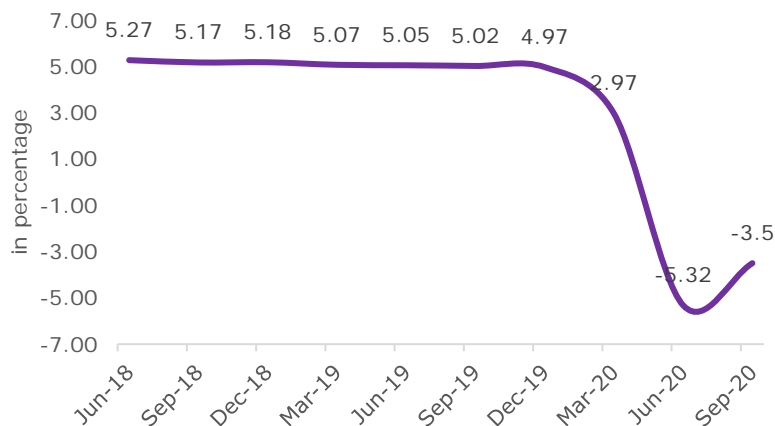


Market update 13 December 2020

Indonesia's Economic Data

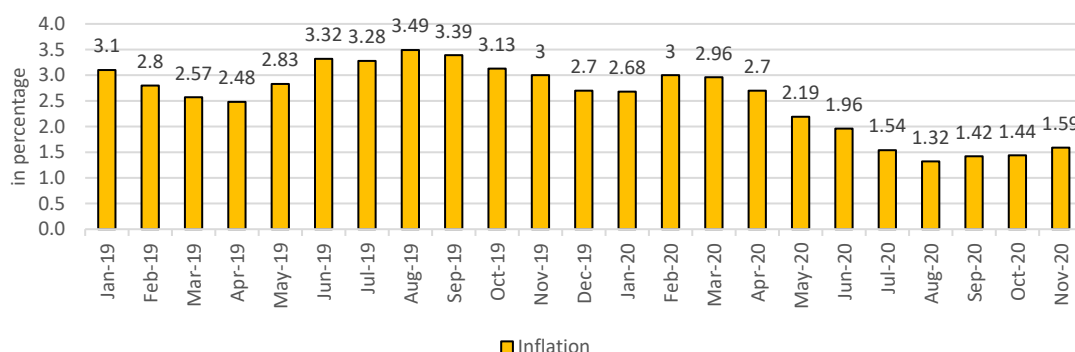
- Indonesia's officially entered recession on the third quarter of 2020 as it recorded two consecutive negative **economic growth (GDP)** at -5.32% in June and -3.5% in September. We think Indonesia will escape the recession on the first quarter of 2021 as we have not seen any significant improvement on imports and retail sales data at the moment. Indonesia's GDP may grow at the pace of 3% in 2021, still lagging from their average 5-year GDP growth rate at around 5% since the economy might need longer time to recover especially in highly impacted industry such as entertainment, tourism and any leisure activities that requires large crowd of people.

GDP Growth rate (YoY%)



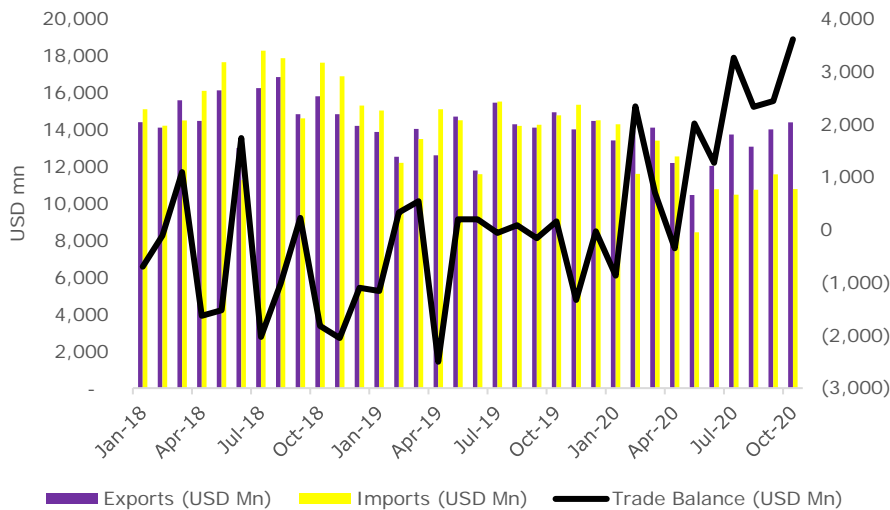
- Indonesia's inflation** is still recorded a sluggish growth since the beginning of the year due to the Covid-19 pandemic. However, we see a slight recovery after it reached it bottom in August 2020 at 1.32% yoy to 1.59% yoy or 0.28% mom on November 2020. Higher inflation in November was due to higher food prices which came at 2.34% yoy at contributed by higher poultry prices followed by chilies. Meanwhile, deflation was recorded at energy sectors at -0.87% yoy. **Core inflation**, however, remain modest in November at 1.67% yoy or 0.06% mom, below consensus expectation of 1.73% yoy. We think the modest core inflation shows that purchasing power are yet to recover until Nov-2020.

