

**Resilient US Services PMI and PPI inflation led to higher rate uncertainty**

US stock markets corrected significantly this week, with S&P500 index giving up its cumulative gains in the prior three weeks, as a resilient US economy with its still robust job market has dampened hopes the Fed might slow the pace of its monetary tightening. The US stock markets' steep declines followed releases on Monday of rising US ISM Services PMI of 56.5 for November (previously: 54.4), which was higher than expected (cons.: 53.3), while October's US factory orders growth of 1% MoM was also above expectations of 0.7%. US stock markets also corrected on Friday after release of higher than expected PPI inflation of 0.3% MoM (core PPI: 0.4%) for November, which were above expectations of 0.2%. Meanwhile, the University of Michigan's consumer sentiment index of 59.1 was also better than expected and an improvement from the prior month's survey. The strength of US economy and its labor job market that led to elevated wage gains have increased uncertainty on expectations the Fed's could begin to shift to smaller interest-rate increases in December, after four consecutive rate hikes of 75bps each. Next week, US November CPI inflation data will be released on Tuesday. Consensus expectation is for inflation to ease to 0.3% MoM; 7.3% YoY, from 0.4% and 7.7%, respectively, in the prior month. This will be followed by Fed interest rate decision and the release of FOMC Economic Projections, which will include Fed consensus projection for the peak Fed Fund's rate in 2023.

In Indonesia, JCI fell sharply by 4.34% amid an acceleration of foreign outflows to Rp8.8Tn this week and a continuing drag from the technology sector, which has already declined by 25% in the past three weeks (YTD: -42.3%). Meanwhile, the bond market saw foreign inflows of Rp13.7Tn while 10-yr yields increased slightly to 6.96% (+12bps).

**The Week Ahead – US Inflation, Fed Meeting, FOMC Economic Projections**

The key economic data to focus next week are US Inflation Rate (Tue 20:30), Fed Interest Rate Decision, FOMC Economic Projections (Thu 02:00), Indonesia Trade Balance (Thu 11:00), ECB Interest Rate Decision (Thu 20:15), US Retail Sales and Initial Jobless Claims (Thu 20:30).

**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 more aggressive monetary policy tightening in the advanced economies. An unexpected Fed monetary policy could unsettle global markets and lead to fund outflows from EMs. However, we view the risks to Indonesia are lower in 2022 (than in 2013) as Fed tightening is already well expected while Indonesia's country risk indicators have improved. Our 2022 JCI target of 7,800 is now unlikely to be achievable given the continuing drag from technology sector. Our JCI target is based our forward target P/E of 15x, in line with the 10-yr mean P/E before the pandemic. In addition, we view Indonesian stocks as still attractively valued, due to its underperformance vs. DM equities during 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). However, performances of RLQ45 and XIIT during 2022 have been dragged by their exposures to major technology stocks. Meanwhile, our semi-broad funds such as XIPI and XISR have been our preferred ETF picks in the past few months, due to their overweight of BBKA, widely considered as a defensive stock at times of uncertainty, and more importantly, both of these ETFs have no exposure to the major technology stocks such as GOTO, BUKA, EMTK, and ARTO, which we view as posing considerable downside risk to fund performances at a time of rising interest rates globally. 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 in the past 2 years, despite this ETF's small exposure to the technology sector through ARTO.

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	33,476.46	-2.77%	-7.88%
S&P 500	3,934.38	-3.37%	-17.45%
Nasdaq	11,004.62	-3.99%	-29.66%
FTSE 100	7,476.63	-1.05%	1.25%
DAX	14,370.72	-1.09%	-9.53%
Nikkei 225	27,901.01	0.44%	-3.09%
Hang Seng	19,900.87	6.56%	-14.95%
Shanghai	3,206.95	1.61%	-11.89%
MSCI World	2,662.86	-2.57%	-17.60%
MSCI Emerging Markets	978.28	0.45%	-20.59%

