

Optimism returned amid oversold stock markets, US Q3 earnings beats

US stock indices rebounded strongly this week, setting a positive tone to global markets, as optimism returns after markets may have been viewed as oversold. The positive market sentiment may have been driven by the UK government's reversal of fiscal stimulus plan, a solid US earnings season, and hopes that the Fed might moderate its pace of interest rate rises. US Q3 earnings, on average, exceeded expectations by 5.4%, based on 99 companies in S&P500 that have reported results to date, with aggregate earnings growth of 3.1% for the third quarter of 2022 (or -3.5% if excluding the energy sector), according to Refinitiv. Meanwhile, Fed speeches during the week offered mixed signals as some Fed officials warn of higher rates for longer while others urge caution, with 10-yr US Treasury yields ending the week 20bps higher at 4.22%. This week's economic data also offered a mixed evidence of the state of the US economy with further weakness seen in the housing market while US job market remained resilient as weekly jobless claims fell more than expected. However, in our view for the US stock markets rebound to be sustainable, there should be a clear evidence of US inflation coming down in the coming months.

In Indonesia, JCI gained 2.98% amidst sustained foreign outflows from its stock and bond markets, a further weakening of the IDR/USD exchange rate, and BI's 50bps interest rate hike. Consumer and financial sectors outperformed the JCI this week while the technology sector continued to underperform the market.

The Week Ahead – US GDP Growth, PCE Price Index, Personal Spending

The key economic data to focus next week are US CB Consumer Confidence (Tue 21:00), ECB Interest Rate Decision (Thu 19:15), US GDP Growth Rate and GDP Price Index (Thu 19:30), US Durable Goods Orders & Initial Jobless Claims (Thu 19:30), ECB President Lagarde Speech (Thu 19:45), US PCE Price Index and US Personal Income & Spending (Fri 19:30). Meanwhile, China's economic data releases on Monday, including GDP Growth Rate, may have been delayed due to China's Communist Party Congress.

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 on 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	31,082.56	4.89%	-14.46%
S&P 500	3,752.75	4.74%	-21.26%
Nasdaq	10,859.72	5.22%	-30.59%
FTSE 100	6,969.73	1.62%	-5.62%
DAX	12,730.90	2.36%	-19.86%
Nikkei 225	26,890.58	-0.74%	-6.60%
Hang Seng	16,211.12	-2.27%	-30.71%
Shanghai	3,038.93	-1.08%	-16.51%
MSCI World	2,462.42	3.61%	-23.80%
MSCI Emerging Markets	865.04	0.20%	-29.79%

JCI Sector Indices	Last	1W	YTD
Consumer Non-Cyclicals	732.55	4.91%	10.30%
Financials	1,490.55	4.17%	-23.38%
JCI	7,017.77	2.98%	6.63%
Healthcare	1,477.13	2.69%	4.02%
Basic Materials	1,247.36	2.47%	1.05%
Infrastructures	944.15	1.78%	-1.58%
Energy	2,017.02	1.63%	77.01%
Consumer Cyclical	853.63	1.45%	-5.20%
Property & Real Estate	681.49	0.20%	-11.84%
Industrials	1,263.15	0.01%	21.84%
Technology	6,474.00	-0.04%	-28.02%
Transportation	1,778.18	-0.51%	11.18%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	4.48	-1 bps	376 bps
UST 10Y Yield	4.22	20 bps	251 bps
Ind GB 10Y Yield	7.56	22 bps	95 bps
USDIDR	15,537.20	65.00	1230.2
CDS Indo 5Y	165.84	2.59	91.29

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	-0.50Tn	+62.60Tn
Government Bond Market (Rp)	-4.99Tn	-174.3Tn

Commodities	Last	1W	YTD
WTI	85.14	-0.48%	10.59%
Brent	93.28	1.80%	17.60%
CPO (Malaysia)	4,101.00	6.99%	-12.43%
Coal (New Castle)	390.00	-0.64%	129.28%

Funds and ETFs	Last	1W	YTD	
ETF	Theme			
RLQ45	LQ45	1,094.88	3.51%	10.14%
XIIT	IDX30	576.27	3.50%	9.22%
XIJI	JII	677.31	2.04%	12.90%
XISI	SMInfra18	371.85	1.33%	12.84%
XISR	SriKehati	458.73	4.43%	20.72%
XIHD	IDXHIDIV20	625.52	3.66%	26.88%
XIPI	Pefindo I-Grade	210.80	4.62%	18.28%
XIML	MSCI Indo Large Cap	285.49	4.94%	11.99%
XIID	IDX30	557.35	3.46%	8.27%
XIFE	FTSE ESG Indonesia	118.01	3.95%	15.60%
XIIC	Consumer Related	1,018.07	4.28%	4.97%
XIIF	Rate Sensitive	540.39	3.67%	2.58%
XISC	BUMN Stocks	736.37	2.08%	8.99%
XISB	Sovereign Bonds	429.77	-1.83%	-4.66%

Conventional	Last	1W	YTD
RDMP Equity	913.06	2.93%	-5.47%
RPCF Balanced	2,616.57	2.12%	-8.22%
RDPO 2 Fixed Income	1,040.27	0.05%	
RDPU 2 Money Market	1,375.13	0.07%	2.84%

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	13.2	3.4	1.14
2 XIIT	22.3	52.7	5.2	11.7	8.15	13.3	3.4	1.07
3 XISC	19.4	39.4	11.7	15.2	14.31	12.9	4.0	1.33
4 XISR	24.0	61.2	8.6	5.7	0.45	15.2	3.3	1.11
5 XIIF	11.3	58.3	22.5	0.0	7.90	18.2	3.0	1.29
6 XISI	43.9	20.4	17.5	17.5	0.74	13.1	4.0	1.04
7 XIPI	20.9	63.2	10.8	4.8	0.27	17.5	2.8	1.18
8 XIIC	30.4	40.7	17.3	2.9	8.71	22.0	2.8	1.09
9 XIHD	22.7	57.0	2.9	16.5	0.88	12.9	3.9	1.12
10 XIJI	42.5	0.6	23.4	32.8	0.64	12.0	3.5	1.10
11 XIML	18.6	78.4	2.7	0.0	0.26	16.4	3.3	1.11
12 XIID	22.3	52.9	5.2	11.8	7.81	13.9	3.4	1.07
13 XIFE	28.9	56.9	5.6	8.3	0.32	13.5	3.5	1.14
Index								
IDX80	35.1	39.6	12.0	13.3		14.6	3.1	
JCI	32.6	38.9	14.4	14.0		15.2	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	noviono@ipc.co.id	Ext.	2168	0811-1351-168
M. Fairuz Zaman	Head Of Marketing	m.fairuz@ipc.co.id	Ext.	2311	0818-0262-7732
Frida Dwi Tyas	Relationship Manager & Distribution Channel	frida.tyas@ipc.co.id	Ext.	2314	0818-0912-6747
Devandara Harahap	Institutional Marketing	devan.harahap@ipc.co.id	Ext.	2315	0856-1167-750
Dewi Rijanti Suherman	Institutional Marketing	dewi.suherman@ipc.co.id	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