

Monthly Bulletin

July 2021

What's Inside



Calendar

US CPI YoY (13-July)
CH GDP YoY (15-July)
ID 7D BI RR (22-July)



Global Event

FOMC Meeting June'21 memberikan gambaran terkait meningkatnya inflasi pada tahun 2021. Hal ini mengakibatkan kekhawatiran investor atas seberapa cepat FOMC akan melakukan *monetary tightening*.



Indonesia

Pemerintahan Indonesia mengimplementasi PKMM darurat akibat meningkatnya kasus *covid-19* dimana Indonesia mencatatkan kasus harian >20,000 dalam beberapa satu pekan terakhir.



Equity Market

Kinerja IHSG ditutup sebesar +0.11% YTD atau +2.34% MoM (*cutoff date: 31-May-2021*). Top 3 *Leaders* 1) DCII, 2) TPIA, 3) AGRO dan Top 3 *Laggards* 1) BBKA, 2) UNVR, 3) BBRI Investor asing melakukan *net buy* sebesar +342 mio USD di June 2021.



Fixed Income Market

Imbal hasil 10 tahun obligasi bergerak *flat* di kisaran 6.5-6.6% sampai dengan akhir June-21. Kepemilikan investor sedikit meningkat ke level 22.8% pada June-21 dibandingkan level sebelumnya di 22.7% di May-21.



