

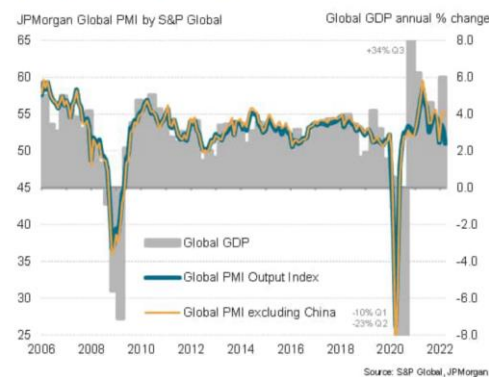
Market update – May 2022

Global news

- Global economic growth**

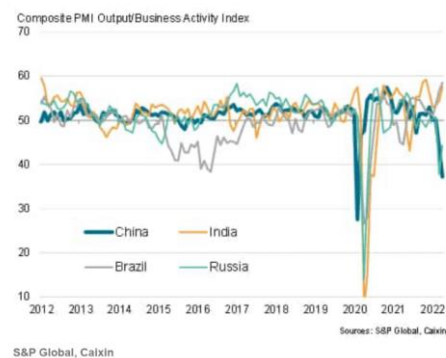
The JPMorgan Manufacturing Purchasing Managers' Index™ (PMI™), compiled by S&P Global, fell from 52.7 in March to 51.0 in April. The drop in the index signalled the weakest pace of economic growth since the start of the recovery from the initial pandemic lockdowns in early 2020. The two key drivers of the slowdown during April were the ongoing Russian invasion of Ukraine and the continued lockdowns in mainland China, as the authorities persisted in their efforts to contain COVID-19 outbreaks.

JPMorgan Global Composite PMI



S&P Global, JPMorgan

Emerging market PMI output indices



S&P Global, Catkin

A further effect of the Ukraine war and China's virus outbreaks was evident in a surge in inflationary pressures, notably via **higher gas and oil prices but also through a broader intensification of supply chain delays and accompanying price hikes**, which - alongside a further reported rise in wage pressures in many markets - led to increased prices for a wide variety of goods and services. April consequently saw average input costs across manufacturing and services rise globally at a rate not witnessed since mid-2008, while average selling prices for goods and services increased at a rate far in excess of anything recorded since comparable data on output prices were first available in 2009.

New record selling price inflation rates were seen in the US, Eurozone, UK, and Brazil, with a near-record (though far more subdued) rate reported in Japan. India meanwhile reported the strongest rise since 2013. In China, in contrast, slumping demand due to lockdowns pushed average prices lower for the first time since May 2020

Global costs and selling price inflation



S&P Global, JPMorgan

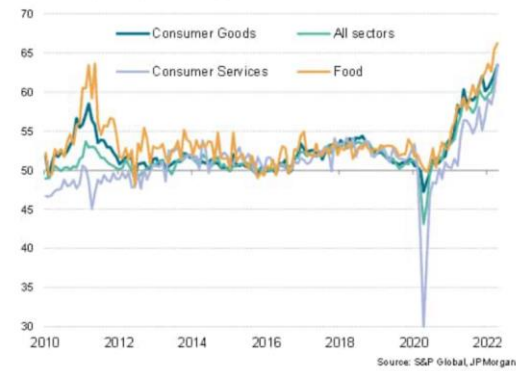
Selling price inflation for goods and services



Author

The record **rise in food prices** is a particular concern, especially given that the sector has also reported **falling output continually now for three months**, with the worsening trend linked to the Ukraine war. The growing **scarcity of food and associated price rises**, combined with persistent **elevated energy prices**, threatens to exacerbate the global **cost of living crisis**, tending to hit the poorest the hardest.

