

Monthly Bulletin

Februari 2023

What's Inside



Calendar

ID GDP YoY (6-Feb)
ID Foreign Reserve (7-Feb)
GE Industrial Production (7-Feb)



Global Event

FOMC Statement di bulan Feb'23 memberikan signal kepasar dimana faktor-faktor inflasi yang terjadi selama 2 tahun terakhir telah menurun. Hal ini disambut baik oleh pasar dimana harga aset keuangan meningkat secara umum.



Indonesia

Rupiah mengalami penguatan signifikan selama bulan Jan'23. Hal ini di pengaruh oleh faktor eksternal namun beberapa kebijakan yang di rencanakan oleh pemerintah memberikan optimisme bagi pasar keuangan Indonesia.



Equity Market

Kinerja IHSG ditutup sebesar -0.16% YTD atau -0.16 % MoM (*cutoff date: 31-Jan-23*). Top 3 *Leaders* 1) BMRI, 2) BBCA, 3) BBRI dan Top 3 *Laggards* 1) GOTO, 2) ARTO, 3) TLKM. Investor asing melakukan *net sell* sebesar -204mio USD di bulan Jan'22



Fixed Income Market

Yield 10 tahun obligasi selama di bulan Jan'23 menguat dari level 6.94 menjadi level 6.75. Hal ini selaras dengan penguatan rupiah dan signal *dovish* dari FOMC dimana IDR telah menyentuh dibawah level 15,000. Hal ini juga di kontribusi *foreign outflow* dari sisi SUN. Kepemilikan investor asing meningkat sejak Nov dengan level terendah 13.9% menjadi 15.1%



Section
01



Macro Updates

2023 Key Macro Narrative

Investors seems to differ on the timing rather than trend

Macro narrative for 2023

2023 might be year of inflection: peaking interest rates, slowing growth, weakening USD

Narasi Macro yang kami lihat akan mempengaruhi pasar sepanjang 2023 :

- 🏠 **Konsensus memiliki ekspektasi Fed melakukan Pivot di 2H23.** Hal ini disebabkan oleh beberapa hal :
 - **Laju inflasi di US memperlihatkan normalisasi** : hal ini terlihat dengan CPI dan Core-CPI bulanan telah menyentuh level 0.2-0.3% dalam 3 bulan berturut sejak Oktober 2022.
 - **Tone Fed Statement terlihat semakin netral** : Jerome powell menyatakan bahwa faktor-factor penekan inflasi telah mereda namun masih berada di level yang tinggi dibandingkan rata-rata historis. Sehingga, FOMC memutuskan untuk meningkat tingkat federal funds rate sebesar 25bps dari pertemuan sebelumnya sebesar 50bps di bulan Dec'22
- 🏠 **Hilirisasi komoditas berpotensi menjadi sumber pertumbuhan struktural baru bagi Indonesia** : Perubahan struktur atas neraca perdagangan dari proses hilirisasi komoditas telah terasa di sepanjang 2020-2022. Hal ini masih berlanjut untuk tahun-tahun berikutnya diikuti oleh turunan dari *supply chain* terkait dengan *EV* ataupun hilirisasi komoditas lainnya seperti *bauxite* dan *copper*.

Arah dari USD ditentukan oleh faktor-faktor berikut:

- 🏠 **China Re-opening Economy lebih cepat dari perkiraan awal:** Terlihat dari data *social mobility* mendekati level tertinggi di 2022. Hal ini mengakibatkan tingkat pertumbuhan *China* di ekspektasikan membaik. Namun, dari sisi lain survei PMI masih mencerminkan perlambatan. Adapun sektor properti *China* terlihat terdapat beberapa insentif yang mungkin dapat membantu sedikit perlmbatan di sektor properti seperti tingkat mortgage yang rendah.

2023 Key Macro Narrative (Continue)

Investors seems to differ on the timing rather than trend

Macro narrative for 2023

2023 might be year of inflection: peaking interest rates, slowing growth, weakening USD

- 🏠 **Inflasi dan Pasar Tenaga Kerja US relatif kuat** : Kuatnya pasar tenaga kerja US mengkhawatirkan beberapa investor terkait dengan proyeksi inflasi kedepan dan terkait kebijakan moneter Fed dibandingkan dengan ekspektasi pasar yang ada saat ini.
- 🏠 **Harga gas alam di Eropa sudah mendekati *pre-covid level***. Hal ini positif melihat laju inflasi di Eropa yang terjadi setelah *Russian-Ukraine conflict* serta memperbaiki pertumbuhan dan *disposable income* dari masyarakat Eropa.
- 🏠 **Tekanan terhadap USD terlihat berkurang. Faktor tersebut di atas sudah makin terefleksikan di pelemahan USD** yang terjadi sejak 4Q22 sehingga DXY terlihat melandai di beberapa minggu terakhir. Di saat bersamaan, *USD exposure* dari CFTC telah mencatatkan *net short-position* seperti di periode 2020-2021.
- 🏠 **Bank Indonesia mengeluarkan kebijakan terkait devisa hasil ekspor**. Mendekati akhir tahun 2022, Bank Indonesia mengeluarkan kebijakan untuk penempatan dana hasil ekspor untuk dapat dilakukan penempatan melalui *term deposit* OPT. Hal ini positif bagi likuiditas USD di Indonesia.

Implikasi dari hal-hal yang terjadi selama bulan Januari 2023

- 🏠 Penurunan harga komoditas yang terjadi dalam beberapa bulan terakhir mungkin dapat bertahan bergantung dari efek pembalikan aktivitas ekonomi di China.
- 🏠 Ekspektasi pasar atas tingkat suku bunga mungkin dapat masih meningkat melihat dengan NFP dan Inflasi yang keluar dalam satu bulan terakhir.

China Reopening is Gathering Pace

Mobility is returning to normal

Subway passenger coming back to high level of 2022

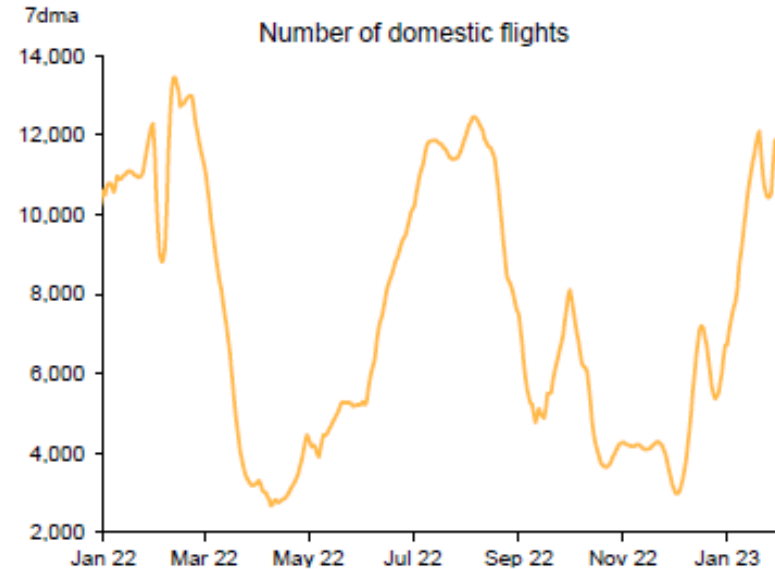
In average 7 days of subway passenger turnover



Source: Macquarie

No. of China Domestic Flights already near 2022 level

In average 7 days of domestic flights



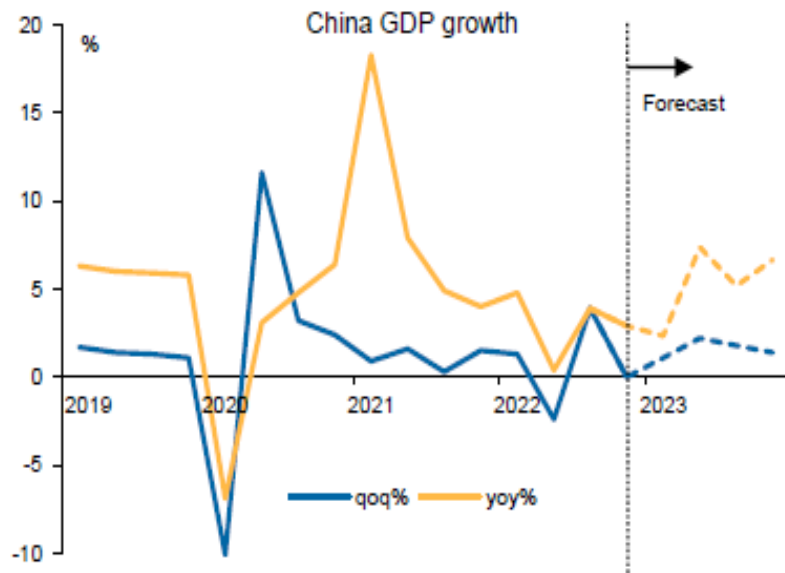
Source: Macquarie

- 📌 Berdasarkan data diatas terlihat tingkat mobilitas masyarakat China sudah mendekati level tertinggi di tahun 2022. Hal ini mengimplikasikan potensi atas peningkatan pertumbuhan ekonomi untuk China di tahun 2023.

China Growth To Accelerate

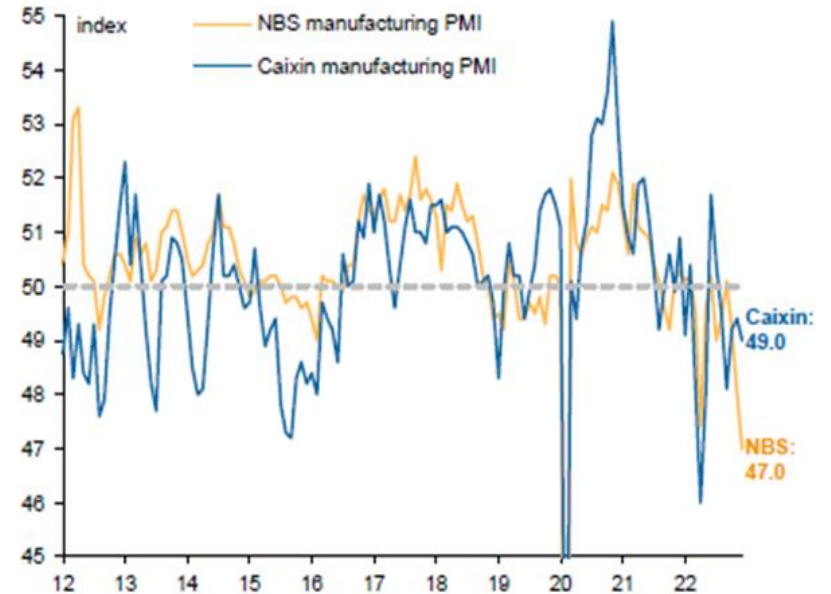
PMI survey has yet to reflect better economic activity

China GDP Growth expected to be higher
In % qoq and yoy



Source: Macquarie

Despite of PMI hasn't improving since 4Q22
In unit of index



Source: Macquarie

- Beberapa broker memiliki ekspektasi atas pertumbuhan ekonomi China *bottom* untuk tahun 2022. Namun, hal ini belum terlihat dengan jelas atas peningkatan aktivitas ekonomi khususnya di sektor manufaktur.

