

Market update 11 January 2021

Global news

• **U.S Equity Market**

We see U.S stock markets keep trading higher despite the mass protest and riot in Capitol Hill by President Donald Trump’s supporter. All of the three major indexes were able to closed at all time high and recorded gains of around 2% at the first week of 2021. We think the rally was owed to 1) the approval of 900 dollars fiscal stimulus; 2) optimism of global economic recovery as the effectiveness of the vaccine rise steadily; 3) inclusion of Tesla in S&P 500 and 4) the “January Effect”.

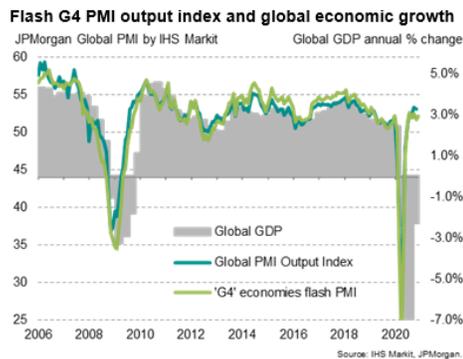
We think the market will trade slightly lower for the upcoming weeks as investors might start taking their profit and some states are starting to impose a stricter lock-down to prevent the spread of Covid-19.



One year S&P 500 performance
Source: Bloomberg

• **Global PMI**

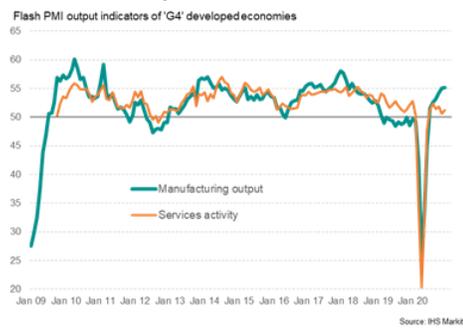
Flash PMI surveys for the US, eurozone, Japan and UK, which collectively account for approximately half of global GDP, indicated an expansion of business activity for the sixth consecutive month in December, with the rate of expansion accelerating slightly compared to November. At 52.2, the G4 economies' flash PMI output index* rose from 51.6 in November.



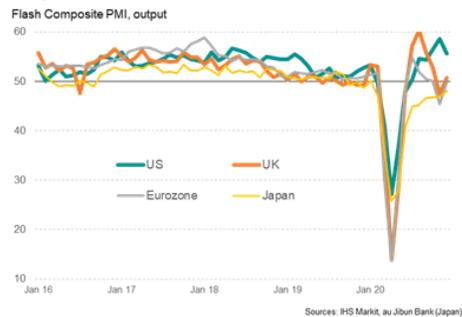
Although manufacturing output rose collectively across the G4 economies at the strongest rate since April 2018, growth of service sector output remained very modest, rising at only a slightly faster rate than the near-stalled pace seen in November, which had been the weakest since the sector's recovery began in August.

The PMI was varied among the G4 countries as the US took more severe tightening of virus containment measures in December, and growing concerns over virus case numbers. The survey data, therefore, paint a picture of economic conditions improving where COVID-19 containment measures were eased (the UK and the eurozone) and deteriorating where containment measures were tightened (the US). Japan's PMI was relatively unchanged, reflecting no significant change in its virus restrictions during the month.

G4 economies' output



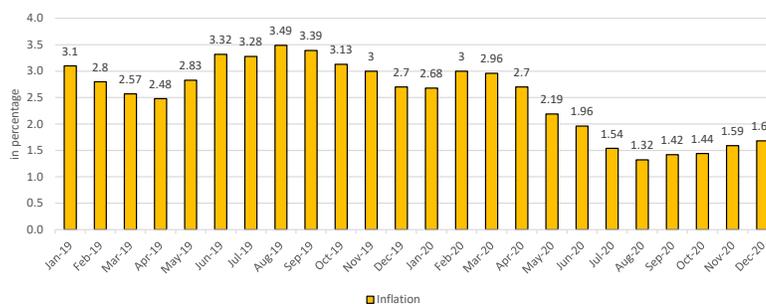
Output in the G4 economies



Indonesia's Economic Data

- December's **inflation** stood at 0.45% mom or 1.68% for the whole 2020 with most of price pressures were largely driven by food seasonality which stood at 2.02% mom or 3.48% yoy. This figure marked the lowest inflation for the past 20 years as Covid-19 pandemic put pressure on the purchasing power severely.

