

**Markets pricing in three 50bps rate hikes by July, FFR at 2.5-2.75% by Dec**

Global stock markets continued their downward trend for the third consecutive week as Fed officials strike an increasingly hawkish public comment ahead of an upcoming Fed meeting on May 3-4. Fed Chair Jerome Powell and St. Louis Fed President James Bullard both stated during separate events of the need for Fed to move more quickly to bring interest rates to neutral. Powell stated a 50bps rate increase could be on the table for upcoming policy meeting while Bullard even suggested a rate hike of as much as 75bps could be up for discussion. Both policymakers believe Fed's rate hike cycle is unlikely to push US economy into a recession. Markets are now fully pricing in three 50bps hikes in upcoming Fed meetings in May, June and July, and implied the Fed Funds Rate to be at 2.50-2.75% range by year end. This was a stark contrast to the start of 2022 when markets were pricing in just three 25bps rate hikes for all of 2022. With US inflation running at a four decade high of 8.5%, 10-yr US Treasury yields are climbing further to 2.90% this week for a total year-to-date rise of 140bps while S&P500 has declined by 10.4% so far in 2022.. In the week ahead, a US Q1 GDP report will show whether the US economy's strong late momentum in Q4 2021, (6.9% qoq annualized growth), will be carried over into early 2022. Consensus estimate for Q1 2022 is for annualized qoq growth of just 1.1%.

In Indonesia, JCI was flattish this week (-0.14%) – this was a strong performance relative to global markets, and was supported by still strong foreign inflows of Rp5.3Tn (YTD: +Rp56Tn). The key market drivers among large cap stocks were banking and infrastructure stocks while technology and energy stocks corrected the most. In the bond market, 10-yr yields rose to c.7% amid sustained foreign outflows of Rp6Tn (YTD: -Rp48Tn).

**The Week Ahead – US Q1 GDP Growth Rate & PCE Price Index**

The key economic data to focus next week include US Durable Goods Orders (Tue 19:30), ECB President Lagarde Speech (Wed 23:00), US GDP Growth Rate and GDP Price Index (Thu 19:30), US Initial Jobless Claims (Thu 19:30), EU GDP Growth & Inflation Rate (Fri 16:00), US Personal Income & Spending (Fri 19:30), US PCE Price Index (Fri 19:30), China NBS Manufacturing & Non-Manufacturing PMI (Sat 08:30).

**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	33,811.40	-1.86%	-6.95%
S&P 500	4,271.78	-2.75%	-10.37%
Nasdaq	12,839.29	-3.83%	-17.93%
FTSE 100	7,521.68	-1.24%	1.86%
DAX	14,142.09	-0.15%	-10.97%
Nikkei 225	27,105.26	0.04%	-5.86%
Hang Seng	20,638.52	-4.09%	-11.79%
Shanghai	3,086.92	-3.87%	-15.19%
MSCI World	2,882.45	-2.61%	-10.81%
MSCI Emerging Markets	1,075.60	-3.35%	-12.70%

JCI Sector Indices	Last	1W	YTD
Infrastructures	1,015.23	4.10%	5.83%
Financials	1,614.47	1.92%	5.74%
Property & Real Estate	724.86	1.10%	-6.23%
<b>JCI</b>	<b>7,225.61</b>	<b>-0.14%</b>	<b>9.79%</b>
Transportation	1,966.73	-0.19%	22.97%
Consumer Non-Cyclicals	652.39	-0.40%	-1.77%
Healthcare	1,482.22	-0.99%	4.38%
Industrials	1,213.67	-1.01%	17.07%
Basic Materials	1,371.26	-1.10%	11.09%
Consumer Cyclical	936.92	-1.32%	4.05%
Technology	8,939.88	-1.50%	-0.61%
Energy	1,548.15	-4.23%	35.86%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	2.68	22 bps	194 bps
UST 10Y Yield	2.90	8 bps	139 bps
Ind GB 10Y Yield	6.98	5 bps	59 bps
USDIDR	14,362	-19	120
CDS Indo 5Y	107.55	8.43	33.00

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	5.26Tn	55.92Tn
Government Bond Market (Rp)	-6.01Tn	-47.52Tn

Commodities	Last	1W	YTD
WTI	102.07	-4.20%	32.58%
Brent	106.65	-4.52%	34.46%
CPO (Malaysia)	6,350.00	-1.78%	0.36
Coal (New Castle)	326.00	3.82%	91.65%

Funds and ETFs	Last	1W	YTD	
<i>ETF</i>	<i>Theme</i>			
RLQ45	LQ45	1,141.36	2.10%	14.82%
XIIT	IDX30	609.72	2.40%	15.55%
XIJI	JII	654.16	-0.27%	9.04%
XISI	SMInfra18	352.21	2.65%	6.88%
XISR	SriKehati	437.21	3.03%	15.06%
XIHD	IDXHIDIV20	576.52	2.33%	16.94%
XIPI	Pefindo I-Grade	206.58	3.20%	15.91%
XIML	MSCI Indo Large Cap	283.47	2.69%	11.20%
XIID	IDX30	592.63	2.37%	2.16%
XIFE	FTSE ESG Indonesia	115.30	2.36%	2.16%
XIIC	Consumer Related	1,038.53	2.04%	7.08%
XIIF	Rate Sensitive	558.56	3.34%	6.03%
XISC	BUMN Stocks	741.63	2.73%	9.76%
XISB	Sovereign Bonds	437.68	-0.52%	-2.90%

Conventional	Last	1W	YTD
RDMP Equity	1,056.88	-1.20%	9.42%
RPCF Balanced	2,959.02	-1.64%	3.80%
RDPO 2 Fixed Income	1,011.26	0.03%	
RDPU 2 Money Market	1,351.18	0.08%	1.05%

## 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	2022F	2022F	
1 RLQ45	25.9	49.8	11.0	12.7	0.59	15.1	3.3	1.14
2 XIIT	28.4	52.0	5.8	13.1	0.63	15.4	3.1	1.07
3 XISC	17.4	41.9	10.9	19.1	10.64	13.8	3.8	1.33
4 XISR	24.8	63.4	5.2	6.0	0.58	15.5	3.3	1.11
5 XIIF	19.6	54.5	22.8	0.0	3.11	16.9	2.9	1.29
6 XISI	48.2	20.7	16.0	13.7	1.30	14.5	3.8	1.04
7 XIPI	21.8	61.1	9.7	6.6	0.70	18.0	2.8	1.18
8 XIIC	28.7	39.6	16.0	4.9	0.71	18.4	2.7	1.09
9 XIHD	23.1	57.1	3.6	15.3	0.84	14.3	3.7	1.12
10 XIJI	45.0	0.7	26.9	26.2	1.10	15.4	3.1	1.10
11 XIIML	17.8	77.1	2.4	0.0	2.69	16.4	3.3	1.11
12 XIID	28.4	52.0	5.8	13.1	0.63	15.3	3.3	1.07
13 XIFE	31.1	56.1	5.2	7.4	0.28	14.4	3.4	1.14
<b>Index</b>								
IDX80	30.8	39.3	14.2	15.7		14.3	3.1	
JCI	29.9	39.5	15.6	15.0		18.3	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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