PMI output prices, global



S&P Global, JPMorgan

Global food production and prices



S&P Global, JPMorgan

- **Positive TIPS**

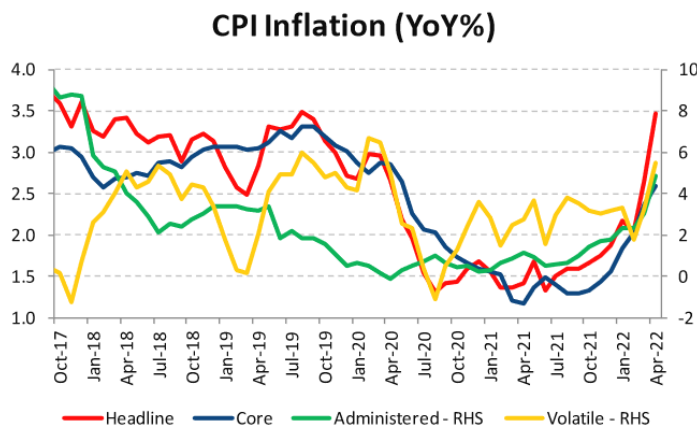
Currently, US 10-Year Breakeven Inflation rate stood at around 2.56% and 10-Year Treasury Yield at around 2.76% taking 10-Year TIPS to 0.2%. This is the first time TIPS went back to positive territory since Covid-19 pandemic started.



Indonesia's Economic Data

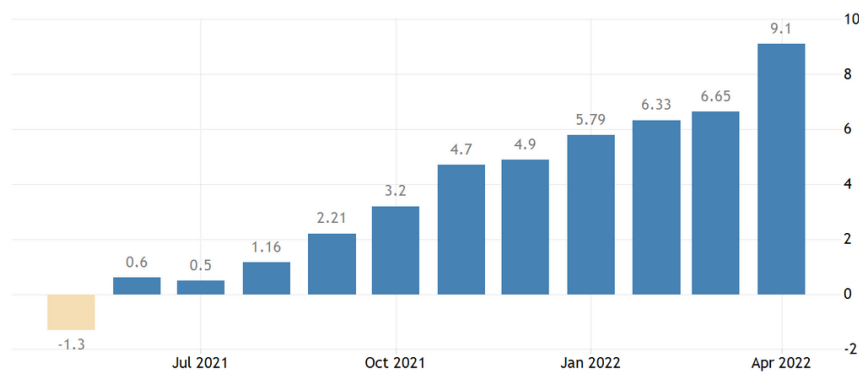
Indonesia Inflation

BPS reported that the consumer price index rose 0.95% mom in Apr-22 or 3.5% yoy. Food prices recorded the largest contribution at 0.46 ppt to the total monthly inflation. This was followed by the contribution from higher transportation prices (0.29 ppt) due to the direct impact of the Pertamina price hike (0.16 ppt) and seasonal Lebaran inflation, especially from airfare. Core inflation stood at 2.6% also above market expectation at 2.55%



Loan growth

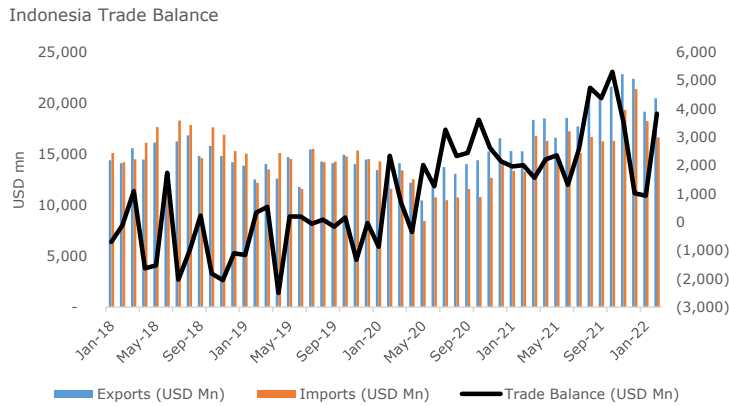
Loan growth continued its positive momentum to make a 'v-shape' recovery. In Apr-22, loan growth was registered at 9.1% yoy.