US Inflation Has Come Down But More is Required

Dec'22 & Jan'23 Core CPI slightly higher than expected but stable on PCE

Federal Funds Rate Since 1970

In %

Date (Consensus)	Core PCE YoY%	Core PCE MoM%	Core CPI YoY%	Core CPI MoM%	Goods MoM% (Avg. 3M Ann.)	Services ex-Shelter MoM% (Avg. 3M Ann.)	Shelter MoM% (Avg. 3M Ann.)
Jan-22	5.21%	0.47%	6.07%	0.56%	13.77%	6.14%	4.92%
Feb-22	5.42%	0.37%	6.43%	0.47%	10.63%	6.58%	5.29%
Mar-22	5.36%	0.37%	6.45%	0.31%	3.29%	8.02%	5.60%
Apr-22	5.03%	0.31%	6.14%	0.47%	-0.15%	8.58%	6.24%
May-22	4.88%	0.38%	6.02%	0.63%	1.01%	9.83%	6.47%
Jun-22	5.04%	0.63%	5.88%	0.60%	4.96%	10.99%	6.78%
Jul-22	4.70%	0.08%	5.89%	0.31%	5.19%	7.78%	7.08%
Aug-22	4.93%	0.55%	6.30%	0.58%	4.54%	7.40%	7.28%
Sep-22	5.20%	0.46%	6.64%	0.57%	2.46%	6.91%	7.95%
Oct-22	5.05%	0.26%	6.30%	0.33%	1.33%	6.61%	8.55%
Nov-22	4.68%	0.16%	5.97%	0.31%	-1.41%	4.42%	8.42%
Dec-22	4.42%	0.30%	5.70%	0.40%	-2.06%	3.06%	8.60%
Jan-23	NA	NA	5.55%	0.41%	-1.21%	5.12%	8.67%
1Q22F	4.30%	0.24%					
2Q22F	3.80%	0.28%					
3Q22F	3.30%	0.20%					
4Q22F	3.00%	0.27%					

Consensus pricing-in Core-PCE inflation moving flattish around 20-30bps throughout the years

CPI Shelter index still recording higher uptrend on mom annualized basis

Source: Syailendra Capital

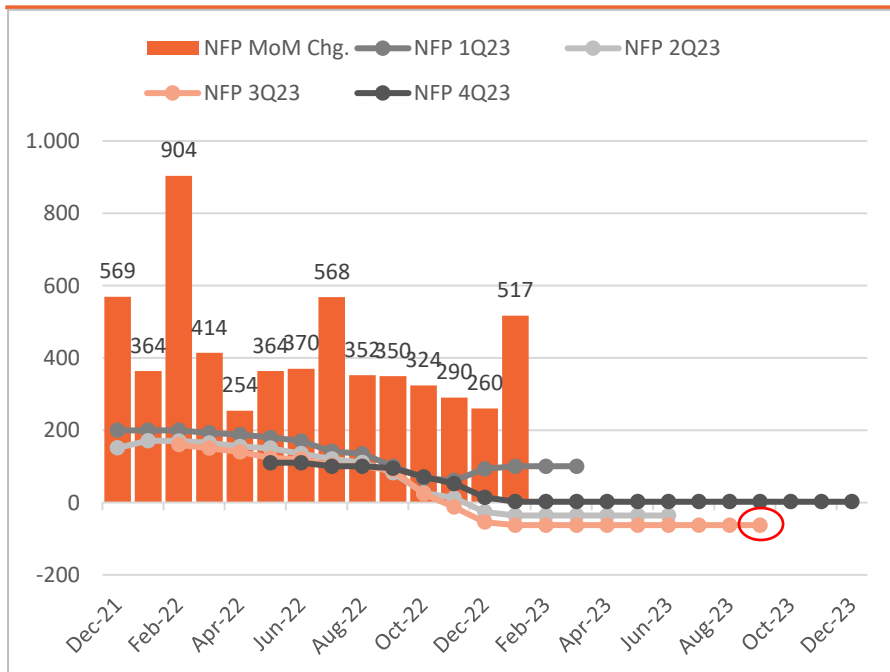
- 🏠 Konsensus memprediksi Core-PCE akan cenderung stabil memasuki 2023 dengan kisaran *monthly PCE* berkisar di 20-30bps.
- 🏠 Namun, komponen *shelter* di *CPI basket* belum mengindikasikan penurunan yang signifikan dibandingkan komponen lainnya.

Latest Inflation & NFP Questions Early Rate Cuts

Last data suggesting for somewhat soft-landing scenario

Non Farm Payroll expected to bottom on 2Q23

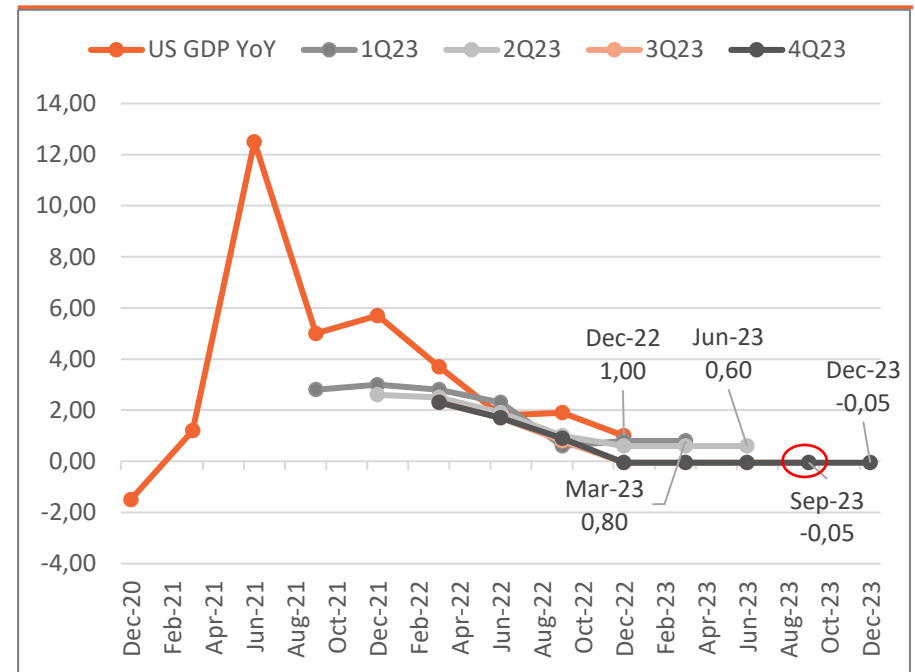
In no. of job



Source: Macquarie

US GDP Growth expected to bottom on 4Q23

In % YoY



Source: Macquarie

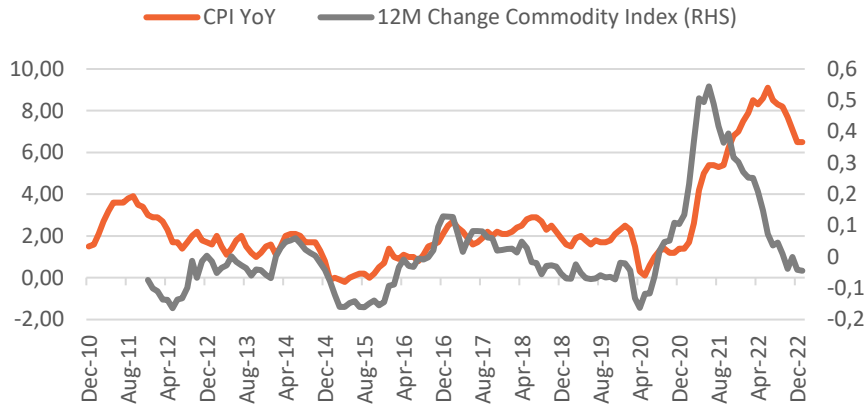
- Terlepas pasar memiliki ekspektasi penurunan pekerjaan di 2Q23. Dalam 2 bulan terakhir, kinerja *Non-Farm Payroll* berada diatas rata-rata. Hal ini sedikit mengimplikasikan posisi saat ini mengekspektasikan *soft-landing* terlihat dari *GDP Growth US* di 3Q23 dan 4Q23 hanya mencatatkan -0.05% YoY.

Monitoring Inflation

All eyes on the US labour market

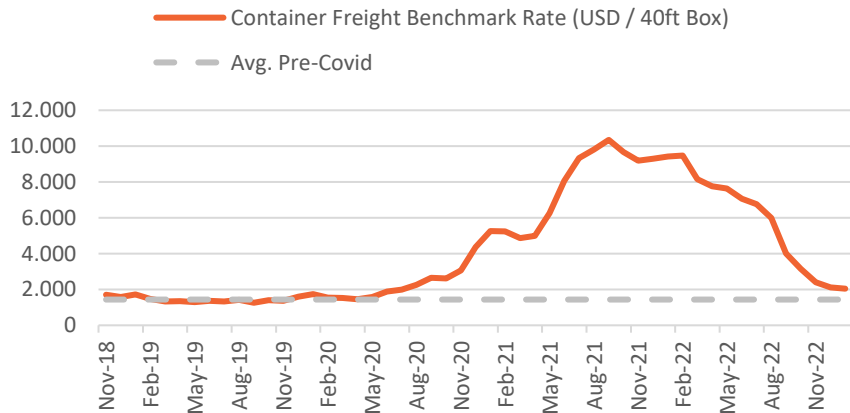
Overall Commodities near pre-covid level

In % YoY



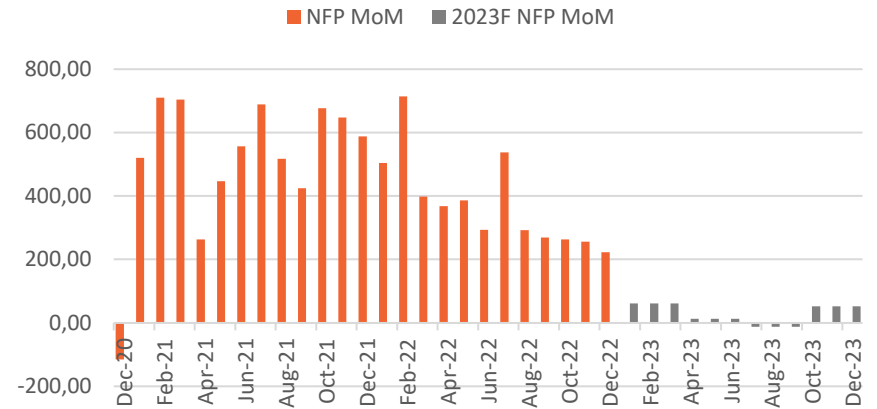
Spot freight rates already near pre-covid level

In %



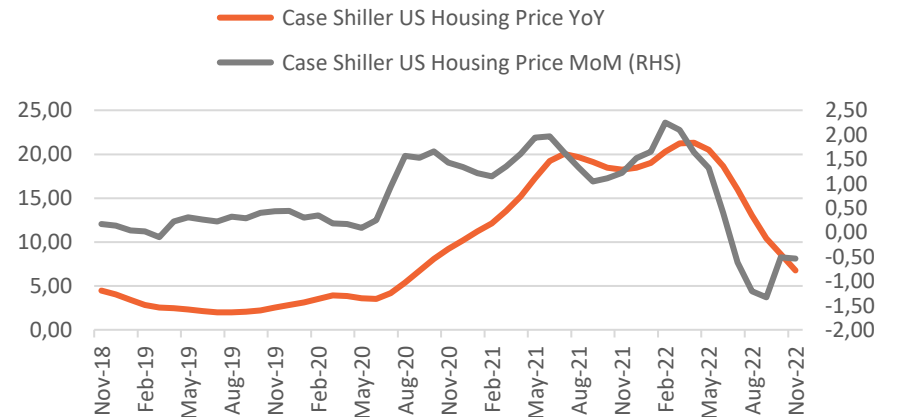
NPF expected to decrease while still above than expected so far

In chg. No of jobs each month



US Property Still on declining trend

In % YoY



FOMC Stance Is More Neutral

Feb'23 statement emphasize on data-dependent

FOMC Emphasize on being Data Dependent

Feb'23 Fed Statement Tracker and Post Press Release Comment

Terdapat beberapa perubahan yang di respon positif oleh pasar seperti :

Inflation Comment :

- **Dec'22** : *Inflation remains elevated, reflecting supply and demand imbalance related to pandemic, higher food and energy prices and broader price pressures*
- **Feb'23** : *Inflation has eased somewhat but remains elevated.... The committee is highly attentive to inflation risks*

Namun, Jerome Powell masih melihat diperlukannya data-data yang mengkonfirmasi penurunan *pressure* atas inflasi terlihat dalam *press release* yang dilakukan :

- *If the economy performs broadly in line with [our] expectations, it will not be appropriate to cut rates this year, to loosen policy this year. Of course, other people have forecast with inflation coming down much faster, that is different thing. If that happens, inflation comes down much faster, we will be seeing that and that will incorporated into our thinking about policy.*

