

## Market update – April 2022

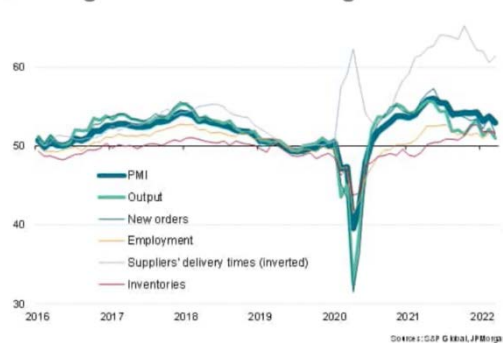
### Global news

- **Global economic growth**

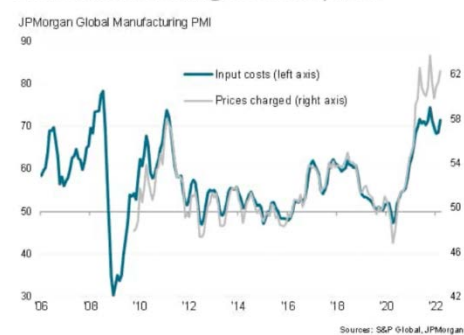
Global PMI fell from 53.7 in February to a one-and-a-half year low of 53.0 in March due to production and demand growth was subdued by a combination of headwinds, including the **Ukraine war** and new **COVID-19 related disruptions - notably in China**.

Global manufacturing production growth slowed in March to the weakest seen so far in the recovery from the first pandemic lockdowns in 2020. The slowdown was led by the steepest collapse in Russian production since May 2020. The worsening supply situation and surge in energy prices associated with the Ukraine invasion led to a further intensification of inflationary pressures. **Average material input price inflation rose to the highest since last November** while **average selling price inflation hit the highest since last October's record**, the latter buoyed not only by the **rising raw material price** increases but also buoyed by **rising wage** pressures.

JP Morgan Global Manufacturing PMI

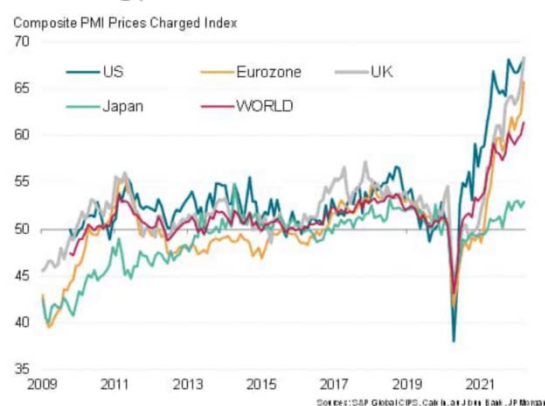


Global manufacturing costs and prices

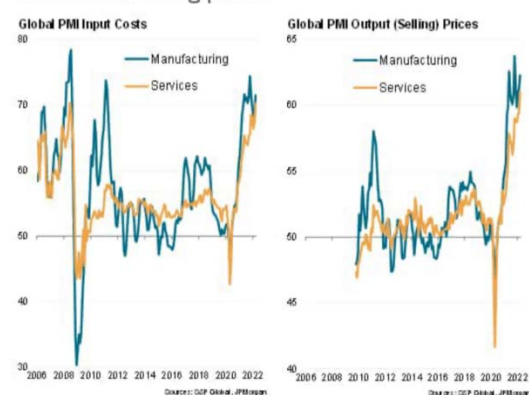


Business costs are now rising at a rate not seen since 2008. These higher costs are being increasingly passed on to customers, leading to record rates of inflation in the US and Europe.

PMI selling price inflation



Costs and selling prices



- **Inverted yield curve 2y-10y**

The 2-year and 10-year Treasury yields inverted for the first time since 2019 on 1 April 2022. The yield on the 10-year Treasury fell to 2.38%, while the yield on the 2-year Treasury was at 2.58%



- **Key indicators to watch**

There will be a number of ways in which the Ukraine crisis is likely to affect the manufacturing economy, signs for which will be assessed in the upcoming March PMI data:

- **Energy prices have spiked higher** due to the invasion of Ukraine, with agricultural commodity prices also moving higher. most notably in Europe. This will add to **firms' input cost pressures and invariably be passed through to customers via higher selling prices.**
- **Supply chain disruptions** will likely be exacerbated by the conflict, again most prominently in Europe but also on a global basis to some extent, worsening the **supply-demand imbalance and sustaining upward pressure on prices.**
- **Safety stock building is likely to be ramped up** as companies grow concerned about further price rises and availability.
- **Business confidence is likely to have been adversely affected**, reducing business investment. Sanctions are also likely to have curbed economic activity, most obviously in Russia but also among companies world-wide affected by sanctions.
- **Consumer confidence and spending** is also likely to have been affected, again especially in Europe.

