SYAILENDRA

Preferred Investment Partner

# Monthly Bulletin

May 2024

## What's Inside

**Calendar**

US NFP (3-May)

US CPI (15-May)

CH Industrial Production (17-May)

**Events**

BI memutuskan untuk menaikkan rate sebesar 25bps pada meeting April kemarin. Sedangkan, FOMC memutuskan untuk menjaga Fed Rate stabil dan mendelay rate cut.

**Equity Market**

IHSG mencatatkan kinerja di periode 4M24 sebesar -0.53% YTD (*cutoff date*: 30 Apr 2024). Di saat bersamaan, investor asing melakukan penjualan *(outflow)* sebesar 1007mio USD (MTD).

Top 3 Leaders 1) BREN, 2) TPIA, 3) AMMN dan Top 3 Laggards 1) BBRI, 2) TLKM, 3) BMRI

**Fixed Income Market**

Yield SUN 10 tahun di akhir April'24 tercatat di level 7.2 meningkat signifian dari akhir Mar'24 di 6.69%. Hal ini mengakibatkan total *return* (sebelum pajak) atas indeks Indobex mencatatkan -0.01% sampai per akhir Apr'24

Kepemilikan investor asing di SUN terlihat *outflow* sebesar 992mio USD (MTD)


By Syailendra Research Team

Section

# 01

## Macro Updates

# 2024F Macro Background

## Update to Our View

**Updates on Our View this month**
Explained

| No | Thesis | May'24 Update |
|---|---|---|
| 1 | ***US Rate cut was based on slowdown and disinflation, Where are we now ? What risk going into 2Q24 ?*** | |
| a | *US economy* belum terlihat melambat secara signifikan dibandingkan 2023. Kami melihat aktivitas ekonomi berdasarkan 3 sudut pandang : 1) *Housing,* 2) *Retail sales,* 3) *Industrial Production* | |
| b | Laju inflasi bergerak di level 0.25-0.4% di 1Q24, lebih tinggi dari ekspektasi berkisar 0,3%MoM. Hal ini diakibatkan dari komponen *service* (i.e. *transportation, energy and medical services*) dan *shelter* tidak mengalami disinflasi. | Hal ini diakibatkan oleh *basket inflasi* dan *housing* yang terlihat *sticky* |
| c | *The Fed* masih cenderung untuk menahan suku bunga sampai ada sinyal yang jelas bahwa *US economy* tumbuh *negative* ataupun inflasi telah kembali ke level yang *The Fed* targetkan. | Penting bagi investor untuk *aware* atas data *labor, housing* dan *proxy likuiditas reverse repo* |
| d | Market telah melakukan adjustment, dengan ekspektasi Fed rate cut menurun dari 5-6x di awal tahun menjadi 1-2x saat ini. | |
| e | Hal diatas memberikan dampak terhadap volatilitas IDR. Pergerakan IDR mungkin akan lebih ditentukan dari dua hal : 1) Sentimen penguatan dollar , 2) Penurunan neraca perdagangan Indonesia sepanjang 2024. | |
| | | |
| 2 | ***Where will Indonesia Economy shape with new government ? What to Expect as an Investor.*** | |
| a | Prabowo-Gibran telah ditetapkan menjadi Pemenang Pemilu Presidensil 2024. Bagaimana dampak ekonomi atas wacana-wacana program selama masa kampanye. | Beberapa rencana program selama kampanye : 1) *Higher tax ratio,* 2) Increase on social safety programe, 3) Downstreaming , 4) Food Security |

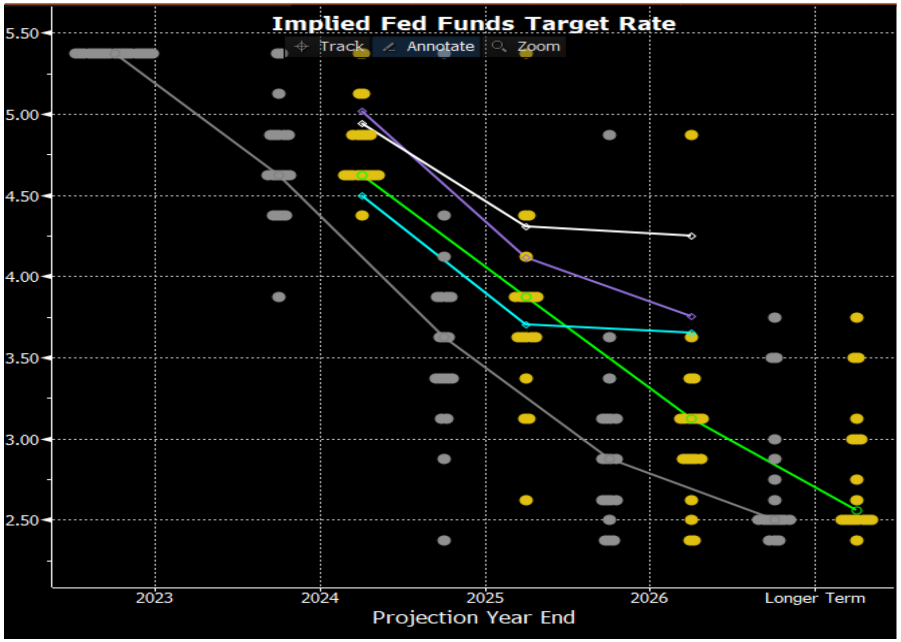
# Market Re-pricing its expectation on Rate Cut

## Market adjusting to recent US economic development and geopolitical issue

**FFR Implied Rates Going Forward (as of 1 May 2024)**
Table of probabilities

| | 375-400 | 400-425 | 425-450 | 450-475 | 475-500 | 500-525 | 525-550 | Notes |
|---|---|---|---|---|---|---|---|---|
| Jun-24 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 9.0% | 91.0% | |
| Jul-24 | 0.0% | 0.0% | 0.0% | 0.0% | 2.0% | 26.8% | 71.3% | |
| Sep-24 | 0.0% | 0.0% | 0.0% | 0.7% | 11.1% | 43.2% | 44.9% | |
| Nov-24 | 0.0% | 0.0% | 0.2% | 3.5% | 19.6% | 43.7% | 33.1% | >60% prob. 25bps rate cut in Nov-24 |
| Dec-24 | 0.0% | 0.1% | 1.6% | 10.5% | 30.1% | 39.1% | 18.7% | |
| Jan-25 | 0.0% | 0.6% | 4.5% | 16.8% | 33.0% | 32.5% | 12.7% | |
| Mar-25 | 0.3% | 2.3% | 9.8% | 23.7% | 32.8% | 24.0% | 7.2% | >60% prob. 25bps rate cut in Mar-25 |
| Apr-25 | 0.8% | 4.4% | 13.8% | 26.4% | 30.2% | 18.1% | 5.1% | |

**Mar'24 Dot Plot still at 4.6 potentially subject to revision**
In % of FFR yield




*Source: Bloomberg, Syailendra Research*

- Dalam 1 bulan terakhir, terjadi perubahan signifikan atas ekspektasi *rate-cut* oleh investor yang sebelumnya memiliki ekspektasi sebesar 2x rate cut menjadi hanya 1x dibulan Nov-24. Mar'24 FOMC Median Dots masih berada 4.61% vs current FFR 5.25-5.50%. Hal ini diakibatkan, menurut kami, data ekonomi US yang lebih baik dibandingkan consensus baik dari sisi Inflasi dan Tenaga Kerja.

# Market has moved its rate pricing 2 times

## From 5x rate cut, to 3x rate cut and now 1-2x rate cut

**FFR Interest Rate Probability at Dec'24 Meeting**
In %

| | |
|---|---|
| FFR Rate | 5.25-5.50 |
| Interest Rate Probability for Meeting | 18-Dec-24 |

| Trading Days | Cumulative Probabilities | | | | | | Notes |
|---|---|---|---|---|---|---|---|
| | 4.25-4.50 | 4.50-4.75 | 4.75-5.00 | 5.00-5.25 | 5.25-5.50 | 5.50-5.75 | |
| 29/12/2023 | 97% | 100% | 100% | 100% | 0% | 0% | Market expecting 5x rate cut with 97% chances |
| 31/01/2024 | 92% | 99% | 100% | 100% | 0% | 0% | Market expecting 5x rate cut with 92% chances |
| 29/02/2024 | 13% | 42% | 74% | 94% | 99% | 100% | Market expecting 3x rate cut with 74% chances |
| 28/03/2024 | 7% | 31% | 66% | 91% | 99% | 100% | Market expecting 3x rate cut with 66% chances |
| 30/04/2024 | 0% | 1% | 7% | 31% | 73% | 100% | Market expecting 1x rate cut with 66% chances, no rate cut 100% chances |
| 13/05/2024 | 0% | 2% | 17% | 53% | 88% | 100% | Market expecting 2x rate cut with 53% chances, Market expecting 1x rate cut with 88% chances, no rate cut 100% chances |