FFR Interest Rate Probability

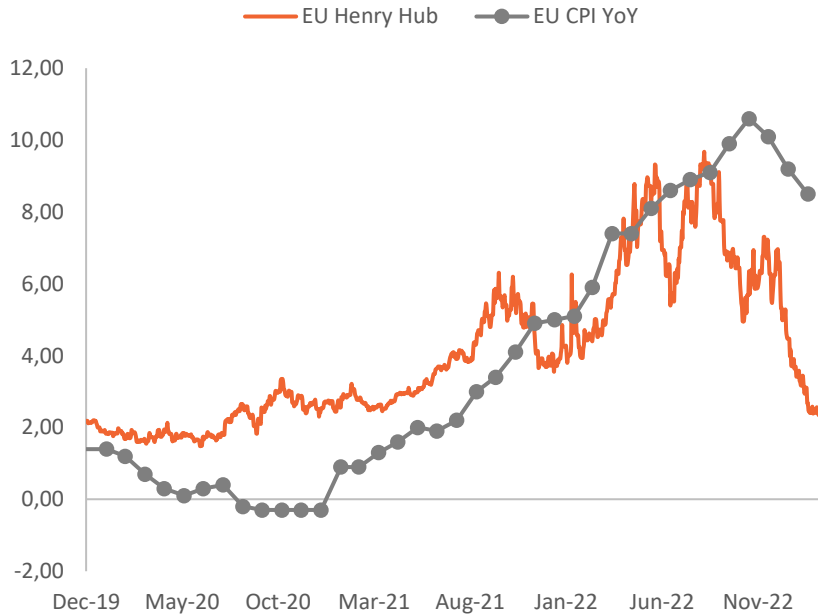
In %

Dates	Actual Rate	Implied Rate			Chg.	
		30-Dec-22	31-Jan-23	02-Feb-23	Dec'22 to Feb'23	Jan'23 to Feb'23
15-Dec-22	4.50					
31-Jan-22	4.50					
01-Feb-23	4.75	4.66	4.59		-0.07	
22-Mar-23		4.86	4.79	4.78	-0.06	-0.01
03-May-23		4.97	4.90	4.88	-0.07	-0.02
14-Jun-23		4.97	4.92	4.90	-0.05	-0.02
26-Jul-23		4.92	4.86	4.84	-0.05	-0.02
20-Sep-23		4.84	4.77	4.74	-0.07	-0.04
01-Nov-23		4.72	4.65	4.60	-0.08	-0.05
13-Dec-23		4.59	4.48	4.40	-0.11	-0.08
31-Jan-24		4.42	4.27	4.17	-0.15	-0.10

European Natural Gas at Pre-War Level

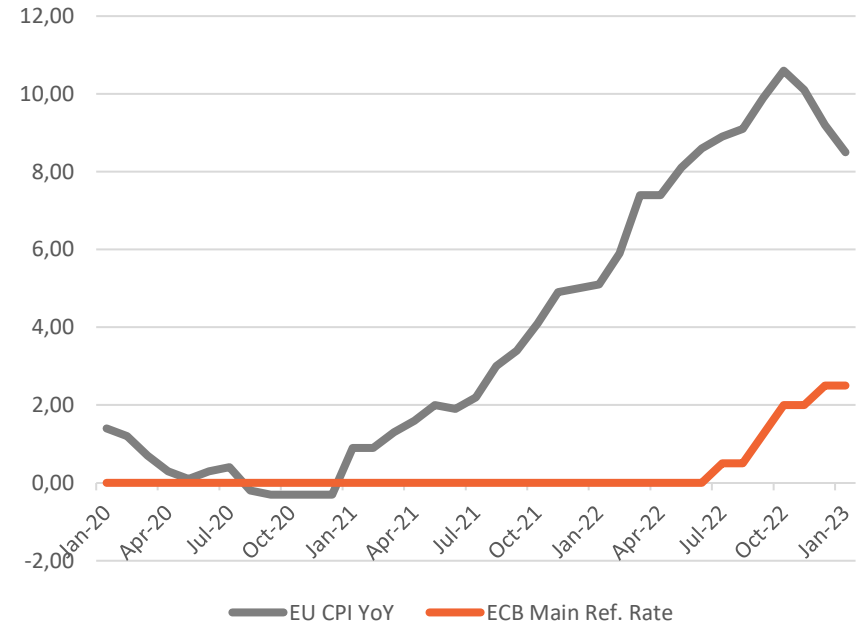
Expecting lower inflation and better Growth

Gas price and CPI
In no. of job



Source: Macquarie

EU CPI could continue to fall
In % YoY



Source: Macquarie

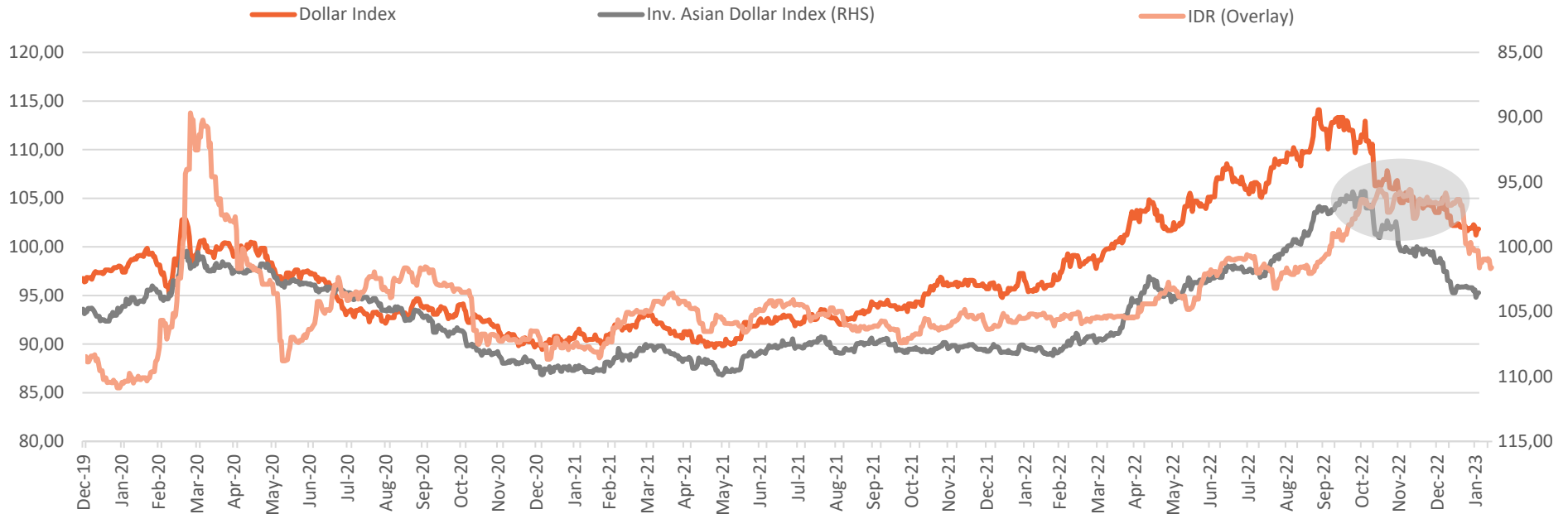
- 🏠 Harga gas natural untuk regional EU telah menurun signifikan dan sudah mendekati *pre-covid level* ditahun 2019. Hal ini seharusnya berdampak positif terhadap ekspektasi inflasi di EU.

USD Has Weakened But Seems to Find Support

DXY and Asian DXY moving at the same pace against USD

USDIDR catching-up with other currency in Jan'23

In %



Source: Federal Reserve, Morgan Stanley Research

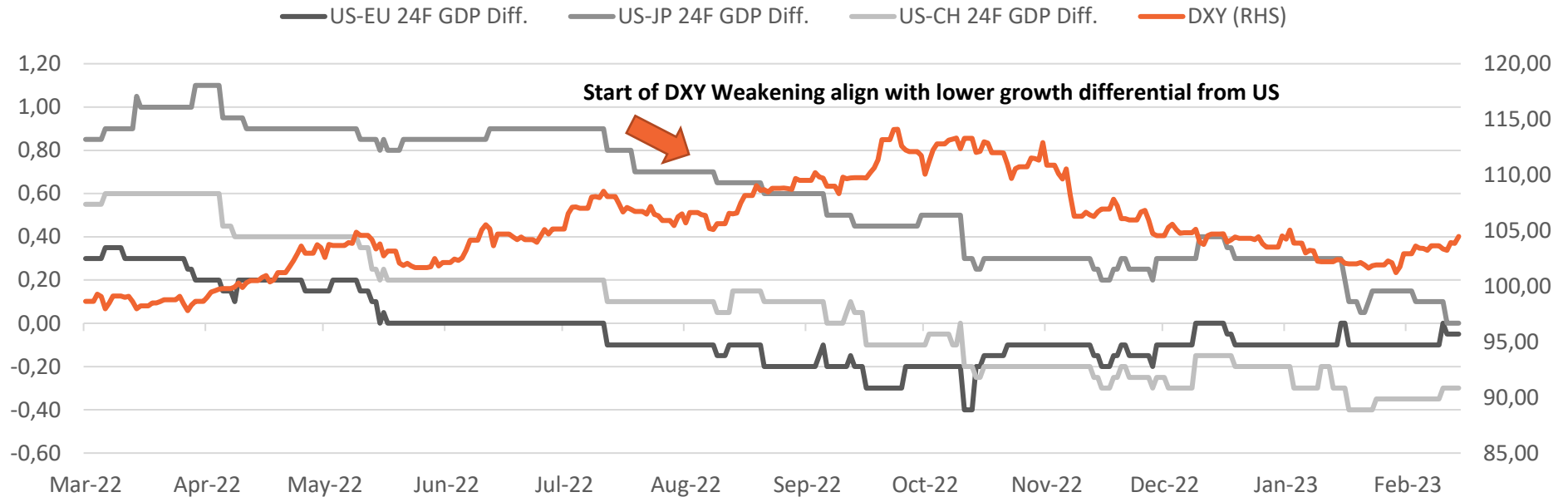
- DXY telah menurun dari level tertinggi di level 114.1 ke level 101.8 atau menurun -10.1% dari level tertinggi. Hal ini terlihat di seluruh mata uang asing termasuk Indonesia. USDIDR juga mengalami penguatan dengan level terakhir di 14,800-14,900 menguat berkisar 5-6% dari level tertinggi.

DXY Align With Lower Growth From US

Market expect slower growth from US which reflected on DXY pricing

USDIDR catching-up with other currency in Jan'23

In %



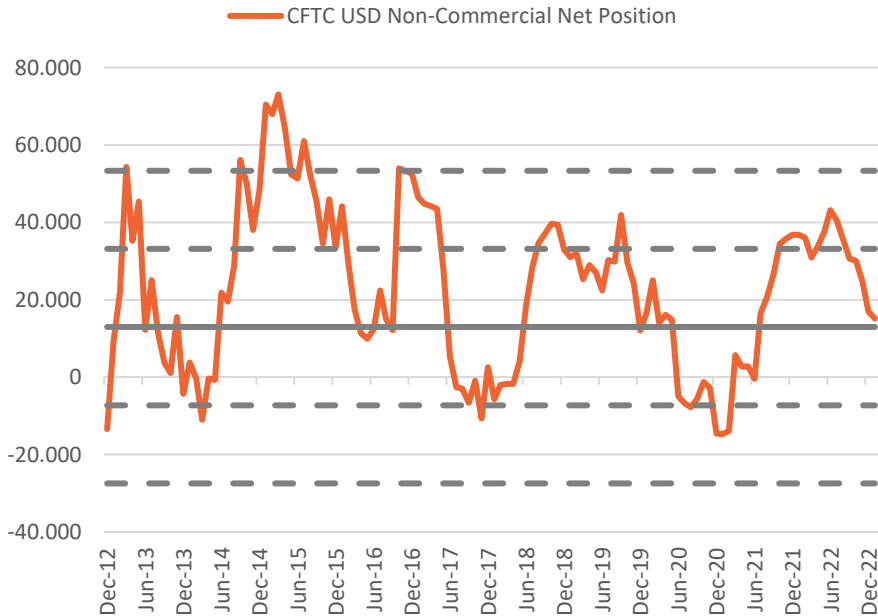
Source: Federal Reserve, Morgan Stanley Research

- 🏠 Penurunan DXY ini juga selaras dengan penurunan tingkat pertumbuhan antar negara-negara *counterparty* i.e EU, JP and China.