- **Global stock market return**

Hawkish stance by the Fed caused a turn around on the stock market especially when the indices are dominated by high tech stocks and high valuation. We can see that emerging market stocks are less affected due to 1) low number of tech stocks and 2) gain performance in 2021 was lower compare to the developed countries

Stock market return

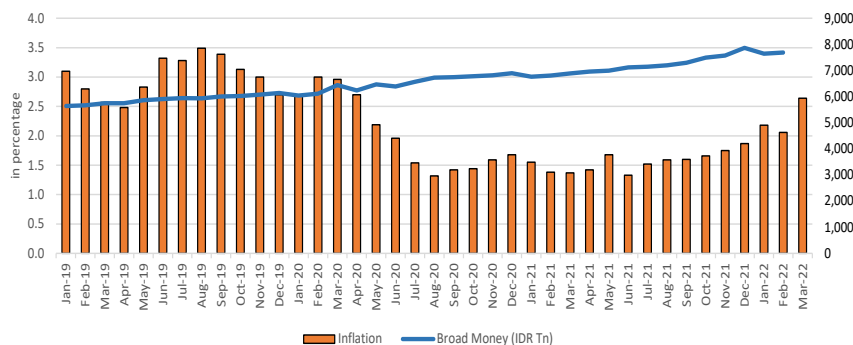
ytd (%)	Country	Dec-21	Feb-22	Mar-22	Apr-22
S&P 500	U.S	27%	-6.17%	-13.00%	-8.32%
Nikkei	Japan	5.63%	-6.35%	-15.64%	-8.76%
H.S.I	Hong Kong	-15.28%	5.58%	-12.40%	-8.48%
SSE	China	3.91%	-7.46%	-11.37%	-11.87%
DAX	Germany	16.91%	-5.75%	-19.91%	-11.83%
JCI	Indonesia	10.10%	0.99%	4.38%	10.00%
BSESN	India	23%	-1%	-8.7%	-1.0%
KLSE	Malaysia	-3.00%	-1.74%	0.06%	3.49%
Straits Times	Singapore	9.66%	6.29%	1.60%	6.96%
PCOMP	Philippines	-1.90%	5.89%	0.60%	-1.49%

## Indonesia's Economic Data

- **Indonesia Inflation and Broad Money**

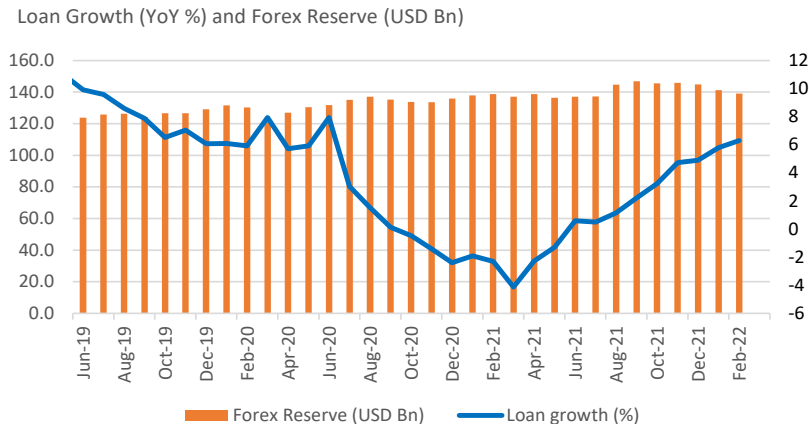
BPS reported that the consumer price index rose 0.66% mom in Mar-22 or 2.64% yoy. Food became the source of inflation, followed by housing, transportation, and restaurant. Furthermore, core inflation increased to 2.37% YoY from 2.03% in the corresponding period on the back of domestic demand recovery and higher gold price. VAT rate hike, fuel price adjustment and Ramadhan season will be the main driver of higher inflation in upcoming periods.

Indonesia Inflation rate (YoY %) and Broad Money (IDR Tn)



- Loan growth and foreign exchange reserve**

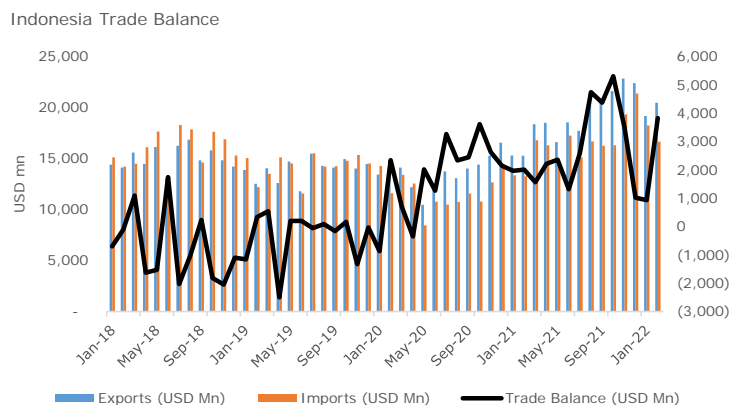
Foreign exchange reserve fell for the third consecutive months and currently at USD 139.1 bn, still high by historical level. Loan growth continued its positive momentum to make a 'v-shape' recovery. In Feb-22, loan growth was registered at 6.3% yoy. However, the potential interest rate hike to battle inflation could hampered lending growth.