# Pace of Disinflation Dropped

## Goods inflation bottoming yet services still continue to rise

**Inflation CPI & PCE and Market Consensus**

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.) |
|---|---|---|---|---|---|---|---|
| Sep-22 | 5.47% | 0.46% | 6.64% | 0.58% | 2.43% | 6.26% | 8.00% |
| Oct-22 | 5.33% | 0.35% | 6.29% | 0.36% | 1.69% | 5.74% | 8.57% |
| Nov-22 | 5.09% | 0.28% | 5.96% | 0.31% | -0.31% | 3.66% | 8.21% |
| Dec-22 | 4.87% | 0.39% | 5.68% | 0.38% | -1.69% | 2.26% | 8.51% |
| Jan-23 | 4.90% | 0.51% | 5.54% | 0.43% | -1.01% | 4.17% | 8.45% |
| Feb-23 | 4.84% | 0.36% | 5.49% | 0.47% | 0.33% | 5.00% | 8.79% |
| Mar-23 | 4.78% | 0.34% | 5.56% | 0.32% | 1.72% | 3.16% | 7.88% |
| Apr-23 | 4.76% | 0.31% | 5.52% | 0.47% | 3.08% | 1.69% | 6.92% |
| May-23 | 4.69% | 0.29% | 5.33% | 0.36% | 4.21% | 0.41% | 6.20% |
| Jun-23 | 4.28% | 0.17% | 4.86% | 0.19% | 3.08% | 0.96% | 5.75% |
| Jul-23 | 4.19% | 0.12% | 4.71% | 0.23% | 0.00% | 1.32% | 5.73% |
| Aug-23 | 3.73% | 0.10% | 4.41% | 0.23% | -2.49% | 3.26% | 4.97% |
| Sep-23 | 3.59% | 0.33% | 4.14% | 0.32% | -3.07% | 4.45% | 5.59% |
| Oct-23 | 3.38% | 0.14% | 4.02% | 0.24% | -1.88% | 4.75% | 5.03% |
| Nov-23 | 3.18% | 0.09% | 4.02% | 0.31% | -1.93% | 5.14% | 5.42% |
| Dec-23 | 2.94% | 0.15% | 3.91% | 0.28% | -1.25% | 4.94% | 4.77% |
| Jan-24 | 2.88% | 0.45% | 3.87% | 0.39% | -2.42% | 6.29% | 5.95% |
| Feb-24 | 2.78% | 0.26% | 3.76% | 0.36% | -1.08% | 6.70% | 5.87% |
| Mar-24 | 2.80% | 0.35% | 3.80% | 0.36% | -1.44% | 8.35% | 5.91% |
| **1Q24F** | **2.80%** | **0.36%** | | | | | |
| **2Q24F** | **2.50%** | **0.16%** | | | | | |
| **3Q24F** | **2.50%** | **0.18%** | | | | | |
| **4Q24F** | **2.60%** | **0.21%** | | | | | |

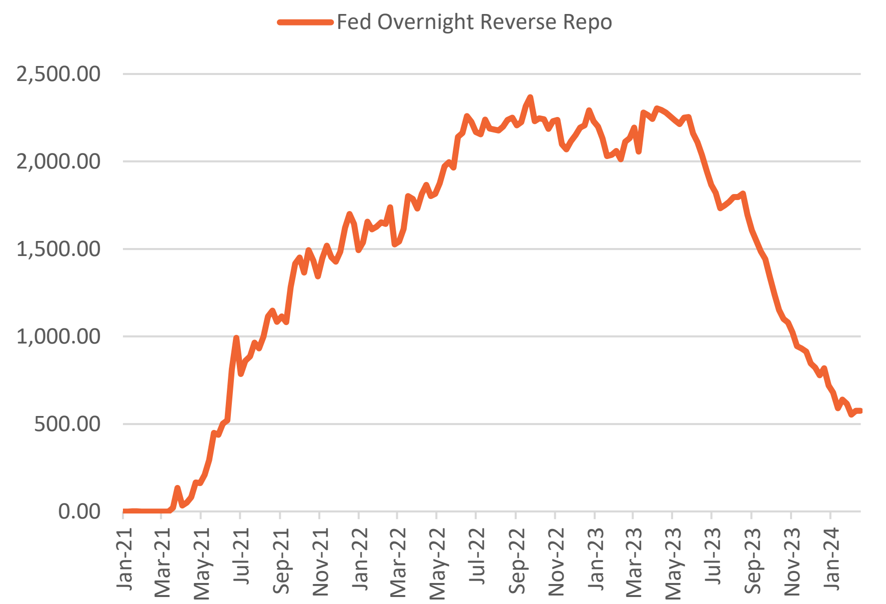
**Consensus estimates have yet to change despite Q1's stronger than expected Core PCE growth. As for service segments, we see a notable increase, while shelter remains flattish.**

SYAILENDRA Source : Syailendra Research, Bloomberg

# Condition Has Been Too Loose Since Nov-23

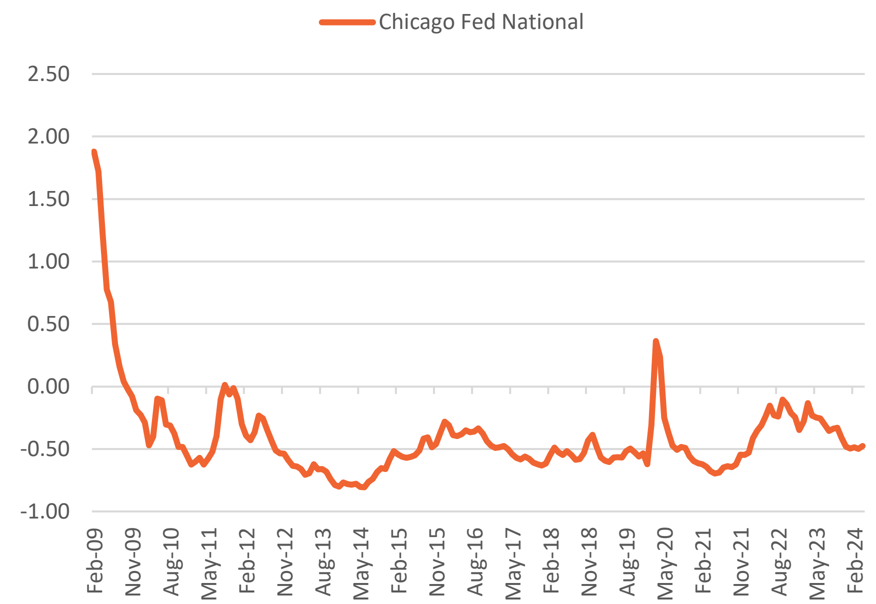
## Excess liquidity contribute in US economic resiliency

**Fed Overnight Reverse Repo**
In bio USD




*Source: Bloomberg, Syailendra Research*

**Fed Financial Condition Index has been too loose…**
In unit



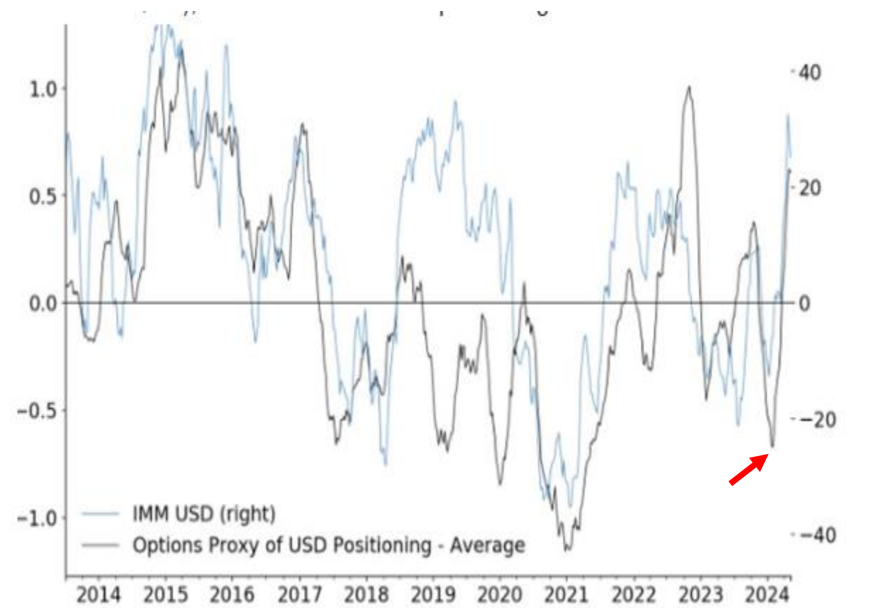

*Source: Bloomberg, Syailendra Research*

- Market bergerak terlalu bullish ketika the Fed memberikan sinyal *rate peak* di Nov-23. *Financial condition* menjadi terlalu longgar dan the Fed mungkin harus melakukan reversal atas hal tersebut untuk menjaga arah inflasi mendekati target.
- Adapun pengetatan likuiditas *(Fed reverse repo overnight)* yang dikira menjadi faktor perlambatan dan membantu menurunkan inflasi saat ini range bound di level 400-450bio.

