

**Stimulus deal stalemate, rising vaccine hopes amidst surging Covid cases**

Global stock markets were lacking catalyst as new stimulus deal seems unlikely before US election amidst surging Covid cases and slowing economic recovery as IMF warned of a disconnect between rising stock markets' valuations and the economy despite upward revision of its global GDP growth forecast to -4.4% for 2020, from -4.9% in June. Rising coronavirus cases in US and Europe has led to renewed strict restrictions and dampened sentiment, as also news of pauses in clinical trials of Johnson & Johnson's Covid vaccine candidate and Eli Lilly's antibody treatment, due to safety concerns, although the US stock markets get a lift on Friday, after a 3-day slide, by much stronger than expected retail sales growth of 1.9% MoM in September (from 0.6% in August), and news that Pfizer could apply for emergency use authorization for its vaccine candidate from FDA in late November. Meanwhile, data on US initial jobless claims disappointed, rising to 898,000 in latest week, a two-month high, although continuing claims improved to 10.1 million, from 11.2 million.

In Indonesia, JCI gained 0.98% despite foreign investors' sustained selling of the market (net sell: Rp587.6Bn) while bond market recorded inflows of Rp4.76Tn. Key market drivers were mining, banking, auto, and infrastructure sectors while consumer and cement stocks were laggards. News that SOE Minister ordered establishment of a mining holding company to develop domestic supply chain for electronic vehicle batteries has boosted mining stocks.

**The Week Ahead – China Q3 GDP Growth, Markit PMI data for EU and US**

The key economic calendar to watch out for next week are China GDP Growth, Industrial Production & Retail Sales (Mon 09:00), Fed Chair Powell Speech (Mon 19:00), US Housing Starts (Tue 19:30), US Initial Jobless Claims (Thu 19:30), US Existing Home Sales (Thu 21:00), Markit Manufacturing and Services PMI data for EU and US (Fri 15:00 and 20:45, respectively).

**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 a second wave of infections. We believe Indonesia's coronavirus fallout is already fully priced in as JCI P/E valuation has fallen to just above 20-yr average, while global markets valuation have returned to near pre-pandemic highs at 1SD above long-term averages. We view Indonesia's market valuation as attractive, regardless of GDP and earnings growth in 2020. Given high correlation factor of 0.80 between JCI and S&P500 indices in 2020 (vs. 0.19 in 2018-2019), we expect JCI will continue to recover, driven by global catalysts such as vaccine discovery, and maintain our base-case 2020 JCI target of 5,300 (bullish case target is 5,600).

**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), which have an overweight position in BBKA, which is considered as defensive stock at times of market uncertainty. Please note ESG (Environmental, Social & Governance) ETFs globally saw record inflows of over US\$19bn in 2020 amid the pandemic, continuing its strong rise since 2019. For investors looking to benefit from further market rebound, our pick is ETF XIIML (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 a recovery. XIIML 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 more risky at current market conditions. However, these two ETFs also have lowest valuation among of our ETF universe, with 2020 P/E of 17.2x and 16.7x, respectively, which are lower than valuation of our broad-based ETFs RLQ45 (at 18.9x), XIIT (at 18.8x), and XIIML (at 18.9x), and thus may have more upside potential if Indonesia's stock market recovers on a sustainable basis. Please refer to our ETF Fund Guide in page 2.

Global Stock Indices	Last	1W	YTD
DJIA	28,606.31	0.07%	0.24%
S&P 500	3,483.81	0.19%	7.83%
Nasdaq	11,671.55	0.79%	30.08%
FTSE 100	5,919.58	-1.61%	-21.52%
DAX	12,908.99	-1.09%	-2.57%
Nikkei 225	23,410.63	-0.89%	-1.04%
Hang Seng	24,386.79	1.11%	-13.49%
Shanghai	3,336.36	1.96%	9.38%
EIDO	18.36	0.00%	-28.45%