Trade Balance

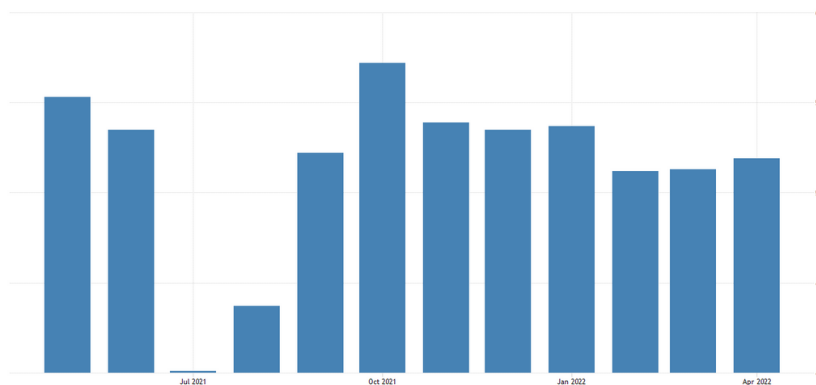
The trade surplus broke another record high at USD 7.6bn in Apr- 2022 (vs. USD 4.5bn in Mar-2022). Exports improved further, accelerating by 47.8% YoY in Apr-2022. Commodities were still the driver, in which coal and palm oil exports each surged by 160% YoY and 20% YoY (vs. 124% YoY and 7% YoY in Mar-2022). On the flip side, imports slid to 22.0% YoY in April-2022 led by capital goods and consumer goods

The unexpected slower imports could be a consequence of the supply side disruption triggered by China's lockdown, followed by the front-loaded imports related to Lebaran preparation. In addition, imports from China slowed down to 12% YoY from 33% YoY in Mar-2022, while China accounts for 29% of Indonesia's total imports



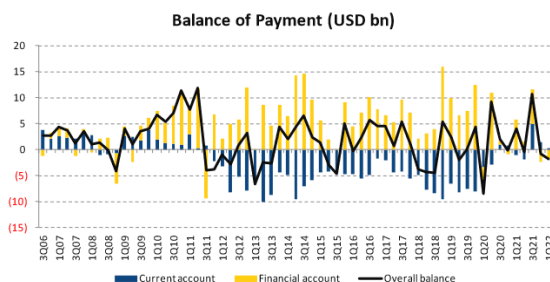
• **PMI**

Indonesia’s PMI increased slightly compare to the previous month on Apr-22 at 51.9 from 51.3 due to lifting of mobility restriction in most areas.



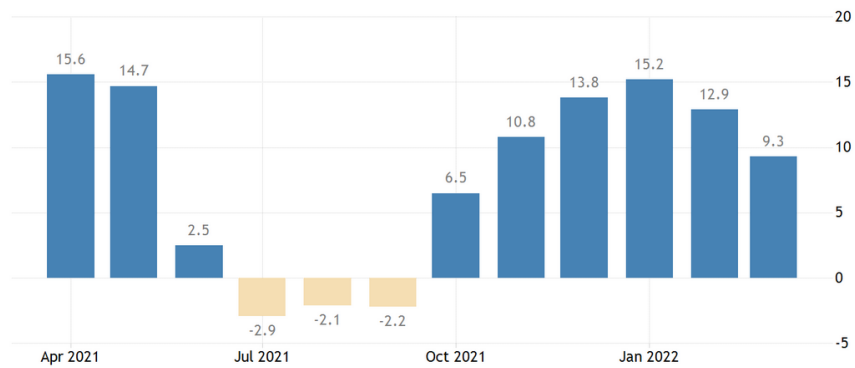
• **Balance of Payment**

The balance of payment (BoP) recorded another deficit of –USD 1.8bn in 1Q22 (vs. –USD 0.8bn in 4Q21). The FA registered a deficit of –USD 1.7bn in 1Q22 (vs.–USD 2.3bn in 4Q22), below its average USD 7.3bn surplus. Rising treasury yield also contributed on the portfolio outflow. The CA maintained its surplus at 0.1% of GDP in 1Q22 (vs. 0.5% in 4Q21), marking its third consecutive quarter. The trade balance recorded another significant surplus of USD 11.1bn (vs. USD 12.4bn in the same period), wherein export growth outpaced import. Iron & steel export led the growth, followed by coal export, which still increased by 64% YoY despite the ban in Jan-2022.



- **Retail sales**

In Mar-22, retail sales growth rate continued to record a positive growth at 9.3% albeit lower than previous month at 12.9%



JCI Target

- As of 30 May 2022, JCI recorded gain of 7.2% on ytd basis and total foreign inflow of IDR 65 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 optimistic 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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