

Surging commodity prices depressed global stocks, EU markets recovered

Global stock markets remained on down trend, although EU stocks rebounded, as US sanctions on Russian oil and gas pushed oil prices to as high as US\$139 a barrel before easing to \$109, after a UAE official stated the country was willing to increase production significantly. Aside from oil, Russia's threat to ban nickel exports (which accounted for 9% of the global supply) caused prices to double on Tuesday before trading on the London Metal Exchange was halted. In the agriculture commodities space, prices of wheat and corn have risen by 43% and 28% YTD as Russia and Ukraine were major exporters of these commodities. Meanwhile, Indonesia's major export commodities of coal and crude palm oils saw their price rises by 116% and 43% YTD, respectively, with CPO price also boosted by Indonesia's decision to raise the domestic market obligation quota to 30% (from 20%). The surge in commodity prices further elevated inflation fears and led to 10-yr US Treasury yields to rise to 2.0% ahead of the Fed's rate hike cycle expected to begin next weeks. US February CPI inflation rose to 7.9% YoY (Core CPI: +6.4% YoY), as expected, while initial jobless claims at 227K was slightly higher than expected and University of Michigan's consumer sentiment index fell to a new decade low in March. Global equity indices for developed and emerging markets have fallen by 12% YTD, positioning Indonesia as one of the world's best performing stock markets with 5.2% gain so far in 2022.

In Indonesia, JCI performance remained resilient this week (-0.08%), supported by continuing foreign inflows (Rp1.3Tn) for a cumulative inflows of Rp29Tn YTD. Energy and technology sectors corrected the most, after coal price eased from record high of US\$425, while property sector gained the most this week. In the local bond market, an unusually large foreign outflows (Rp16.5Tn) pushed 10-yr yields slightly higher to 6.73% (+6bps) ahead of next week's Fed's meeting.

The Week Ahead – Fed Rate Decision & FOMC Projections, BI Meeting

The key economic data to focus next week includes Indonesia Trade Balance (Tue 11:00), US Producer Price Index (Tue 19:30), US Retail Sales (Wed 19:30), FOMC Meeting and Economic Projections (Thu 01:00), BI Interest Rate Decision (Thu 14:30), US Initial Jobless Claims (Thu 19:30), US Industrial Production (Thu 20:15), and US Existing Home Sales (Fri 21:00).

Investment Conclusion

Global equities have priced-in strong growth recovery since 2021 but the key issue for markets in the past year has shifted to inflation, as reflected in rising bond yields, as this could lead to monetary policy tightening in the advanced economies. An unexpected shift in Fed's monetary policy (eg. taper, rate hike) could unsettle global markets and lead to fund outflows from EMs. However, we view the risks to Indonesia are lower now (than in 2013) as Fed tightening is already expected, Indonesia's country risk indicators have improved, and its bond market is resilient. Our 2022 JCI target of 7,400 is based on consensus earnings growth forecasts of 18% for 2022 (11% for 2023) and our forward P/E target of 15x, in line with 10-yr mean P/E before the pandemic. In addition, EM stocks (including Indonesia) are attractively valued as they well underperformed DM in 2021, despite benefiting from commodity price tailwinds.

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. XIPI also has an overweight position in cyclical stocks, including in banking and basic materials sectors, and underweight of defensive stocks in the portfolio. As such, XIPI is exposed to sectors that should benefit the most from an economic recovery while still maintaining defensiveness through its overweight exposure in BBCA. We also like ETF XIML (MSCI Indonesia Large Cap) for its constituent of mainly blue-chip stocks, which should benefit the most from foreign equity inflows, as seen since the beginning of 2022.

Meanwhile, we view our narrow-based (thematic) ETFs such as XIIC (Consumer), XIIF (Rate Sensitive), XISI (Infrastructure), and XISC (State-Owned Companies) as better suited for trading or satellite investments given their more cyclical stock performances and importance of entry and exit timings for fund performances. Our ETF Fund Guide is on page 2.

