

**Biden's infrastructure plan, vaccination progress fueled growth optimism**

Major global stock markets regained record highs as hopes for faster economic growth outweighs uncertainty caused by rising bond yields. Growth optimism is fueled by President Biden's \$2.25Tn infrastructure plan, strong vaccine rollouts, robust manufacturing activity expansions and rising consumer confidence. The proposed infrastructure bill will include raising corporate tax rate from 21% to 28%, thus partially reversing the 2017 tax cuts. Biden stated that a second fiscal package that focused on healthcare, education and child-care spending would be revealed in April. This week's economic data release also contributed to the growth optimism as US ISM manufacturing PMI data rose to 64.7 in March, its highest level since 1983 (cons: 61.3), while the CB consumer confidence index jumped to a pandemic-era record high of 109.7 (cons: 96.9). On the other hand, US labour data was mixed as non farm payrolls was well ahead of expectation, adding 916K jobs in March (cons: 647K), thus lowering the unemployment rate to 6.0% (from 6.2%), while the weekly jobless claims rose to 719K (cons: 680K). Meanwhile, 10-yr US Treasury yields returned back up to above 1.7% and bond yields remained a key source of uncertainty for global financial markets.

In Indonesia, JCI plunged 2.97%, in contrary to most other Asian stock markets, as foreign equity outflows intensified (-Rp2.39Tn) while bond market improved to small inflows (+Rp0.48Tn). Banking, property & construction, mining, and auto sectors led the market declines while consumers and trading sectors were relatively more resilient.

**The Week Ahead – FOMC Minutes, Fed Chair Powell Speech**

The key economic calendar to watch out for next week includes US ISM Non-Manufacturing PMI and Factory Orders (Mon 21:00), China Caixin Services PMI (Tue 08:45), FOMC Minutes (Thu 01:00), ECB Monetary Policy Meeting Accounts (Thu 18:30), US Initial Jobless Claims (Thu 19:30), and Fed Chair Powell Speech (Thu 23:00).

**Investment Conclusion**

Global equities have priced-in strong growth recovery in 2021 but the key issue for markets in recent weeks has shifted to rising inflation, as reflected in rapidly rising bond yields and commodity prices, which could lower profit margins and stock valuation, particularly in the Developed Markets. However, we view rising commodity prices is a bullish case for Emerging Markets as EM GDP, earnings growth and equities returns are historically positively correlated to commodity prices. Indonesia's commodity sectors are expected to add 4.2% to JCI earnings growth in 2021, after contributing negatively to equity earnings growth in each of the past 2 years. We maintain our long-held 2021 JCI target of 6,600 for now (our bullish case: 7,000), pending Q1 2021 corporate earnings releases.

**Recommendation**

We have recommended investors to stay defensive since before the pandemic, with our broad-based ETFs RLQ45, XIIT (IDX30), XIPI (Pefindo i-Grade), and ESG ETF XISR (Sri Kehati) to minimize volatility. Both XIPI and XISR have overweight positions in BBCA, widely considered as defensive stock at times of uncertainty. Meanwhile, XIPI has managed to closely track JCI performances so far in 2021, well outperforming other broad-based ETFs due to its overweight of cyclicals, including in banking & basic materials sectors, and its underweight of defensive stocks in the portfolio. As such, XIPI is exposed to sectors that should benefit the most from economic recovery while still maintaining defensiveness through overweight exposure in BBCA. Meanwhile, Environmental, Social & Governance (ESG) ETFs globally saw record inflows in 2020 amid pandemic and we expect the trend of investing in ESG funds to continue. We also like ETF XIIML (MSCI Indonesia Large Cap) for its constituent of mainly blue chip stocks.

Meanwhile, XISI (SM-Infra18) and XISC (SOEs) focused on SOEs in infrastructure and financial sectors, lacked defensive constituents such as BBCA 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 15.6x and 15.0x, respectively, which are lower than valuation of our broad-based ETFs RLQ45 (at 17.1x), XIIT (at 16.5x), XIIML (at 16.9x) and XIPI (at 18.7x), and thus may have more upside potential if investors continue to rotate away from defensive sectors into cyclical stocks. Our ETF Fund Guide is on page 2.