JCI Sector Indices	Last	1W	YTD
JAKMINE	1,422.05	4.47%	-8.17%
JAKMIND	890.38	3.36%	-27.25%
JAKFIN	1,125.41	1.81%	-16.92%
JAKBIND	751.62	1.14%	-23.16%
<b>JCI</b>	<b>5,103.41</b>	<b>0.98%</b>	<b>-18.99%</b>
JAKINFR	831.38	0.76%	-26.91%
JAKTRAD	634.49	0.59%	-17.58%
JAKAGRI	1,175.71	0.20%	-22.88%
JAKCONS	1,858.67	-0.84%	-9.45%
JAKPROP	318.71	-2.72%	-36.75%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	0.15	-1 bps	-142 bps
UST 10Y Yield	0.75	-2 bps	-117 bps
Ind GB 10Y Yield	6.76	-15 bps	-30 bps
USDIDR	14,698	-2.5	832
CDS Indo 5Y	94.81	0.30	32.57

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	-587.61Bn	-61.87Tn
Government Bond Market (Rp)	+4.76Tn	-116.74Tn

Commodities	Last	1W	YTD
WTI	40.78	0.44%	-33.21%
Brent	42.93	0.19%	-34.95%
CPO (Malaysia)	2,920.00	0.31%	-2.21%
Coal (New Castle)	56.30	-1.92%	-16.84%

Funds and ETFs		Last	1W	YTD
ETF	Theme			
RLQ45	LQ45	818.52	1.49%	-21.80%
XIIT	IDX30	440.00	1.27%	-22.23%
XIJI	JII	555.17	1.24%	-21.26%
XISI	SMInfra18	259.49	1.56%	-24.16%
XISR	Sri Kehati	322.93	0.86%	-20.66%
XIHD	IDXHIDIV20	392.53	1.45%	-22.11%
XIPI	Pefindo I-Grade	140.73	1.92%	-21.56%
XIIML	MSCI Indo Large Cap	219.90	0.76%	-
XIID	IDX30	428.03	1.25%	-
XIIC	Consumer Related	900.24	0.37%	-20.57%
XIIF	Rate Sensitive	448.29	2.75%	-29.30%
XISC	BUMN Stocks	520.95	4.70%	-27.84%
XISB	Sovereign Bonds	422.19	0.70%	2.56%
<i>Conventional</i>				
RDMP	Equity	884.25	0.57%	-24.14%
RPCF	Balanced	2,508.74	0.95%	-15.80%
RDP2U	Money Market	1,268.66	0.11%	3.73%

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

	Name of ETF Funds	Fund Characteristics (% of Portfolio)				Cash	P/E (x)	Dividend
		Defensive	Rate-Sensitive	Dom. Cyclicals	Commodities		2020F	Yield
1	<b>RLQ45</b>	<b>30.6</b>	<b>47.8</b>	<b>13.2</b>	<b>7.9</b>	<b>0.5</b>	<b>18.9</b>	<b>3.5</b>
2	XIIT	29.8	51.8	11.2	6.9	0.4	18.8	3.5
3	<b>XISC</b>	<b>20.8</b>	<b>36.8</b>	<b>23.5</b>	<b>14.7</b>	<b>4.2</b>	<b>16.7</b>	<b>4.7</b>
4	XISR	28.7	62.3	4.1	4.8	0.2	19.8	3.3
5	<b>XIIF</b>	<b>12.3</b>	<b>55.3</b>	<b>32.1</b>	-	<b>0.2</b>	<b>18.8</b>	<b>3.2</b>
6	XISI	45.9	15.6	23.3	14.6	0.5	17.2	4.3
7	<b>XIPI</b>	<b>20.1</b>	<b>62.2</b>	<b>15.9</b>	<b>1.5</b>	<b>0.3</b>	<b>22.0</b>	<b>2.7</b>
8	XIIC	46.6	41.3	11.5	-	0.6	19.4	3.4
9	<b>XIHD</b>	<b>34.4</b>	<b>48.3</b>	<b>6.6</b>	<b>10.4</b>	<b>0.3</b>	<b>18.7</b>	<b>3.9</b>
10	XIJI	48.8	11.9	25.8	13.0	0.5	20.3	3.2
11	<b>XIML</b>	<b>24.5</b>	<b>67.6</b>	<b>4.2</b>	<b>3.5</b>	<b>0.2</b>	<b>18.9</b>	<b>3.7</b>
12	XIID	29.8	51.7	11.1	6.9	0.4	18.8	3.5
<b>Index</b>								
	<b>IDX80</b>	<b>31.9</b>	<b>38.8</b>	<b>21.1</b>	<b>8.2</b>		<b>17.3</b>	<b>3.2</b>
	JCI	32.4	37.2	22.5	7.8		19.2	2.4

**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 &amp; Oil Mining, Plantation and Misc. Industries

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