

### Global markets fell as coronavirus economic fallout is worse than expected

The IMF stated the coronavirus pandemic has created an economic crisis that is much worse than the 2008 global financial crisis as world economy comes to a standstill and over 90 countries so far have applied for financial assistance. This is evident from US job data which were all worse than expected as jobless claims surged to 6.6m (after 3.3m last week), non-farm payrolls fell by 701k, and US unemployment rate climbed to 4.4% (its highest level since 2017) after achieving a record low of 3.5% in the prior month. Grim economic outlook and deepening worries about the severity and duration of the pandemic have led to falls in global stock markets this week, after their stimulus-driven upswings last week. However, oil prices rebounded as news emerged that Saudi Arabia and Russia are renewing talks on oil production cuts to end their price war.

JCI was up by 1.71% this week as the government announced its regulation in lieu of law that provides a legal basis for its fiscal stimulus of Rp405Tn (2.5% of GDP) through issuance of Recovery Bonds and Bank Indonesia's participation as a creditor to the government in the bond primary market. The stimulus was needed to prevent recession. The World Bank's baseline GDP growth forecast of 2.1% for Indonesia assumes activities to normalise by June but growth will be lower if mobility restrictions continues into the third quarter.

### The Week Ahead – FOMC Minutes, US Jobless Claims, US Inflation Rate

The key economic calendar to watch out next week are Indonesia Consumer Confidence (Mon 10:00), Germany Industrial Production (Tue 13:00), FOMC Minutes (Thu 01:00), US Initial Jobless Claims (Thu 19:30), US Inflation Rate (Fri 19:30). Meanwhile, this week's economic data shows Manufacturing PMI recovered in China and weakened only slightly in US (better than expected).

### Investment Conclusion

Equity outlook globally will continue to be clouded with high uncertainty and volatility as coronavirus infection continues rising and containment measures disrupt economic activities. Indonesia's coronavirus outbreak is still at an early stage and thus its economic disruption potential is still unknown although we believe this risk is already partially priced in as JCI valuation has fallen to 12x trailing P/E (vs. 20-yr mean of 13.7x; 10-yr mean of 16.3x). While JCI had fallen to as low as 8x P/E during 2008 global financial crisis, we view current market valuation is attractive even if GDP and earnings growth falter this year due to coronavirus fallout. However, we believe sustained market recovery will need a flattening of the coronavirus infections curve and a resumption of economic activities in Indonesia.

### Recommendation

We have been recommending investors to stay defensive since last year with our broad-based ETFs RLQ45 and XIIT to minimize volatility and satellite funds XISR (SriKehati) and XIPI (Pefindo I-Grade), both funds have large overweight position in BBBCA, which is considered as a defensive stock at times of market uncertainty. For investors looking to benefit from market turnaround, our pick is our ETF XIIML (MSCI Large Cap), whose constituents of 15 large cap stocks typically owned by foreign investors have been impacted by foreign selling and it thus should benefit from a market recovery. XIIML shares similarity with XISR and XIPI in terms of their overweight position in rate-sensitive (banking) sectors, including BBBCA, which should benefit these ETFs from BI monetary policy easing to mitigate the coronavirus fallout.

Meanwhile, XISI (SM-Infra18) and XISC (SOEs) focus on SOEs in infrastructure and financial sectors, are lacking in defensive constituents such as BBBCA and consumer stocks and thus can be viewed as more risky ETFs at current market condition. However, these two ETFs also have lowest valuation among of our universe, with 2020F P/E of 9.4x and 8.8x, respectively, lower than valuation of our broad-based ETFs RLQ45 and XIIT, at P/E of 11.9x and 12.1x, or our ETF XIIML at 12.7x, and thus may have more upside potential if market recovers on sustainable basis. Please refer to our ETF Fund Guide in page 2 of this report.