Market Further Position On Interest Cut Rate

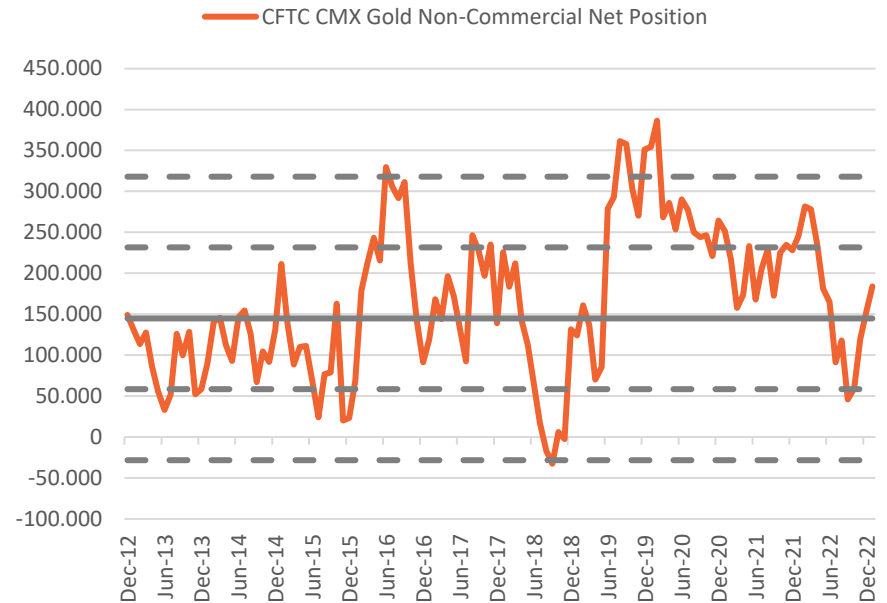
Speculator unwinding USD position while gold position bounce-back

Speculator continue to unwind leverage position on USD
In no of net-contract



Source: Bloomberg

Gold leverage position bounced back since Jun'22
In no of net-contract



Source: Bloomberg

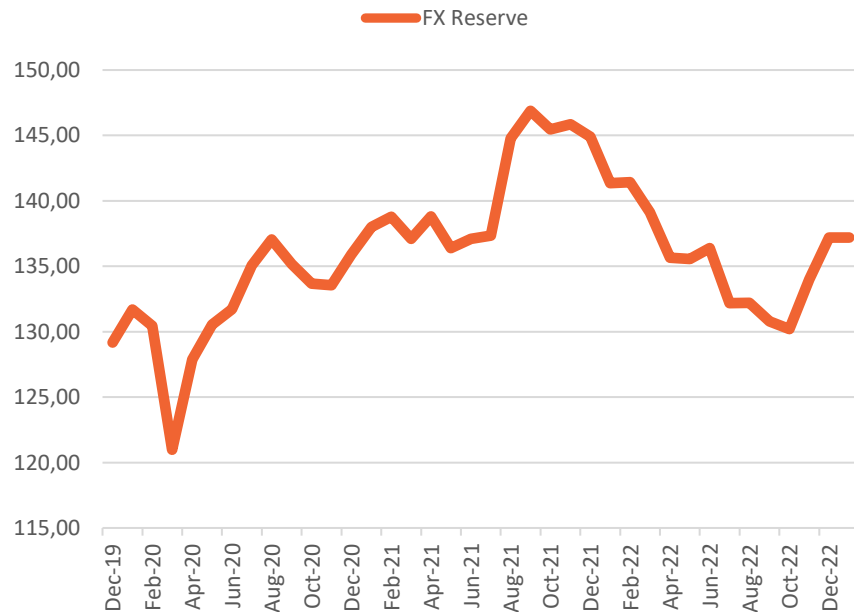
- 📌 Berdasarkan data diatas, terlihat posisi *speculator* telah menurun posisi atas *long USD* ke level netral di saat bersamaan *gold* kembali ke level rata-rata. Hal ini sesuai dengan narasi penurunan tingkat suku bunga dan inflasi yang mengakibatkan *real yield* menurun.

BI Mengeluarkan Kebijakan Terkait Dana Hasil Ekspor

Terdapat potensi peningkatan cadangan devisa dan repatriasi DHE

Key Point dari Perubahan PADG terkait DHE

In key point



Source: Bloomberg

Posisi Operasi Moneter Bank Indonesia

In bio IDR as of 31-Jan-22

Posisi Operasi Moneter	31-Jan-22
Operasi Moneter	724,802
Operasi Pasar Terbuka	643,728
Sertifikat Bank Indonesia	-
Term Deposit Rupiah	56,232
Repo	27,820
Reverse Repo SBN	537,768
Sertifikat Deposito Bank Indonesia	-
Standing Facility	-
Deposit Facility	77,548
Lending Facility	-
Operasi Moneter Syariah	81,074
Sertifikat Bank Indonesia Syariah	-
Sukuk BI	65,968
Repo SBSN	2,000
Reverse Repo SBSN	-
Standing Facility Syariah	-
FASBIS	17,106
Financing Facility	-

Source: Bank Indonesia

📌 PADG No. 24/25/PAD 2022 terkait perubahan kedua tentang devisa hasil ekspor dan devisa pembayaran impor di respon positif oleh pasar dimana eksportir dapat melakukan penempatan dana dari Reksus DHE SDA kedalam instrumen berupa :

- Deposito DHE SDA; dan/atau
- Term deposit operasi pasar terbuka konvensional dalam valuta asing di Bank Indonesia

Section
02



Fixed Income

2023 Fixed Income Catalysts

Repositioning to Rate Cut Cycle Timing, Reasonable Bond Supply

Key Fixed Income narrative for 2023 going forward

In each argument

Narasi *Fixed Income* yang kami lihat akan mempengaruhi pasar sepanjang 2023 :

- 🔺 ***Peaking Rates & Timing of Cut Rates*** : Setidaknya konsensus memprediksi FFR peningkatan suku bunga terakhir sekitar bulan Mar-May'23 dengan penurunan suku bunga selambat-lambatnya di Dec'23. Hal yang sama dapat terjadi untuk *7D BI Repo Rate*, namun kebijakan penurunan suku bunga akan sangat berpengaruh terhadap kinerja IDR untuk tahun 2023. Hal ini mengingat CAD Indonesia dieskspektasi akan melebar dibandingkan tahun 2022.
- 🔺 ***Reasonable Bond Supply despite lack of burden sharing*** : Bank Indonesia telah menjalankan *mandate burden sharing* untuk di tahun 2022 dan 2023. Berdasarkan informasi terakhir, tahun 2023 tidak akan ada penambahan *burden sharing* ke Bank Indonesia. Hal positifnya ialah tingkat *gross-supply* tambahan ternyata tak berbeda jauh dengan tahun 2022. Di saat bersamaan, berhentinya *burden sharing* oleh Bank Indonesia dapat meningkatkan kredibilitas dari persepsi *foreign investor*.
- 🔺 ***INDOGB might had tailwind later than expected due outperformance in 2022*** : INDOGB merupakan salah satu instrumen *sovereign bond* yang memiliki kinerja baik. Hal ini diakibatkan laju inflasi yang relatif terjaga dibandingkan negara *emerging* lainnya. Namun, hal ini mengakibatkan beberapa negara yang telah terkoreksi secara signifikan mengimplikasikan imbal hasil yang tinggi dibandingkan Indonesia.

Hal-hal yang terjadi selama bulan Januari 2023 :

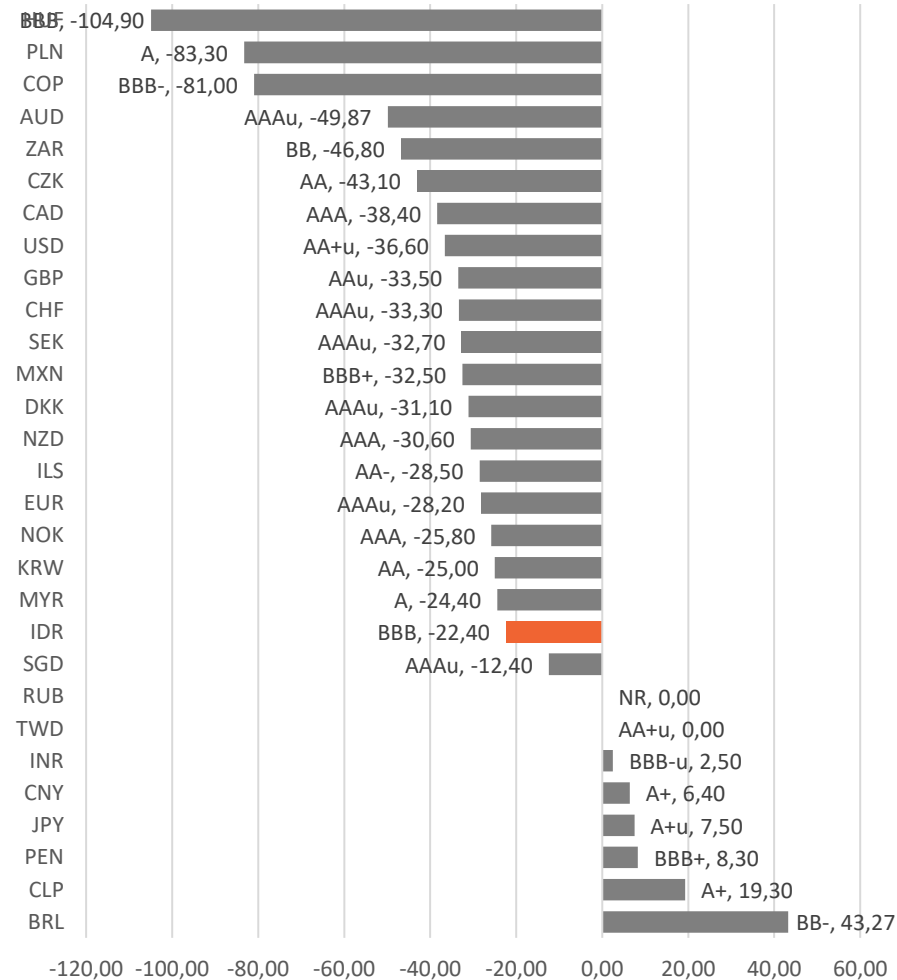
- 🔺 **Tekanan Penurunan USD mengakibatkan rally untuk *sovereign bond*** : Penurunan DXY berkisar 4-5% dalam satu bulan terakhir mengakibatkan *sovereign debt rally* secara global. Hal ini termasuk dengan INDOGB yang mencatatkan tingkat yield di 6.5-6.6%.

INDOGB Among The Most Defensive

One of reason were IDR relatively strong compare to peers

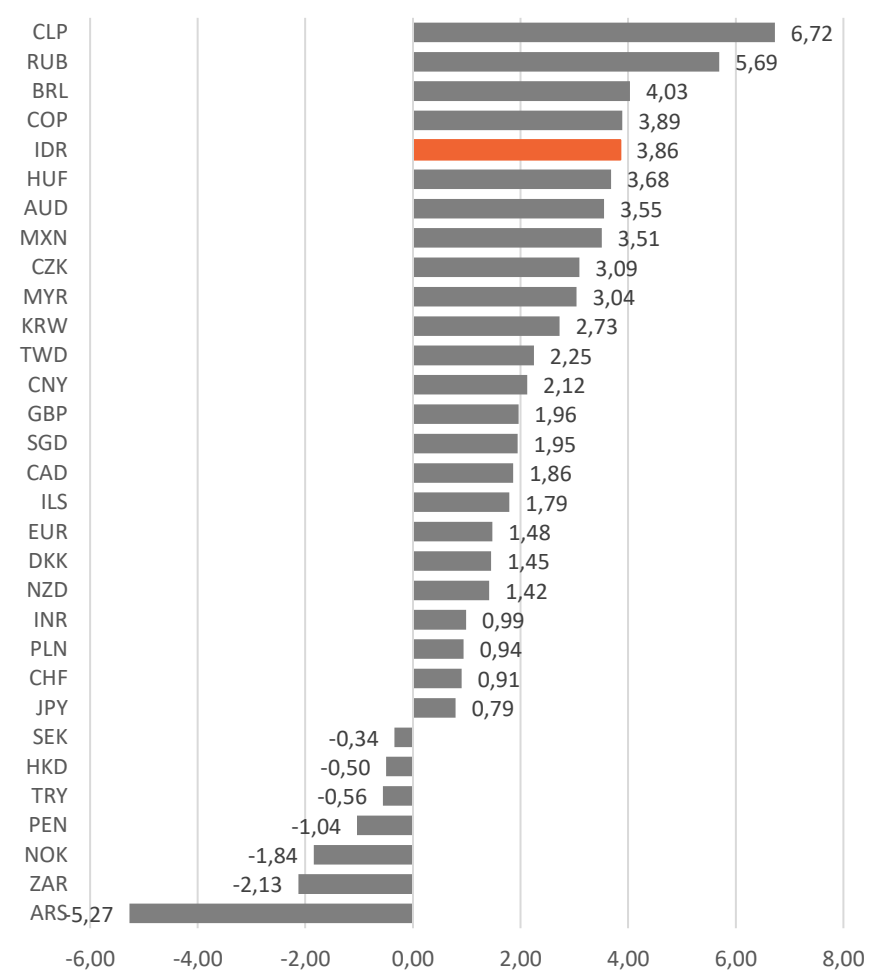
YTD 10Y Govt Changes

In bps



YTD Currency Chg. (USD as Base Currency)

