

Stocks gained further amid mixed US economic data, more hawkish Fed

Stock markets ended mostly higher, particularly in US and Japan, which are now well above their levels prior to Russia's invasion of Ukraine, while Europe stocks have also recovered. Within Emerging Equity Markets, stock performances since the Russia-Ukraine war have varied with emerging European, Egypt and Turkey among worst performers, due to their high dependences on energy and grain imports from Russia and Ukraine while commodity producing Latin American stock markets are among the best performers. Meanwhile, the bond price rout since the beginning of 2022 has accelerated this week as the yield of 10-yr US Treasury bonds jumped by 34bps to 2.49%, which are levels that were not seen since in May 2019. Fed Chair Powell's statement that the Fed could raise rate by larger than 25 basis points at future meetings if officials deemed it necessary to control inflation prompted a sell-off in the bond market. The price of US crude oil also climbed again to \$113, after retreating in the prior week, worsening the inflation outlook. This week's US economic data was mixed as February durable goods orders (-2.2% MoM) and pending home sales (-4.1% MoM) were much weaker than expected although the US Market Manufacturing and Services PMI data and initial jobless claims were better than expected.

In Indonesia, JCI gained 0.68% as foreign inflows remained strong at Rp3.66Tn, in contrast to the local bond market, which recorded large outflows (Rp5.52Tn), although IDR yields were maintained stable. The key market drivers among the large cap stocks are basic materials, financials, energy, and technology sectors while consumer and infrastructure stocks were the most laggards.

The Week Ahead – US Jobs Report & PCE Price Index, Indonesia Inflation

The key economic data to focus next week include US ADP (Private Sector) Employment (Wed 19:15), China NBS Manufacturing/Non-Manufacturing PMIs (Thu 08:30), US PCE Price Index, US Personal Income and Spending (Thu 19:30), US Initial Jobless Claims (Thu 19:30), Indonesia Inflation (Fri 11:00), EU Inflation Rate (Fri 16:00), US Non Farm Payrolls and Unemployment Rate (Fri 19:30), and US ISM Manufacturing PMI (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	34,861.24	0.31%	-4.06%
S&P 500	4,543.06	1.79%	-4.68%
Nasdaq	14,169.30	1.98%	-9.43%
FTSE 100	7,483.35	1.06%	1.34%
DAX	14,305.76	-0.74%	-9.94%
Nikkei 225	28,149.84	4.93%	-2.23%
Hang Seng	21,404.88	-0.04%	-8.52%
Shanghai	3,212.24	-1.19%	-11.75%
MSCI World	3,049.11	1.28%	-5.65%
MSCI Emerging Markets	1,125.01	0.18%	-8.68%

JCI Sector Indices	Last	1W	YTD
Transportation	1,873.54	4.65%	17.14%
Basic Materials	1,329.96	3.69%	7.74%
Energy	1,452.50	3.67%	27.47%
Technology	8,116.22	2.55%	-9.76%
Industrials	1,140.94	2.25%	10.06%
Healthcare	1,413.04	1.96%	-0.50%
Property & Real Estate	735.56	1.36%	-4.85%
Consumer Cyclical	948.48	1.02%	5.34%
JCI	7,002.53	0.68%	6.40%
Consumer Non-Cyclical	639.55	-0.82%	-3.70%
Financials	1,610.96	-0.95%	5.51%
Infrastructures	972.65	-2.43%	1.39%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	2.28	34 bps	155 bps
UST 10Y Yield	2.49	34 bps	98 bps
Ind GB 10Y Yield	6.71	-2 bps	32 bps
USDIDR	14,346	6	104
CDS Indo 5Y	94.50	6.36	19.95

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	3.66Tn	39.2Tn
Government Bond Market (Rp)	-5.52Tn	-29.87Tn

Commodities	Last	1W	YTD
WTI	112.60	7.14%	46.25%
Brent	120.65	11.79%	52.11%
CPO (Malaysia)	6,027.00	1.53%	28.70%
Coal (New Castle)	327.15	-2.20%	92.33%

Funds and ETFs	Last	1W	YTD
<i>ETF Theme</i>			
RLQ45 LQ45	1,098.75	1.68%	10.53%
XIIT IDX30	585.72	1.79%	11.01%
XIJI JII	631.13	1.44%	5.20%
XISI SMInfra18	342.32	1.77%	3.87%
XISR SriKehati	422.18	1.50%	11.10%
XIHD IDXHIDIV20	553.56	1.67%	12.28%
XIPI Pefindo I-Grade	200.82	1.80%	12.68%
XIML MSCI Indo Large Cap	278.99	0.58%	9.44%
XIID IDX30	569.95	1.76%	2.16%
XIFE FTSE ESG Indonesia	111.18	1.54%	2.16%
XIIC Consumer Related	1,024.45	1.26%	5.63%
XIIF Rate Sensitive	557.71	0.96%	5.87%
XISC BUMN Stocks	724.77	2.14%	7.27%
XISB Sovereign Bonds	444.78	0.27%	-1.33%

Conventional	Last	1W	YTD
RDMP Equity	1,032.14	3.32%	6.86%
RPCF Balanced	2,955.35	2.67%	3.67%
RDPO 2 Fixed Income	1,008.36	0.11%	-
RDPU 2 Money Market	1,347.86	0.06%	0.80%

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	25.7	50.0	11.2	11.9	1.19	15.3	3.3	1.14
2 XIIT	28.0	52.1	6.3	12.3	1.26	15.7	3.1	1.07
3 XISC	17.8	42.8	11.8	18.4	9.19	13.9	3.7	1.33
4 XISR	24.9	62.2	5.7	5.7	1.58	15.8	3.2	1.11
5 XIIF	12.3	55.8	28.6	0.0	3.23	17.3	2.7	1.29
6 XISI	47.9	20.6	17.4	13.3	0.87	14.7	3.7	1.04
7 XIPI	21.2	60.2	9.9	5.7	3.01	18.0	2.6	1.18
8 XIIC	31.3	42.5	18.1	5.3	2.74	18.3	2.7	1.09
9 XIHD	23.2	56.2	3.7	14.5	2.41	14.7	3.7	1.12
10 XIJI	44.3	0.8	29.4	25.1	0.43	15.3	3.0	1.10
11 XIIML	17.8	77.3	2.8	0.0	2.13	16.6	3.2	1.11
12 XIID	28.0	52.2	6.3	12.3	1.13	15.5	3.2	1.07
13 XIFE	30.1	55.9	5.7	6.5	1.81	14.7	3.4	1.14
Index								
IDX80	30.0	40.5	15.1	14.3		14.3	3.2	
JCI	28.9	42.5	16.0	12.6		18.7	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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