JCI Sector Indices	Last	1W	YTD
Energy	2,114.33	-0.96%	85.55%
Healthcare	1,529.19	-0.11%	7.68%
Property & Real Estate	708.44	-1.59%	-8.36%
Consumer Non-Cyclicals	719.31	-3.01%	8.31%
Industrials	1,167.50	-5.71%	12.62%
Consumer Cyclical	853.10	-4.52%	-5.26%
Basic Materials	1,248.80	-3.16%	1.17%
Transportation	1,694.01	-5.55%	5.92%
<b>JCI</b>	<b>6,715.12</b>	<b>-4.34%</b>	<b>2.03%</b>
Financials	1,430.18	-3.39%	-6.33%
Infrastructures	854.97	-4.44%	-10.87%
Technology	5,193.22	-9.48%	-42.26%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	4.34	6 bps	355 bps
UST 10Y Yield	3.59	9 bps	198 bps
Ind GB 10Y Yield	6.96	12 bps	46 bps
USDIDR	15,583.00	206.80	1134.2
CDS Indo 5Y	99.71	2.75	25.16

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	-8.80Tn	+52.81Tn
Government Bond Market (Rp)	+13.75Tn	-140.62Tn

Commodities	Last	1W	YTD
WTI	71.59	-10.49%	-7.01%
Brent	76.10	-11.30%	-4.06%
CPO (Malaysia)	3,995.00	1.09%	-14.69%
Coal (New Castle)	402.00	4.42%	136.33%

Funds and ETFs	Last	1W	YTD	
ETF	Theme			
RLQ45	LQ45	1,013.83	-5.46%	1.99%
XIIT	IDX30	530.46	-5.50%	0.53%
XIJI	JII	643.98	-3.90%	7.35%
XISI	SMInfra18	345.66	-5.69%	4.89%
XISR	SriKehati	441.09	-4.60%	16.08%
XIHD	IDXHIDIV20	601.78	-4.56%	22.06%
XIPI	Pefindo I-Grade	206.06	-4.32%	15.61%
XIML	MSCI Indo Large Cap	276.48	-4.41%	8.46%
XIID	IDX30	530.46	-3.42%	3.05%
XIFE	FTSE ESG Indonesia	113.63	-4.47%	11.31%
XIIC	Consumer Related	1,005.14	-3.36%	3.64%
XIIF	Rate Sensitive	519.49	-4.04%	-1.39%
XISC	BUMN Stocks	710.65	-4.61%	5.18%
XISB	Sovereign Bonds	459.09	-0.51%	1.85%

Conventional				
RDMP	Equity	870.01	-4.55%	-9.93%
RPCF	Balanced	2,531.42	-3.63%	-11.20%
RDPO 2	Fixed Income	1,045.33	0.07%	
RDPU 2	Money Market	1,381.83	0.07%	3.34%

**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	20.8	54.0	10.5	11.2	3.44	14.9	3.3	1.14
2 XIIT	22.0	56.3	5.7	12.1	3.87	14.1	3.5	1.07
3 XISC	19.3	38.6	11.6	15.4	15.14	12.9	3.9	1.33
4 XISR	27.8	62.6	4.3	5.1	0.16	14.7	3.3	1.11
5 XIIF	11.3	53.9	22.8	0.0	12.00	17.5	3.0	1.29
6 XISI	42.2	24.5	18.3	14.8	0.16	12.4	4.0	1.04
7 XIPI	17.6	66.3	10.4	5.4	0.33	17.0	2.7	1.18
8 XIIC	31.3	40.3	17.5	3.3	7.66	22.6	2.7	1.09
9 XIHD	22.5	58.1	3.4	15.2	0.83	12.4	3.9	1.12
10 XIJI	43.0	0.6	25.8	27.9	2.74	11.4	3.7	1.10
11 XI ML	18.5	75.1	2.7	3.3	0.43	15.9	3.3	1.11
12 XIID	22.0	56.3	5.7	12.1	3.77	14.9	3.5	1.07
13 XIFE	26.7	59.9	5.8	7.4	0.33	13.3	3.5	1.14
<b>Index</b>								
IDX80	31.8	41.6	12.7	13.9		14.0	3.2	
JCI	28.8	40.0	14.9	16.3		14.1	2.7	

**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
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