- Trade Balance**

The trade balance recorded a large surplus of USD 3.8bn in Feb2022 (vs. USD 2.5bn in Jan-2022) and brought the 2M22 surplus to USD 4.8bn (vs. USD 4.0bn in 2M21). The imports growth decelerated to 25% YoY (-9% MoM) in Feb-2022 from 37% YoY in Jan-2022, with non-oil & gas imports slowing the most. Raw materials and capital goods imports trimmed to 30% YoY and 21% YoY, respectively, from 39% YoY and 42% YoY in the corresponding period. Export rose by 34% YoY in Feb-2022 (vs. 25% YoY in Jan-2022), with commodities as the source. In detail, coal export rebounded to 52% YoY from -34% YoY in the same period, owing to export normalization after the Jan-2022 ban, which was followed by surging coal price.

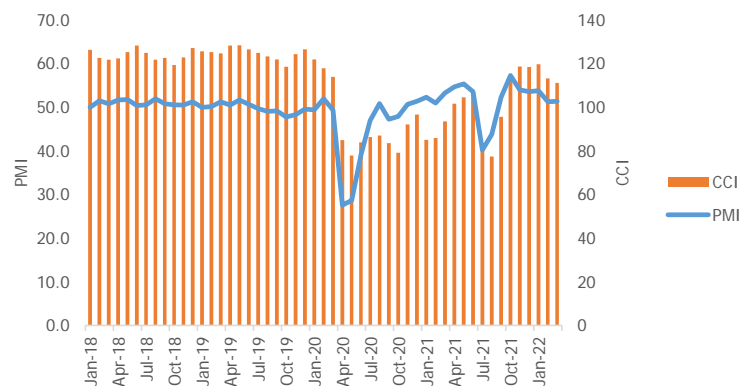
We think the March and April trade surplus would not be as large as in Feb-2022 on the back of rising imports post Omicron wave and heading into the fasting period



- PMI and CCI**

Indonesia's PMI increased slightly compare to the previous month on Mar-22 at 51.3 from 51.2 due to lifting of mobility restriction in most areas. CCI however fell slightly to 111 on Mar-22 from 113.1 in previous month. We think consumer sentiment was slightly affected by geopolitical event in Europe.

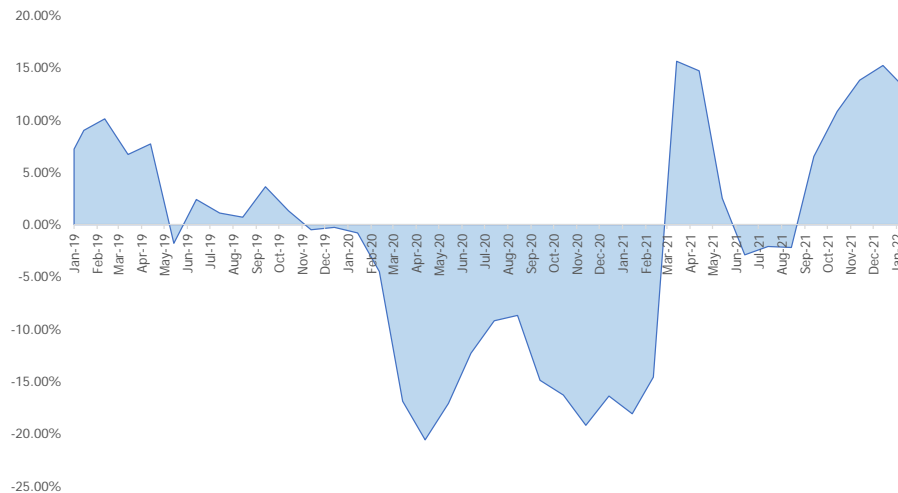
Indonesia PMI and CCI



- Retail sales**

In Feb-22, retail sales growth rate continued to record a positive growth at 12.9% despite lower than the previous month at 15.2%. We think the upcoming retail sales figure will be positive as well since there is no mobility restriction for this year Lebaran.

Indonesia Retail Sales Growth (%)



### JCI Target

- As of 12 April 2022, JCI recorded gain of 10% on ytd basis and total foreign inflow of IDR 40 trillion. We expect an increase of 20.1% on EPS to 423 in 2022.
- Our base case scenario will be JCI at +0.5 SD (upgrade from 0 SD). We are optimist due to: 1) resilience on macroeconomic data (loan growth, PMI, CCI, etc), 2) consumers will be able to absorb higher inflation rate, 3) higher commodity prices will support rupiah from volatility of forex, 4) capital inflow from foreign investors and 5) IPO from our tech unicorn

Case	JCI Target	Assumption
Base	7,400	Consensus EPS FY21: 423 Forward PE (+0.5 SD): 17.5
Good	7,783	Consensus EPS FY21: 423 Forward PE (+1 SD): 18.4
Bad	6,134	Consensus EPS FY21: 423 Forward PE (- 1 SD): 14.5

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