

**Stocks fell over Covid cases resurgence, slowing recovery, US election risks**

Global stock markets fell for fourth consecutive week amid tech sector recovery over coronavirus cases resurgence in Europe, allegations of money laundering by global banks, and stalling economic recovery. In US, a looming Senate fight over Supreme Court nomination to replace Justice Ruth Bader Ginsburg dims prospect for bipartisan stimulus agreement when Fed Chair Powell stressed the urgent need for more stimulus to support economy. Economic data may not be a key factor affecting markets this week as global PMI data shows a continuing, albeit slowing, recovery, US jobs data and durable goods orders disappointed while political risk from a chaotic US election outcome is a growing concern for markets. Meanwhile, worries over a slowing global demand on the back of virus concerns weighed on oil prices and lowered bond yields.

In Indonesia, JCI fell 2.24% on the back of sustained foreign outflow of Rp2.2Tn although foreign buying returned to bond market (net inflow: Rp4.4Tn) despite a draft revision of the Law on Bank Indonesia's charter undergoing discussion in the parliament, which will reduce the central bank's independence. Large-cap stocks declined across most sectors with auto manufacturer Astra International as a key exception.

**The Week Ahead – Indonesia PMI, US Non-Farm Payrolls/Unemployment**

The key economic calendar to watch out for in the week ahead are China NBS Manufacturing & Non-Manufacturing PMI (Wed 08:00), US Presidential Election Debate (Wed 08:00), China Caixin Manufacturing PMI (Wed 08:45), Indonesia Manufacturing PMI (Thu 07:30) and Inflation Rate (Thu 11:00), US Initial Jobless Claims, Personal Income and Spending (Thu 19:30), US ISM Manufacturing PMI (Thu 21:00), EU Inflation Rate (Fri 16:00), US Non Farm Payrolls, Unemployment Rate (Fri 19:30), and Factory Orders (Fri 21:00).

**Investment Conclusion**

Equity markets globally have recovered strongly, pricing in V-shaped recoveries in economic growth and equity earnings in 2021, as the worst of the economic fallout from the pandemic seems largely over despite fears over a second wave of infections. We believe Indonesia's coronavirus fallout is already fully priced in as JCI P/E valuation has fallen to just above 20-yr average, while global markets valuation have returned to near pre-pandemic highs at 1SD above long-term averages. We view Indonesia's market valuation as attractive, regardless of GDP and earnings growth in 2020. Given high correlation factor of 0.80 between JCI and S&P500 indices in 2020 (vs. 0.19 in 2018-2019), we expect JCI will continue to recover, driven by global catalysts such as vaccine discovery. However, given reimposition of mobility restrictions in Jakarta, which will have negative impacts on economic growth and equity earnings, we return to our base-case 2020 JCI target of 5,300 (bullish case target is 5,600).

**Recommendation**

We have been recommending investors to stay defensive since last year with our broad-based ETFs RLQ45 & XIIT to minimize volatility and our ESG ETF XISR (Sri Kehati), which have an overweight position in BBKA, which is considered as defensive stock at times of market uncertainty. Please note ESG (Environmental, Social & Governance) ETFs globally saw record inflows of over US\$19bn in 2020 amid pandemic, continuing its strong rise since 2019. For investors looking to benefit from a further market rebound, our pick is ETF XIIML (MSCI Indonesia Large Cap), whose constituents of 15 large cap stocks mostly owned by foreign investors are among most impacted by foreign selling and thus should benefit the most from a recovery. XIIML shares similarity with XISR and XIPI in terms of overweight in banking sector, including in BBKA.

Meanwhile, XISI (SM-Infra18) and XISC (SOEs) focused on SOEs in infrastructure and financial sectors, lacked defensive constituents such as BBKA and consumer stocks, and thus may be viewed as more risky at current market conditions. However, these two ETFs also have lowest valuation among of our ETF universe, with 2020F P/E of 16.6x and 15.9x, respectively, which are lower than valuation of our broad-based ETFs RLQ45 (at 18.2x), XIIT (at 18.3x), and XIIML (at 18.4x), and thus may have more upside potential if Indonesia's stock market recovers on a sustainable basis. Please refer to our ETF Fund Guide in page 2.

Global Stock Indices	Last	1W	YTD
DJIA	27,173.96	-1.75%	-4.78%
S&P 500	3,298.46	-0.63%	2.09%
Nasdaq	10,913.56	1.11%	21.63%
FTSE 100	5,842.67	-2.74%	-22.54%
DAX	12,469.20	-4.93%	-5.89%
Nikkei 225	23,204.62	-0.67%	-1.91%
Hang Seng	23,235.42	-4.99%	-17.57%
Shanghai	3,219.42	-3.56%	5.55%
EIDO	17.42	-3.54%	-32.11%

