Premier Fund Monitor - *The Week Ahead* | Friday, 12th November 2021

Hot inflation ends US stocks winning streak, shaking consumer confidence, sending yields higher

US inflation worries shaking market sentiment and consumer confidence

US stocks ended five consecutive weeks of gains, retreated from record highs, after October inflation jumped 0.9% MoM (+6.2% YoY), well above consensus expectations (0.6%), marking the fifth month in a row US annual inflation rate topping 5.0%. Core CPI inflation rose 0.6% MoM (+4.6% YoY), also exceeding consensus forecasts (0.4%), although PPI inflation of 0.6% came as expected. With inflation fears returning to markets after easing recently, 10-yr UST yields climbed back to 1.57% (+11bps) while stocks shrugged off the weekly jobless claims data, which fell to a new pandemic-era low of 267,000. Consumers are also worried about runaway inflation as indicated by University of Michigan's consumer sentiment index which fell further to 66.8 – this is the lowest level in a decade and it was even lower than at the start of the pandemic in April 2020. Consumers' inflation expectations for the year ahead also edged up to 4.9% (from 4.8%). Elsewhere in Europe, stock markets generally ended up higher on growth optimism and dovish comments from ECB, which decided to keep its rate and monetary policy stance unchanged despite rising inflation pressures. Emerging Markets equities performed well, outperforming Developed Markets peers this week (+1.69% vs. -0.26%), driven by stock market recoveries in Brazil and China, which are two of the worst performing EM stock markets this year.

In Indonesia, JCI gained 1.05% this week as the pace of foreign equity inflows picked up again to Rp1.94Tn, after slowing in recent weeks. Meanwhile, bond market continued to suffer outflows ahead of Fed tapering this month although IDR bond yields have so far been very resilient due to strong domestic demand. The stock market's gains this week were also driven by small and medium cap stocks while among large cap stocks, gains in industrials (auto), basic materials, energy, banks and consumer sectors were offset by the declines in telecom, retailing, poultry and healthcare stocks.

***The Week Ahead* – Indonesia Trade Balance, BI Meeting, US Retail Sales**

The key economic events and data releases to focus next week are Indonesia Trade Balance (Mon 11:00), US Retail Sales (Tue 20:30), US Industrial Production (Tue 21:15), ECB President Lagarde Speech (Tue 23:10), Bank Indonesia Interest Rate Decision (Thu 14:30), Indonesia Automotive Sales (Thu 17:00), US Initial Jobless Claims (Thu 20:30).

Investment Conclusion

Global equities have priced-in strong growth recovery in 2021 but the key issue for markets this year has shifted to inflation, as reflected in rising bond yields, as this could lead to monetary policy tightening in the advanced economies. An unexpected shift in Fed's monetary policy (eg. taper, rate hike) could unsettle global markets and lead to fund outflows from EMs. However, we view the risks to Indonesia are lower now than in 2013 as a Fed tapering is already expected, Indonesia's country risk indicators have improved, and its bond market is now more resilient. Our 2021 JCI target of 6,600 has been achieved but we believe there is scope for further upside (our 2022 JCI target is 7,400) given lagging performances of EM (including Indonesia) in comparison to DM equities.

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) to minimize volatility. Both XIPI and XISR have overweight positions in BBCA, widely considered as defensive stock at times of uncertainty. XIPI also has an overweight position in cyclical stocks, including in banking and basic materials sectors, and underweight of defensive stocks in the portfolio. As such, XIPI is exposed to sectors that should benefit the most from an economic recovery while still maintaining defensiveness through its overweight exposure in BBCA. 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, as seen during the past four months.