# Market expecting bit slowdown on USD…

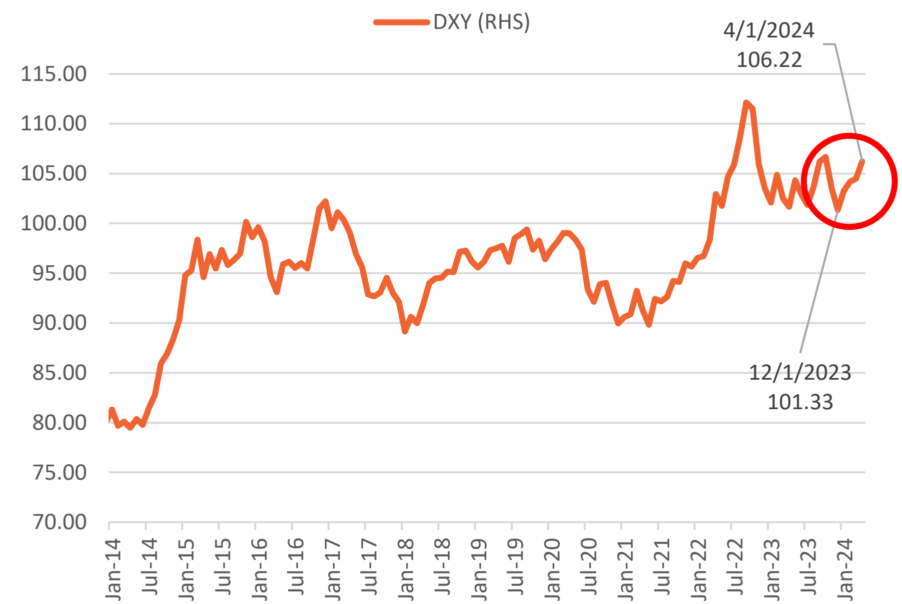
## …Net position of USD option and futures was show to come-off

**USD positioning is off the highs but still elevated**
Options proxy and USD net futures positioning (RHS)




*Source: JPM*

**USD has been rally since Dec'23**
in unit of USD index



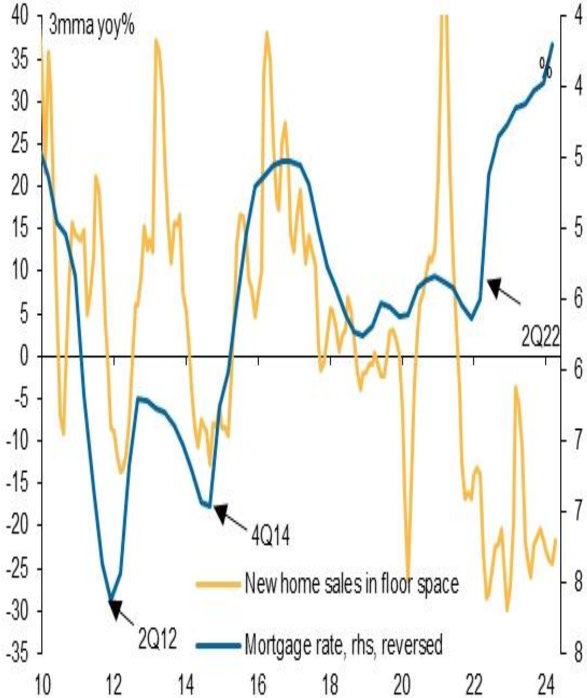

*Source: Bloomberg, Syailendra Research*

- Penguatan DXY di tahun 2024 merupakan suatu surprise bagi pasar (consensus) hal ini juga tercermina dari sisi perubahan net position baik USD option ataupun futures. Terlihat terdapat upswing dari net-short position ke net-long position. Walaupun terlihat terdapat penurunan, level speculator untuk USD relative masih tinggi. Hal ini mengindikasikan pasar (consensus) masih memiliki ekspektasi level USD yang relative tinggi dalam waktu dekat.

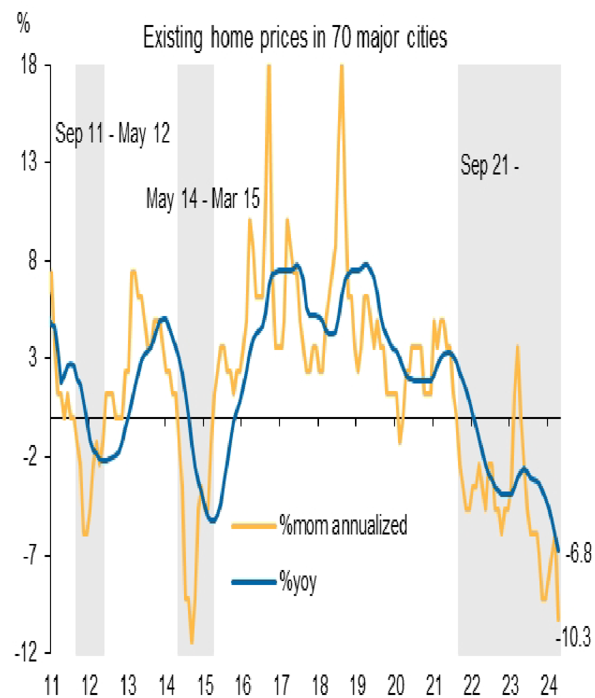
# China Govt just Announce Big Policy on Housing

## …Raising 1trn CNY to buy-up excess housing inventory

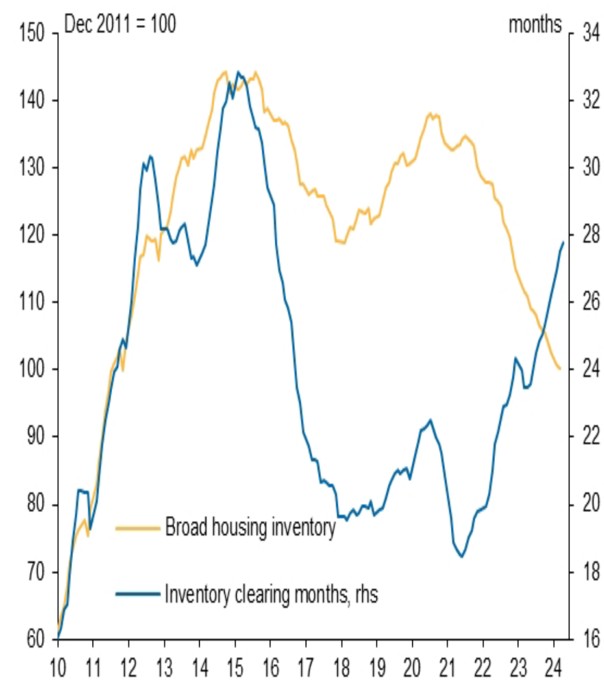
**Record Low New Home Sales since 22**
in 3mma yoy%




**Lack of demand pressured housing price**
in %yoy and %mom annualized




**Housing Inventory reach at 28 months**
in months of housing sales




- Pemerintahan China mengumumkan akan menerbitkan 1trn CNY obligasi jangka panjang yang akan dikaitkan langsung dengan kebijakan property. Dana ini akan digunakan oleh pemerintah local dan SOE untuk melakukan pembelian *unsold homes.* Secara historis sejak 2018, inventory housing berada di range 18-20 bulan di saat tekanan harga property lebih stabil.

