

*Eleventh hour deal puts government shutdown at bay***Market welcomed eleventh hour US deal**

Global stocks soared as last minute bipartisan agreement finalised, providing relief to the US government from potential default/government shutdown until 1 January 2025. The Nasdaq Composite Index and Dow Jones Industrial Average closed the week with over 2% upside, with S&P 500 following closely at +1.83%. For this week, economic data is mostly positive. Weekly initial jobless claims at 232k was slightly above the consensus at 235k. Monthly released data included CB Consumer Confidence level at 102.3, better than consensus (99.0). May nonfarm payrolls (339k) almost doubled its consensus (180k). On the other hand, unemployment rate was 0.2% higher than forecast of 3.5%. The US Treasury market was also bullish during the week, with 10-year yield dropped 11 bps to 3.70%. In the week ahead US trade balance figure is to be released.

In Indonesia, JCI was dropped (-0.80%) with modest foreign inflow (+Rp1.83Tn). Gains on IDX was contributed from tech sector (+11.23%) and infrastructures (+0.03%), while all other sectors plummeted.. In the bond markets, 10 year yields were bullish at 6.36% (-7 bps), supported by domestic fund flow (foreign flow was -Rp1.34Tn).

The Week Ahead

The key economic data to focus next week include US trade balance and initial jobless claims.

Investment Conclusion

Fed's aggressive rate hikes has been a key risk for global markets during 2022 but we believe the Fed Fund's rate is close to peaking although it may remain elevated throughout 2023 until there is sign US inflation is firmly under control. Indonesia's equity market has been resilient in comparison to global markets in 2022 although the JCI fell well short of our target, despite steadily upgraded earnings forecasts throughout 2022, partly due to drag from technology sector and fund flow reversals in the last two months of 2022. For 2023, we set our JCI target of 7,600 based on JCI earnings growth forecasts of 1% in 2023; 4% for 2024 and our forward P/E target of 12.5x, in line with the market's long-term (>20 years) mean forward P/E valuation.

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 XIPI and XISR have been our preferred ETF picks in the past few months, due to their overweight of banking sector, particularly BBKA, and more importantly, these two ETFs have no exposure to major technology stocks (eg. GOTO, BUKA, EMTK, ARTO), which we view as posing considerable downside risk to fund performances at a time of rising interest rates globally. We also like our ETFs XIIML (MSCI Indonesia Large Cap) for its constituent of mainly blue-chip stocks, and XIFE (FTSE Indonesia ESG), for its overweight on banking sector, particularly BBKA (no weight capping), while also underweight on resources and technology.

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	33,762.76	2.02%	1,86%
S&P 500	4,282.37	1.83%	11,53%
Nasdaq	13,240.77	2.04%	26,51%
FTSE 100	7,607.28	-0.26%	2,09%
DAX	16,051.23	0.42%	15,28%
Nikkei 225	31,524.22	1.97%	20,81%
Hang Seng	18,949.94	1.08%	-4,20%
Shanghai	3,230.07	0.55%	4,56%
MSCI World	2,873.37	1.61%	10,40%
MSCI Emerging Markets	984.36	1.18%	2,93%

JCI Sector Indices	Last	1W	YTD
Property & Real Estate	711.80	-2,50%	0,08%
Consumer Cyclical	855.85	-1,38%	0,58%
Transportation	1,825.31	-0,63%	9,83%
Industrials	1,127.43	-3,11%	-3,99%
Technology	5,105.89	11,23%	-1,09%
Infrastructures	823.72	0,03%	-5,17%
Financials	1,368.30	-0,61%	-3,30%
Consumer Non-Cyclical	737.38	-0,86%	2,91%
Healthcare	1,457.49	-1,54%	-6,87%
JCI	6,633.26	-0,80%	-3,17%
Energy	1,709.55	-2,32%	-25,00%
Basic Materials	983.56	-2,69%	-19,12%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	4,51	-6 bps	8 bps
UST 10Y Yield	3,70	-11 bps	-18 bps
Ind GB 10Y Yield	6,36	-7 bps	-57 bps
USDIDR	14,901.90	-53,1	-583,5
CDS Indo 5Y	84,38	-5,96	-12,58

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	+1,83Tn	+20,59Tn
Government Bond Market (Rp)	-1,34Tn	+67,79Tn

Commodities	Last	1W	YTD
WTI	71,87	-0,76%	-10,73%
Brent	76,13	-0,77%	-11,38%
CPO (Malaysia)	3,381,00	-5,21%	-19,00%
Coal (New Castle)	131,00	-18,13%	-66,41%

Funds and ETFs	Last	1W	YTD	
<i>ETF</i>	<i>Theme</i>			
RLQ45	LQ45	1,063,13	0,43%	4,38%
XIIT	IDX30	554,50	0,50%	4,42%
XIJI	JII	601,62	-0,94%	-7,12%
XISI	SMInfra18	352,20	-0,69%	1,98%
XISR	SriKehati	476,47	-1,07%	7,72%
XIHD	IDXHIDIV20	634,05	-1,24%	4,81%
XIPI	Pefindo I-Grade	218,03	-1,05%	5,37%
XIIML	MSCI Indo Large Cap	301,14	-1,07%	8,16%
XIID	IDX30	536,08	0,44%	3,48%
XIFE	FTSE ESG Indonesia	117,70	0,50%	3,70%
XIIC	Consumer Related	1,024,60	-1,70%	3,00%
XIIF	Rate Sensitive	522,09	-0,96%	1,57%
XISC	BUMN Stocks	697,31	0,26%	-2,33%
XISB	Sovereign Bonds	489,76	0,76%	6,14%

Conventional				
RDMP	Equity	887,89	0,09%	3,31%
RPCF	Balanced	2,575,46	-0,83%	1,59%
RDPO 2	Fixed Income	1,070,73	0,06%	2,16%
RDPU 2	Money Market	1,408,38	0,05%	1,69%

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	2023F	2023F	
1 RLQ45	21,0	53,6	10,8	8,8	5,75	14,5	4,1	1,14
2 XIIT	21,2	55,0	7,6	9,7	6,46	14,1	4,2	1,07
3 XISC	19,2	43,5	5,2	14,2	17,97	11,9	5,3	1,33
4 XISR	28,5	62,5	3,7	4,4	0,98	13,5	4,6	1,11
5 XIIF	23,1	55,5	13,7	5,8	1,96	14,4	4,3	1,29
6 XISI	43,0	27,4	15,4	12,6	1,56	11,5	5,5	1,04
7 XIPI	19,4	66,3	9,1	4,0	1,12	15,9	3,9	1,18
8 XIIC	35,9	41,1	22,1	1,5	(0,52)	15,4	4,0	1,18
9 XIHD	20,9	62,9	2,5	12,3	1,43	11,5	5,1	1,12
10 XIJI	47,6	1,4	25,7	22,1	3,19	13,2	4,1	1,10
11 XIIML	16,0	76,6	2,1	1,8	3,55	13,5	4,7	1,11
12 XIID	20,9	55,7	7,5	9,6	6,28	14,3	4,6	1,07
13 XIFE	21,3	58,4	6,0	7,0	7,21	13,2	4,3	1,14
Index								
IDX80	35,5	41,2	12,6	10,7		12,4	4,7	
JCI	0,0	0,0	0,0	0,0		12,5	4,2	

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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