Indonesia Inflation rate (YoY %)



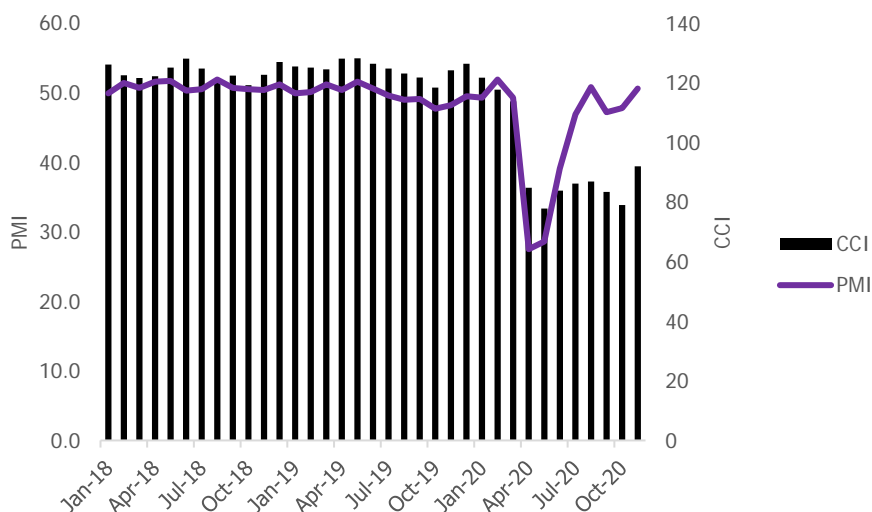
- Indonesia's trade balance** was at surplus territory for 6 consecutive months in October 2020, with total surplus of USD 16.7 billion since the beginning of the year. In October 2020, trade surplus was at USD 3.6 billion, the highest for a single month since 2012. Exports were at USD 14.4 billion, the highest this year, due to surged of exports in CPO products (+23.9% yoy) and manufacturing goods (+3.86% yoy). Imports came in at USD 10.8 billion, below consensus expectation of USD 12 billion. It might be that companies are delaying their imports to ensure that consumer purchasing power are in place before they restock their inventory.

Indonesia Trade Balance



- Indonesia's PMI and CCI** shows a similar pattern. Currently PMI and CCI stood at 50.6 and 92, respectively. We see a slight deep on September and October due to the re-implementation of PSBB then followed by a recovery after the relaxation of PSBB. We think both PMI and CCI will continue to record a positive momentum given that no stricter measure is in place.

Indonesia PMI and CCI



Market Indexes (14 December 2020)

- JCI is on verge of breaking the critical resistance of 6,000 at the moment due to the positive sentiment from Covid-19 vaccine. Currently, we think JCI is overvalued for the year end of 2020 as it has reached our upper band target at 5,850 (PE ratio: 18). However, given the numerous positive factors: 1) Vaccine of Covid-19; 2) Window dressing at the end of the year; 3) possibility of another 7-Day benchmark rate reduction by BI; 4) stronger than expected Rupiah and 5) inflow from retail investors. We do not think there will be a significant correction on the market and we think any correction is a buying opportunity to increase weighting on the equity market. In YTD basis, JCI still recorded a negative return of -4.8%.



- As Donald Trump is being defeated on the U.S presidential election, we think relationship between U.S and China will improve as Joe Biden is less hawkish to China compare to his Republican counterpart. As a result, it will give positive feedback to overall global economy as a whole and undoubtedly will benefit other emerging countries as well.
- In ytd basis USDIDR depreciated by 1.61% to IDR 14,100/USD. We see the improvement of Rupiah performance was supported by the surplus on trade balance and current account balance. The strength of Rupiah will give central bank room to make another monetary easing without risking a capital flight.

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