Section 01



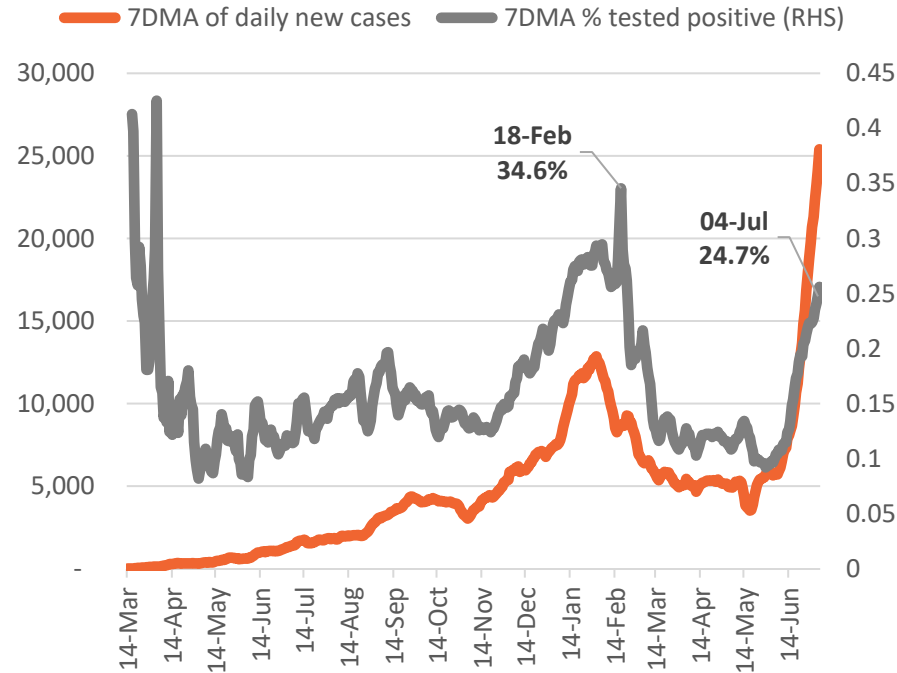
COVID-19 Updates

Covid-19 2nd Wave is Just Started

Infection rate should reflect plateauing to expect slowdown in new cases

7DMA Daily New Cases vs Infection Rate

In no of cases, %



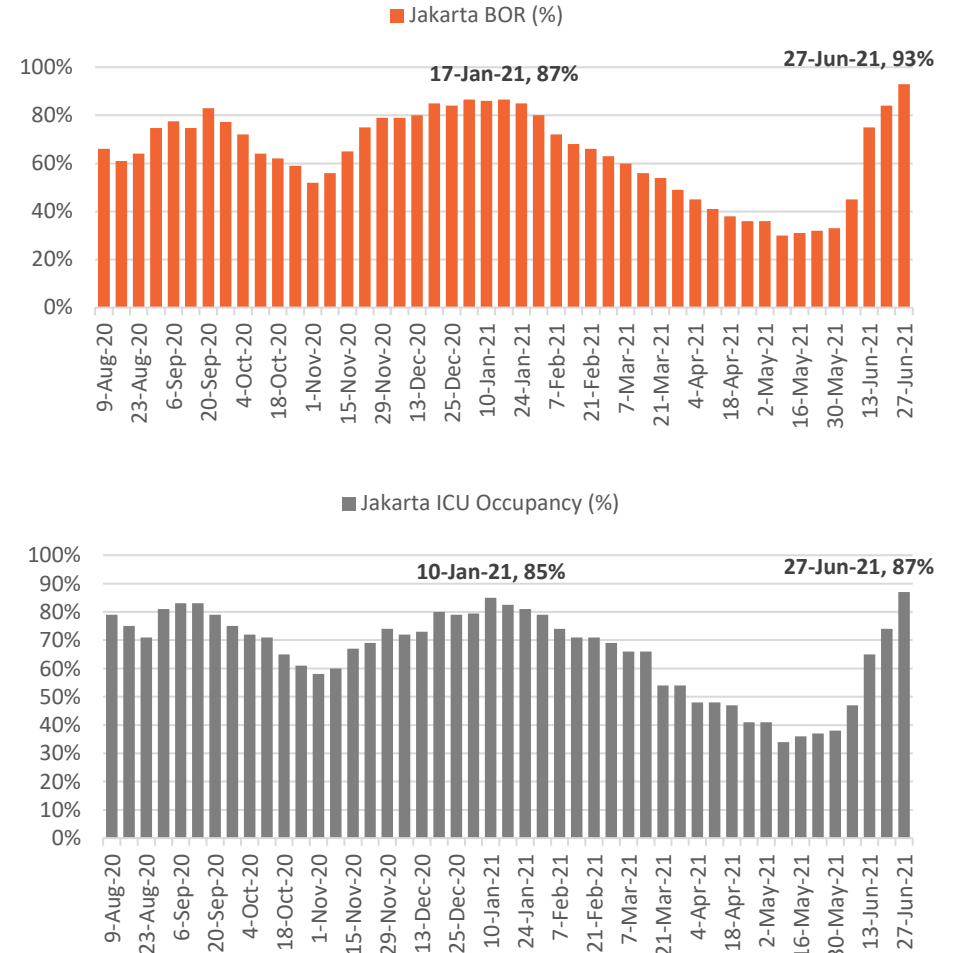
Source: Syailendra Research, CLSA

📌 Peningkatan kasus harian covid-19 melebihi 20,000 mengakibatkan pemerintah melakukan peningkatan pembatasan aktivitas sosial atau PPKM.

📌 Pemerintah menerapkan PPKM darurat berlaku 3-Jul sd 20-Jul 2021

Jakarta BOR and ICU Occupancy

In %



Source: Syailendra Research, CLSA

Comparing PPKM Emergency with Past Restriction

Mobility restriction is comparable to early covid restriction Apr'20

List of Social/Mobility Restriction in Indonesia

Restriction in each phase

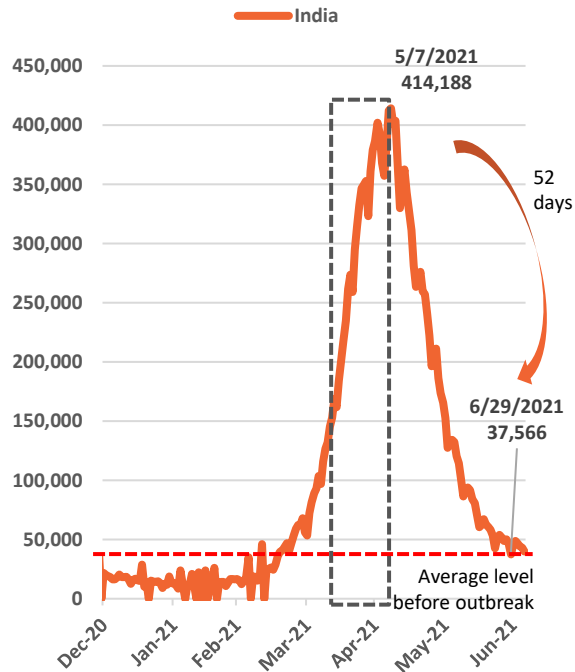
	PSBB 1	Transitional PSBB 1	PSBB 2	Transitional PSBB 2	PPKM 1	PPKM 2	Micro PPKM 1-3	Micro PPKM 4-9	Micro PPKM 10	Enhanced PPKM	Emergency PPKM
Start Date	10-Apr-20	5-Jun-20	14-Sep-20	12-Oct-20	11-Jan-21	26-Jan-21	9-Feb-21	23-Mar-21	15-Jun-21	22-Jun-21	3-Jul-21
End Date	4-Jun-20	13-Sep-20	11-Oct-20	10-Jan-21	25-Jan-21	8-Feb-21	22-Mar-21	14-Jun-21	21-Jun-21	2-Jul-21	20-Jul-21
Number of days	55	100	27	90	14	13	41	83	6	10	17
Critical sectors	100%	50%	50%	100%	100%	100%	100%	100%	100%	100%	100%
Essential sectors	100%	50%	50%	100%	100%	100%	100%	100%	100%	100%	50%
Non-Essential	WFH	50%	50%	50%	25%	25%	50%	50%	25% red zones 50% orange and yellow	25% red zones 50% orange and yellow	WFH
Parks	Closed	50%	Closed	25%	Closed	Closed	50%	50%	50%	Closed in red zone 25% other	Closed
Wet market and shopping malls	Basic necessities only	50%	50%	50%	Mall close at 7pm	Mall close at 8pm	Mall close at 9pm	Mall close at 9pm	Mall close at 9pm	25% Mall closed at 8pm	Basic necessities only
F&B	Deliveries and Takeaway only	50%	Deliveries and Takeaway only	50%	25%	25%	50%	50%	50%	25%	Deliveries and Takeaway only
Fitness centers	Closed	Closed	Closed	25%	25%	25%	50%	50%	50%	Closed	Closed
Cinemas	Closed	Closed	Closed	25%	25%	25%	50%	50%	50%	Closed	Closed
Hairsalon	Closed	Closed	Closed	50%	25%	25%	50%	50%	50%	Closed	Closed
Reception halls	Closed	Closed	Closed	25% max 10 people	25% max 10 people	25% max 10 people	25% max 30 people	25% max 30 people	25% max 30 people	25% max 30 people no dine-in	25% max 30 people no dine-in
Places of worship	Closed	50%	50%	50%	50%	50%	50%	50%	50%	Closed in red zone 25% in other	Closed
Art and cultural	Closed	50%	50%	50%	50%	50%	50%	50%	50%	Closed in red zone 25% in other	Closed
Learning act.	Distance learning	Distance learning	Distance learning	Distance learning	Distance learning	Distance learning	Distance learning	Gradual re-opening	Distance learning	Distance learning	Distance learning
Private vehicles	50%	50% 100% for same domicile	Max 2 pass per row 100% for same domicile	Max 2 pass per row 100% for same domicile	Max 2 pass per row 100% for same domicile	Max 2 pass per row 100% for same domicile	Max 2 pass per row 100% for same domicile	Max 2 pass per row 100% for same domicile	Max 2 pass per row 100% for same domicile	Max 2 pass per row 100% for same domicile	Max 2 pass per row 100% for same domicile
Public transport.	50%	50%	50%	50%	50%	50%	50%	50%	50%	Regional govt to regulate	50%
Taxi & rental	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	70%
Motorcycle taxi	Deliveries only	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

