

## Focus on Russia-Ukraine talks amid market fluctuations, oil price declines

Global stocks were little changed as EM rebounded stronger than DM this week driven by gains across Latin America, Asia and EMEA regions, although EM still lagged DM so far in 2022 (-7.0% vs. -5.4%). This week started off positively as stock markets reacted to progress seemingly made in Russia-Ukraine ceasefire talks but markets reversed course after these talks yielded no breakthroughs to end the conflict with Russia regrouping its forces to bolster attacks on Ukraine eastern regions. The price of a barrel of US crude oil slipped below \$100 level as President Biden announced an unprecedented release of up to 180m barrels of oil from US strategic reserves over the next six months while Russia backed off from implementing President Putin's decree requiring EU to pay gas imports in the ruble currency. This week's US economic data were relatively as expected including for the ADP private sector jobs growth, weekly initial jobless claims, unemployment rate and growth of core PCE price index, although US non farm payrolls growth in March fell short of consensus estimate. Meanwhile, in the US bond market, a portion of the yield curve inverted, raising investor concerns over a near-term recession although we believe this is more likely a reflection of market overreaction to Fed policy and pending interest rate increases.

In Indonesia, JCI gained 1.09% as foreign buying of Indonesia stocks continued with a net buy of Rp5.0Tn, in contrast to the bond market which recorded large outflows of Rp13.2Tn. The JCI has benefited from cumulative inflows of Rp44Tn so far in 2022 while the bond market saw outflows of Rp43Tn. The key market drivers among large cap stocks were consumer, auto, telecom and technology sectors while basic materials, coal mining and healthcare stocks corrected.

## The Week Ahead – FOMC Minutes, progress of Russia-Ukraine talks

The key economic data to focus next week are US Factory Orders (Mon 21:00), US ISM Non-Manufacturing PMI (Tue 21:00), China Caixin Services PMI (Wed 08:45), FOMC Minutes (Thu 01:00), EU Retail Sales (Thu 16:00), US Initial Jobless Claims (Thu 19:30), and Indonesia Consumer Confidence (Fri 10:00).

## 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	34,818.27	-0.12%	-4.18%
S&P 500	4,545.86	0.06%	-4.62%
Nasdaq	14,261.50	0.65%	-8.84%
FTSE 100	7,537.90	0.73%	2.08%
DAX	14,446.48	0.98%	-9.06%
Nikkei 225	27,665.98	-1.72%	-3.91%
Hang Seng	22,039.55	2.97%	-5.80%
Shanghai	3,282.72	2.19%	-9.81%
MSCI World	3,057.07	0.26%	-5.40%
MSCI Emerging Markets	1,145.85	1.85%	-6.99%

JCI Sector Indices	Last	1W	YTD
Technology	8,464.26	4.29%	-5.89%
Energy	1,492.49	2.75%	30.98%
Consumer Non-Cyclicals	656.66	2.68%	-1.13%
Industrials	1,163.25	1.96%	12.21%
<b>JCI</b>	<b>7,078.76</b>	<b>1.09%</b>	<b>7.56%</b>
Basic Materials	1,340.70	0.81%	8.61%
Financials	1,613.56	0.16%	5.68%
Consumer Cyclicals	946.49	-0.21%	5.12%
Healthcare	1,408.52	-0.32%	-0.81%
Property & Real Estate	732.56	-0.41%	-5.24%
Infrastructures	967.65	-0.51%	0.87%
Transportation	1,862.25	-0.60%	16.44%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	2.46	18 bps	173 bps
UST 10Y Yield	2.39	-10 bps	88 bps
Ind GB 10Y Yield	6.76	5 bps	37 bps
USDIDR	14,370	25	128
CDS Indo 5Y	85.03	-9.47	10.48

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	5.01Tn	44.21Tn
Government Bond Market (Rp)	-13.18Tn	-43.06Tn

Commodities	Last	1W	YTD
WTI	99.42	-11.71%	29.13%
Brent	104.39	-13.48%	31.61%
CPO (Malaysia)	5,566.00	-7.65%	18.86%
Coal (New Castle)	258.75	-20.91%	52.12%

Funds and ETFs	Last	1W	YTD
<i>ETF Theme</i>			
RLQ45 LQ45	1,109.24	0.95%	11.58%
XIIT IDX30	590.86	0.88%	11.98%
XIJI JII	638.47	1.16%	6.43%
XISI SMInfra18	341.32	-0.29%	3.57%
XISR SriKehati	426.29	0.97%	12.18%
XIHD IDXHIDIV20	557.72	0.75%	13.13%
XIPI Pefindo I-Grade	202.07	0.62%	13.38%
XIML MSCI Indo Large Cap	282.04	1.09%	10.64%
XIID IDX30	574.74	0.84%	2.16%
XIFE FTSE ESG Indonesia	112.80	1.45%	2.16%
XIIC Consumer Related	1,027.75	0.32%	5.97%
XIIF Rate Sensitive	554.27	-0.62%	5.22%
XISC BUMN Stocks	722.76	-0.28%	6.97%
XISB Sovereign Bonds	443.65	-0.25%	-1.58%

Conventional	Last	1W	YTD
RDMP Equity	1,044.43	1.19%	8.13%
RPCF Balanced	3,018.52	2.14%	5.88%
RDPO 2 Fixed Income	1,009.18	0.08%	-
RDPU 2 Money Market	1,348.57	0.05%	0.85%

## 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	25.8	49.9	11.3	11.6	1.38	15.5	3.3	1.14
2 XIIT	28.2	52.0	6.4	12.0	1.45	15.8	3.1	1.07
3 XISC	17.9	41.9	12.0	18.1	10.15	14.1	3.7	1.33
4 XISR	24.9	62.2	5.6	5.6	1.75	15.8	3.2	1.11
5 XIIF	12.5	55.3	28.0	0.0	4.13	17.4	2.7	1.29
6 XISI	47.8	20.7	17.5	13.1	0.85	14.7	3.7	1.04
7 XIPI	21.5	59.6	10.1	5.5	3.27	18.2	2.6	1.18
8 XIIC	31.7	42.6	17.8	5.1	2.80	18.6	2.7	1.09
9 XIHD	23.4	56.2	3.6	14.3	2.57	14.7	3.7	1.12
10 XIJI	44.7	0.8	29.5	24.4	0.66	15.5	3.1	1.10
11 XIIML	17.9	76.5	2.8	0.0	2.85	16.8	3.2	1.11
12 XIID	28.2	52.1	6.4	12.0	1.28	15.6	3.2	1.07
13 XIFE	30.5	55.3	5.6	6.4	2.08	14.8	3.3	1.14
<b>Index</b>								
IDX80	30.4	40.4	15.1	14.0		14.5	3.1	
JCI	29.1	42.3	16.0	12.5		17.9	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 &amp; Oil Mining, Plantation and Misc. Industries

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