Global Stock Indices	Last	1W	YTD
DJIA	33,153.21	0.24%	8.32%
S&P 500	4,019.87	1.14%	7.02%
Nasdaq	13,480.11	2.60%	4.59%
FTSE 100	6,737.30	-0.05%	4.28%
DAX	15,107.17	2.43%	10.12%
Nikkei 225	29,854.00	2.32%	8.78%
Hang Seng	28,938.74	2.13%	6.27%
Shanghai	3,484.39	1.93%	0.33%
EIDO	21.93	-4.78%	-6.36%

JCI Sector Indices	Last	1W	YTD
JAKTRAD	856.54	-0.52%	11.77%
JAKCONS	1,691.82	-1.00%	-7.66%
JAKBIND	957.99	-1.60%	4.02%
JAKAGRI	1,435.91	-1.85%	-4.14%
JAKINFR	1,039.82	-2.55%	3.88%
<b>JCI</b>	<b>6,011.46</b>	<b>-2.97%</b>	<b>0.54%</b>
JAKMIND	1,003.67	-3.51%	-7.16%
JAKMINE	1,782.60	-3.96%	-6.94%
JAKFIN	1,372.90	-4.45%	2.98%
JAKPROP	361.20	-5.01%	-8.99%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	0.19	5 bps	6 bps
UST 10Y Yield	1.71	4 bps	80 bps
Ind GB 10Y Yield	6.76	5 bps	88 bps
USDIDR	14,577	159	527
CDS Indo 5Y	86.23	-0.14	18.72

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	-2.39 Tn	+4.20 Tn
Government Bond Market (Rp)	+0.48 Tn	-22.50 Tn

Commodities	Last	1W	YTD
WTI	61.45	0.79%	26.65%
Brent	64.86	0.45%	25.21%
CPO (Malaysia)	3,741.00	1.33%	14.58%
Coal (New Castle)	96.50	2.71%	19.88%

Funds and ETFs		Last	1W	YTD
ETF	Theme			
RLQ45	LQ45	941.94	-3.90%	-3.36%
XIIT	IDX30	496.29	-3.98%	-4.27%
XIJI	JII	614.59	-2.03%	-3.94%
XISI	SMInfra18	311.11	-3.42%	-6.29%
XISR	Sri Kehati	358.25	-4.05%	-5.55%
XIHD	IDXHIDIV20	442.50	-3.71%	-3.68%
XIPI	Pefindo I-Grade	169.94	-4.63%	-1.47%
XIIML	MSCI Indo Large Cap	242.40	-4.10%	-4.50%
XIID	IDX30	481.44	-3.99%	-4.40%
XIFE	FTSE Indo ESG	96.21	-3.87%	
XIIC	Consumer Related	977.34	-3.45%	-5.51%
XIIF	Rate Sensitive	550.67	-5.48%	-6.45%
XISC	BUMN Stocks	716.82	-5.99%	-6.10%
XISB	Sovereign Bonds	423.80	0.28%	-5.01%
<i>Conventional</i>				
RDMP	Equity	966.85	-3.65%	-8.54%
RPCF	Balanced	2,757.47	-3.10%	-7.64%
RDP2U	Money Market	1,298.93	0.06%	1.12%

## Summary of Investment Characteristics &amp; Valuation of ETF Funds Portfolios

Name of ETF Funds	Fund Characteristics (% of Portfolio)					P/E (x)	Dividend Yield	Beta to JCI
	Defensive	Rate-Sensitive	Dom. Cyclical	Commodities	Cash	2021F	2021F	
1 RLQ45	27.3	48.6	15.5	8.3	0.34	17.1	2.6	1.12
2 XIIT	29.3	51.4	10.8	8.1	0.35	16.5	2.9	1.17
3 XISC	20.3	35.1	24.9	16.2	3.44	15.0	3.2	1.27
4 XISR	26.7	63.3	5.1	4.5	0.47	17.0	2.7	1.15
5 XIIF	11.5	49.1	38.7	0.0	0.64	16.6	2.7	1.23
6 XISI	47.6	15.6	22.4	13.8	0.61	15.6	3.1	1.13
7 XIPI	18.4	58.9	17.0	5.1	0.50	18.7	2.2	1.19
8 XIIC	34.7	41.3	20.5	0.0	3.47	17.2	3.0	1.10
9 XIHD	31.8	51.7	4.8	11.0	0.70	16.8	3.1	1.15
10 XIJI	49.5	1.4	33.3	15.7	0.11	19.5	2.1	1.09
11 XIIML	22.1	69.8	4.4	3.2	0.42	16.9	2.9	1.16
12 XIID	29.3	51.4	10.8	8.1	0.39	16.6	2.9	1.10
13 XIFE	32.5	54.5	6.4	6.2	0.45	16.9	2.8	1.11
<b>Index</b>								
IDX80	30.9	40.4	18.5	10.2		15.8	2.6	
JCI	31.5	39.2	20.5	8.7		16.5	1.9	

**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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