In bps

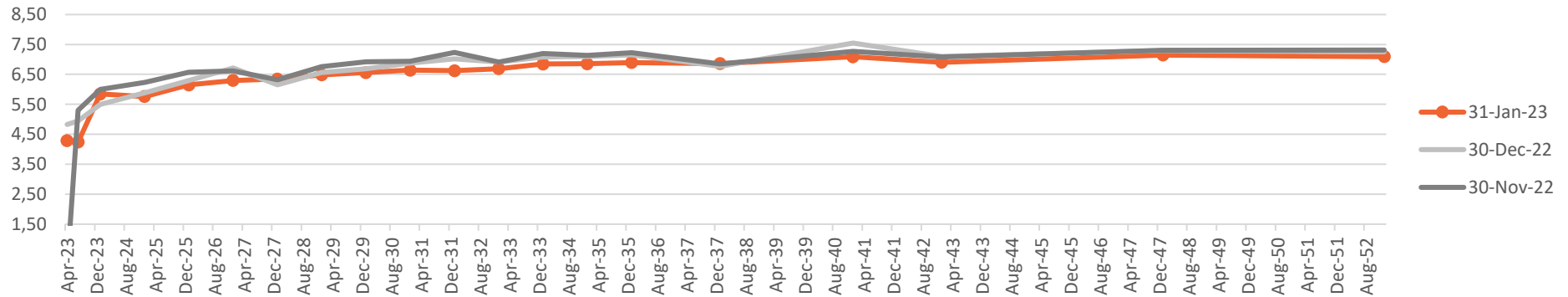


Yield Curve Continued to Flatten

Market implying slower economic growth with long duration getting richer

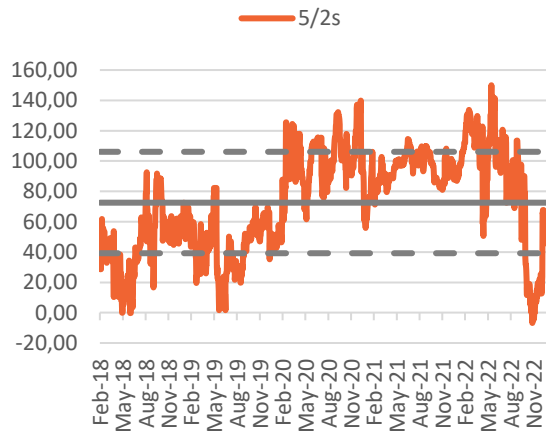
INDOGB Yield Curve

In ppt



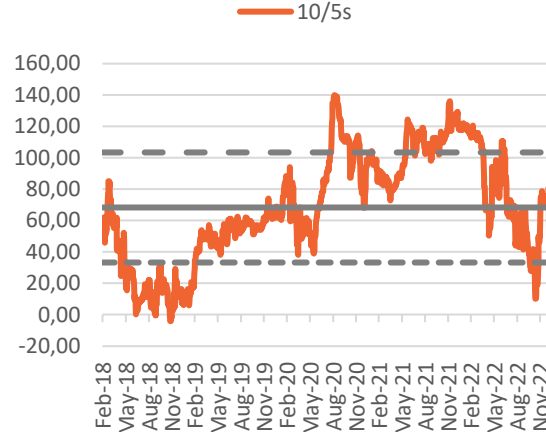
5/2s 5Y Historical Spread

In bps



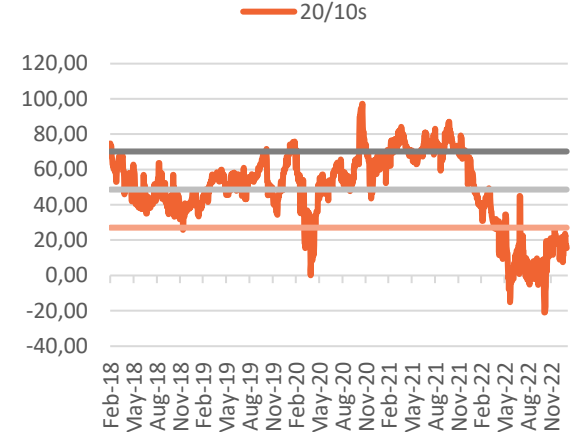
10/5s 5Y Historical Spread

In bps



20/10s 5Y Historical Spread

In bps



Indonesian Bonds Ownership

Foreign inflow had been 2 months adding position from its lowest ownership

Ownership on Tradeable Indonesia Government Bonds

In trn IDR

Ownership Level

Year	Bank	Central Bank	Mutual Fund	Insurance & PF	Foreign	Retail	Others	Total
Yearly								
2016	21.2%	8.9%	4.8%	18.4%	37.5%	3.3%	5.9%	100.0%
2017	21.6%	8.6%	5.0%	16.6%	39.8%	2.9%	5.6%	100.0%
2018	21.8%	9.2%	5.0%	17.5%	37.7%	3.1%	5.7%	100.0%
2019	20.7%	9.9%	4.8%	17.1%	38.6%	2.9%	5.9%	100.0%
2020	24.7%	22.6%	4.2%	14.0%	25.2%	3.4%	6.0%	100.0%
2021	25.0%	26.1%	3.4%	14.0%	19.0%	4.7%	7.7%	100.0%
2022	23.8%	27.4%	2.7%	16.4%	14.4%	6.5%	8.8%	100.0%
YTD	24.0%	26.8%	2.8%	16.2%	15.1%	6.4%	8.7%	100.0%
Net flow								
Year	Bank	Central Bank	Mutual Fund	Insurance & PF	Foreign	Retail	Others	Total
Yearly								
2016	27	8	24	104	107	15	26	311
2017	78	22	18	23	170	2	13	326
2018	64	38	15	66	57	13	17	269
2019	53	56	12	57	169	8	29	384
2020	384	602	30	71	-88	50	68	1,118
2021	217	346	-3	112	-83	90	129	808
2022	92	233	-12	218	-129	123	106	630
YTD	27	-15	2	0	50	-2	4	67
Interim								
QTD	99	208	-6	138	-36	72	73	547

Government Bond Market Comparison

INDOGB real yield relatively comparable while spread narrowing compare to peers

Government Bond Market Comparison

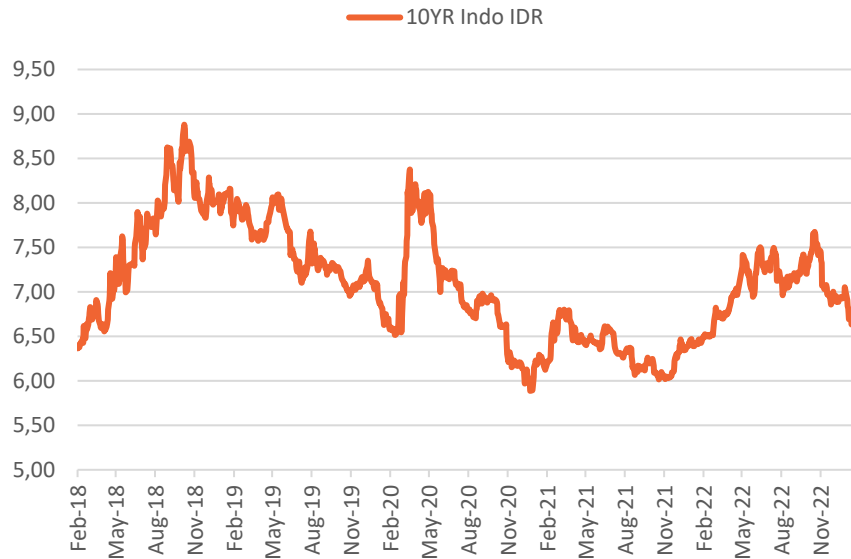
In %

Country	10Y Yield (%)		Spread to US 10Y			Inflation		Real Yield (%)		CAD	Fiscal Deficit	Credit Rating
	Current	YTD Chg. (bps)	2022	Current	Chg.	Current	2023F	Current Inflation	2023F Inflation	2023F	2023F	
Vietnam	4.90	-30	1.32	1.39	0.07	4.55	3.90	0.35	1.00	0.80	-4.00	BB+
Brazil	13.12	43	8.81	9.61	0.80	5.79	4.90	7.33	8.22	-2.20	-7.60	BB-
South Africa	10.32	-47	6.91	6.81	-0.10	7.20	5.60	3.12	4.72	-1.10	-5.15	BB
India	7.35	3	3.45	3.84	0.39	5.72	6.58	1.63	0.77	-3.20	-6.40	BBB-u
Italy	4.15	-55	0.82	0.64	-0.18	11.60	6.45	-7.45	-2.30	-0.20	-4.90	BBBu
Portugal	3.18	-40	-0.30	-0.33	-0.03	9.59	5.50	-6.41	-2.32	-1.70	-1.30	BBB+u
Mexico	8.70	-33	5.15	5.19	0.04	7.82	5.70	0.88	3.00	-0.90	-3.84	BBB+
Romania	7.42	-87	4.41	3.91	-0.50	16.37	11.00	-8.95	-3.58	-7.90	-5.15	BBB-
Hungary	8.00	-105	5.17	4.49	-0.68	24.50	15.10	-16.50	-7.10	-4.50	-4.00	BBB-
Colombia	12.20	-81	9.14	8.69	-0.44	13.12	8.90	-0.92	3.30	-4.40	-3.95	BBB-
Indonesia	6.69	-22	3.04	3.18	0.14	5.51	4.05	1.18	2.64	-0.70	-2.90	BBB
Average Peers in BBB & BB*			4.75	4.68				1.58	3.37			
Spain	3.28	-37	-0.23	-0.24	-0.01	5.70	4.20	-2.43	-0.93	0.30	-4.40	Au
South Korea	3.31	-25	-0.32	-0.20	0.12	5.00	3.30	-1.69	0.01	2.00	-0.65	AA
China	2.90	6	-1.04	-0.61	0.43	1.80	2.30	1.10	0.60	1.50	-5.00	A+
Chile	5.40	19	1.33	1.89	0.56	12.80	8.10	-7.40	-2.70	-4.93	-2.80	A+
Thailand	2.54	-10	-1.24	-0.97	0.27	5.89	2.80	-3.35	-0.26	1.95	-3.20	A-
Malaysia	3.80	-24	0.16	0.29	0.12	3.80	3.00	0.00	0.80	2.50	-5.20	A
Poland	6.01	-83	2.97	2.50	-0.47	16.60	13.10	-10.59	-7.09	-2.85	-5.17	A
Average Peers in A Credit			0.23	0.38				0.38	0.38			
United States	3.51	-37				6.5	3.75	-2.99	-0.24	-3.3	-4.5	AA+u

Government Bond Outlook

Short-term: Neutral to Long ; Long-term ; Long Recommendation

Indonesia 10Y IDR Yield
In %



Source Syailendra Research, Bloomberg

Indonesia 10Y USD Yield
In %



Source Syailendra Research, Bloomberg

- 🚩 Stabilitas IDR menjadi kunci untuk Bank Indonesia menentukan melakukan kebijakan penurunan suku bunga lebih awal. Dalam hal ini, konsensus memprediksi penurunan suku bunga dapat terjadi mendekati akhir tahun 2023.
- 🚩 Faktor likuiditas telah menurun dibandingkan 2020 dan 2021. Hal ini menjadi salah satu kekhawatiran bagi investor, namun dari sisi lain. Penambahan *govt. bond supply* tahun 2023 relative sama dengan tahun 2022.
- 🚩 Target 10Y *yield base case* berada di range 7.25 – 7.50 % dengan mempertimbangkan *interest upcycle*. Mempertimbangkan level *yield* saat ini kami sedikit netral mempertimbangkan meningkatnya *interest differential* antara US dan Indonesia dan transmisi pelamahan IDR yang sedang terjadi.

Section 03



Equity

2023 Equity Catalysts

Structurally Attractive, Tactically Less So...

Key Equity narrative for 2023 going forward

In each argument

Narasi Ekuitas yang kami lihat akan mempengaruhi pasar sepanjang 2023 :

- 🔺 **Peaking Rates & Timing of Cut Rates** : Konsensus memprediksi puncak kenaikan FFR pada bulan Mar-May'23 dengan potensi penurunan di Dec'23. Berakhirnya *interest rate hike cycle* dan potensi *rate cuts* dapat membuat valuasi aset keuangan meningkat, memberikan kesempatan investasi di aset-aset berisiko.
- 🔺 **Foreign Flows could reverse, Possibility rotation to other region** Indonesia juga telah mendapatkan *foreign flow* yang cukup besar selama 2022, *positioning investor global* cukup tinggi sehingga alokasi mungkin berkurang memasuki 2023.
- 🔺 **Earnings Upside Less Attractive**: Perlambatan ekonomi dunia mengakibatkan pertumbuhan laba menurun signifikan. Hal ini pun terjadi di Indonesia, terutama di beberapa sektor seperti komoditas dan teknologi.
- 🔺 **Secara long-term Indonesian equities masih menarik, namun secara taktikal kurang**. Hal ini disebabkan karena *relative outperformance, reversal fund flows dan growth potential*. Namun dalam jangka menengah panjang potensi pertumbuhan *Indonesian equities* masih solid mempertimbangkan *structural story* dari hilirisasi komoditas.