Global Stock Indices	Last	1W	YTD
DJIA	32,944.19	-1.99%	-9.34%
S&P 500	4,204.31	-2.88%	-11.79%
Nasdaq	12,843.81	-3.53%	-17.90%
FTSE 100	7,155.64	2.41%	-3.10%
DAX	13,628.11	4.07%	-14.21%
Nikkei 225	25,162.78	-3.17%	-12.60%
Hang Seng	20,553.79	-6.17%	-12.15%
Shanghai	3,309.75	-4.00%	-9.07%
MSCI World	2,840.04	-1.95%	-12.12%
MSCI Emerging Markets	1,085.66	-5.18%	-11.88%

JCI Sector Indices	Last	1W	YTD
Property & Real Estate	753.81	5.40%	-2.49%
Transportation	1,797.69	5.27%	12.40%
Industrials	1,126.75	2.73%	8.69%
Infrastructures	1,020.73	2.62%	6.41%
Consumer Cyclical	937.67	1.74%	4.14%
Basic Materials	1,268.78	1.66%	2.79%
JCI	6,922.60	-0.08%	5.18%
Healthcare	1,394.12	-0.51%	-1.83%
Consumer Non-Cyclical	639.58	-0.87%	-3.70%
Financials	1,602.86	-1.16%	4.98%
Technology	7,889.75	-4.13%	-12.28%
Energy	1,403.34	-4.72%	23.15%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	1.75	26 bps	101 bps
UST 10Y Yield	2.00	26 bps	49 bps
Ind GB 10Y Yield	6.73	6 bps	35 bps
USDIDR	14,301	-87	59
CDS Indo 5Y	111.58	-3.37	37.02

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	1.31n	28.88Tn
Government Bond Market (Rp)	-16.55Tn	-20.8Tn

Commodities	Last	1W	YTD
WTI	109.33	-5.49%	42.01%
Brent	112.67	-4.61%	42.04%
CPO (Malaysia)	6,707.00	6.12%	43.22%
Coal (New Castle)	368.65	-11.96%	116.73%

Funds and ETFs	Last	1W	YTD
<i>ETF Theme</i>			
RLQ45 LQ45	1,073.81	1.09%	8.02%
XIIT IDX30	573.69	1.15%	8.72%
XIJI JII	631.86	0.25%	5.32%
XISI SMlnfra18	339.70	1.09%	3.08%
XISR SriKehati	411.83	1.83%	8.38%
XIHD IDXHIDIV20	543.42	0.88%	10.22%
XIPI Pefindo i-Grade	194.95	0.94%	9.38%
XIML MSCI Indo Large Cap	274.21	1.14%	7.57%
XIID IDX30	558.51	1.12%	8.50%
XIFE FTSE ESG Indonesia	109.39	1.22%	2.16%
XIIC Consumer Related	1,005.99	2.25%	3.72%
XIIF Rate Sensitive	554.17	4.70%	5.20%
XISC BUMN Stocks	714.81	0.94%	5.79%
XISB Sovereign Bonds	443.90	-0.71%	-1.52%

Conventional	Last	1W	YTD
RDMP Equity	1,005.85	0.36%	4.14%
RPCF Balanced	2,880.01	0.51%	1.02%
RDPO 2 Fixed Income	1,006.26	0.09%	-
RDPU 2 Money Market	1,346.17	0.06%	0.67%

Summary of Investment Characteristics & 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	2022F	2022F	
1 RLQ45	26.4	49.6	11.3	11.9	0.77	15.1	3.3	1.14
2 XIIT	28.8	51.6	6.6	12.3	0.78	15.5	3.0	1.07
3 XISC	18.0	42.2	13.0	19.2	7.65	13.6	3.7	1.33
4 XISR	25.7	61.9	5.8	5.7	0.88	15.5	3.2	1.11
5 XIIF	12.6	55.0	29.7	0.0	2.73	17.2	2.7	1.29
6 XISI	48.3	19.6	17.8	13.7	0.63	14.3	3.7	1.04
7 XIPI	22.4	60.9	10.2	5.5	0.99	17.6	2.6	1.18
8 XIIC	29.9	42.2	18.5	5.0	4.38	18.0	2.7	1.09
9 XIHD	23.9	55.5	3.8	15.1	1.74	14.6	3.7	1.12
10 XIJI	44.4	0.8	29.3	25.0	0.49	15.2	2.9	1.10
11 XIIML	18.4	77.0	2.9	0.0	1.73	16.4	3.2	1.11
12 XIID	28.8	51.6	6.6	12.3	0.70	15.3	3.2	1.07
13 XIFE	28.9	58.1	4.6	7.5	0.92	14.5	3.4	1.14
Index								
IDX80	30.3	40.1	15.4	14.2		14.2	3.2	
JCI	20.7	42.0	13.8	12.0		16.0	2.2	

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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