

MONTHLY REPORT: JANUARY 2020

Fund Manager Commentary: 2020: More Upbeat

The score of our multi asset indicators stayed unchanged at 2.5 as of end December 2019 (0-4: negative, slight negative, neutral, slight positive and positive) after being upgraded in early October 2019 from 1.5 in the previous month. Low inflation and low growth environment are likely to persist in 2020. Therefore, there is still no evidence for rotation out of bonds back into equity, though Potential positive catalysts do exist and we are slightly more upbeat, at least for the beginning of this year.

The Ministry of Finance (MoF) is ready to support growth by enlarging fiscal deficits, implement structural reforms to promote higher investments, in addition to improving global trade. Government also show some efforts in implementing structural reforms such as the proposal of new Omnibus law as to increase the FDI. These can lead to visible developments in the 2H20, with bottoming in the 1H20, thus providing a boost for equity play.

However, such upsides is rather lukewarm given several factors: 1) US-China trade binary outcomes is a net negative for Indonesia's equity; 2) The valuation is less attractive compared to early 2016 with consensus is still too optimistic; 3) Tax cuts plan may lead to higher tax enforcement; 4) Higher fiscal deficits coupled with IDR stability will be externally dependent on global economic recovery. We reckon that for JCI to do well or outperform bonds this year, it requires a compression of risk premium in earnings growth as traditional re-rating drivers such as IDR stability and yield differential are already in place.

Respectively, we see a surge in FDI and government fiscal are needed to support growth. JCI earnings to be driven thematically by basic materials, telecommunications, banks, and industrial estates. For stocks selection, we are opting a mixed of thematic and alpha play. For thematic and beta play, we like selected banks, CPO, construction and basic industrials. For structural and alpha play we like tower companies, industrial estates and selected mining.

Global Equity Indices	Changes (%)			
	YTD	1M	3M	1Y
IHSG (ID)	-0.05	+1.60	+3.12	-1.02
IDX30 (ID)	+1.11	+2.93	+8.46	+0.52
LQ45 (ID)	+1.07	+2.77	+8.14	+1.18
Jakarta Islamic Index (ID)	-0.58	+0.21	+3.17	-2.63
Indonesia Sharia Index (ID)	-1.22	-0.54	-1.33	-1.84
S&P 500 (US)	+2.07	+3.77	+10.70	+26.65
Dow Jones (US)	+1.56	+2.74	+7.80	+20.47
London (UK)	+0.40	+3.59	+5.11	+10.11
DAX (GR)	+1.53	+1.27	+7.51	+23.55
Nikkei (JP)	+0.82	-0.72	+9.41	+17.15
Hang Seng (HK)	+2.24	+4.58	+10.06	+8.58
Shanghai (CN)	+2.49	+4.98	+4.77	+22.00

	Inflation (% yoy)	CDS-5yr (bps)	NDF (%)	Trade Bal (USDmn)	Reserve (USDbn)
Last	3.00	70.92	6.04	161.30	126.63
1yr-Avg	3.06	97.40	7.53	-260.18	123.92

Global Currency	Changes (%)		
	YTD	1W	1Y
USDIDR	+1.84	+1.98	+2.74
SGDIDR	+1.62	+1.70	+2.41
EURIDR	+2.48	+2.45	+6.45
JPYIDR	+2.32	+3.59	+4.05
USDJPY	+0.69	+1.75	+1.30
Gold (USD/t oz.)	+2.11	-1.16	+20.25
DXY (G7/USD)	+0.63	+0.70	+1.75
ADXY (USD/Asian)	+0.87	+0.95	-0.40

Commodities	Changes (%)		
	YTD	1W	1Y
CRB Index	-2.05	-2.34	+2.77
Crude Oil (USD/bbl)	-5.84	-8.20	+12.58
Natural Gas (USD/MMBtu)	-0.18	+2.20	-29.59
COAL (Australia, USD/tonne)	+1.66	+0.00	-32.88
COAL (Rotterdam, USD/tonne)	+2.69	+2.98	-33.99
Alumunium (USD/tonne)	-1.80	-1.69	-2.12
Nickel (USD/tonne)	-1.54	+1.99	+22.99
Tin (USD/tonne)	+2.21	+3.12	-14.41
Silver (USD/t oz.)	-0.03	-1.01	+14.95
CPO (MYR/Tonne)	-0.16	+1.84	+47.73
Rubber (JPY/kg)	-0.73	-0.11	-6.28

Maybank Funds	Performances (%)			
	YTD	1M	3M	1Y
Maybank Dana Ekuitas	-0.19	+1.57	+2.76	-4.50
Maybank Sector Rotation Equity Fund	-1.20	+0.61	+1.11	-6.00
Maybank Dana Berimbang	-1.05	+0.13	+0.65	-3.55
Maybank Dana Pasti 2	+1.37	+2.00	+3.08	+12.33
Maybank Dana Pasar Uang	+0.27	+0.62	+1.78	+6.98

Data as of January 13th, 2020

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