Global Stock Indices	Last	1W	YTD
DJIA	21,052.53	-2.70%	-26.23%
S&P 500	2,488.65	-2.08%	-22.97%
Nasdaq	7,373.08	-1.72%	-17.83%
FTSE 100	5,415.50	-1.72%	-28.20%
DAX	9,525.77	-1.11%	-28.10%
Nikkei 225	17,820.19	-8.09%	-24.67%
Hang Seng	23,236.11	-1.06%	-17.57%
Shanghai	2,763.99	-0.30%	-9.38%
EIDO	13.97	-2.58%	-45.56%

JCI Sector Indices	Last	1W	YTD
JAKBIND	652.52	11.39%	-33.29%
JAKCONS	1,712.72	5.46%	-16.56%
JAKINFR	825.12	3.96%	-27.47%
JAKMINE	1,225.53	2.83%	-20.86%
JAKTRAD	596.61	2.74%	-22.50%
<b>JCI</b>	<b>4,623.43</b>	<b>1.71%</b>	<b>-26.61%</b>
JAKAGRI	936.00	0.07%	-38.60%
JAKFIN	990.46	-1.89%	-26.88%
JAKMIND	736.69	-2.67%	-39.81%
JAKPROP	326.08	-4.88%	-35.29%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	0.23	-1 bps	-134 bps
UST 10Y Yield	0.60	-8 bps	-132 bps
Ind GB 10Y Yield	8.10	21 bps	103 bps
USDIDR	16,430.00	260	2,564
CDS Indo 5Y	261.29	54.516	199.046

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	-1.04 tn	-13.9 Tn
Government Bond Market(Rp)	+255.9 Bn	-130 Tn

Commodities	Last	1W	YTD
WTI	28.34	31.75%	-53.59%
Brent	34.11	36.82%	-48.32%
CPO (Malaysia)	2,454.00	3.20%	-17.82%
Coal (New Castle)	66.05	-0.90%	-2.44%

Funds and ETFs	Last	1W	YTD
ETF	Theme		
RLQ45	LQ45	0.36%	-29.47%
XIIT	IDX30	0.62%	-28.35%
XIJI	JII	5.22%	-29.02%
XISI	SMInfra18	1.93%	-35.35%
XISR	SriKehati	-0.32%	-28.05%
XIHD	IDXHIDIV20	-0.29%	-28.90%
XIPI	Pefindo I-Grade	0.80%	-28.76%
XIIML	MSCI Indo Large Cap	-0.58%	-
XIIC	Consumer Related	0.72%	-25.54%
XIIF	Rate Sensitive	-0.36%	-37.51%
XISC	BUMN Stocks	0.96%	-38.94%
XISB	Sovereign Bonds	-0.54%	-6.17%

Conventional	Last	1W	YTD
RDMP	Equity	1.86%	-30.79%
RPCF	Balanced	-0.08%	-24.05%
RDPU 2	Money Market	0.10%	1.33%

### Summary of Investment Characteristics & Valuation of ETF Funds Portfolios

	Name of ETF Funds	Fund Characteristics (% of Portfolio)					P/E (x)	Dividend Yield
		Defensive	Rate-Sensitive	Dom. Cyclical	Commodities	Cash	2020F	2019
1	RLQ45	31.2	48.9	10.4	9.1	0.4	11.9	3.8
2	XIIT	30.7	50.6	9.2	9.1	0.5	12.1	3.8
3	XISC	19.6	32.5	20.3	11.2	16.4	8.8	5.1
4	XISR	30.7	63.1	2.4	3.2	0.5	11.8	3.6
5	XIIF	12.1	51.5	21.8	0.0	14.6	11.8	3.5
6	XISI	44.6	20.2	18.6	16.1	0.4	9.4	4.8
7	XIPI	22.8	62.2	4.4	10.2	0.4	12.5	3.0
8	XIIC	42.5	35.6	8.6	2.1	11.2	12.8	3.7
9	XIHD	36.2	46.4	6.7	10.2	0.5	11.7	4.2
10	XIJI	56.3	10.6	10.6	22.2	0.3	13.2	3.9
11	XIML	29.9	61.3	5.6	2.8	0.4	12.7	3.8
<b>Index</b>								
	IDX80	32.1	39.2	14.7	13.9	0.0	10.4	2.7
	JCI	47.3	7.4	14.9	29.8	0.0	10.9	2.4

**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. 021-57931260

### Fund Sales Team

Noviono Darmosusilo	Director	noviono.d@ipc.co.id	ext	170	0811-1351-168
M. Fairuz Zaman	Head Of Marketing	m.fairuz@ipc.co.id	ext	560	0818-0262-7732
Dinda Novitri Muliani	Relationship Manager	dinda.novitri@ipc.co.id	ext	620	0812-1071-0788
Sheila Paramitha	Relationship Manager	sheila.paramitha@ipc.co.id	ext	623	0812-9091-0328
Frida Dwi Tyas	Relationship Manager & Distribution Channel	frida.tyas@ipc.co.id	ext	625	0818-0912-6747

### DISCLAIMER

© Copyright 2020 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