

Biden administration's new stimulus and vaccination targets lifted markets

Major equity indices hit new highs post US Presidential Inauguration as Biden administration focused on supporting the economy rather than raising taxes, as stated by incoming Treasury Secretary Janet Yellen, and reiterated their goal to deliver 1 million vaccinations a day in the first 100 days in the face of worsening coronavirus pandemic. The new administration's vaccine rollout plans include greater use of Defense Production Act to help with vaccine production. Market optimism was despite news of resistance from Republicans to President Biden's proposed US\$1.9Tn stimulus package, which is viewed as too sizeable. Adding to positive market sentiment is expectations for strong earnings season, where among the 13% of S&P500 companies that have reported Q4 2020 results, 86% of them reported positive EPS surprise, according to FactSet. Technology stocks led the gains in US stock markets, as reflected in Nasdaq's 4.19% rise this week.

In Indonesia, JCI was down 1.04% this week, after its strong rise in the past 3 weeks, despite sustained foreign inflow of Rp632Bn. Mining (coal and metals), construction, property and basic industries (pulp & paper, poultry) were among the sectors hardest hit by investor profit takings after recent outperformances, while big cap stocks in banking, auto, and consumer sectors outperformed this week. Meanwhile, the bond market reported net inflow of Rp2.5Tn amid rising 10-yr yields (+11bps).

The Week Ahead – IMF World Economic Outlook, Fed Rate Decision

The key economic calendar to watch out for next week includes ECB President Lagarde Speech (Mon 15:45), IMF World Economic Outlook (Tue 20:00), US Durable Goods Order (Wed 20:30), Fed Interest Rate Decision (Thu 02:00), US Initial Jobless Claims and GDP Growth Rate (Thu 20:30), US New Home Sales (Thu 22:00), and US Personal Income & Spending (Fri 20:30).

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 new waves of infections. We expect JCI to continue its recovery, driven by catalysts such as vaccine distribution, Omnibus Law and Indonesia's improving macro outlook, although its valuation has priced-in earnings recovery prospects. Although JCI is getting close to our 2021 JCI target of 6,600 (our bullish case: 7,000), we will still maintain our base case target of 6,600 for now, pending the release of Q1 2021 financial results at end of April and May.

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) or XIPI (Pefindo i-Grade), which have overweight positions in BBCA, which is considered as defensive stock at times of uncertainty. Please note that ESG (Environmental, Social & Governance) ETFs globally saw record inflows in 2020 amid the pandemic, after a strong rise in 2019. For investors looking to benefit from market rebound, our pick is ETF XIIML (MSCI Indonesia Large Cap), whose constituents of 11 large cap stocks mostly owned by foreign investors are among most impacted by foreign selling and thus should benefit the most from recovery. XIIML shares similarity with XISR and XIPI in terms of overweight in banking sector, including in BBCA.

Meanwhile, XISI (SM-Infra18) and XISC (SOEs) focused on SOEs in infrastructure and financial sectors, lacked defensive constituents such as BBCA and consumer stocks, and thus may be viewed as riskier during the pandemic. However, these two ETFs also have lowest valuation among of our ETF universe, with 2021F P/E of 16.6x and 16.4x, respectively, which are lower than valuation of our broad-based ETFs RLQ45 (at 18.0x), XIIT (at 18.1x), and XIIML (at 18.1x), and thus may continue to have more upside potential if Indonesia's stock market recovers on sustainable basis and investors continue to rotate away from defensive sectors into cyclical stocks on the back of vaccine distribution and expected economic recovery. Please refer to our ETF Fund Guide in page 2.

