

Vaccine progress, stimulus hopes boosted stocks despite weak US job data

Most global markets extended gains, after reporting best months in November, as Covid-19 vaccines from Pfizer and Moderna await approvals from US and EU regulators and UK becomes the first Western nation to approve Pfizer vaccine and authorise immunizations to begin within days. Renewed hopes for a new stimulus deal, after a bipartisan group of US senators proposed a \$908bn relief package, elevated US markets to record highs despite economic data showing slowing recovery. US nonfarm payrolls added only 245k jobs in November vs. 610k in October, missing consensus expectations by almost half, but this weak data is viewed positively as it may improve chance for new fiscal relief package. Global equities also benefited from China's Caixin PMI surveys showing strong expansions of manufacturing and services activities in November. With a rising optimism of economic recovery, US bond yields edged higher while commodity prices extended gains, most notably thermal coal and CPO benchmark prices, which were up by 19% and 10% year-to-date, respectively.

In Indonesia, JCI closed only 0.47% higher as foreign inflows in prior five weeks reversed to net sell of Rp3.94Tn while bond market sustained a net foreign buy. Cyclical sectors such as mining, construction, automotive, and basic industries continued to lead the market this week, while consumer (except for tobacco) and infrastructure & telecommunication stocks were laggards.

The Week Ahead – FDA meeting to discuss Pfizer vaccine candidate

The key economic calendar to watch out for next week are Indonesia Consumer Confidence (Tue 10:00) and Retail Sales (Wed 10:00), ECB Interest Rate Decision (Thu 19:54), US Inflation Rate and Initial Jobless Claims (Thu 20:30). Other event to watch out is FDA's committee meetings to discuss request for emergency use authorisation of Covid-19 vaccines from Pfizer scheduled for December 10, while Moderna's vaccine review is set for December 17. Background materials will be available for release to the public within 2 days prior to the meetings.

Investment Conclusion

Equity markets globally have recovered strongly, pricing in V-shaped recoveries in economic growth and equity earnings in 2021, as the worst of the economic fallout from the pandemic seems largely over despite fears over new waves of infections. We believe Indonesia's coronavirus fallout is already fully priced in as JCI's forward P/E valuation has fallen to 20-yr average, while global markets valuation have returned to pre-pandemic highs of 1SD above long-term mean. We view Indonesia's market valuation as attractive and expect JCI to continue its recovery, driven by catalysts such as vaccine discovery, Omnibus Law and Indonesia's improving macro outlook. With a persistent bullish market outlook, we maintain our 2021 JCI target of 6,600 (our bullish case scenario), for now.

Recommendation

We have been recommending investors to stay defensive since last year with our broad-based ETFs RLQ45 & XIIT to minimize volatility and our ESG ETF XISR (Sri Kehati) or XIPI (Pefindo i-Grade), which have overweight positions in BBKA, which is considered as defensive stock at times of uncertainty. Please note that ESG (Environmental, Social & Governance) ETFs globally saw record inflows in 2020 amid the pandemic, after a strong rise in 2019. For investors looking to benefit from market rebound, our pick is ETF XIIM (MSCI Indonesia Large Cap), whose constituents of 15 large cap stocks mostly owned by foreign investors are among most impacted by foreign selling and thus should benefit the most from recovery. XIIM shares similarity with XISR and XIPI in terms of overweight in banking sector, including in BBKA.

Meanwhile, XISI (SM-Infra18) and XISC (SOEs) focused on SOEs in infrastructure and financial sectors, lacked defensive constituents such as BBKA and consumer stocks, and thus may be viewed as riskier during the pandemic. However, these two ETFs also have lowest valuation among of our ETF universe, with 2021F P/E of 15.4x and 14.9x, respectively, which are lower than valuation of our broad-based ETFs RLQ45 (at 17.0x), XIIT (at 17.0x), and XIIM (at 16.9x), and thus may continue to have more upside potential if Indonesia's stock market recovers on sustainable basis and investors continue to rotate away from defensive sectors into cyclical stocks. Please refer to our ETF Fund Guide in page 2.