JCI Sector Indices	Last	1W	YTD
JAKMIND	871.51	0.57%	-28.79%
JAKPROP	342.34	-1.59%	-32.06%
JAKFIN	1,072.26	-1.97%	-20.85%
JAKTRAD	623.47	-2.05%	-19.01%
<b>JCI</b>	<b>4,945.79</b>	<b>-2.24%</b>	<b>-21.49%</b>
JAKCONS	1,841.02	-2.30%	-10.31%
JAKBIND	706.28	-2.58%	-27.79%
JAKAGRI	1,137.61	-2.91%	-25.38%
JAKMINE	1,330.11	-2.94%	-14.11%
JAKINFR	803.56	-4.12%	-29.36%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	0.13	-1 bps	-144 bps
UST 10Y Yield	0.66	-4 bps	-126 bps
Ind GB 10Y Yield	6.91	1 bps	-15 bps
USDIDR	14,873	138	1,007
CDS Indo 5Y	119.17	26.53	56.93

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	-2.17 Tn	-58.42 Tn
Government Bond Market (Rp)	+4.40 Tn	-125.15 Tn

Commodities	Last	1W	YTD
WTI	40.04	-2.60%	-34.43%
Brent	41.92	-2.85%	-36.48%
CPO (Malaysia)	2,822.00	-8.38%	-5.49%
Coal (New Castle)	58.80	12.97%	-13.15%

Funds and ETFs	Last	1W	YTD	
<i>ETF</i>	<i>Theme</i>			
RLQ45	LQ45	794.71	-2.54%	-24.07%
XIIT	IDX30	429.93	-2.72%	-24.01%
XIJI	JII	535.89	-2.82%	-24.00%
XISI	SMInfra18	250.67	-3.63%	-26.74%
XISR	Sri Kehati	315.40	-2.16%	-22.51%
XIHD	IDXHIDIV20	383.48	-2.98%	-23.91%
XIPI	Pefindo I-Grade	132.82	-3.01%	-25.97%
XIIML	MSCI Indo Large Cap	216.00	-2.39%	-
XIID	IDX30	418.39	-2.73%	-
XIIC	Consumer Related	881.94	-2.88%	-22.19%
XIIF	Rate Sensitive	420.10	-3.48%	-33.74%
XISC	BUMN Stocks	479.02	-4.18%	-33.64%
XISB	Sovereign Bonds	418.19	-0.16%	1.59%
<i>Conventional</i>				
RDMP	Equity	862.14	-2.53%	-26.04%
RPCF	Balanced	2,426.55	-2.36%	-18.56%
RDP2U	Money Market	1,264.44	0.11%	3.39%

## 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	
<b>1 RLQ45</b>	<b>30.8</b>	<b>47.7</b>	<b>13.2</b>	<b>7.8</b>	<b>0.5</b>	<b>18.2</b>	<b>3.6</b>	
2 XIIT	30.0	51.4	11.3	6.9	0.4	18.3	3.6	
<b>3 XISC</b>	<b>21.6</b>	<b>38.3</b>	<b>22.7</b>	<b>16.2</b>	<b>1.1</b>	<b>15.9</b>	<b>4.9</b>	
4 XISR	29.0	62.0	3.9	4.9	0.2	19.2	3.3	
<b>5 XIIF</b>	<b>12.5</b>	<b>57.0</b>	<b>30.1</b>	<b>0.0</b>	<b>0.4</b>	<b>18.1</b>	<b>3.3</b>	
6 XISI	45.6	15.6	22.4	16.0	0.5	16.6	4.4	
<b>7 XIPI</b>	<b>21.1</b>	<b>62.0</b>	<b>15.4</b>	<b>1.3</b>	<b>0.3</b>	<b>20.7</b>	<b>2.8</b>	
8 XIIC	46.8	40.9	11.6	0.0	0.8	18.9	3.5	
<b>9 XIHD</b>	<b>34.6</b>	<b>48.0</b>	<b>6.5</b>	<b>10.6</b>	<b>0.3</b>	<b>18.2</b>	<b>4.0</b>	
10 XIJI	50.0	12.0	24.7	12.8	0.6	19.3	3.3	
<b>11 XIIML</b>	<b>24.4</b>	<b>67.1</b>	<b>4.4</b>	<b>3.9</b>	<b>0.2</b>	<b>18.4</b>	<b>3.8</b>	
12 XIID	30.1	51.5	11.3	6.9	0.2	18.3	3.6	
<b>Index</b>								
<b>IDX80</b>	<b>31.9</b>	<b>38.8</b>	<b>21.1</b>	<b>8.2</b>		<b>16.4</b>	<b>3.3</b>	
JCI	32.3	37.1	22.6	7.9		18.0	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	<a href="mailto:noviono.d@ipc.co.id">noviono.d@ipc.co.id</a>	ext	170	0811-1351-168
M. Fairuz Zaman	Head Of Marketing	<a href="mailto:m.fairuz@ipc.co.id">m.fairuz@ipc.co.id</a>	ext	560	0818-0262-7732
Dinda Novitri Muliani	Relationship Manager	<a href="mailto:dinda.novitri@ipc.co.id">dinda.novitri@ipc.co.id</a>	ext	620	0812-1071-0788
Frida Dwi Tyas	Relationship Manager & Distribution Channel	<a href="mailto:frida.tyas@ipc.co.id">frida.tyas@ipc.co.id</a>	ext	625	0818-0912-6747
Indra Pratama	Relationship Manager	<a href="mailto:indra.p@ipc.co.id">indra.p@ipc.co.id</a>	ext	136	0857-9494-5058

#### 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