

## MONTHLY REPORT: OCTOBER 2019

### Fund Manager Commentary: Not Out of The Woods Yet

Looking at our multi asset indicators to score the Indonesian market, the scoring was downgraded to 1.5 from 2.0 in the previous three months (0-4; negative, slight negative, neutral, slight positive, and positive) as of end September 2019, due to a negative development in risk sentiment and IDR hedging cost. Domestic political risk returned into the investors' mind as mass demonstrations happened potentially destabilizing the current political mapping.

The ongoing political risk has reinvigorated downside risk on growth as reforms are increasingly questionable. With low inflation and low growth environment, there is no catalyst for investors to switch out of bonds into equity yet, despite valuations started to be compelling for the latter. However, recent equity sell-off in early October 2019 upgraded our market scoring to back 2.0 on cheaper valuations as JCI trades near 5,950 level given that Indonesia's equity ROE remains relatively attractive. Additionally, bonds outperformed equity in the past three years on risk-adjusted basis tempting the local investors to start looking into equity again.

Externally, the recent US-China trade saga has slightly reduced a worrying lists for emerging market and should provide an uplift for Indonesia's equity. However, the trade development is still lacking on clarity and unlikely healing the weakening global economy and hence, still no positive macro support present for Indonesia.

At this stage, we are still cautious on beta-sensitive stocks in the short-term and allocate more on structural picks (telecommunications and towers, industrial estates and basic materials). Nevertheless, we are still constructive on bond-proxy/rates-sensitive names in the middle-term as global monetary easing is on the card and hence, we are being tactical on beta stocks for the time being. Market volatility has been characterized with negative skewness in the past one year and will remain for the foreseeable future which warrants us for safe cash allocation and tactical positioning.

Global Equity Indices	Changes (%)			
	YTD	1M	3M	1Y
IHSG (ID)	-1.09	-3.28	-3.87	+6.43
IDX30 (ID)	-3.89	-4.20	-7.06	+5.01
LQ45 (ID)	-2.88	-3.81	-6.18	+5.73
Jakarta Islamic Index (ID)	-1.22	-2.42	-1.51	+6.60
Indonesia Sharia Index (ID)	+2.19	-1.79	+0.99	+9.46
S&P 500 (US)	+19.33	-1.37	-1.58	+7.19
Dow Jones (US)	+16.15	-1.59	-1.99	+5.71
London (UK)	+7.12	-2.09	-3.90	+3.11
DAX (GR)	+18.26	+0.14	+1.32	+8.35
Nikkei (JP)	+8.91	-0.86	+0.52	-3.95
Hang Seng (HK)	+3.99	-3.04	-6.85	+2.79
Shanghai (CN)	+20.61	-0.77	+2.64	+15.38

	Inflation (% yoy)	CDS-5yr (bps)	NDF (%)	Trade Bal (USDmn)	Reserve (USDbn)
Last	3.39	87.32	6.86	-160.50	124.33
1yr-Avg	3.09	111.01	8.36	-569.04	122.17

Global Currency	Changes (%)		
	YTD	1W	1Y
USDIDR	+3.03	+0.16	+7.48
SGDIDR	+3.13	-0.74	+6.92
EURIDR	+6.99	-0.42	+12.92
JPYIDR	+1.02	+1.57	+3.75
USDJPY	-1.89	+1.22	-3.58
Gold (USD/t oz.)	+16.27	-0.40	+22.46
DXY (G7/USD)	+2.13	-0.52	+3.40
ADXY (USD/Asian)	-1.65	+0.33	-0.33

Commodities	Changes (%)		
	YTD	1W	1Y
CRB Index	+2.35	+1.09	-11.60
Crude Oil (USD/bbl)	+18.22	+1.59	-24.88
Natural Gas (USD/MMBtu)	-30.97	-1.00	-27.87
COAL (Australia, USD/tonne)	-31.88	+0.74	-39.18
COAL (Rotterdam, USD/tonne)	-24.65	+2.19	-29.34
Aluminium (USD/tonne)	-6.12	-1.84	-15.99
Nickel (USD/tonne)	+54.24	-6.63	+30.78
Tin (USD/tonne)	-15.22	+1.16	-13.62
Silver (USD/t oz.)	+14.73	+0.97	+21.01
CPO (MYR/Tonne)	+3.73	-0.76	-1.18
Rubber (JPY/kg)	-12.21	+1.34	-1.76

Maybank Funds	Changes (%)			
	YTD	1M	3M	1Y
Maybank Dana Ekuitas	-3.40	-3.19	-5.82	+0.35
Maybank Sector Rotatoin Equity Fund	-3.54	-3.03	-5.42	-0.78
Maybank Dana Berimbang	-1.91	-1.84	-3.27	-0.58
MAM Balanced Fund	+1.23	-2.00	-3.15	+5.96
Maybank Dana Pasti 2	+9.33	+0.50	+1.43	+13.55
Maybank Dana Pasar Uang	+5.41	+0.58	+1.76	+6.62

Data as of October 14<sup>th</sup>, 2019

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