

**Growing recession fears as US retail sector earnings missed expectations**

US stock indices continued their weekly losing streak and fell to new 52-week lows as fears inflation is causing consumers to pull back on discretionary spending. US retailing stocks fell dramatically as earnings results of some of the big-box retailers missed analyst expectations, due to reduced sales and higher costs, although US retail sales ex-auto data still grew more than expected in April (+0.6% MoM vs. consensus of 0.4%). The consumer discretionary sector is among the worst performing S&P500 sectors this year (YTD: -31.6%), followed by communication services and information technology sectors with US growth stocks well underperforming value stocks as interest rate rises. Comments from policymakers did not help calm inflation and interest rate fears as Fed officials indicated their willingness to hike rates as much as needed to reign in inflation. On the other hand, rising recession fears has benefited the bond market as the 10-year US Treasury yields eased to 2.79% (-13bps) this week, from their recent highs of >3%. Elsewhere in Europe, stocks also declined, albeit only modestly, whereas EM equities across Asian and Latin America markets performed well despite strengthening of the US dollars currency.

In Indonesia, JCI gained 4.85% this week despite small foreign outflows with most equity sectors performing well, except infrastructure (-2.8%), particularly the technology sector. In the local bond market, 10-yr IDR yields also eased to 7.28% (-10bps).

**The Week Ahead – BI Interest Rate Decision, US FOMC Minutes**

The key economic data to focus next week include BI Interest Rate Decision (Tue 14:30), US New Home Sales (Tue 21:00), Fed Chair Powell Speech (Tue 23:20), US Durable Goods Orders (Wed 19:30), US FOMC Minutes (Thu 01:00), US Initial Jobless Claims (Thu 19:30), Personal Income and Spending (Fri 19:30), and PCE Price Index (Fri 19:30).

**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. We raised our 2022 JCI target to 7,800 (from 7,400) as we believe consensus earnings growth forecasts of 18% for 2022 is likely to be exceeded given much stronger than expected Q1 2022 earnings results. Our JCI target is based 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 equities 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 BBKA, 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 BBKA. 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	31,261.90	-2.90%	-13.97%
S&P 500	3,901.36	-3.05%	-18.14%
Nasdaq	11,354.62	-3.82%	-27.42%
FTSE 100	7,389.98	-0.38%	0.07%
DAX	13,981.91	-0.33%	-11.98%
Nikkei 225	26,739.03	1.18%	-7.13%
Hang Seng	20,717.24	4.11%	-11.46%
Shanghai	3,146.57	2.02%	-13.55%
MSCI World	2,655.91	-1.79%	-17.82%
MSCI Emerging Markets	1,035.31	2.74%	-15.97%

JCI Sector Indices	Last	1W	YTD
Technology	7,865.62	11.74%	-12.55%
JCI	6,918.14	4.85%	5.12%
Energy	1,651.60	3.84%	44.94%
Healthcare	1,491.40	3.22%	5.02%
Consumer Non-Cyclicals	697.36	3.20%	5.00%
Basic Materials	1,341.95	2.90%	8.71%
Transportation	1,998.45	2.59%	24.95%
Financials	1,496.91	2.16%	-1.96%
Industrials	1,257.80	1.78%	21.33%
Consumer Cyclicals	913.09	1.12%	1.41%
Property & Real Estate	705.55	0.80%	-8.73%
Infrastructures	922.47	-2.81%	-3.84%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	2.59	0 bps	185 bps
UST 10Y Yield	2.79	-13 bps	128 bps
Ind_GB 10Y Yield	7.28	-10 bps	90 bps
USDIDR	14,642	29	400
CDS Indo 5Y	128.05	24.51	53.50

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	- 0.1Tn	51.3Tn
Government Bond Market (Rp)	.*	.*

\*data is not available at the moment

Commodities	Last	1W	YTD
WTI	110.28	-0.19%	43.24%
Brent	112.55	0.90%	41.89%
CPO (Malaysia)	6,109.00	-4.30%	30.45%
Coal (New Castle)	417.25	6.21%	145.30%

Funds and ETFs	Last	1W	YTD	
ETF	Theme			
RLQ45	LQ45	1,101.16	1.91%	10.77%
XIIT	IDX30	586.64	1.69%	11.18%
XIJI	JII	651.06	1.25%	8.53%
XISI	SMInfra18	337.94	-0.54%	2.55%
XISR	SriKehati	426.69	1.73%	12.29%
XIHD	IDXHIDIV20	568.20	2.15%	15.25%
XIPI	Pefindo I-Grade	193.62	2.02%	8.64%
XIML	MSCI Indo Large Cap	268.77	1.57%	5.43%
XIID	IDX30	569.26	1.67%	2.16%
XIFE	FTSE ESG Indonesia	110.25	0.90%	2.16%
XIIC	Consumer Related	992.60	3.36%	2.34%
XIIF	Rate Sensitive	524.16	3.21%	-0.50%
XISC	BUMN Stocks	718.23	2.45%	6.30%
XISB	Sovereign Bonds	432.29	1.03%	-4.10%

Conventional	Last	1W	YTD	
RDMP	Equity	976.87	5.59%	1.14%
RPCF	Balanced	2,804.78	6.19%	-1.62%
RDPO 2	Fixed Income	1,006.35	0.19%	
RDPU 2	Money Market	1,354.87	0.07%	1.32%

**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 <b>RLQ45</b>	25.3	50.0	11.2	12.9	0.58	14.6	3.4	1.14
2 XIIT	27.6	52.2	6.0	13.3	0.97	14.9	3.3	1.07
3 <b>XISC</b>	18.7	39.6	11.0	19.5	11.11	12.8	4.2	1.33
4 XISR	25.2	62.2	5.4	6.4	0.84	15.2	3.4	1.11
5 <b>XIIF</b>	10.1	55.2	23.3	0.0	11.38	16.6	3.1	1.29
6 XISI	46.4	20.3	16.7	15.2	1.41	13.8	4.0	1.04
7 <b>XIPI</b>	21.1	61.6	10.2	6.5	0.63	17.8	2.9	1.18
8 XIIC	30.5	39.1	16.6	3.7	10.06	18.0	2.9	1.09
9 <b>XIHD</b>	23.2	55.7	3.7	16.2	1.22	13.6	3.9	1.12
10 XIJI	44.1	0.7	26.8	27.1	1.35	14.4	3.2	1.10
11 <b>XIML</b>	18.2	76.3	2.6	0.0	2.88	16.1	3.5	1.11
12 XIID	27.6	52.2	6.0	13.3	0.90	14.9	3.4	1.07
13 <b>XIFE</b>	30.3	55.7	5.5	8.1	0.45	14.2	3.5	1.14
<b>Index</b>								
<b>IDX80</b>	30.3	40.1	14.2	15.5		13.4	3.2	
<b>JCI</b>	29.6	39.4	15.9	15.1		17.3	2.3	

**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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