

Fund Manager Commentary: EM contagion risk: Are we at the bottom yet?

Economic and political issues in BATS (Brazil, Argentine, Turkey and South Africa) have resurfaced concerns on contagious capital flight from EM, especially for countries like Indonesia that depend on external capital to finance a deficit.

However, there is no apparent fundamental systemic risk coming from BATS that may bring recession in Asia. However, events in BATS have turned a supposedly isolated factor into a systemic psychological crisis.

EM central banks are expected to further tighten at the event of capital flight, which means Bank Indonesia may need to move ahead by raising another 50-75bps this year. This may bring growth cycle to peak this year and lower next year.

Calling a market bottom rarely generates positive expected return due to low probability of being correct, which is even more for Indonesia as both our macro and liquidity factors are still flashing negative signs. However, current market valuation and technical factors have brought reward-to-risk ratio to a more attractive level compared to earlier this year.

Going into Nov-18 US mid-term election, volatility is expected to increase before everything becomes more digestible. We see JCI to trade wide within 5,600-5,975 and 10-yr Indo GB yield at 7.95-9.25.

	Inflation (% yoy)	CDS-5yr (bps)	NDF (%)	Trade Bal (USDmn)	Reserve (USDbn)
Last	3.20	142.57	11.10	-2030.30	117.90
1yr-Avg	3.35	104.81	6.82	-28.32	125.17

Global Currency	Changes (%)		
	YTD	1W	1Y
USDIDR	-8.7	-0.3	-11.1
SGDIDR	-5.8	+0.4	-8.3
EURIDR	-5.6	+0.1	-7.2
JPYIDR	-10.0	-0.2	-8.3
USDJPY	-1.4	+0.1	+3.1
Gold (USD/t oz.)	-8.8	-0.6	-11.3
DX (G7/USD)	+3.3	+0.0	+4.2
ADXY (USD/Asian)	-4.9	-0.7	-4.0

Commodities	Changes (%)		
	YTD	1W	1Y
CRB Index	-1.5	-1.0	+5.4
Crude Oil (USD/bbl)	+11.8	-3.2	+42.2
Natural Gas	-5.0	-3.8	-3.0
COAL (AUS Daily)	+0.0	+0.0	+0.0
COAL (Rotterdam)	+13.7	+2.8	+30.1
Aluminium (tonne)	-8.8	-0.8	-0.8
Nickel (USD/tonne)	-2.7	-3.0	+7.1
Tin (USD/tonne)	-5.1	+0.9	-7.5
Silver (USD/t oz.)	-17.9	-2.5	-21.9
CPO (USD/Tonne)	-9.5	+0.2	-20.1
Rubber (JPY/kg)	-26.1	-3.0	-31.8

Global Equity Indices	Changes (%)			
	YTD	1M	3M	1Y
IHSG (ID)	-8.3	-4.0	-2.7	-0.4
IDX30 (ID)	-15.0	-3.8	-2.1	-5.1
LQ45 (ID)	-14.6	-4.3	-3.0	-5.6
Jakarta Islamic Index (ID)	-16.0	-4.1	-6.3	-14.5
Indonesia Sharia Index (ID)	-9.1	-4.0	-3.0	-7.0
S&P 500 (US)	+7.6	+1.5	+3.5	+16.9
Dow Jones (US)	+4.6	+2.1	+2.1	+18.6
London (UK)	-5.3	-5.1	-5.2	-1.3
DAX (GR)	-7.2	-3.5	-6.1	-2.6
Nikkei (JP)	-1.7	+0.3	-1.4	+16.1
Hang Seng (HK)	-11.0	-6.2	-14.0	-3.8
Shanghai (CN)	-19.3	-4.5	-13.0	-20.7

Maybank Funds	Changes (%)			
	YTD	1M	3M	1Y
Maybank Dana Ekuitas	-5.7	-6.9	-7.1	+5.7
Maybank Sector Rotation Equity Fund	-10.9	-7.0	-6.9	-10.9
Maybank Syariah Equity Fund	-14.9	-8.9	-9.6	-14.4
Maybank Dana Berimbang	+12.3	-7.0	-8.8	+20.9
Maybank Balance Fund	-0.7	-5.8	-8.1	N.A.
Maybank Dana Pasti 2	-5.7	-2.9	-3.5	-4.0
Maybank Dana Pasar Uang	+3.9	+0.4	+1.4	+5.9