

**Solid US jobs growth in November, consumer inflation fears easing**

US stock markets led global stock market indices into their sixth positive week in a row albeit with a slower momentum. With a nearly 12% rise over the past six weeks, the S&P500 has reached a new 52 week high, as also pan-European STOXX Europe 600 Index, which rose 10% in the same period. Underpinning the positive momentum is market expectations that inflation is starting to be under control, as reflected in further falls of 10-yr US Treasury yield to as low as 4.12% before it ends the week higher at 4.23%, after release of a solid US jobs report. The US November jobs growth of 199,000 (vs. 150,000 in October) was slightly above consensus expectations of 180,000, but it is still well below the 12-month average of 240,000. As a result, US unemployment rate declined to 3.7%, from 3.9% in the previous month. Meanwhile, the University of Michigan's consumer survey showed surging consumer sentiment to its highest level in four months, due to a drop in consumers' 5-year inflation expectations to 2.8% in December, from a multi-year high of 3.2% in the previous month. Other economic data released during the week were mixed with business activity surveys indicating a modest pickup in services activity in November while factory orders dropped more than expected in October. In Europe, stocks were buoyed by expectations that central banks could cut interest rate next year due to slowing inflation and signs of faltering economy. In the week ahead, markets attention will focus on the release of US November inflation data for consumer and producer prices. Consensus expectations are for core inflation rate of 0.3% MoM and 4% YoY in November (vs. 0.2% / 4.0% in October).

In Indonesia, JCI was up by 1.41% this week amid equity outflows of Rp0.66Tn while the bond market reported significant inflows of Rp2.45Tn. Basic materials, infrastructure and energy sectors were the gainers, while all remaining sectors corrected.

**The Week Ahead – US Inflation Rates (CPI & PPI), US Retail Sales**

The key economic data to focus next week includes Indonesia Retail Sales (Mon 10:00), US CPI Inflation Rate (Tue 20:30), US PPI Inflation Rate (Wed 20:30), US Retail Sales and Initial Jobless Claims (Thu 20:30), Indonesia Trade Balance (Fri 11:00), US S&P Global Manufacturing & Services PMI (Fri 21:45).

**Investment Conclusion**

Fed's aggressive rate hikes has been a key risk for global markets since 2022 and investor concerns have shifted from inflation to growth to inflation again amid surprisingly resilient US economy. However, with the Fed Fund's rate close to peaking and a Fed pivot to easing expected in early 2024, we see positive catalysts for JCI to achieve our 7,400 target given Indonesia's stable economy, financial markets and currency expectations, as reflected in the halving of IDR currency risk premiums (vs. USD). Indonesia's equity market has lagged global markets in 2023, partly because it remained stable and outperformed in 2022 when the developed equity markets corrected due to Fed's aggressive rate hikes and its impact on economic growth. Our JCI target of 7,400 is based on our P/E target of 13x, in line with the long-term average 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 since 2022, due to their overweight of banking sector, and more importantly, these two ETFs have no exposure to technology stocks, which we view as posing considerable risk to fund performances at time of rising interest rates globally. Our two other top ETF picks are XIHD (High Dividend), for its focus on high yielding stocks, and XIIM (MSCI Indonesia Large Cap), for its constituent of mainly blue-chip stocks.

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	36,247.87	0.01%	9.35%
S&P 500	4,604.37	0.21%	19.92%
Nasdaq	14,403.97	0.69%	37.62%
FTSE 100	7,554.47	0.33%	1.38%
DAX	16,759.22	2.21%	20.37%
Nikkei 225	32,307.86	-3.36%	23.81%
Hang Seng	16,334.37	-2.95%	-17.43%
Shanghai	2,969.56	-2.05%	-3.87%
MSCI World	3,047.21	0.21%	17.08%
MSCI Emerging Markets	975.01	-0.73%	1.95%

