed to financing issues and Indonesia's history for which policymakers have minimum legal protection as what happened during previous crises. This translated to less willingness to implement a drastic measures. In turn, the past weeks focus has been on the COVID-19 development, fiscal funding mechanism and ongoing relief efforts. In this case, the MOF and BI have reached an agreement on burden-sharing schemes to help support finance COVID-19 related measures worth IDR 900 Trillion (5.9% of GDP), which somewhat reduces overhang in financing issues. Additionally, national service risk on SOE banks should lessen following government regulation No. 33/2020.

On the other hand, given BI's well equipped tools to ensure IDR stability through FX multi support and massive swap facilities, liquidity should remain well. The QE effect on inflation is less of a concern currently as the size is small to GDP and net private credit demand is still depressed. Hence, we expect policy execution and fiscal deficits will accelerate in 2H20 and further stimulus are imminent, which may become catalysts for Indonesian equities provided global backdrop is supportive for IDR stability.

We expect 2Q20 earnings would be a trough, though recovery will be slow considering the regional discrepancies in reopening pace. The important driver of flows will continue to be the COVID-19 development globally, the responding stimulus and acceleration in fiscal execution. At this stage, despite we are less upbeat compared to back in April on further rally, we remain opportunistic to ride emerging opportunities. We avoid skewing portfolios too much to defensives given the possibility of a liquidity driven rally.

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Global Equity Indices	Changes (%)			
	YTD	1M	3M	1Y
IHSG (ID)	-19.37	+4.07	+9.85	-20.86
IDX30 (ID)	-21.60	+5.68	+14.04	-23.15
LQ45 (ID)	-21.60	+5.75	+14.69	-22.64
Jakarta Islamic Index (ID)	-20.40	+3.98	+12.07	-20.01
Indonesia Sharia Index (ID)	-20.99	+1.97	+7.94	-20.86
S&P 500 (US)	-0.74	+5.14	+15.78	+6.08
Dow Jones (US)	-6.39	+4.05	+13.90	-2.62
London (UK)	-18.55	+1.22	+5.77	-17.95
DAX (GR)	-4.16	+6.26	+20.19	+2.50
Nikkei (JP)	-4.52	+1.26	+18.61	+4.16
Hang Seng (HK)	-10.03	+4.84	+4.85	-10.78
Shanghai (CN)	+12.32	+16.95	+22.69	+16.06

	Inflation (% yoy)	CDS-5yr (bps)	NDF (%)	Trade Bal (USDmn)	Reserve (USDbn)
Last	1.96	126.04	7.04	1,267.40	131.70
1yr-Avg	2.72	117.04	6.89	315.04	127.70

Global Currency	Changes (%)		
	YTD	1W	1Y
USDIDR	-3.63	-0.07	-3.67
SGDIDR	-0.70	-0.46	-1.23
EURIDR	-4.93	-0.81	-4.33
JPYIDR	-5.71	-0.90	-4.62
USDJPY	-1.51	-0.26	-0.62
Gold (USD/t oz.)	+19.41	+0.19	+28.29
DXY (G7/USD)	-0.50	-0.64	-0.70
ADXY (USD/Asian)	-1.63	-0.13	-1.93

Commodities	Changes (%)		
	YTD	1W	1Y
CRB Index	-25.08	-1.11	-23.54
Crude Oil (USD/bbl)	-34.68	-0.81	-32.38
Natural Gas (USD/MMBtu)	-20.13	-6.93	-27.49
COAL (Australia, USD/tonne)	-20.68	-1.57	-31.07
COAL (Rotterdam, USD/tonne)	-11.31	-5.95	-29.50
Aluminium (USD/tonne)	-7.57	+4.14	-8.41
Nickel (USD/tonne)	-5.10	+0.86	-0.59
Tin (USD/tonne)	+1.82	+2.00	-3.30
Silver (USD/t oz.)	+8.06	+4.42	+27.21
CPO (MYR/Tonne)	-17.99	+4.83	+33.68
Rubber (JPY/kg)	-17.77	+2.68	-36.58

Maybank Funds	Changes (%)			
	YTD	1M	3M	1Y
Maybank Dana Ekuitas	-15.70	+4.23	+12.03	-19.56
Maybank Dana Berimbang	-15.83	+2.38	+4.75	-18.32
Maybank Dana Pasti 2	+3.80	+2.29	+7.11	+6.18
Maybank Syariah Money Market Fund 2	+2.79	+0.45	+1.28	+5.74
Maybank Dana Pasar Uang	+3.36	+0.48	+1.44	+6.65

Data as of July 14th, 2020