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	36,100.31	-0.63%	17.95%
S&P 500	4,682.85	-0.31%	24.67%
Nasdaq	15,860.96	-0.69%	23.06%
FTSE 100	7,347.91	0.60%	13.74%
DAX	16,094.07	0.25%	17.31%
Nikkei 225	29,609.97	-0.01%	7.89%
Hang Seng	25,327.97	1.84%	-6.99%
Shanghai	3,539.10	1.36%	1.90%
MSCI World	3,223.82	-0.26%	19.84%
MSCI Emerging Markets	1,285.48	1.69%	-0.45%

JCI Sector Indices	Last	1W	YTD
Transportation	1,363.95	8.42%	43.09%
Energy	1,029.88	3.38%	31.56%
Basic Materials	1,235.51	2.39%	0.21%
Industrials	1,081.61	2.06%	16.44%
Financials	1,553.64	1.27%	23.26%
Consumer Non-Cyclicals	697.43	1.10%	-11.83%
JCI	**6,651.05**	**1.05%**	**11.24%**
Consumer Cyclicals	866.70	0.69%	16.67%
Infrastructures	984.42	0.20%	14.15%
Technology	9,373.70	0.17%	741.61%
Healthcare	1,417.86	0.17%	8.20%
Property & Real Estate	864.18	-0.40%	-9.57%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	0.52	11 bps	40 bps
UST 10Y Yield	1.57	11 bps	66 bps
Ind GB 10Y Yield	6.05	-1 bps	16 bps
USDIDR	14,191	-140	141
CDS Indo 5Y	84.19	3.56	16.68

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	+1.94Tn	+43.31Tn
Government Bond Market (Rp)	-2.92Tn	-47.85Tn

Commodities	Last	1W	YTD
WTI	80.79	-0.59%	66.51%
Brent	82.17	-0.69%	58.63%
CPO (Malaysia)	4,937.00	1.17%	72.68%
Coal (New Castle)	153.00	-1.54%	90.06%

Funds and ETFs		Last	1W	YTD
ETF	*Theme*			
RLQ45	LQ45	1,005.57	-0.94%	3.17%
XIIT	IDX30	531.07	-0.99%	2.44%
XIJI	JII	590.92	-0.29%	-7.64%
XISI	SMInfra18	336.46	-1.05%	1.35%
XISR	SriKehati	387.40	-0.01%	2.14%
XIHD	IDXHIDIV20	491.03	-0.41%	6.89%
XIPI	Pefindo I-Grade	180.70	-0.23%	4.77%
XIML	MSCI Indo Large Cap	260.14	-0.12%	2.48%
XIID	IDX30	518.86	0.12%	3.03%
XIFE	FTSE ESG Indonesia	104.25	-0.09%	-
XIIC	Consumer Related	992.42	0.43%	-4.05%
XIIF	Rate Sensitive	560.13	0.46%	-4.84%
XISC	BUMN Stocks	715.21	-2.00%	-6.31%
XISB	Sovereign Bonds	451.53	0.24%	1.21%
Conventional				
RDMP	Equity	909.05	0.38%	-14.01%
RPCF	Balanced	2,702.93	0.24%	-9.47%
RDPU 2	Money Market	1,330.55	0.07%	3.58%

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. Cyclicals	Commodities	Cash	2021F	2021F	
1	**RLQ45**	25.5	50.5	13.7	9.8	0.52	17.9	3.7	1.17
2	XIIT	28.2	53.1	7.8	10.3	0.53	18.0	3.9	1.16
3	**XISC**	18.6	44.1	17.5	16.8	2.94	17.1	2.9	1.36
4	XISR	24.7	66.7	3.4	4.8	0.32	18.4	4.3	1.13
5	**XIIF**	11.7	53.0	33.3	0.0	1.94	21.6	3.8	1.27
6	XISI	51.2	16.7	19.9	11.8	0.41	17.0	3.0	1.21
7	**XIPI**	19.8	62.2	13.8	4.0	0.24	21.2	3.8	1.18
8	XIIC	31.7	41.7	20.8	4.0	1.82	21.3	3.6	1.03
9	**XIHD**	28.0	54.7	4.1	12.5	0.76	17.3	4.4	1.14
10	XIJI	45.4	3.4	30.8	20.2	0.30	18.1	2.3	1.07
11	**XIML**	17.5	75.9	3.3	2.9	0.28	18.6	4.6	1.15
12	XIID	28.3	53.3	7.8	10.3	0.26	18.0	3.9	1.16
13	**XIFE**	30.0	57.8	5.6	6.4	0.32	17.3	4.0	1.09
	Index								
	IDX80	31.8	36.5	19.3	12.4		17.0	2.6	
	JCI	29.6	42.3	18.0	10.1		19.1	2.3	

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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