

**Inflation rate for both CPI and PPI remained high in April, uncertain impacts on interest rate hike.**

Global stock market is still in the downtrend this week amid high inflation rate for both consumer price index (CPI) and producer price index (PPI) in April. US Headline CPI released on Wednesday was still showing high figure of 8.3% YoY (+0.3% MoM), a step down from 8.5% increase recorded in March, but still slightly above the cons. of 8.1%. Core CPI of 6.2% YoY (+0.6% MoM), also slightly worse than the cons. of 6%. Additionally, the headline US PPI released on Thursday, came in at 11% YoY, also slightly higher than the cons. of 10.7%. Furthermore, economic data initial jobless claims in the week ended 7 May rose to 203k, worse than the cons (195k). Powell comments also didn't support market as he mentioned that central bank cannot guarantee a soft landing for the economy without triggering a recession. Therefore, market tumbled on both Wednesday and Thursday. However, stocks rebounded sharply on Friday as Fed Daly told Blomberg that 75bps interest hike is not a primary consideration, which comforted the market. Overall, S&P500 fell 2.41% during the week (YTD: -15.57%). Moreover, global equity indices for EM and DM were down by 2.1% and 2.31%, respectively throughout the week, bringing YTD performance to -16.32% and -18.21%. UST 10-yr yields eased to 2.83% on Thursday before rose again to 2.9% on Friday.

In Indonesia, JCI plunged (-8.73%) due to large amount of foreign outflows (-Rp8.4Tn) this week. Most of the sectors fell particularly technology, financials, & infrastructures, meanwhile consumer non-cyclicals and transportations were still resilient. In the local bond market, 10-yr yields jumped by 21bps to 7.38% amid large foreign outflows (Rp14.6Tn).

**The Week Ahead – Indonesia Trade Balance & Fed Chair Powell Speech**

The key economic data to focus next week include Indonesia Trade Balance (Tue 11:00), EU GDP Growth Rate (Tue 16:00), US Retail Sales (Tue 19:30), US Industrial Production (Tue 20:15), ECB President Lagarde Speech (Wed 00:00), Fed Chair Powell Speech (Wed 01:00), EU Inflation Rates (Wed 16:00), US Initial Jobless Claims (Thu 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 XIIML (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	32,196.66	-2.14%	-11.40%
S&P 500	4,023.89	-2.41%	-15.57%
Nasdaq	11,805.00	-2.80%	-24.54%
FTSE 100	7,418.15	0.41%	0.46%
DAX	14,027.93	2.59%	-11.69%
Nikkei 225	26,427.65	-2.13%	-8.21%
Hang Seng	19,898.77	-4.30%	-14.95%
Shanghai	3,084.28	0.54%	-15.26%
MSCI World	2,704.26	-2.10%	-16.32%
MSCI Emerging Markets	1,007.71	-2.31%	-18.21%

JCI Sector Indices	Last	1W	YTD
Transportation	1,947.90	1.99%	21.79%
Consumer Non-Cyclicals	675.77	1.61%	1.75%
Energy	1,590.54	-1.75%	39.58%
Healthcare	1,444.84	-1.88%	1.74%
Industrials	1,235.75	-2.59%	19.20%
Consumer Cyclical	903.02	-3.83%	0.29%
Property & Real Estate	699.93	-4.03%	-9.46%
Basic Materials	1,304.18	-4.32%	5.65%
Infrastructures	949.17	-6.13%	-1.05%
<b>JCI</b>	<b>6,597.99</b>	<b>-8.73%</b>	<b>0.25%</b>
Financials	1,465.29	-10.41%	-4.03%
Technology	7,038.98	-19.12%	-21.74%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	2.59	-14 bps	186 bps
UST 10Y Yield	2.92	-2 bps	141 bps
Ind GB 10Y Yield	7.38	21 bps	100 bps
USDIDR	14,613	115	371
CDS Indo 5Y	103.55	6.59	28.99

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	-8.4Tn	51.20Tn
Government Bond Market (Rp)	-14.6Tn	-78.13Tn

Commodities	Last	1W	YTD
WTI	110.49	0.66%	43.51%
Brent	111.55	-0.75%	40.63%
CPO (Malaysia)	6,383.60	-0.36%	0.36
Coal (New Castle)	392.85	3.52%	130.95%

Funds and ETFs	Last	1W	YTD	
<i>ETF</i>	<i>Theme</i>			
RLQ45	LQ45	1,080.53	-7.82%	8.70%
XIIT	IDX30	576.87	-8.07%	9.33%
XIJI	JII	643.03	-3.73%	7.19%
XISI	SMInfra18	339.77	-5.87%	3.10%
XISR	SriKehati	419.42	-7.49%	10.38%
XIHD	IDXHIDIV20	556.25	-7.03%	12.83%
XIPI	Pefindo I-Grade	189.78	-10.22%	6.48%
XIIML	MSCI Indo Large Cap	264.62	-9.34%	3.81%
XIID	IDX30	559.92	-8.16%	2.16%
XIFE	FTSE ESG Indonesia	109.26	-8.48%	2.16%
XIIC	Consumer Related	960.32	-8.37%	-0.98%
XIIF	Rate Sensitive	507.87	-9.78%	-3.59%
XISC	BUMN Stocks	701.05	-7.15%	3.76%
XISB	Sovereign Bonds	427.88	-2.01%	-5.07%

Conventional				
RDMP	Equity	925.15	-11.37%	-4.22%
RPCF	Balanced	2,641.27	-9.53%	-7.35%
RDPO 2	Fixed Income	1,004.48	-0.52%	
RDPU 2	Money Market	1,353.90	0.14%	1.25%

**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. Cyclicals	Commodities	Cash	2022F	2022F	
1 RLQ45	26.1	49.6	11.0	12.4	0.85	14.4	3.5	1.14
2 XIIT	28.6	51.8	6.0	12.8	0.87	14.7	3.3	1.07
3 XISC	19.1	39.3	11.3	18.7	11.53	12.6	4.2	1.33
4 XISR	25.6	61.8	5.4	6.3	0.87	15.0	3.5	1.11
5 XIIF	10.7	55.5	23.9	0.0	9.88	16.4	3.2	1.29
6 XISI	47.5	19.4	16.4	15.2	1.39	13.7	4.1	1.04
7 XIPI	22.0	61.1	10.3	6.0	0.66	17.6	3.0	1.18
8 XIIC	32.0	39.3	16.8	3.5	8.47	17.7	3.0	1.09
9 XIHD	23.9	55.6	3.4	16.1	1.07	13.5	3.9	1.12
10 XIJI	45.1	0.7	26.8	26.4	1.06	14.5	3.3	1.10
11 XIIML	18.7	75.8	2.6	0.0	2.96	15.9	3.5	1.11
12 XIID	28.6	51.8	6.0	12.8	0.83	14.7	3.4	1.07
13 XIFE	31.5	54.9	5.4	7.8	0.39	14.0	3.6	1.14
<b>Index</b>								
IDX80	30.9	39.9	14.3	15.0		13.1	3.3	
JCI	29.9	39.2	16.0	14.8		16.7	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 & Oil Mining, Plantation and Misc. Industries

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