Section

# 02

# Fixed Income

# 2024F Fixed Income Narrative

## Update on Our View

**Updates on Our View this month**
Explained

| No | Thesis | May Update |
|---|---|---|
| 1 | ***Higher Long-Term Inflation (>2%) gives volatility on longer-term bonds yield*** | |
| a | Dalam 1 bulan terakhir, terdapat pergerakan signifikan dari perspektif pasar baik menurunnya *implied rate FFR, breakeven yield*. Hal ini didasarkan atas narasi inflasi akan *sticky* di level 2.5-3.0% | Hal ini diperkuat dengan upgrade FOMC atas 2025 economi projection |
| b | Pada saat yang bersamaan, US mengeluarkan data-data ekonomi yang relatif kuat. Hal ini mengakibatkan *dollar index* menguat ke level 105 dan pelemahan IDR. | IDR dalam waktu dekat akan sangat dipengaruhi oleh pergerakan USD |
| | | |
| 2 | ***Curve still steepening but recently follow by shift-up on longer curve*** | |
| a | Kami melihat normalisasi ekonomi umumnya diikuti oleh penurunan tingkat suku bunga, namun Mar'24 memperlihatkan adanya potensi INDOGB long tenor yield masih dapat tertekan akibat pelemahan rupiah | Kami masih melihat adanya potensi upside berkisar 280-300bps |
| | | |
| 3 | ***Domestic Supply Increase wasn't that bad especially when foreign inflow came back*** | |
| a | Meningkatnya *gross-supply* awalnya kami khawatirkan dapat mengakibatkan tekanan dari sisi yield. Namun mempertimbangkan realisasi APBN yang lambat dan asumsi keberlanjutan penggunaan SAL. Peningkatan *gross bond-supply* kami rasa menjadi *manageable.* | Mengetatnya likuiditas pasar uang menyebabkan penurunan bid-awarded ratio dari lelang terakhir |
| | **Berdasarkan hal diatas, kami melihat nilai wajar untuk INDOGB 10YR berada di level 6.6-6.7 hal ini at least 2x *FFR cut-rates, brief rally on IDR*. Namun di saat bersamaan kami melakukan sedikit revisit apabila IDR tetap mengalami pelemahan kami melihat INDOGB 10Y bisa melemah ke level 7.0** | *Maintain, Risk on IDR* |

# INDOGB was 5th Highest Real Yield

## INDOGB seems to be priced-in with assumption of better fundamentals

**EM Peers Yield Comparison**

In %

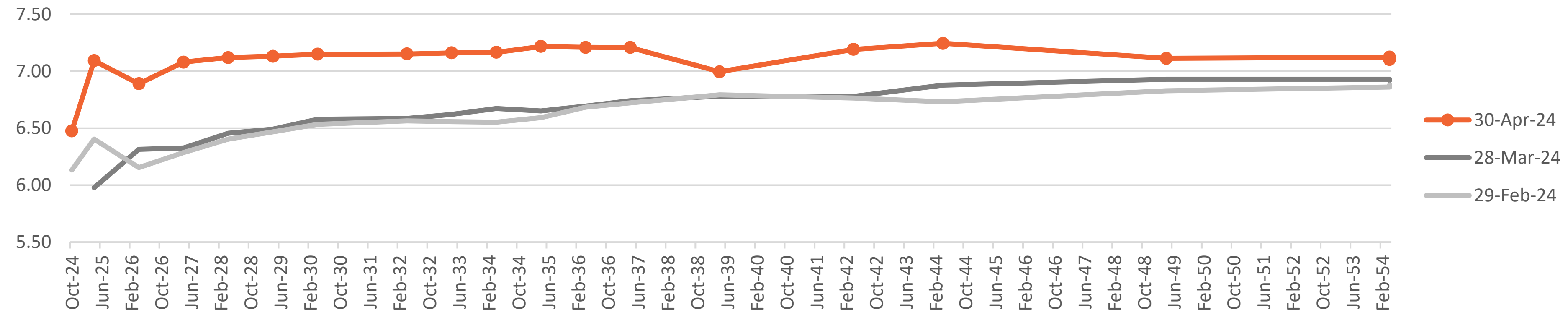
| Country | 10Y Yield (%) | | Spread to US 10Y | | | Inflation | Real Yield (%) | CAD | Fiscal Deficit | Credit Rating |
|---|---|---|---|---|---|---|---|---|---|---|
| | Current | YTD Chg. (bps) | 2022 | Current | Chg. | 2024F | 2024F Inflation | 2023F | 2023F | |
| Brazil | 11.86 | 149 | 6.49 | 7.24 | 0.76 | 4.00 | 7.86 | -1.50 | -7.20 | BB- |
| South Africa | 12.16 | 78 | 7.49 | 7.54 | 0.05 | 5.05 | 7.11 | -2.40 | -5.50 | BB |
| India | 7.17 | -2 | 3.31 | 2.55 | -0.76 | 5.40 | 1.77 | -0.80 | -5.80 | BBB-u |
| Italy | 3.91 | 22 | -0.19 | -0.71 | -0.52 | 2.30 | 1.61 | 0.90 | 0.20 | BBBu |
| Portugal | 3.20 | 57 | -1.25 | -1.42 | -0.17 | 2.30 | 0.90 | 1.10 | 0.20 | BBB+u |
| Mexico | 9.96 | 102 | 5.06 | 5.34 | 0.28 | 4.37 | 5.59 | -0.90 | -5.00 | BBB+ |
| Romania | 6.94 | 71 | 2.35 | 2.32 | -0.03 | 5.70 | 1.24 | -6.65 | -5.50 | BBB- |
| Hungary | 7.03 | 116 | 1.99 | 2.41 | 0.42 | 4.25 | 2.78 | 0.50 | -4.50 | BBB- |
| Colombia | 10.60 | 64 | 6.08 | 5.98 | -0.10 | 6.50 | 4.10 | -3.20 | -4.50 | BBB- |
| Indonesia | 7.18 | 73 | 2.57 | 2.56 | -0.01 | 2.90 | 4.28 | -0.60 | -2.30 | BBB |
| **Average Peers in BBB & BB*** | | | **2.95** | **3.38** | | | **5.12** | | | |
| Spain | 3.35 | 37 | -0.90 | -1.27 | -0.37 | 3.10 | 0.25 | 2.00 | -3.25 | Au |
| South Korea | 3.65 | 47 | -0.71 | -0.97 | -0.27 | 2.50 | 1.15 | 2.90 | -1.90 | AA |
| China | 2.31 | -25 | -1.32 | -2.31 | -0.99 | 0.70 | 1.61 | 1.24 | -4.91 | A+ |
| Chile | 6.13 | 66 | 1.60 | 1.51 | -0.08 | 3.57 | 2.56 | -3.66 | -2.20 | A+ |
| Thailand | 2.76 | 8 | -1.20 | -1.86 | -0.66 | 0.80 | 1.96 | 2.35 | -3.50 | A- |
| Malaysia | 3.99 | 26 | -0.15 | -0.63 | -0.48 | 2.50 | 1.49 | 2.20 | -4.30 | A |
| Poland | 5.71 | 52 | 1.31 | 1.09 | -0.22 | 3.90 | 1.81 | 0.40 | -5.30 | A |
| **Average Peers in A Credit** | | | **-0.20** | **-0.63** | | | **1.55** | | | |
| United States | 4.62 | 74 | | | | 4.10 | 0.52 | -3.1 | -7.9 | AA+u |

*Source: Bloomberg, Syailendra Research*

# INDOGB Had Flattened Shift-Up Curve

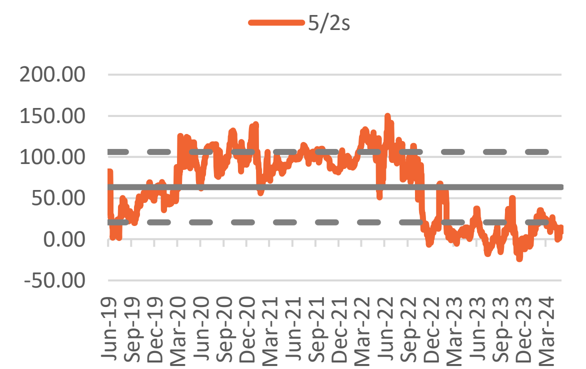
## Major shift-up flattened on curve on the back of UST and BI-Rate Hike