Global Stock Indices	Last	1W	YTD
DJIA	30,996.98	0.59%	1.28%
S&P 500	3,841.47	1.94%	2.27%
Nasdaq	13,543.06	4.19%	5.08%
FTSE 100	6,695.07	-0.60%	3.63%
DAX	13,873.97	0.63%	1.13%
Nikkei 225	28,631.45	0.39%	4.33%
Hang Seng	29,447.85	3.06%	8.14%
Shanghai	3,606.75	1.13%	3.85%
EIDO	24.41	-0.33%	4.23%

JCI Sector Indices	Last	1W	YTD
JAKMIND	1,166.18	0.77%	7.87%
JAKTRAD	816.04	0.40%	6.48%
JAKFIN	1,438.62	-0.06%	7.91%
JAKCONS	1,827.16	-0.46%	-0.27%
JAKINFR	1,046.98	-0.93%	4.59%
JCI	6,307.13	-1.04%	5.49%
JAKBIND	983.14	-2.14%	6.75%
JAKAGRI	1,453.94	-3.60%	-2.94%
JAKPROP	394.87	-4.81%	-0.51%
JAKMINE	2,086.38	-5.57%	8.92%

Rates and Bonds	Last	1W	YTD
UST 2Y Yield	0.13	-1 bps	1 bps
UST 10Y Yield	1.09	0 bps	17 bps
Ind GB 10Y Yield	6.29	11 bps	35 bps
USDIDR	14,054	-14	-51
CDS Indo 5Y	73.81	-0.47	6.30

Foreign Fund Flows	1W	YTD
Equity Regular Market (Rp)	+632.06Bn	+8.86 Tn
Government Bond Market (Rp)	+2.54 Tn	+6.51 Tn

Commodities	Last	1W	YTD
WTI	52.27	-0.17%	7.73%
Brent	55.41	0.56%	6.97%
CPO (Malaysia)	3,583.00	7.86%	-7.92%
Coal (New Castle)	85.90	-1.72%	5.53%

Funds and ETFs	Last	1W	YTD	
<i>ETF</i>	<i>Theme</i>			
RLQ45	LQ45	1,033.73	0.33%	6.06%
XIIT	IDX30	550.90	0.65%	6.27%
XIJI	JII	659.51	-2.22%	3.08%
XISI	SMInfra18	346.77	-0.35%	4.46%
XISR	Sri Kehati	401.58	1.29%	5.88%
XIHD	IDXHIDIV20	483.10	0.84%	5.16%
XIPI	Pefindo I-Grade	185.74	0.27%	7.69%
XIIML	MSCI Indo Large Cap	268.99	1.49%	5.97%
XIID	IDX30	534.96	0.64%	6.23%
XIIC	Consumer Related	1,065.45	0.14%	3.01%
XIIF	Rate Sensitive	613.66	-3.34%	4.26%
XISC	BUMN Stocks	845.35	-4.89%	10.74%
XISB	Sovereign Bonds	439.64	-0.75%	-1.46%
<i>Conventional</i>				
RDMP	Equity	1,093.49	-1.11%	3.43%
RPCF	Balanced	3,029.87	-0.52%	1.48%
RDPU2	Money Market	1,288.13	0.09%	0.28%

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	2021F	2021F	
1	RLQ45	26.8	50.8	13.5	8.8	0.07	18.0	2.5	1.12
2	XIIT	26.3	55.0	10.9	7.7	0.07	18.1	2.6	1.18
3	XISC	19.0	33.6	28.3	18.9	0.15	16.4	2.9	1.22
4	XISR	25.0	64.4	5.4	4.9	0.38	18.7	2.4	1.17
5	XIIF	11.0	50.2	38.3	0.0	0.47	18.1	2.4	1.22
6	XISI	42.1	16.8	26.2	14.5	0.36	16.6	2.8	1.13
7	XIPI	17.2	60.3	16.6	5.6	0.27	20.2	2.0	1.20
8	XIIC	41.8	45.1	12.0	0.0	1.14	18.5	2.7	1.10
9	XIHD	30.6	52.3	6.3	10.6	0.23	17.8	2.9	1.17
10	XIJI	48.7	1.3	32.3	17.4	0.23	20.9	2.0	1.09
11	XIML	20.6	72.2	3.7	3.3	0.27	18.1	2.7	1.20
12	XIID	26.1	55.0	11.0	7.7	0.21	18.1	2.6	1.22
Index									
	IDX80	29.3	42.1	17.7	10.8		16.8	2.3	
	JCI	29.9	40.3	21.3	8.6		16.9	1.7	

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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