

**US stock market briefly rallied despite higher than expected inflation data**

Global stock markets ended mostly lower this week amid a persistently high US inflation data, which lifted 2-yr and 10-yr US Treasury yields to 4.5% and 4.02%, respectively, which are their highest levels since 2007. US inflation rates are yet to show signs of easing in September despite an aggressive Fed tightening this year. The wholesale price index (PPI) was up 0.4% MoM (cons.: 0.2%) although the core PPI inflation of 0.3% came as expected. Similarly, consumer price index (CPI) inflation of 0.4% MoM was above expectations (cons.: 0.2%) while core CPI inflation (+0.6% MoM) was only slightly higher than consensus forecast of 0.5%, and it was unchanged from the prior month. However, it was worth noting that S&P500 index rose 2.6% on Thursday, after it fell earlier in the day post the CPI data release, thus showing sign of the stock market's resiliency to the inflation data as it may already priced in most of the negative news. Aside from inflation data, the US stock market's focus will be on the earnings season, which already started this week, with analysts forecasting aggregate third-quarter earnings for companies in the S&P500 index to grow by only 2.4% YoY, which would be the slowest earnings growth rate in the past two years. Meanwhile, oil prices fell by 7-8% this week, a sharp turnaround from the previous week when prices soared after the OPEC+ consortium announced production cuts, due to a diminished outlook for global economic growth.

In Indonesia, JCI declined by 3.02% amid continuing foreign outflows from both its equity and bond markets, and further weakening of the currency against the US dollars. The equity market decline was broad based, across nearly all sectors except for consumer staples, with the technology sector corrected the most.

**The Week Ahead – Indonesia Trade Balance, BI Interest Rate Decision**

The key economic data to focus next week are Indonesia Trade Balance (Mon 11:00), China GDP Growth Rate (Tue 09:00), BI Interest Rate Decision (Thu 14:30), US Initial Jobless Claims (Thu 19:30), US Existing Home Sales (Thu 21:00), and ECB President Lagarde Speech (Sat 16:00).

**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. We raised our 2022 JCI target to 7,800 in May (from 7,400) due to upgraded consensus earnings growth forecasts to 34% for 2022 (from 18%) on the back of stronger than expected H1 earnings results. Our JCI target is based our forward target P/E of 15x, in line with 10-yr mean P/E before the pandemic. In addition, we view Indonesian stocks as attractively valued due to underperformance vs. 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 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	29,634.83	1.15%	-18.45%
S&P 500	3,583.07	-1.55%	-24.82%
Nasdaq	10,321.39	-3.11%	-34.03%
FTSE 100	6,858.79	-1.89%	-7.12%
DAX	12,437.81	1.34%	-21.70%
Nikkei 225	27,090.76	-0.09%	-5.91%
Hang Seng	16,587.69	-6.50%	-29.11%
Shanghai	3,071.99	1.57%	-15.60%
MSCI World	2,376.64	-1.70%	-26.46%
MSCI Emerging Markets	863.33	-3.83%	-29.93%

JCI Sector Indices	Last	1W	YTD
Consumer Non-Cyclicals	698.26	0.03%	5.14%
Property & Real Estate	680.10	-1.20%	-12.02%
Healthcare	1,438.41	-1.24%	1.29%
Industrials	1,263.08	-1.58%	21.84%
Energy	1,984.65	-2.54%	74.17%
Transportation	1,787.38	-2.76%	11.75%
Consumer Cyclicals	841.47	-2.76%	-6.55%
Basic Materials	1,217.26	-2.98%	-1.39%
<b>JCI</b>	<b>6,814.53</b>	<b>-3.02%</b>	<b>3.54%</b>
Financials	1,430.92	-3.62%	-6.28%
Infrastructures	927.67	-4.30%	-3.29%
Technology	6,476.44	-8.49%	-28.00%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	4.50	18 bps	358 bps
UST 10Y Yield	4.02	13 bps	238 bps
Ind_GB 10Y Yield	7.34	9 bps	86 bps
USDIDR	15,472.20	181.50	1048.7
CDS Indo 5Y	163.25	5.26	88.70

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	-1.59Tn	+62.10Tn
Government Bond Market (Rp)	-1.01Tn	-168.06Tn

Commodities	Last	1W	YTD
WTI	85.55	-7.65%	11.12%
Brent	91.63	-6.74%	15.52%
CPO (Malaysia)	3,833.00	-0.10%	-18.15%
Coal (New Castle)	392.50	1.95%	130.75%

