

MONTHLY REPORT: DECEMBER 2018

## Fund Manager Commentary: A Light In The Dark Cloud

In 2018 started an optimistic tone but then became somber on global divergence led by strong US but weaker EU and EM economies. With oil prices climbed to its year's high, IDR weakened to its all time low causing market sell offs.

Approaching year-end, oil price has turned much lower than pre-rally level, Indonesia's macro data proved to be resilient, JCI earnings fared well and BI's proactive stance had helped to contained IDR volatility. In turn, market sentiment improved as less hawkish Fed indicates a peaking rate hike cycle.

We see in 2019 could be more challenging than 2018 because of the following risks: 1) USD peaking thesis that depends on global convergence may not happen as expected; 2) US-China trade tension and US political risks may drag down global growth and negative for Indonesia's trade balance; 3) A strong US employment growth can eventually lead to tight labor market and heighten stagflation risk.

However, the current backdrop has constructive tones for Indonesia as follows: 1) Lower oil price should be supportive for IDR; 2) IDGB yield spread with UST have reached neutrality; 3) Fed rate hike peaking cycle indicates limited USD strength given no global recession; 4) Ample fiscal room to support consumption growth in 2019 preceding the election.

We position our portfolio against a heightened volatility by being tactical on liquid index and bond-proxy stocks to limit negative payoffs from negatively skewed returns at the event of resurfacing headwinds. Indeed, we are in a riskier situation compared to end-2017 from business and asset cycle angle, yet we see a valuable trading opportunity for Indonesian equity, to capitalize a possible rotation trade out of DM into EM and the positive effect of pre-presidential election period. Conclusively, we want to ensure the flexibility of our portfolio in withstanding hostile environment while also capitalizing tradable opportunity in 2019.

	Inflation (% yoy)	CDS-5yr (bps)	NDF (%)	Trade Bal (USDmn)	Reserve (USDbn)
Last	3.23	143.32	8.20	-2050.00	117.20
1yr-Avg	3.24	118.39	7.71	-646.53	122.28

Global Currency	Changes (%)		
	YTD	1W	1Y
USIDR	-6.95	-0.98	-7.00
SGDIR	-4.58	-0.81	-5.22
EURIDR	-2.30	-0.85	-3.24
JPYIDR	-8.72	-2.59	-9.40
USDJPY	-1.17	-0.99	-1.67
Gold (USD/t oz.)	-3.06	+1.37	-0.49
DXY (G7/USD)	+5.35	+0.02	+4.06
ADXY (USD/Asian)	-4.47	+0.32	-4.04

Commodities	Changes (%)		
	YTD	1W	1Y
CRB Index	-10.79	-1.86	-7.95
Crude Oil (USD/bbl)	-23.50	-2.08	-20.95
Natural Gas	+19.98	-4.91	+32.85
COAL (AUS Daily)	0.00	0.00	0.00
COAL (Rotterdam)	+0.57	-1.68	+1.85
Aluminium (tonne)	-17.20	-1.72	-14.38
Nickel (USD/tonne)	-14.66	-0.55	-10.22
Tin (USD/tonne)	-3.25	+0.54	-0.79
Silver (USD/t oz.)	-12.49	+2.05	-8.27
CPO (USD/Tonne)	-17.47	-5.70	-16.20
Rubber (JPY/kg)	-17.04	+14.36	-18.04

Global Equity Indices	Changes (%)			
	YTD	1M	3M	1Y
IHSG (ID)	-3.58	+2.03	+4.32	-1.50
IDX30 (ID)	-8.95	+2.00	+6.51	-6.66
LQ45 (ID)	-9.20	+2.11	+5.77	-6.99
Jakarta Islamic Index (ID)	-10.74	+1.11	+4.62	-8.91
Indonesia Sharia Index (ID)	-4.67	+1.69	+3.40	-2.85
S&P 500 (US)	-7.70	-6.26	-15.36	-8.04
Dow Jones (US)	-7.45	-5.80	-13.64	-7.58
London (UK)	-13.03	-3.84	-10.94	-11.94
DAX (GR)	-17.68	-4.99	-14.07	-18.66
Nikkei (JP)	-15.10	-10.72	-19.27	-15.75
Hang Seng (HK)	-14.26	-1.07	-6.72	-13.28
Shanghai (CN)	-24.46	-3.15	-10.17	-23.84

Maybank Funds	Changes (%)			
	YTD	1M	3M	1Y
Maybank Dana Ekuitas	-5.50	+1.24	-0.19	-3.65
Maybank Sector Rotation Equity Fund	-	+1.05	-1.16	-
Maybank Syariah Equity Fund	-15.52	-0.51	-2.78	-13.92
Maybank Dana Berimbang	+10.53	-0.69	-3.61	+12.37
MAM Balanced Fund	-	+0.95	+2.18	-
Maybank Dana Pasti 2	-1.83	+0.54	+2.58	-1.37
Maybank Dana Pasar Uang	+5.61	+0.56	+1.37	+5.73

Data as of December 26<sup>th</sup>, 2018

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