

MONTHLY REPORT: MAY 2020

Fund Manager Commentary: No Trade-off

A prolonged COVID-19 containment measures may lead to a jump in credit cost and loans at risk up to multiple times from previous year in banking sector. Nonetheless, the big banks have sufficient capital buffer as people switching their savings from smaller to bigger banks. The smaller banks can be at high risk should the current situation lingers.

As we are passing 1Q20 season, results from non-banks seem matching expectation and outlook for telecommunications stays solid. However, investors are wary on the potential loan restructuring. As per OJK data, 20% of total loan (-IDR 1,100 Trillion) in Indonesia is prone for restructuring and only IDR 340 Trillion have been put thus far indicating much more restructuring ahead.

The implementation of Government Regulation No. 23/2020 involving government deposits money into anchor banks balance sheet to be loaned for banks in need exposing the liquidity issues happening in lower tier banks due to COVID-19. Although this means that confidence on banks solvency can be saved, further loan restructuring means less money to be loaned for productive spending and lower Net Interest Margin depressing the profitability and stocks valuation.

From the aforementioned factors, it is clear the extension of COVID-19 containment measures started to put a dent on financial industry, which can be very detrimental for general recovery later on as high unemployment may be sticky and capital allocation is depressed. On the other hand, opening the economy early may affect the outbreak negatively. Hence, it leaves no option for the government to trade one for another and something in the "middle ground" is the policy objectives.

Indonesia has a substantial portion of vulnerable population (informal workers, poor households, SMEs) whom are adversely affected by the COVID-19 containment. This makes the COVID-19 policies taken in other countries cannot be replicated here which is further complicated by constraints in healthcare capacity, requiring government to provide additional stimulus. Hence, fiscal deficits can be higher than target and potential credit rating downgrade cannot be ruled out as government revenue may disappoint on weak demand.

All in all, we expect more targeted fiscal measures ahead and injection in systemic sectors. Whereas, BI focuses on currency stability leaving less room for rate cuts. We remain defensives on portfolio, cautious on banks and favoring consumers and telecommunications. We see trading opportunity in infrastructures, materials and commodities on economy reopening plans.

Global Equity Indices	Changes (%)			
	YTD	1M	3M	1Y
IHSG (ID)	-28.35	-2.38	-23.66	-24.53
IDX30 (ID)	-34.51	-4.75	-30.87	-29.65
LQ45 (ID)	-34.79	-4.61	-31.16	-29.04
Jakarta Islamic Index (ID)	-27.92	+1.49	-19.85	-19.80
Indonesia Sharia Index (ID)	-26.09	+0.97	-18.48	-20.31
S&P 500 (US)	-11.45	+3.29	-15.59	+0.05
Dow Jones (US)	-16.99	+1.00	-20.05	-7.89
London (UK)	-24.32	-1.73	-23.80	-21.32
DAX (GR)	-21.98	-2.16	-24.82	-14.57
Nikkei (JP)	-15.82	+4.58	-16.54	-6.01
Hang Seng (HK)	-15.85	-1.94	-14.35	-15.70
Shanghai (CN)	-5.58	+3.14	-1.93	-2.33

	Inflation (% yoy)	CDS-5yr (bps)	NDF (%)	Trade Bal (USDmn)	Reserve (USDbn)
Last	2.67	202.48	7.90	-344.70	127.88
1yr-Avg	2.86	110.00	6.97	113.75	126.20

Global Currency	Changes (%)		
	YTD	1W	1Y
USDIDR	-6.45	+0.74	-2.86
SGDIDR	-1.59	+1.53	+0.83
EURIDR	-3.10	+0.90	+0.77
JPYIDR	-8.59	+1.79	-5.27
USDJPY	-1.50	+0.91	-2.14
Gold (USD/t oz.)	+14.64	+0.87	+34.14
DX (G7/USD)	+3.85	+0.58	+2.97
ADX (USD/Asian)	-2.85	-0.12	-2.49

Commodities	Changes (%)		
	YTD	1W	1Y
CRB Index	-34.10	+0.44	-31.85
Crude Oil (USD/bbl)	-55.32	+17.03	-55.56
Natural Gas (USD/MMBtu)	-23.10	-11.25	-35.37
COAL (Australia, USD/tonne)	-20.30	+1.35	-37.97
COAL (Rotterdam, USD/tonne)	-23.80	-1.17	-40.54
Aluminium (USD/tonne)	-20.26	-0.81	-21.55
Nickel (USD/tonne)	-15.67	-2.09	-0.63
Tin (USD/tonne)	-11.59	-1.28	-24.26
Silver (USD/t oz.)	-10.36	+3.69	+9.38
CPO (MYR/Tonne)	-32.81	+4.05	+6.34
Rubber (JPY/kg)	-21.38	-1.13	-30.27

Maybank Funds	Changes (%)			
	YTD	1M	3M	1Y
Maybank Dana Ekuitas	-26.47	-2.29	-22.12	-24.35
Maybank Dana Berimbang	-22.68	-3.77	-18.60	-19.00
Maybank Dana Pasti 2	-1.19	+1.97	-4.28	+6.23
Maybank Syariah Money Market Fund 2	+1.88	+0.38	+1.13	+5.98
Maybank Dana Pasar Uang	+2.42	+0.51	+1.58	+6.84

Data as of May 16th, 2020

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