Hal-hal yang terjadi selama bulan Januari 2023 :

- 🔺 **Indonesia sepanjang Jan'23 mengalami Foreign Outflow** : Kami melihat hal ini merupakan kelanjutan dari bulan Desember sampai dengan pertengahan Januari. Kami melihat setelah memasuki minggu ke-3 *foreign flow* terdapat sedikit pembalikan dari *outflow tertinggi* -354mio ditutup dikisaran 160mio di akhir bulan.

Implikasi dari hal-hal yang terjadi selama bulan Januari 2023

- 🔺 **China Reopening** mungkin berdampak negatif dalam jangka pendek karena terdapat efek dari rotasi arus portfolio investor asing. Dalam jangka menengah, Indonesia menjadi *beneficiary* khususnya emiten komoditas.

Global Indices Performance

Indonesia underperform peers on YTD performance

Global Indices Historical Performance

In % of return

No	Country	YTD	1M	3M	6M	1Y	P/E	P/BV	ROE
Global Market									
1	Dow Jones (US)	2.83%	2.83%	4.13%	3.78%	-1.84%	20.18	4.58	21.13
2	S&P 500 (US)	6.18%	6.18%	5.28%	-1.30%	-8.02%	19.02	3.99	18.12
3	Nasdaq (US)	10.68%	10.68%	5.43%	-6.51%	-15.87%	30.34	4.75	12.96
4	London (UK)	7.13%	7.13%	6.90%	5.46%	0.12%	13.33	1.89	13.50
5	DAX (GR)	8.65%	8.65%	14.14%	12.19%	-1.24%	12.54	1.60	11.50
6	CAC (FP)	9.40%	9.40%	13.02%	9.83%	1.67%	11.67	1.81	13.45
Asia Market									
1	Nikkei (JP)	4.72%	4.72%	-0.94%	-1.71%	2.28%	19.95	1.63	8.70
2	Hang Seng (HK)	10.42%	10.42%	48.72%	8.36%	-7.25%	12.13	1.25	9.43
3	Shanghai (CN)	5.39%	5.39%	12.52%	0.07%	-3.15%	12.28	1.36	11.08
4	Shenzhen (CN)	7.37%	7.37%	18.47%	-0.32%	-8.92%	14.49	1.79	12.41
ASEAN Market									
1	Singapore (SG)	3.52%	3.52%	8.81%	4.80%	3.68%	13.03	1.13	9.04
2	Kuala Lumpur (MK)	-0.67%	-0.67%	1.72%	-0.45%	-2.27%	14.57	1.40	9.55
3	Thailand (TH)	0.17%	0.17%	3.90%		1.95%	16.94	1.83	10.63
4	Vietnam (VN)	10.34%	10.34%	8.10%	-7.89%	-24.87%	10.21	1.60	15.70
5	Philippines (PH)	3.48%	3.48%	10.40%	9.16%	-6.79%	15.15	1.67	11.12
Indonesia Market									
1	JCI / IHSG (ID)	-0.16%	-0.16%	-3.66%	-1.61%	2.92%	14.30	1.85	13.23
2	JII / ISSI (ID)	-2.34%	-2.34%	2.36%	3.31%	12.89%	11.81	1.04	9.21
3	IDX30 (ID)	-0.10%	-0.10%	-8.49%	-6.26%	-4.04%	14.19	2.05	14.50
4	LQ45 (ID)	-0.07%	-0.07%	-7.66%	-4.31%	-1.40%	14.31	2.04	14.54

Global Peers Valuation Comparison

Indonesia valuation relatively cheap due slow growth expectation

Global Indices Historical Performance

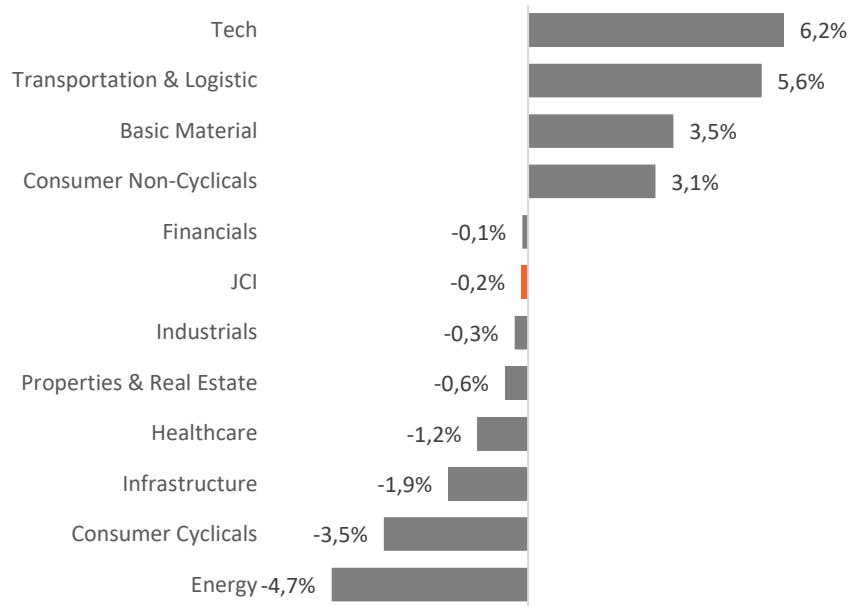
In times of earnings, times of BPS, % and YoY%

Desc.	P/E		EPS Growth		P/B		ROE		EPS Revision	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
MSCI SEA	17.1	14.4	-0.7%	18.7%	1.8	1.7	10.3	11.4	7.1%	-1.2%
Indonesia	13.2	12.9	1.9%	2.1%	2.4	2.2	18.5	17.3	46.7%	-19.3%
Malaysia	15.1	13.5	-0.5%	11.7%	1.4	1.4	9.4	10.1	5.8%	6.4%
Phillipines	17.5	15.0	1.2%	16.2%	1.9	1.7	10.9	11.6	26.9%	-9.8%
Singapore	17.1	13.6	-2.4%	25.9%	1.4	1.4	8.4	10.0	-3.4%	5.8%
Thailand	21.0	18.0	-4.3%	16.2%	2.0	1.9	9.6	10.5	14.1%	-4.7%
MSCI AxJ	12.8	12.8	5.2%	-0.6%	1.5	1.4	11.4	10.4	-9.3%	-4.2%
Hong Kong	20.2	15.6	0.0%	29.8%	1.2	1.2	5.8	7.6	-13.2%	9.5%
India	23.7	20.5	0.2%	15.6%	3.3	3.0	14.0	14.8	9.4%	4.3%
Korea	6.2	9.4	9.4%	-33.8%	0.7	0.6	11.8	6.9	-9.5%	-14.5%
Taiwan	12.1	14.6	-1.1%	-16.9%	2.3	2.2	18.9	14.9	6.7%	-11.6%
MSCI EMEA	10.5	10.4	-0.3%	1.1%	1.6	1.5	15.5	14.3	-33.8%	-2.7%
South Africa	11.3	9.9	-2.7%	14.3%	1.8	1.6	17.2	16.5	3.8%	1.5%
Turkey	3.1	3.4	0.3%	-9.6%	1.5	0.9	49.8	26.6	266.7%	-121.8%
MSCI LATAM	7.4	8.7	-0.3%	-15.1%	1.3	1.1	17.4	12.9	22.4%	-2.8%
Brazil	6.1	7.6	-1.0%	-20.0%	1.0	0.9	17.2	11.8	14.2%	2.1%
Mexico	14.4	13.2	2.2%	9.6%	2.1	1.9	14.6	14.8	17.5%	-3.1%
MSCI EMEA	10.5	10.4	-0.3%	1.1%	1.6	1.5	15.5	14.3	-33.8%	-2.7%
MSCI World	17.3	16.6	-1.5%	4.1%	2.8	2.6	14.4	14.6	4.8%	-1.7%
Australia	14.2	14.6	-1.2%	-2.9%	2.2	2.2	15.9	14.8	21.3%	-2.7%
Europe	13.0	13.1	-1.8%	-0.5%	1.8	1.7	12.1	12.2	19.4%	-4.0%
Japan	15.0	13.1	-3.3%	15.0%	1.2	1.2	8.3	8.8	15.3%	-6.9%
USA	19.6	18.8	-2.0%	4.1%	4.1	3.7	17.9	18.0	3.5%	0.1%

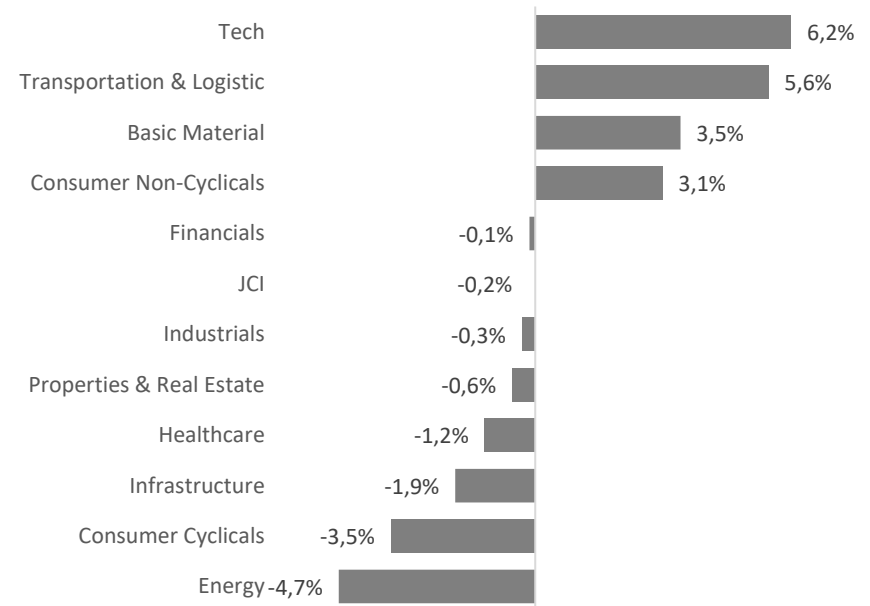
Market is still in a mixed trend

Losers Sector : Energy, Consumer Cyclical, Winner Sectors : Tech and Transportation

JCI Sectoral Movement YTD
As of 31 Jan 2023



JCI Sectoral Movement MTD
As of 31 Jan 2023



Source: Syailendra Research, Bloomberg

Source: Syailendra Research, Bloomberg

- 🏠 Melihat kinerja indeks selama periode YTD, sektor energi mencatatkan penurunan dimana hal ini terjadi seiring dengan harga komoditas yang mengalami normalisasi dan ekspektasi kinerja keuangan yang melemah di tahun ini. Sektor transportasi didukung oleh ekspektasi kinerja yang meningkat di tahun ini seiring dengan kompetisi bisnis yang lebih konservatif di tahun ini.

Foreign Equity Flows

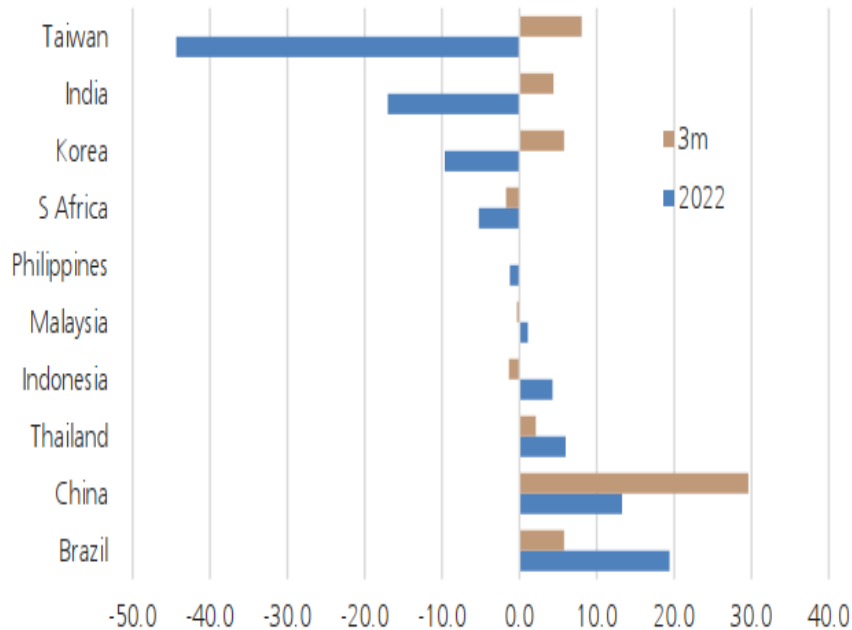
Foreign Flowing into North Asia (Taiwan) Since Last Year