**INDOGB Yield Curve**
In ppt



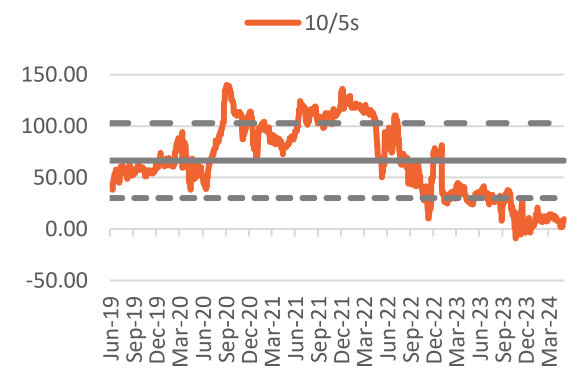

*Source: Bloomberg, Syailendra Research*

**5/2s Historical Spread**
In bps



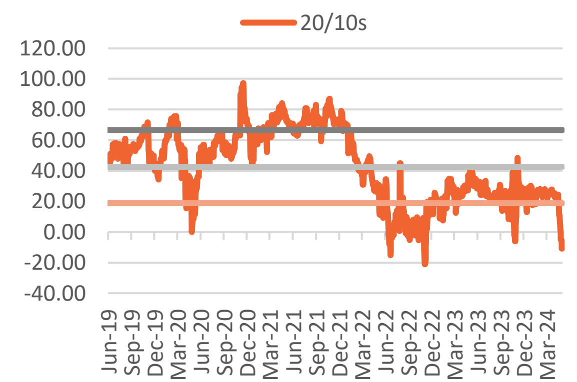

*Source: Bloomberg, Syailendra Research*

**10/5s Historical Spread**
In bps




*Source: Bloomberg, Syailendra Research*

**20/10s Historical Spread**
In bps



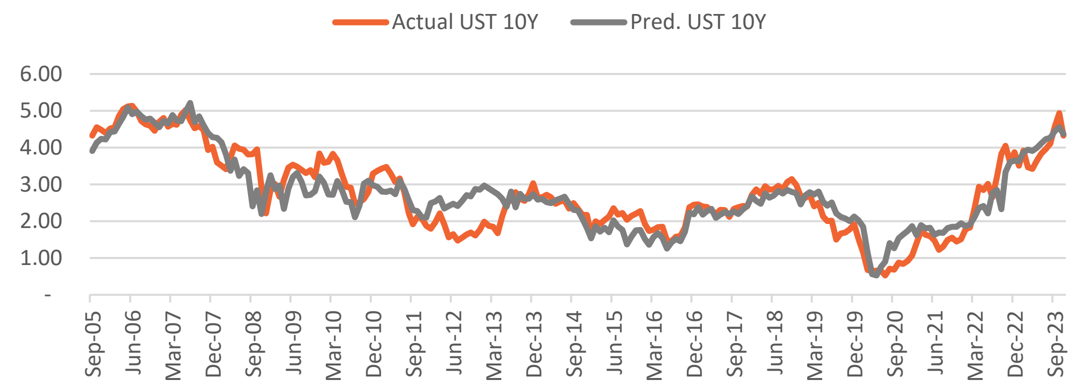

*Source: Bloomberg, Syailendra Research*

# What if Strong USD Persist to 10Y Fair Value

## There's need to downgrade 10Y yield from 6.75-7.65 at worst case

**Our Assumption and Model for UST 10Y**

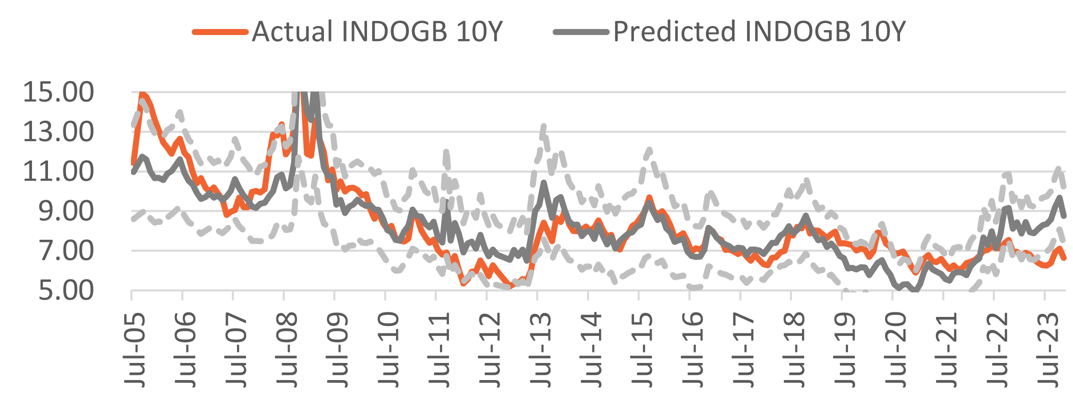
In % of YTM




| | Base | Std. Dev | Bear | Base | Bull |
|---|---|---|---|---|---|
| R Square Model | 82.62 % | | | | |
| **Output Summary** | | | | | |
| Intercept | -1.71 | 0.25 | | | |
| FFR Effective | 0.41 | 0.02 | 5.25 | 4.50 | 4.25 |
| Inflation Expectation | 1.49 | 0.10 | 2.80 | 2.70 | 2.70 |
| Current Inflation Premium/(Discount) | -0.09 | 0.03 | 0.40 | 0.30 | 0.00 |
| Unemployment GAP (vs NAIRU 5%) | -0.05 | 0.02 | 4.10 | 4.60 | 4.60 |
| **UST 10Y - Base Case** | | | 4.61 | 4.15 | 4.06 |

**Our Assumption and Model for INDOGB 10Y**

In % of YTM




| | Base | Std. Dev | -1 Band | Bear | Base | Bull |
|---|---|---|---|---|---|---|
| R Square Model | 74% | | | | | |
| **Output Summary** | | | | | | |
| Intercept | 2.93 | 0.25 | 2.44 | | | |
| UST 10Y | 1.18 | 0.08 | 1.02 | 4.46 | 4.15 | 3.90 |
| CDS 5YR | 0.01 | 0.00 | 0.01 | 1.00 | 0.80 | 0.70 |
| Hedge spr (ex-ante 6M IDR chg.) | 0.22 | 0.07 | 0.08 | 6.00 | 4.00 | 2.00 |
| **INDOGB 10Y - Base Case** | | | | 7.65 | 7.01 | 6.76 |

# Updates on Government Bond Auction

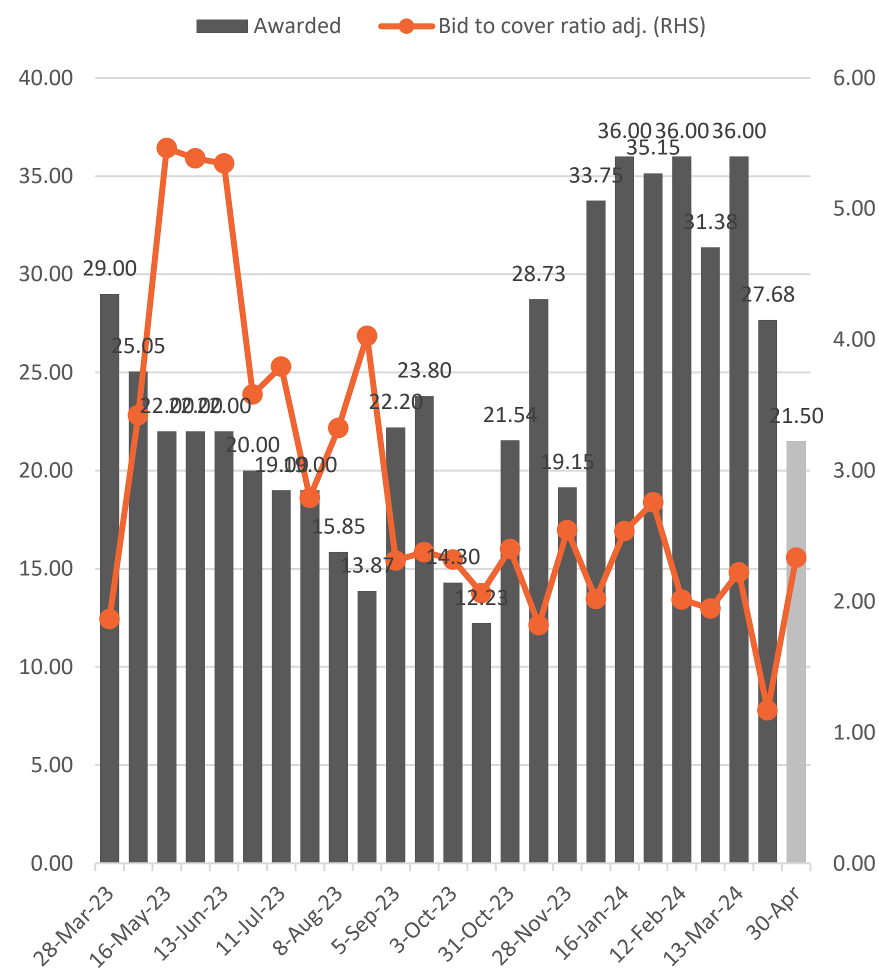
## Frontload Intact and bounceback on bid-award ratio in last conventional auction

**So far Remaining Auction Size Still Reaseonabl 25trn/2week**
In IDR trn

| Government Securities | Govt Bond Issuance Realization YTD (26-Mar-24) | Calculation Forecast 2024 | Remaining Issuance Target |
|---|---|---|---|
| **Fiscal Deficit (% GDP)** | | | |
| Budget Deficit | | -456.59 | |
| % of GDP | | **-2.00** | |
| Nominal GDP | | 22,829.69 | |
| **Component of Deficit Financing** | | | |
| Deficit Financing | | 456.59 | |
| Debt Financing | | | |
| Government bonds - nett | | 333.19 | |
| Loan program - nett | | 43.40 | |
| Investment Financing | | -153.40 | |
| Loan Financing | | 4.00 | |
| Liability Financing | | -0.30 | |
| Others | | 229.70 | |
| **Gross Bond Supply** | | | |
| Government bonds - nett | | 333.19 | |
| SUN Maturity in 1Y | | 604.80 | |
| **Gross Bond Supply** | | **937.99** | |
| **Issuance Bonds** | | | |
| Gross Bond Supply | 379.54 | 937.99 | 558.45 |
| Gross Local Currency Bonds | 347.73 | | |
| Prefunding | 39.07 | | |
| Auction Program | 263.38 | 658.63 | 395.25 |
| Retail Bonds | 45.28 | 140.71 | 95.43 |
| Private Placement | | 24.87 | 24.87 |
| Gross Foreign Currency Bonds | 31.81 | 113.78 | 81.97 |
| **Avg. Per 2 weeks auction** | **35.12** | | **23.95** |