Indonesia Inflation rate (YoY %)



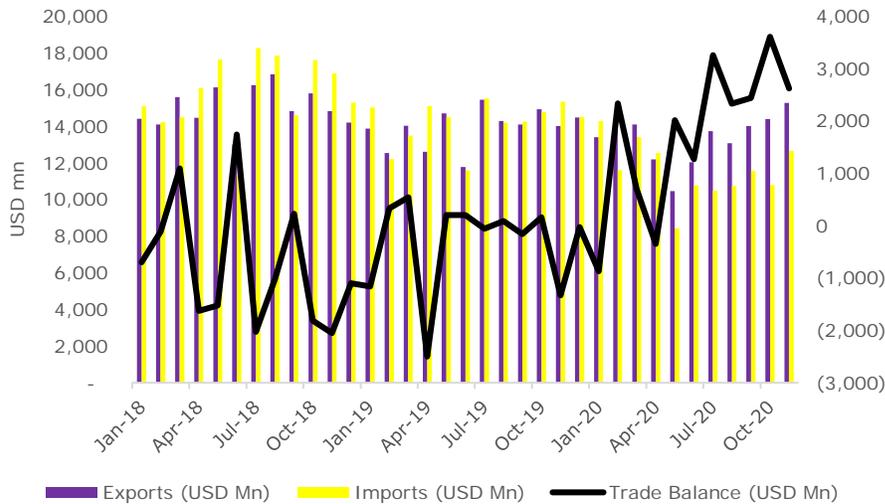
Source: BPS

We see a higher trend of inflation rate after it hit the bottom in Aug-20 albeit at a low pace. However, it indicates that the economic recovery is on tract. However, the recovery might face a headwind due to re-implantation of PSBB for two weeks starting 11th of January.

- **Trade balance** continued its surplus trend in Nov-20 at 2.61 billion dollars, lower than previous month at 3.61 billion dollars. The lower numbers of surplus were due to higher imports which increased by 17.4% mom at 12.7 dollars, the highest since Apr-20. Meanwhile exports only rose by 6.2% mom to 15.3 billion dollars compared to last month data. However, it was the first month exports recorded an increment compared to the previous year at which rose by 9% yoy.

We welcome the narrower trade balance as it shows that recovery is on its way inline with higher level of inflation. However, we think imports might slumped back in the first quarter of 2021 due to the PSBB

Indonesia Trade Balance

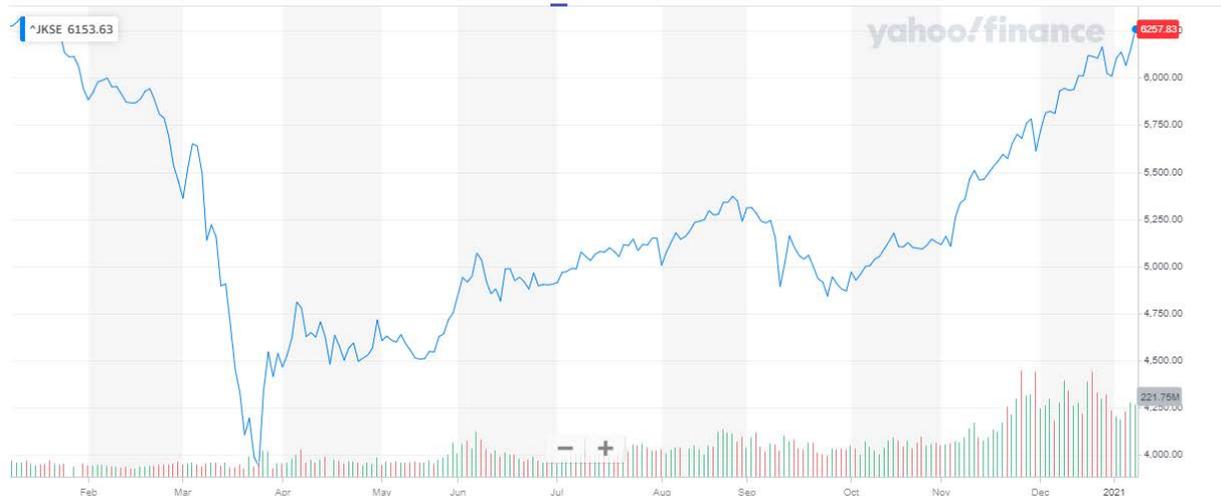


Source: BPS

- Indonesia's **fiscal deficit** in 2020 topped the historic-high level of 956.3 trillion rupiah (6.09% of GDP), a significant jump from 2019 level of 348.7 trillion rupiah (2.2% of GDP). State's revenue was under heavy pressure during the pandemic as it fell by 16.6% yoy to 1,633 trillion rupiah while spending was speed up by 12.2% yoy to 2,590 trillion rupiah. In 2021, we expect the fiscal stance to remain loose as government spending would play an important role to sustain economic recovery momentum and safeguard purchasing power, particularly among the low-income citizens.

Market Indexes (11 January 2021)

- JCI were comfortably in sat green territory last week with a small hiccup due to implementation of PSSB. Currently JCI recorded a gain of 4.2% in ytd basis since the market was surrounded by positive news from the vaccine development. We might take a cautious approach for the upcoming weeks since prolonged lockdown will have a significant role on the economic recovery as Indonesia's might still in the recession up to the **third quarter of 2021**.



JCI last 1 year
Source: Yahoo Finance

- Dollar index were traded at multi year low since the end of 2020 and it gave a tailwind for the rupiah. At the first trading day in 2021, rupiah were strengthened significantly and able to breach the 14,000 psychological level, the level that stubbornly stood in 2020. Currently rupiah able to record 1.2% gain over dollar at ytd basis and stood at 0.12%.

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