In US\$ Million	India	Indonesia	Korea	Philippines	Taiwan	Thailand	Malaysia	EM Asia ex. China	EM Asia ex-China ex-Malaysia	Japan
Dec-21	-1,741	-181	2,639	1,724	2,780	695	-270	5,645	5,915	-12,150
Jan-22	-4,817	425	-3,275	-56	-1,950	432	80	-9,161	-9,241	5,769
Feb-22	-5,018	1,220	418	141	-5,922	1,931	679	-6,552	-7,231	-8,050
Mar-22	-3,693	584	-3,640	-204	-9,428	1,006	783	-14,592	-15,375	-15,202
Apr-22	-3,816	2,783	-4,963	-99	-9,102	321	193	-14,683	-14,876	29,604
May-22	-4,871	-243	170	-350	57	592	18	-4,627	-4,645	-1,993
Jun-22	-6,342	-501	-4,796	-207	-7,724	-841	-291	-20,702	-20,411	-9,556
Jul-22	836	-150	1,363	-80	-626	128	28	1,499	1,471	4,963
Aug-22	6,791	508	3,012	-153	-4,124	1,603	460	8,098	7,638	-2,895
Sep-22	-1,624	209	-1,805	-216	-5,748	-655	-355	-10,194	-9,839	-20,995
Oct-22	1,026	730	2,129	-12	-3,031	227	-128	941	1,069	12,213
Nov-22	4,679	45	3,028	99	6,476	847	-61	15,113	15,175	9,544
Dec-22	-167	-1,344	-1,305	-109	-2,885	369	-309	-5,750	-5,441	-1,053
Jan-23	-3,660	-204	5,240	122	7,241	545	-82	9,202	9,284	2,226
Yearly										
YTD	-3,660	-204	5,240	122	7,241	545	-82	9,202	9,284	2,226
2022	-17,016	4,267	-9,665	-1,245	-44,007	5,960	1,096	-60,610	-61,706	2,350
2021	3,761	3,674	-23,010	-5	-15,604	-1,632	-767	-33,582	-32,815	29,827
2020	23,373	-4,320	-20,082	-2,513	-15,257	-8,287	-5,782	-32,867	-27,085	-65,727
2019	14,234	-1,306	924	-240	9,377	-1,496	-2,683	18,811	21,493	-28
2018	-4,617	-3,656	-5,676	-1,080	-12,196	-8,913	-2,885	-39,024	-36,138	-50,284

EM Inflow Hasn't Been Coming From Another EM

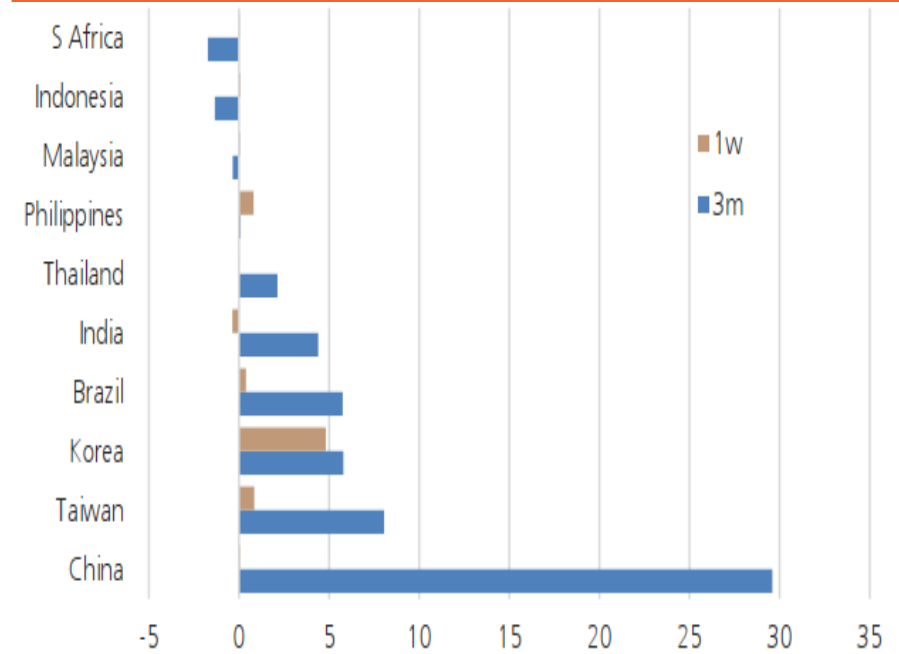
January Inflow to Korea hasn't show any outflow from any region in EM

EM Market flows in 2022
In bio USD



Source: UBS

EM Market flows in the past 1 week
In bio USD



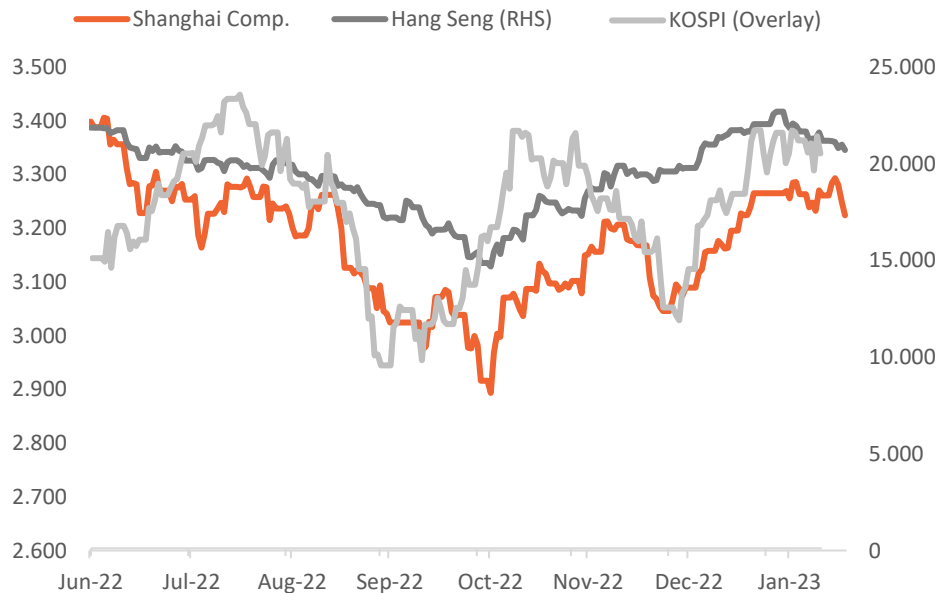
Source: UBS

- Hal yang menarik ialah peningkatan *foreign flow* yang terjadi di Korea Selatan di minggu ke-3 bulan Januari terlihat tidak berasal dari EM market lainnya. Hal ini menandakan terjadinya aset alokasi baik dari DM ataupun aset kelas lainnya.

North Asia Has Been The Biggest Beneficiary

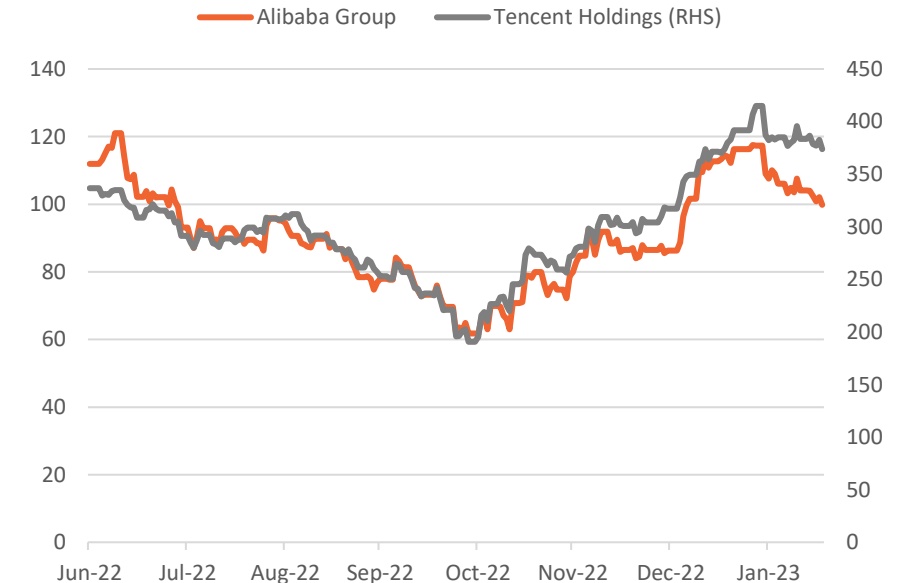
Market was rallying on the back of china re-opening expectation

China, Hong Kong and S. Korea Market Rallying-Up Normalized



Source: UBS

China Tech Stocks Rebound since Nov'22 Normalized



Source: UBS

- Hal yang menarik ialah peningkatan *foreign flow* yang terjadi di Korea Selatan di minggu ke-3 bulan Januari terlihat tidak berasal dari EM market lainnya. Hal ini menandakan terjadinya aset alokasi baik dari DM ataupun aset kelas lainnya.

January Industry Sector Positioning

Local mutual funds adding position while other still wait and see

Monthly Changes of Investor Position

MoM of est. weight changes of investor portfolio

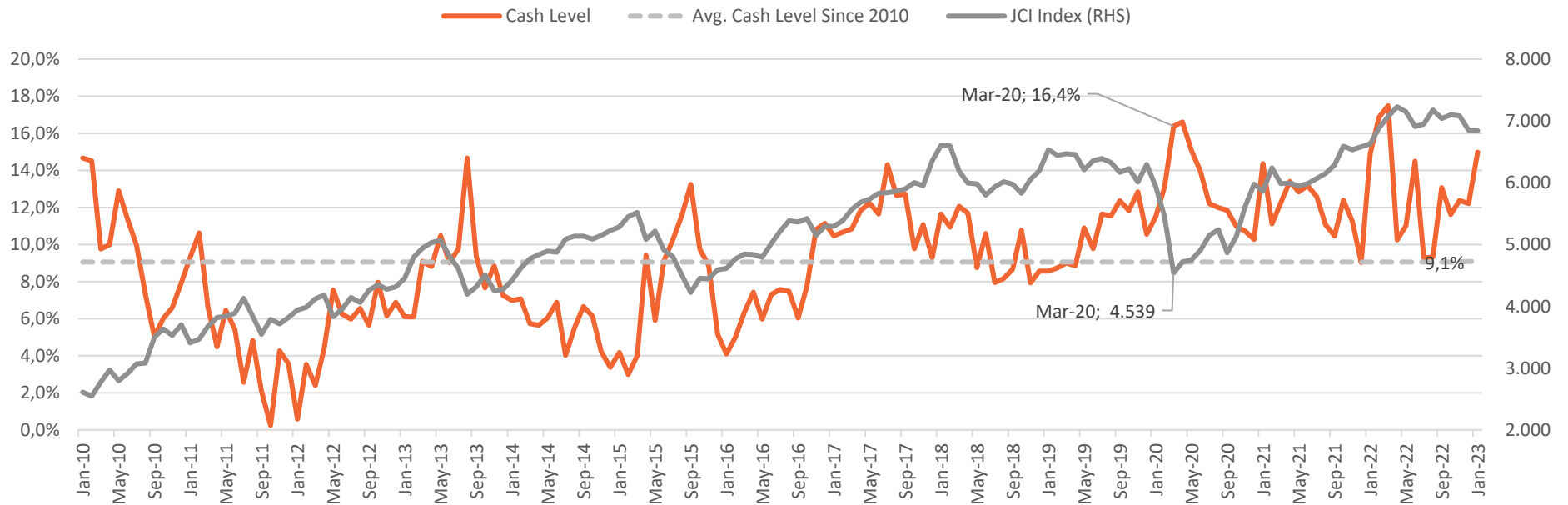
Sector	Local MoM (%) of est. ownership											
	Insurance			Pension Fund			Individual			Mutual Fund		
	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23
Basic Industry	0.2%	-1.4%	1.0%	0.1%	-0.7%	0.4%	-0.1%	2.2%	0.4%	0.7%	-0.6%	1.2%
Consumer Non-Cyclical	0.1%	-0.2%	0.1%	0.2%	-0.3%	-0.1%	-0.1%	-0.5%	-0.1%	0.2%	-0.4%	0.0%
Consumer Cyclical	0.1%	-0.7%	0.4%	-0.6%	-1.3%	0.1%	-0.1%	-1.1%	0.1%	0.0%	-0.7%	0.2%
Energy	-0.6%	-0.1%	-0.8%	-0.4%	-0.5%	-0.2%	5.0%	26.7%	-1.7%	-1.2%	-0.4%	-0.9%
Infrastructure	-0.6%	-1.1%	0.7%	-1.1%	-1.0%	0.6%	0.0%	-0.2%	-0.2%	-1.0%	0.0%	0.7%
Healthcare	0.0%	0.0%	0.0%	-0.2%	-0.2%	-0.1%	-0.1%	-0.2%	0.0%	0.1%	0.1%	-0.1%
Financial	0.4%	-2.6%	0.1%	-1.7%	-4.6%	1.0%	0.2%	-1.3%	0.2%	0.5%	-1.7%	0.5%
Industrial	-1.1%	-1.2%	0.4%	-0.6%	-0.5%	0.3%	0.1%	-0.1%	0.1%	-0.5%	-0.4%	0.2%
Property	-0.2%	-0.2%	0.1%	-0.1%	-0.3%	0.1%	-0.1%	-0.2%	0.1%	0.0%	-0.2%	0.0%
Technology	-0.4%	0.2%	0.3%	-0.1%	0.5%	0.0%	-1.4%	-1.0%	-0.1%	-0.4%	-0.2%	0.5%
Trans. And Logistics	0.0%	0.0%	0.0%	-0.2%	-0.1%	0.1%	-0.1%	-0.1%	0.1%	0.0%	0.0%	0.1%