*Source : Syailendra Research, DJPR*

**Bid-Awarded Ratio bounce back**
In trn and time of bid size

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# Indonesia Bonds Ownership

## Banks selling its treasury for fulfilling its liquidity management

**Ownership on Tradeable Indonesia Government Bonds**
In IDR Trn

| 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% |
| 2023 | 21.8% | 24.2% | 3.2% | 18.5% | 14.9% | 7.7% | 9.8% | 100.0% |
| YTD | 21.3% | 24.6% | 3.1% | 18.7% | 13.8% | 8.4% | 10.1% | 100.0% |

***Net flow***

| Year | Bank | Central Bank | Mutual Fund | Insurance & PF | Foreign | Retail | Others | Total |
|---|---|---|---|---|---|---|---|---|
| ***Yearly*** | | | | | | | | |
| 2016 | 49 | -15 | 24 | 104 | 107 | 15 | 26 | 311 |
| 2017 | 92 | 8 | 18 | 23 | 170 | 2 | 13 | 326 |
| 2018 | -10 | 112 | 15 | 66 | 57 | 13 | 17 | 269 |
| 2019 | 100 | 9 | 12 | 57 | 169 | 8 | 29 | 384 |
| 2020 | 794 | 192 | 30 | 71 | -88 | 50 | 68 | 1,118 |
| 2021 | 216 | 347 | -3 | 112 | -83 | 90 | 129 | 808 |
| 2022 | 106 | 219 | -12 | 218 | -129 | 123 | 106 | 630 |
| 2023 | -202 | 75 | 32 | 168 | 80 | 91 | 85 | 330 |
| YTD | -115 | 158 | 0 | 33 | -51 | 47 | 26 | 97 |
| ***Interim*** | | | | | | | | |
| 1Q | -81 | 123 | 1 | 20 | -31 | 19 | 21 | 71 |
| 2Q | -34 | 35 | 0 | 13 | -20 | 29 | 4 | 27 |
| Apr | -34 | 35 | 0 | 13 | -20 | 29 | 4 | 27 |

*Source : Syailendra Research, DJPR*

Section

# 03

## Equity

# 2024F Equity Narrative

## What to expect for this year

**Updates on Our View this month**
Explained

| No | Thesis | May update Update |
|---|---|---|
| | ***Earnings Growth and Valuations might not Be Enough to Drive Equities Much*** | |
| 1 | Kami melihat emiten IHSG secara *aggregate* dapat menghasilkan laba dari 7.5 – 12.5% di tahun 2023F.Mempertimbangkan *higher for longer*, kami melihat baiknya untuk konservatif mengasumsikan valuasi IHSG di 14.10x untuk tahun 2024F. Hal ini termasuk memperhitungkan faktor non-fundamental yang belakangan ter-refleksi di indeks. | *Earnings subject to revision post 1Q24 result* |
| 2 | Berdasarkan hal diatas, kami melakukan *downgrade* atas IHSG 2023F menjadi 7,100 dan Target IHSG 2024F di level 7,800. Dari sisi strategi pengelolaan kami masih pentingnya kapasitas portfolio untuk fleksibel dimana dua fokus strategi : 1) *Bottom-up/Stock Picking Strategy*, 2) *Interest Rate Cut Play along with end of rate cycle.* | *Maintain, valuation already set at low level* |
| 3 | Weighting yang semakin besar dari saham-saham yang secara free float tipis, namun mengalami kenaikan yang signifikan, menarik likuiditas investor, baik local, terutama retail, maupun global, terutama passive funds, yang membuat kinerja IHSG ter-distorsi dan resiko volatilitas pasar meningkat. | |
| 4 | Masih *relative volatile* nya USD disertai dengan perlambatan pertumbuhan ekonomi secara global mengharuskan investor mengantisipasi 1) *External macro shock, 2) No-upside on valuation at the moment, 3) Tight domestic liquidity means volatile market on JCI.* | *Possibility risk on IDR and CoF of Bank Sector in 1H24* |
| 5 | Posisi investor *global* yang cenderung masih *underweight* di *asset class equity* secara *global* mengakibatkan *upswing* yang cukup cepat disaat *cut-rates* menjad lebih jelas. Konsensus saat ini memiliki ekspektasi pelonggaran terjadi di 2H24F. | |

# Global Indices Performance

## It had been good quarter for equity overall

**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) | 0.34% | 0.34% | -5.00% | -1.69% | 14.84% | 10.90 | 19.27 | 4.49 |
| 2 | S&P 500 (US) | 5.57% | 5.57% | -4.16% | 2.25% | 20.85% | 20.78 | 19.84 | 4.10 |
| 3 | Nasdaq (US) | 4.31% | 4.31% | -4.41% | 0.95% | 22.43% | 28.06 | 33.82 | 5.21 |
| 4 | London (UK) | 3.61% | 3.61% | -2.04% | 2.29% | 15.16% | 5.22 | 13.14 | 1.89 |
| 5 | DAX (GR) | 7.05% | 7.05% | -3.03% | 5.66% | 21.85% | 12.62 | 13.36 | 1.72 |
| 6 | CAC (FP) | 5.86% | 5.86% | -2.69% | 4.00% | 16.99% | 6.59 | 12.50 | 1.90 |
| **Asia Market** | | | | | | | | | |
| 1 | Nikkei (JP) | 14.77% | 14.77% | -4.86% | 6.49% | 25.11% | 33.09 | 30.55 | 1.84 |
| 2 | Hang Seng (HK) | 4.20% | 4.20% | 7.39% | 13.12% | 2.05% | -10.71 | 10.94 | 1.15 |
| 3 | Shanghai (CN) | 4.37% | 4.37% | 2.09% | 9.69% | 2.76% | -6.57 | 14.80 | 1.44 |
| 4 | Shenzhen (CN) | 5.05% | 5.05% | 1.89% | 11.07% | 0.58% | -10.54 | 14.39 | 1.74 |
| 5 | NFT (IN) | 4.02% | 4.02% | 1.24% | 5.03% | 18.10% | 25.13 | 21.77 | 3.36 |
| 6 | Kospi (KR) | 1.39% | 1.39% | -1.99% | 7.73% | 16.51% | 7.62 | 11.59 | 0.97 |
| **ASEAN Market** | | | | | | | | | |
| 1 | Singapore (SG) | 1.62% | 1.62% | 2.13% | 4.53% | 7.45% | 0.68 | 13.03 | 1.11 |
| 2 | Kuala Lumpur (MK) | 8.34% | 8.34% | 2.60% | 4.18% | 9.50% | 11.30 | 15.00 | 1.32 |
| 3 | Thailand (TH) | -3.38% | -3.38% | -0.72% | -0.38% | -2.00% | -10.54 | 17.68 | 1.54 |
| 4 | Vietnam (VN) | 7.04% | 7.04% | -5.81% | 2.53% | 16.03% | 15.29 | 14.29 | 1.63 |
| 5 | Philipines (PH) | 3.88% | 3.88% | -2.94% | 1.19% | 12.39% | 1.14 | 14.85 | 1.60 |
| **Indonesia Market** | | | | | | | | | |
| 1 | JCI / IHSG (ID) | -0.53% | -0.53% | -0.75% | 0.58% | 7.40% | 4.61 | 14.98 | 1.94 |
| 2 | JII / ISSI (ID) | -0.67% | -0.67% | 0.76% | -0.01% | 2.40% | -1.13 | 11.06 | 1.78 |
| 3 | IDX30 (ID) | -4.96% | -4.96% | -6.09% | -4.69% | 2.75% | -6.06 | 15.20 | 2.21 |
| 4 | LQ45 (ID) | -4.52% | -4.52% | -6.01% | -4.63% | 4.20% | -3.64 | 14.98 | 2.14 |