Funds and ETFs	Last	1W	YTD
<i>ETF Theme</i>			
RLQ45 LQ45	1,057.76	-2.94%	6.41%
XIIT IDX30	556.78	-3.32%	5.52%
XIJI JII	663.78	-2.11%	10.65%
XISI SMIInfra18	366.98	-1.10%	11.36%
XISR SriKehati	439.29	-0.98%	15.61%
XIHD IDXHIDIV20	603.42	-1.26%	22.40%
XIPI Pefindo I-Grade	201.49	-1.63%	13.05%
XIML MSCI Indo Large Cap	272.05	-1.64%	6.72%
XIID IDX30	538.72	-3.38%	4.66%
XIFE FTSE ESG Indonesia	113.52	-1.55%	11.20%
XIIC Consumer Related	976.30	-2.32%	0.66%
XIIF Rate Sensitive	521.26	-2.45%	-1.05%
XISC BUMN Stocks	721.35	-1.95%	6.76%
XISB Sovereign Bonds	437.77	-0.95%	-2.88%

Conventional	Last	1W	YTD
RDMP Equity	887.05	-3.84%	-8.16%
RPCF Balanced	2,562.37	-2.70%	-10.12%
RDPO 2 Fixed Income	1,039.80	0.07%	
RDPU 2 Money Market	1,374.23	0.07%	2.77%

## 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	21.3	50.6	9.8	11.0	7.29	21.6	3.5	1.14
2 XIIT	22.3	52.7	5.2	11.7	8.15	22.3	3.6	1.07
3 XISC	19.4	39.4	11.7	15.2	14.31	20.0	4.2	1.33
4 XISR	24.0	61.2	8.6	5.7	0.45	23.1	3.4	1.11
5 XIIF	11.3	58.3	22.5	0.0	7.90	36.4	3.1	1.29
6 XISI	43.9	20.4	17.5	17.5	0.74	20.4	4.1	1.04
7 XIPI	20.9	63.2	10.8	4.8	0.27	27.2	2.9	1.18
8 XIIC	30.4	40.7	17.3	2.9	8.71	44.6	2.9	1.09
9 XIHD	22.7	57.0	2.9	16.5	0.88	22.3	4.1	1.12
10 XIJI	42.5	0.6	23.4	32.8	0.64	18.3	3.6	1.10
11 XIML	18.6	78.4	2.7	0.0	0.26	26.4	3.4	1.11
12 XIID	22.3	52.9	5.2	11.8	7.81	25.0	3.6	1.07
13 XIFE	28.9	56.9	5.6	8.3	0.32	24.4	3.7	1.14
<b>Index</b>								
IDX80	35.3	38.7	12.1	13.9		14.2	3.2	
JCI	32.9	38.1	14.6	14.4		14.7	2.5	

**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

### PT Indo Premier Investment Management

Telp. +62 21 5098 1168

#### Fund Sales Team

Noviono Darmosusilo	Director	<a href="mailto:noviono@ipc.co.id">noviono@ipc.co.id</a>	Ext. 2168	0811-1351-168
M. Fairuz Zaman	Head Of Marketing	<a href="mailto:m.fairuz@ipc.co.id">m.fairuz@ipc.co.id</a>	Ext. 2311	0818-0262-7732
Frida Dwi Tyas	Relationship Manager & Distribution Channel	<a href="mailto:frida.tyas@ipc.co.id">frida.tyas@ipc.co.id</a>	Ext. 2314	0818-0912-6747
Devandara Harahap	Institutional Marketing	<a href="mailto:devan.harahap@ipc.co.id">devan.harahap@ipc.co.id</a>	Ext. 2315	0856-1167-750
Dewi Rijanti Suherman	Institutional Marketing	<a href="mailto:dewi.suherman@ipc.co.id">dewi.suherman@ipc.co.id</a>	Ext. 2313	0812-9665-7019

#### DISCLAIMER

© Copyright 2022 PT Indo Premier Investment Management ("IPIM"), all rights reserved. All copyrights subsisting and arising out of these materials belong to IPIM and may not be reproduced, distributed, amended, modified, adapted, transmitted in any form, or translated in any way without the prior written consent of IPIM.

This document is issued by IPIM and has been prepared for the recipient only. Any terms set forth herein are intended for informational and discussion purposes only and are subject to the final terms as set forth in separate definitive written agreements. This document does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or any representation that any such future movements will not exceed those shown in any illustration. All rates and figures appearing are for illustrative purposes. This communication is not for distribution to any person or in any jurisdiction in which its distribution would be prohibited.

By reading this document you (i) acknowledge that you will be solely responsible for your own assessment of the product and of the risks and merits of any investment with IPIM, and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the proposed investment and (ii) agree to be bound by the foregoing terms and to keep this document and the information contained herein confidential.

INVESTMENT IN MUTUAL FUND EXPOSES INVESTOR TO RISK. PROSPECTIVE INVESTOR MUST READ AND UNDERSTAND THE PROSPECTUS PRIOR TO INVEST IN MUTUAL FUNDS. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE PERFORMANCE