Sector	Foreign MoM (%) of est. ownership											
	Insurance			Pension Fund			Individual			Mutual Fund		
	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23
Basic Industry	0.3%	-0.3%	0.6%	0.2%	-0.4%	0.5%	-1.5%	-1.7%	-0.4%	0.1%	-0.5%	0.5%
Consumer Non-Cyclical	0.0%	-0.1%	0.0%	0.0%	-0.2%	0.0%	-0.1%	-2.9%	0.2%	0.1%	-0.2%	-0.1%
Consumer Cyclical	0.1%	-0.5%	0.2%	0.1%	-0.5%	0.3%	-0.2%	-0.7%	0.6%	0.2%	-0.6%	0.3%
Energy	-0.1%	-0.1%	0.0%	-0.2%	-0.4%	-0.5%	3.0%	14.6%	-2.5%	-0.1%	-0.2%	-0.3%
Infrastructure	-1.0%	-0.2%	0.4%	-1.4%	-1.5%	0.9%	-0.2%	-0.3%	0.1%	-1.0%	-1.3%	0.3%
Healthcare	0.0%	0.0%	0.0%	-0.1%	-0.1%	0.0%	-0.1%	-0.5%	0.0%	0.0%	-0.1%	0.0%
Financial	0.7%	-10.4%	2.7%	1.7%	-5.5%	-0.3%	0.3%	-13.7%	0.2%	2.0%	-6.9%	-1.4%
Industrial	-0.5%	-0.9%	-0.1%	-0.8%	-0.9%	0.4%	-0.1%	0.0%	0.0%	-0.6%	-1.3%	0.4%
Property	0.0%	0.0%	0.0%	0.1%	-0.1%	0.0%	-0.1%	-0.5%	0.1%	0.0%	-0.1%	0.0%
Technology	0.2%	-0.1%	0.1%	0.0%	0.0%	0.1%	0.1%	2.9%	39.2%	-0.1%	0.4%	0.2%
Trans. And Logistics	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.3%	-0.8%	0.2%	0.0%	0.0%	0.0%

Local Mutual Fund Cash Level Neutral

Cash level have come back to average historical level

Est. Cash Level of Equity Mutual Fund in Indonesia In % of Asset Under Management



Source Syailendra research, Bloomberg

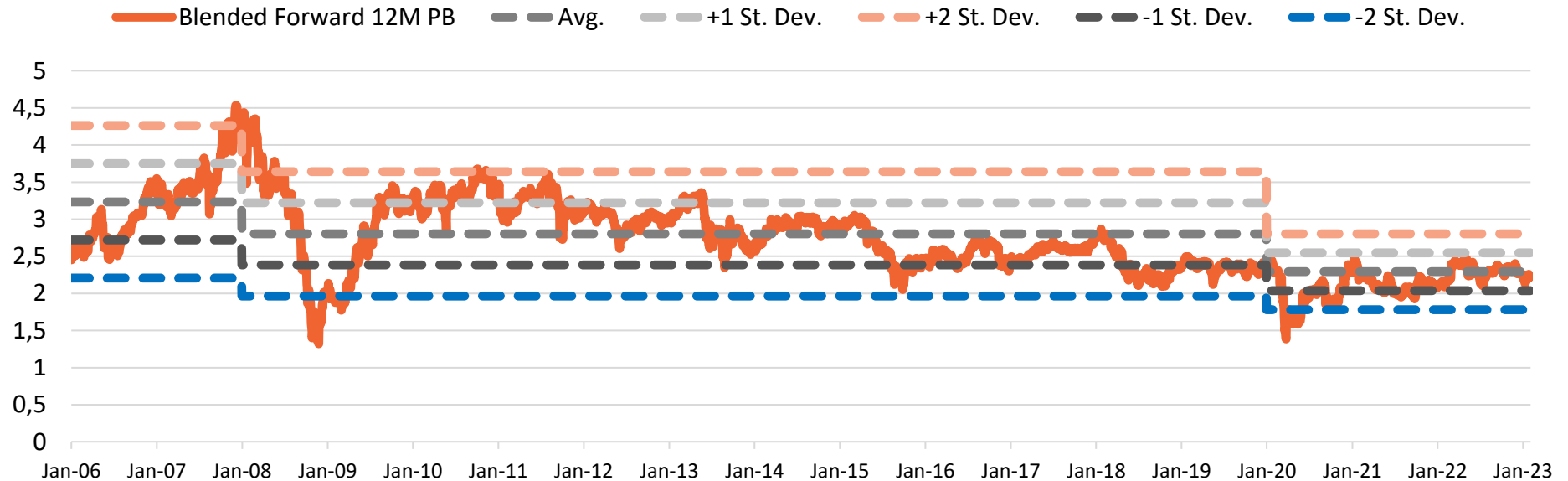
- Reksa dana lokal yang dikelola oleh *fund manager* telah mengembalikan posisi kas dari portfolio menjadi sedikit diatas rata-rata 14.9% dibandingkan rata-rata sejak 10 tahun berada dikisaran 9.1%.

MSCI Indonesia Historical Valuation

MSCI Indonesia price to book had been sideways since 1Q21

MSCI Indonesia Blended 12M Forward P/B

Since 2005 For Year >2019 using 5 Year BEst 12M BF P/B, since Dec' 2016



Source Syailendra research, Bloomberg

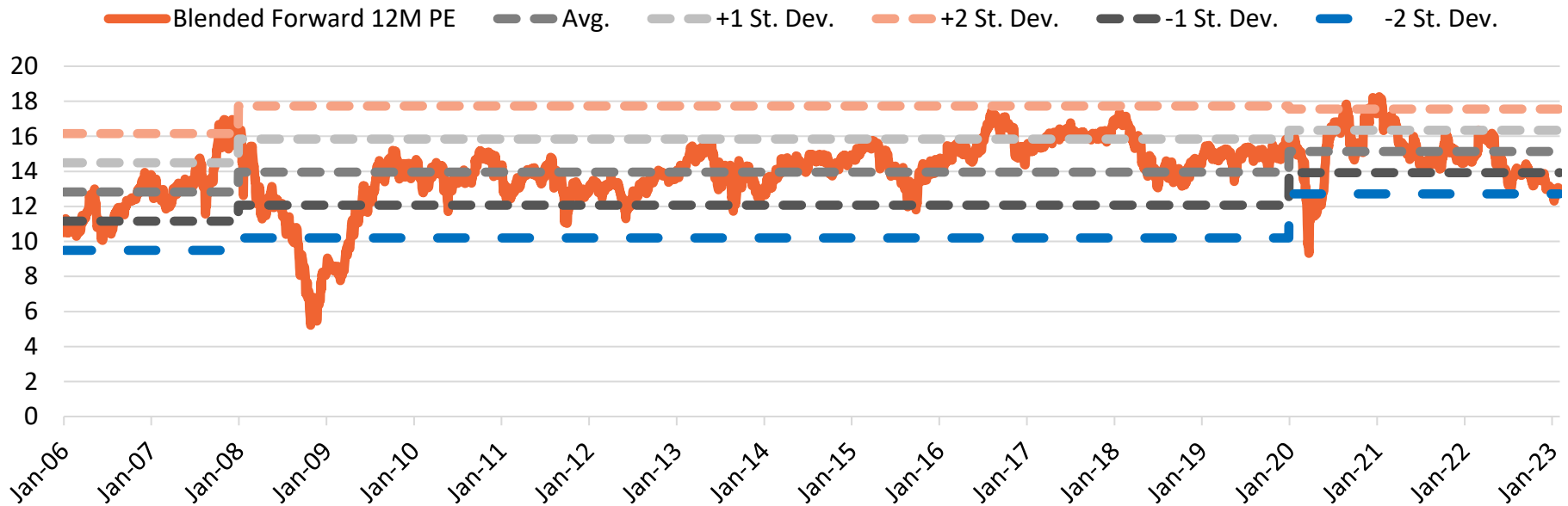
- ▲ Valuasi MSCI Indonesia saat ini telah kembali berada di rata-rata 5 tahun PB di level 2.2x mengindikasikan *potential upside* yang lebih terbatas. Secara historis sejak 2016, P/B MSCI Indonesia berkisar diantara level 2.0x-2.3x atau bergerak di rentang -1x SD dan juga *mean level* rata-rata 5 tahun terakhir.

MSCI Indonesia Historical Valuation

Market valuation has been lower compared to 4Q21

MSCI Indonesia Blended 12M Forward P/E

Since 2005 For Year >2019 using 5 Year BEst 12M BF P/E, since Dec' 2016



Source Syailendra research, Bloomberg

- Seiring dengan estimasi pertumbuhan laba yang tinggi, valuasi PE MSCI Indonesia saat ini tercatat rendah dibanding historis ditengah potensi terjadinya krisis ekonomi global. Saat ini Valuasi MSCI Indonesia berada di 12.8x atau berada di antara -2SD dan -1SD rata-rata 5 tahun terakhir. Hal ini mengindikasikan ekspektasi pertumbuhan laba kedepan yang masih tinggi atau lebih baik dibanding pasar global secara umum.

Equity Outlook

Short-Term : Neutral (Buy on Weakness), Long-Term : Bullish

Our View on Bonds and Rates Strategy

Explanation

Catalyst & Key Thesis	2021	2022	2023F	Notes
Valuation	Rich	Neutral	Cheap	Valuation historically had been cheap while slightly rich compare to peers
Earnings Growth	Positive	Positive	Neutral	JCI deliver was still higher than majority of EM market for 2022F
Liquidity	Positive	Negative	Neutral	
Foreign position	Positive	Positive	Neutral	High base might affect foreign to investment less to JCI
IDR Outlook	Positive	Neutral	Positive	Peak rates and USD should help IDR outlook

Source Syailendra research, Bloomberg

- 🔺 Untuk strategi *equity* kami melihat beberapa pemilihan saham yang menjadi *beneficiary* berdasarkan tema-tema dibawah ini :
 1. *Focus on Thematic Play (Stock Picking) rather than sector rotation*
 2. *Interest Rate Cut Beneficiary – Banking and Property*
- 🔺 Target IHS *base case* berada di 7,200 – 7,400. Hal ini didasarkan pada 2022 *earnings growth* 5% dan P/E bergerak sedikit meningkat dari level 14.6 (posisi IHS di 6,800)

Section
04



Appendix

Syailendra Benchmark View

Update on our Macro and Benchmark Number for 2023F and 2024F

Syailendra Macro Indicator and Benchmark

In each unit

Desc	Unit	Syailendra						
		2022F (Last)	23F			24F		
			Bear	Base	Bull	Bear	Base	Bull
Macro Indicator								
GDP Growth YoY	Average full year	5.40	4.40	4.80	5.00	4.80	5.00	5.20
Inflation YoY	Average full year	5.95	4.80	4.30	3.80	3.30	3.00	2.70
Fiscal Deficit (% of GDP)	End of year	-3.20	-3.20	-2.90	-2.70	-3.00	-2.70	-2.50
Current Account (% of GDP)	Average full year	0.80	-1.00	-0.60	-0.40	-1.80	-1.30	-1.00
USDIDR	End of year	15,621	15,600	15,300	15,000	15,800	15,500	15,200
Rates								
Central Bank Rates Indonesia*	End of year	5.50	6.25	6.00	5.50	5.50	5.00	4.75
10 YR Govt Bond Yield IDR	Average full year	6.97	7.50	7.25	6.75	7.00	6.75	6.25
Equities								
JCI	End of year	6,804	6,500	7,300	7,700	7,500	7,800	8,100
Earnings Growth*	End of year	32%	-5.0%	5.0%	10.0%	5.0%	7.5%	10.0%
P/E*	End of year	14.6	14.60	15.00	15.00	15.00	15.00	15.00

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