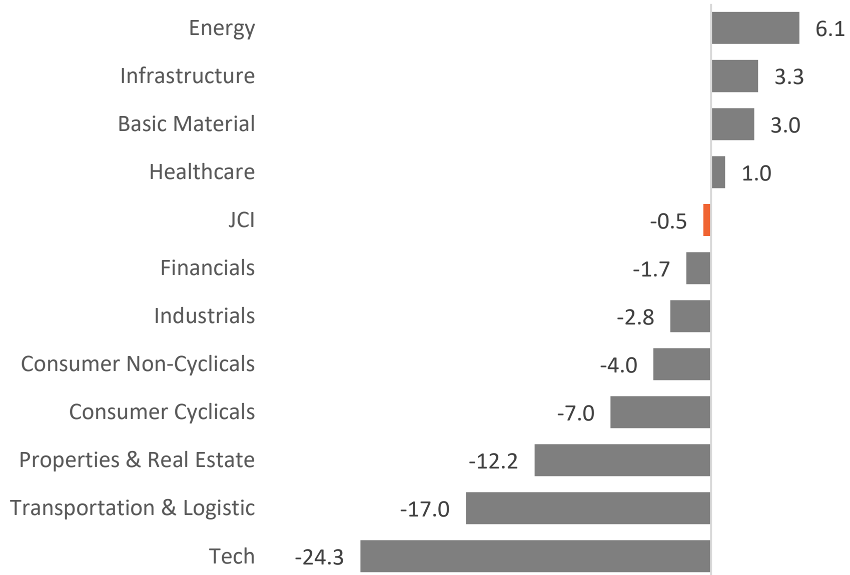


*Source: Syailendra Research, Bloomberg*

# What Has Been Moving The Market ?

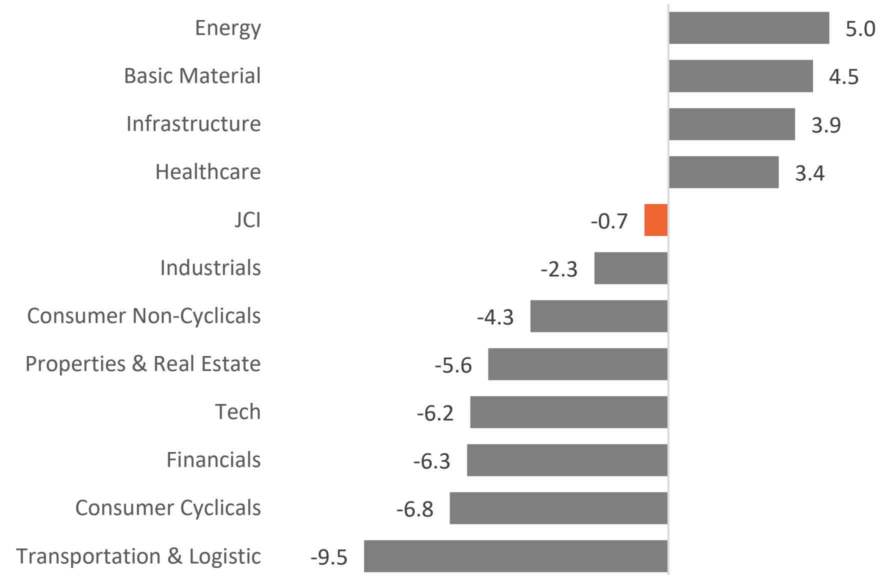
## Performance has been dragged all sectors except infrastructure

**YTD Sector Performance**
In % YTD




*Source: Syailendra Research, Bloomberg*

**1M Sector Performance**
In % MTD




*Source: Syailendra Research, Bloomberg*

- IHSG bergerak negatif sebesar -0.5% YTD or -0.7% MTD. Koreksi diakibatkan oleh foreign outflow dan mengkoreksi saham-saham Big Caps i.e BMRI, BBRI, TLKM, ASII, etc. Terlihat sektor yang masih mencatatkan positif return adalah *energy, basic material, infrastructure* dan *healthcare.*

# 1Q24 Earnings Result

## Company earnings performance relatively weak

**1Q24 earnings has been weak so far**
In % YoY

| Sector | EBIT | | | | | Net Profit | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q23 | 4Q23 | 1Q24 | QoQ % | YoY% | 1Q23 | 4Q23 | 1Q24 | QoQ % | YoY% |
| Banking | | | | | | 50,381 | 54,777 | 50,841 | -7.2% | 0.9% |
| Building Materials | 2,040 | 2,103 | 1,713 | -18.5% | -16.0% | 1,350 | 1,643 | 1,156 | -29.6% | -14.4% |
| Consumer discretionary | 13,886 | 15,449 | 13,901 | -10.0% | 0.1% | 11,220 | 10,784 | 10,536 | -2.3% | -6.1% |
| Consumer staples | 19,579 | 16,393 | 19,559 | 19.3% | -0.1% | 15,512 | 6,875 | 11,940 | 73.7% | -23.0% |
| Hospital | 877 | 945 | 1,201 | 27.0% | 37.0% | 590 | 671 | 494 | -26.4% | -16.3% |
| Infrastructures | 2,196 | 3,945 | 2,139 | -45.8% | -2.6% | -333 | -1,013 | -1,376 | NA | NA |
| Internet | -4,340 | -1,681 | -1,026 | -39.0% | -76.4% | -4,868 | -81,436 | -904 | -98.9% | -81.4% |
| Mining | 31,635 | 34,365 | 8,843 | -74.3% | -72.0% | 23,275 | 21,972 | 7,053 | -67.9% | -69.7% |
| Oil and Gas | 3,841 | 4,306 | 878 | -79.6% | -77.1% | 2,631 | 2,783 | 764 | -72.5% | -71.0% |
| Poultry | 340 | 434 | 2,396 | 452.1% | NA | -182 | -347 | 1,464 | NA | NA |
| Property | 3,740 | 4,203 | 5,126 | 22.0% | 37.1% | 3,567 | 1,374 | 2,870 | 108.9% | -19.5% |
| Telco | 17,398 | 17,548 | 19,429 | 10.7% | 11.7% | 9,139 | 8,890 | 9,556 | 7.5% | 4.6% |
| Transportation | 145 | 115 | 114 | -1.2% | -21.7% | 123 | 86 | 116 | 35.4% | -6.1% |
| **Total** | **91,337** | **98,124** | **74,271** | **-24.3%** | **-18.7%** | **112,405** | **27,059** | **94,509** | **249.3%** | **-15.9%** |
| **Ex-Internet** | **95,677** | **99,805** | **75,297** | **-24.6%** | **-21.3%** | **117,273** | **108,495** | **95,413** | **-12.1%** | **-18.6%** |
| **Ex-Commodity & Internet** | **60,201** | **61,135** | **65,576** | **7.3%** | **8.9%** | **91,367** | **83,740** | **87,595** | **4.6%** | **-4.1%** |

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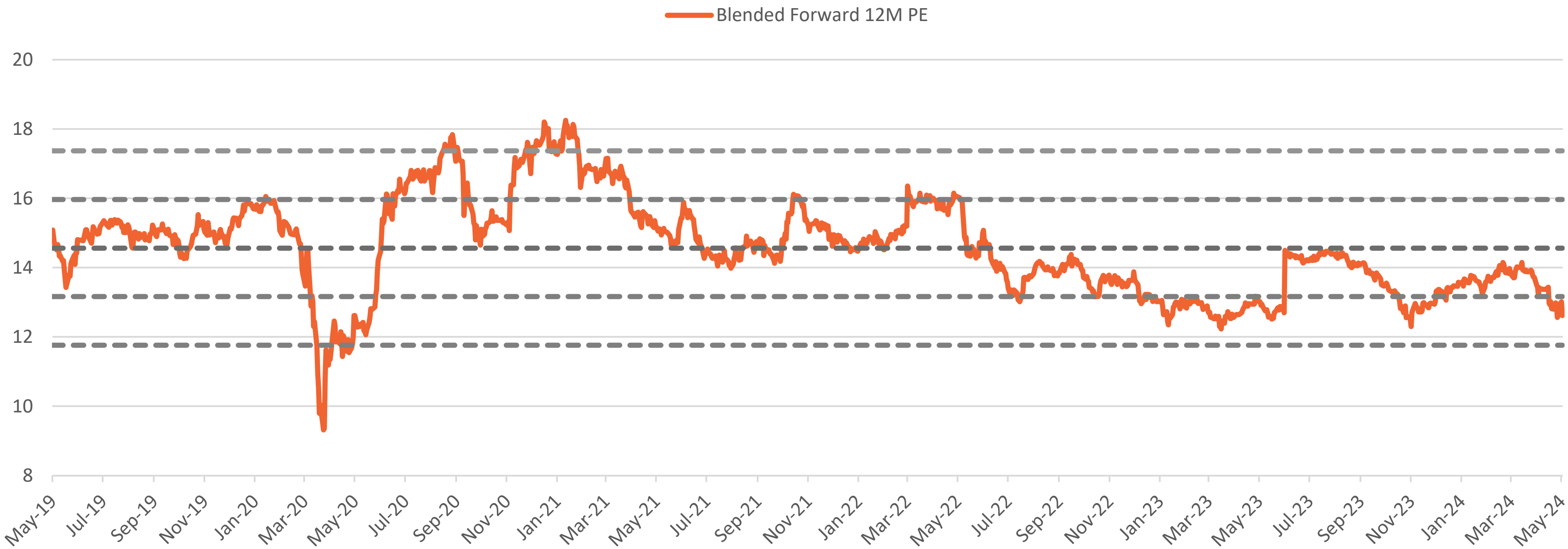
*Source : Syailendra Research, Mandiri Sekuritas*

# Is Current Valuation already Cheap Enough ?

## Index performance has been dragged by valuation due external sentiment

**MSCI Indonesia Blended Forward 12M P/E ratio**
In times of blended forward earnings




Source : Syailendra Research, Bloomberg

- Terlihat rasio P/E IHSG BF12M terkonsolidasi di level 13-14x. Hal ini terlihat murah membandingkan historis valuasi IHSG dalam 5 tahun kebelakang. Hal yang sama terjadi untuk *peers* di *region Asean*. Kami melihat *de-rating* valuasi juga dipengaruhi oleh tingginya tingkat suku bunga US.