JCI Sector Indices	Last	1W	YTD
Property & Real Estate	693.15	-2.67%	-2.54%
Consumer Cyclical	802.50	-2.11%	-5.69%
Transportation	1,643.93	-2.70%	-1.08%
Industrials	1,086.69	-0.41%	-7.46%
Technology	4,658.92	-1.85%	-9.75%
Infrastructures	1,633.37	8.55%	88.04%
Financials	1,402.46	-2.33%	-0.88%
Consumer Non-Cyclicals	724.15	-0.41%	1.06%
Healthcare	1,366.49	1.15%	-12.68%
JCI	7,159.60	1.41%	4.51%
Energy	2,039.26	1.52%	-10.54%
Basic Materials	1,309.45	10.68%	7.67%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	4.72	17 bps	30 bps
UST 10Y Yield	4.23	2 bps	35 bps
Ind GB 10Y Yield	6.59	-1 bps	-35 bps
USDIDR	15,573.00	160.35	5.00
CDS Indo 5Y	75.75	-0.18	-21.21

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	-0.66Tn	+2.27Tn
Government Bond Market (Rp)	+2.45Tn	+74.14Tn

Commodities	Last	1W	YTD
WTI	71.25	-4.39%	-11.23%
Brent	75.74	-4.42%	-11.84%
CPO (Malaysia)	3,740.00	-3.46%	-3.33%
Coal (New Castle)	148.75	12.56%	-63.19%

Funds and ETFs	Last	1W	YTD	
ETF	Theme			
RLQ45	LQ45	1,077.35	1.28%	5.78%
XIIT	IDX30	554.02	0.10%	4.33%
XIJI	JII	613.48	2.64%	-5.29%
XISI	SMinfra18	360.56	-0.85%	4.40%
XISR	SriKehati	467.03	-0.74%	5.58%
XIHD	IDXHIDIV20	641.68	-0.76%	6.07%
XIPI	Pefindo I-Grade	231.81	2.49%	12.03%
XIIM	MSCI Indo Large Cap	289.15	-0.64%	3.85%
XIID	IDX30	531.72	0.04%	2.64%
XIFE	FTSE ESG Indonesia	115.15	-0.27%	1.46%
XIIC	Consumer Related	998.82	-0.66%	0.41%
XIIF	Rate Sensitive	520.28	-0.79%	1.22%
XISC	BUMN Stocks	711.06	-0.92%	-0.40%
XISB	Sovereign Bonds	494.04	0.51%	7.06%

Conventional	Last	1W	YTD	
RDMP	Equity	874.86	-1.20%	1.80%
RPCF	Balanced	2,590.06	-0.92%	2.17%
RDPCDA	Balanced	970.93	-0.27%	N/A
RDPCDB	Balanced	965.54	-0.30%	N/A
RDPO 2	Fixed Income	1,088.45	0.10%	3.85%
RDPU 2	Money Market	1,440.62	0.08%	4.01%

## Summary of Investment Characteristics &amp; 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	23.3	53.2	12.6	10.5	0.46	14.6	4.0	1.14
2 XIIT	22.8	55.7	9.4	11.8	0.24	13.9	4.2	1.07
3 XISC	23.2	42.6	7.1	15.8	11.32	12.1	5.3	1.33
4 XISR	25.9	62.8	4.4	6.6	0.32	13.4	4.6	1.11
5 XIIF	23.0	56.5	9.5	7.6	3.38	13.3	4.7	1.29
6 XISI	43.2	25.4	16.2	14.9	0.33	11.8	5.3	1.04
7 XIPI	18.3	65.3	10.9	4.5	0.98	16.3	3.9	1.18
8 XIIC	32.0	36.4	21.0	1.6	8.99	15.0	4.0	1.18
9 XIHD	20.4	61.1	2.6	15.5	0.37	11.6	5.0	1.12
10 XIJI	35.1	15.7	21.8	27.2	0.33	12.2	3.9	1.10
11 XIIML	18.3	78.8	0.0	2.5	0.37	13.5	4.7	1.11
12 XIID	22.9	55.8	9.4	11.8	0.13	15.5	4.3	1.07
13 XIFE	24.1	60.0	7.4	7.9	0.60	13.9	4.3	1.14
<b>Index</b>								
IDX80	32.4	41.4	13.7	12.5		12.8	4.6	
JCI	27.8	38.0	14.8	15.6		12.8	4.6	

**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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