Global Stock Indices	Last	1W	YTD
DJIA	30,218.26	1.03%	5.89%
S&P 500	3,699.12	1.67%	14.50%
Nasdaq	12,464.23	2.12%	38.91%
FTSE 100	6,550.23	2.87%	-13.16%
DAX	13,298.96	-0.28%	0.38%
Nikkei 225	26,751.24	0.40%	13.08%
Hang Seng	26,835.92	-0.22%	-4.80%
Shanghai	3,444.58	1.06%	12.93%
EIDO	22.74	0.22%	-11.38%

JCI Sector Indices	Last	1W	YTD
JAKMINE	1,757.34	4.76%	13.48%
JAKPROP	1,349.08	4.69%	-11.50%
JAKMIND	1,017.39	2.01%	-16.87%
JAKBIND	905.30	1.48%	-7.45%
JAKTRAD	705.47	1.16%	-8.36%
JAKPROP	381.22	0.72%	-24.34%
JAKFIN	1,308.75	0.50%	-3.39%
JCI	5,810.48	0.47%	-7.76%
JAKCONS	1,875.75	-0.68%	-8.62%
JAKINFR	963.02	-3.19%	-15.34%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	0.15	0 bps	-142 bps
UST 10Y Yield	0.97	13 bps	-94 bps
Ind GB 10Y Yield	6.19	-3 bps	-87 bps
USDIDR	14,085	-5	219
CDS Indo 5Y	68.02	-4.48	5.78

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	-3.94 Tn	-60.34 Tn
Government Bond Market (Rp)	+750 Bn	-91.17 Tn

Commodities	Last	1W	YTD
WTI	46.26	1.60%	-24.24%
Brent	49.25	2.01%	-25.38%
CPO (Malaysia)	3,552.00	1.34%	18.96%
Coal (New Castle)	74.25	6.76%	9.68%

Funds and ETFs	Last	1W	YTD	
<i>ETF</i>	<i>Theme</i>			
RLQ45	LQ45	955.39	-0.40%	-8.72%
XIIT	IDX30	512.19	-0.75%	-9.47%
XIJI	JII	625.60	-0.63%	-11.27%
XISI	SMInfra18	316.53	0.04%	-7.49%
XISR	Sri Kehati	374.06	-0.44%	-8.10%
XIHD	IDXHIDIV20	461.13	-0.57%	-8.50%
XIPI	Pefindo I-Grade	169.34	-0.32%	-5.61%
XIIM	MSCI Indo Large Cap	253.77	-0.63%	-
XIID	IDX30	497.75	-0.76%	-
XIIC	Consumer Related	1,018.36	-1.35%	-10.15%
XIIF	Rate Sensitive	567.56	0.26%	-10.48%
XISC	BUMN Stocks	696.49	1.35%	-3.52%
XISB	Sovereign Bonds	439.64	0.33%	6.80%
<i>Conventional</i>				
RDMP	Equity	1,033.45	0.11%	-11.34%
RPCF	Balanced	2,898.70	-0.05%	-2.71%
RDP2U	Money Market	1,279.59	0.13%	4.63%

Summary of Investment Characteristics & Valuation of ETF Funds Portfolios

Name of ETF Funds	Defensive	Fund Characteristics (% of Portfolio)				Cash	P/E (x)		Dividend Yield	Beta to JCI
		Rate-Sensitive	Dom. Cyclical	Commodities	2021F		2021F			
1 RLQ45	28.0	49.9	13.4	8.3	0.30	17.0	2.6	1.12		
2 XIIT	27.7	53.8	10.9	7.2	0.37	17.0	2.7	1.18		
3 XISC	19.8	34.9	29.6	14.9	0.82	14.9	3.0	1.22		
4 XISR	26.4	62.7	5.4	4.9	0.52	17.5	2.5	1.17		
5 XIIF	11.4	53.0	35.0	0.0	0.58	16.7	2.5	1.22		
6 XISI	43.2	16.2	24.8	15.5	0.28	15.4	2.9	1.13		
7 XIPI	19.7	60.7	17.4	1.8	0.32	18.6	2.1	1.20		
8 XIIC	43.0	43.3	12.0	0.0	1.62	17.3	2.8	1.10		
9 XIHD	31.9	49.8	6.5	11.4	0.34	16.8	2.9	1.17		
10 XIJI	51.0	1.6	31.8	15.4	0.22	20.9	2.2	1.09		
11 XIML	22.0	70.1	3.9	3.8	0.24	16.9	2.8	1.20		
12 XIID	27.8	53.7	11.0	7.2	0.33	17.0	2.7	1.22		
Index										
IDX80	31.9	38.8	21.1	8.2		15.6	2.9			
JCI	32.4	37.2	22.5	7.8		15.3	2.1			

Remarks:

*Red: Overweight to IDX80; Black: Neutral to IDX80; Green: Underweight to IDX80

Characteristic Classification :

*Defensive : Consumer Goods, Media, Telecommunication, and Infrastructure

*Rate Sensitive : Banks and Auto

*Dom. Cyclical : Cement, Property, Construction, Animal Feeds, and Retail Trade

*Commodities : Coal Mining, Metals & Oil Mining, Plantation and Misc. Industries

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