# Global Peers Valuation Comparison

## Indonesia valuation cheap but drawback was its EPS growth

**Global Indices Historical Performance**

| Desc. | P/E | | EPS Growth | | P/B | | ROE | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 |
| **MSCI SEA** | **13.4** | **12.4** | **11.1%** | **8.2%** | **1.5** | **1.4** | **11.3** | **11.6** |
| **Indonesia** | **13.4** | **12.3** | **4.0%** | **8.9%** | **2.2** | **2.0** | **16.1** | **16.2** |
| Malaysia | 14.2 | 13.4 | 15.7% | 5.9% | 1.4 | 1.3 | 9.6 | 9.8 |
| Phillipines | 11.9 | 10.7 | 13.6% | 10.6% | 1.6 | 1.5 | 13.1 | 13.2 |
| Singapore | 12.3 | 11.6 | -0.1% | 5.9% | 1.4 | 1.3 | 10.9 | 11.0 |
| Thailand | 17.0 | 14.8 | 11.1% | 14.6% | 1.6 | 1.5 | 9.5 | 10.3 |
| **MSCI AxJ** | **13.5** | **11.7** | **25.0%** | **16.3%** | **1.5** | **1.4** | **10.9** | **11.7** |
| Hong Kong | 12.5 | 11.4 | 34.1% | 10.6% | 0.9 | 0.9 | 6.9 | 7.3 |
| India | 23.8 | 20.7 | 19.1% | 14.9% | 3.9 | 3.6 | 16.5 | 17.3 |
| Korea | 10.9 | 8.7 | NA | 25.1% | 1.0 | 0.9 | 9.4 | 10.8 |
| Taiwan | 18.6 | 15.4 | 21.4% | 18.6% | 2.5 | 2.4 | 13.8 | 15.1 |
| **MSCI EMEA** | **10.8** | **9.4** | **14.0%** | **18.0%** | **1.6** | **1.4** | **14.3** | **15.4** |
| South Africa | 10.1 | 8.3 | 48.6% | 35.1% | 1.6 | 1.4 | 14.9 | 18.3 |
| Turkey | 6.0 | 4.3 | 6.4% | 39.2% | 1.3 | 1.0 | 21.3 | 22.8 |
| **MSCI LATAM** | **8.8** | **8.2** | **5.4%** | **5.9%** | **1.5** | **1.3** | **16.5** | **15.7** |
| Brazil | 7.3 | 7.0 | 4.1% | 3.6% | 1.3 | 1.1 | 17.3 | 15.7 |
| Mexico | 12.7 | 11.5 | 10.3% | 10.8% | 2.0 | 1.9 | 15.7 | 16.3 |
| **MSCI EMEA** | **10.8** | **9.4** | **14.0%** | **18.0%** | **1.6** | **1.4** | **14.3** | **15.4** |
| **MSCI World** | **18.6** | **16.8** | **11.4%** | **13.4%** | **3.0** | **2.8** | **15.1** | **15.7** |
| Australia | 16.7 | 16.1 | 28.7% | 3.9% | 2.2 | 2.1 | 13.4 | 13.3 |
| Europe | 14.2 | 13.1 | 12.7% | 10.9% | 2.0 | 1.8 | 12.9 | 13.3 |
| Japan | 16.7 | 15.6 | 2.4% | 8.4% | 1.5 | 1.5 | 9.1 | 9.2 |
| USA | 20.9 | 18.6 | 14.4% | 15.4% | 4.2 | 3.8 | 18.4 | 19.0 |
| **Local Index** | | | | | | | | |
| JCI | 13.1 | 12.0 | 7.0% | 8.4% | 1.9 | 1.7 | 14.2 | 14.1 |



*Source: Syailendra Research, Bloomberg*

# JCI Expectation for 2024F and 2025F

## Expect index to be driven by growth rather than valuation sentiment

**JCI Earnings Growth Expectation 2024F & 2025F**

In % YoY

| Desc | 2023F | 2024F | | | 2025F | | | Notes |
|---|---|---|---|---|---|---|---|---|
| | | Bear | Base | Bull | Bear | Base | Bull | |
| EPS Growth | 11.61% | 7.50% | 10.00% | 12.50% | 5.00% | 7.50% | 10.00% | Based on 1Q24 earnings result, there's need to downgrade our earnings expectation. |
| P/E | 14,10 | 14,10 | 14,10 | 14,10 | 14,10 | 14,10 | 14,10 | P/E assume at -1 Std Deviation at 13.10x with premium valuation on non-fundamental stocks by 1.0x. No re-rating valuation at the moment |
| **Index Target** | **7,100** | **7,500** | **7,800** | **8,000** | **8,200** | **8,400** | **8,600** | |

*Source: Syailendra Research, Bloomberg*

- Berdasarkan hal-hal sebelumnya kami melihat perlunya *downgrade* JCI untuk 2023 dari level 7,200 menjadi 7,100. Kami merasa perlunya konservatif dalam ekspektasi IHSG dimana kinerja IHSG didasarkan pada pertumbuhan laba dibandingkan re-rating *P/E* mempertimbangkan eksternalitas saat ini. Kami juga memaukkan *non-fundamental valuation* sehingga nilai indeks dapat dikomparasi dengan level IHSG saat ini.

# Foreign Equity Flows

## Significant outflow happen in Apr’24 for equity market

| Monthly Data | India | Indonesia | Korea | Philippines | Taiwan | Thailand | Malaysia | EM Asia ex. China | EM Asia ex-China ex-Malaysia | Japan |
|---|---|---|---|---|---|---|---|---|---|---|
| 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 |
| Feb-23 | -639 | 377 | 919 | -142 | 1,107 | -1,273 | -40 | 309 | 349 | -821 |
| Mar-23 | 1,816 | 272 | -689 | -498 | -30 | -917 | -301 | -347 | -46 | -21,946 |
| Apr-23 | 1,923 | 828 | 616 | 34 | -2,553 | -231 | -56 | 562 | 618 | 34,505 |
| May-23 | 5,008 | 109 | 3,114 | -81 | 5,205 | -967 | -159 | 12,230 | 12,389 | 17,709 |
| Jun-23 | 6,717 | -293 | -1,256 | 97 | 625 | -263 | -291 | 5,337 | 5,628 | 15,211 |
| Jul-23 | 4,140 | 182 | 627 | 334 | -2,994 | -361 | 313 | 2,240 | 1,927 | 5,096 |
| Aug-23 | 1,726 | -1,319 | -570 | -131 | -4,549 | -443 | 31 | -5,253 | -5,285 | -8,070 |
| Sep-23 | -2,273 | -263 | -1,694 | -464 | -5,885 | -616 | 143 | -11,051 | -11,195 | -32,771 |
| Oct-23 | -2,657 | -511 | -2,497 | -171 | -4,957 | -431 | -461 | -11,684 | -11,223 | 19,545 |
| Nov-23 | 2,301 | -30 | 3,257 | 19 | 8,361 | -548 | 332 | 13,692 | 13,359 | 6,601 |
| Dec-23 | 7,024 | 497 | 3,637 | 18 | 5,361 | -2 | 56 | 16,591 | 16,535 | -8,192 |
| Jan-24 | -3,141 | 534 | 2,254 | 80 | 1,433 | -870 | 145 | 435 | 290 | 17,148 |
| Feb-24 | 483 | 646 | 6,120 | 129 | 3,390 | 82 | 277 | 11,125 | 10,849 | 7,415 |
| Mar-24 | 4,016 | 506 | 3,816 | -46 | -93 | -1,145 | -609 | 6,444 | 7,053 | -14,157 |
| Apr-24 | -1,319 | -1,007 | 1,794 | -412 | -4,828 | 108 | -288 | -5,952 | -5,664 | 19,808 |

| Yearly | India | Indonesia | Korea | Philippines | Taiwan | Thailand | Malaysia | EM Asia ex. China | EM Asia ex-China ex-Malaysia | Japan |
|---|---|---|---|---|---|---|---|---|---|---|
| YTD | 40 | 679 | 13,983 | -250 | -99 | -1,825 | -474 | 12,053 | 12,527 | 30,213 |
| 2023 | 21,427 | -353 | 10,705 | -863 | 6,933 | -5,507 | -514 | 31,827 | 32,341 | 29,092 |
| 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 |

*Source: Syailendra Research*

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