What We Can Learn from IN and MY Lockdown

It takes one month on average for cases to peak

India Daily Cases

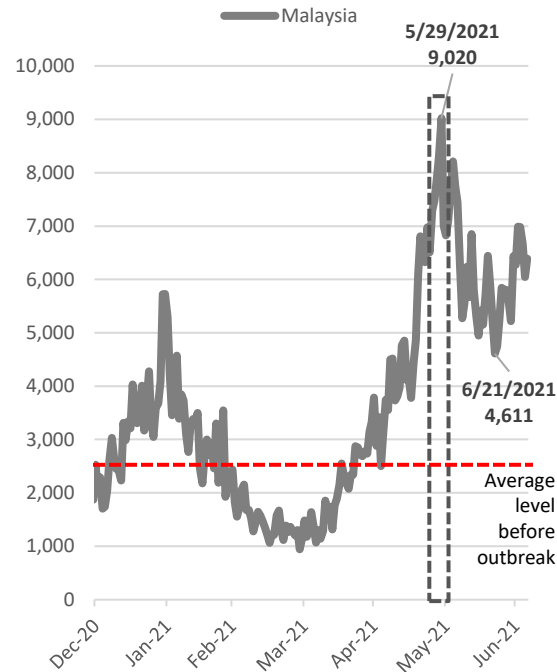
In no of cases



Source: Syailendra Research, Mansek

Malaysia Daily Cases

In no of cases



Source: Syailendra Research, Mansek

Days form Social Tightening to Peak Cases

In no of days

Country	Announcement of tightening	Days from tightening to peak
South Africa	Dec-20	86
Russia	Oct-20	69
India	Jul-20	63
Thailand	Dec-20	36
South Africa	Jul-20	24
Malaysia	Jan-21	24
India	Apr-21	23
Indonesia	Jan-21	23
Thailand	Dec-20	20
Indonesia	Sep-20	16
Thailand	Apr-21	14
Malaysia	May-21	13
Philippines	Mar-21	13
Philippines	Aug-20	10
Average		31

Source: Bahana

- 🏠 Berdasarkan data historis, Kita dapat mempelajari kasus-kasus di negara lain pada saat suatu negara melakukan pengetatan aktivitas sosial dan periode yang dibutuhkan untuk kasus harian *covid-19* memuncak. Rata-rata kasus *covid-19* memuncak selama 31 hari dengan paling rendah 10 hari dan paling tinggi 86 hari.

Government Target in the Short Term

Lowering daily cases, push for vaccination and testing

Government Target and PPKM Indicator

In mio of people and doses

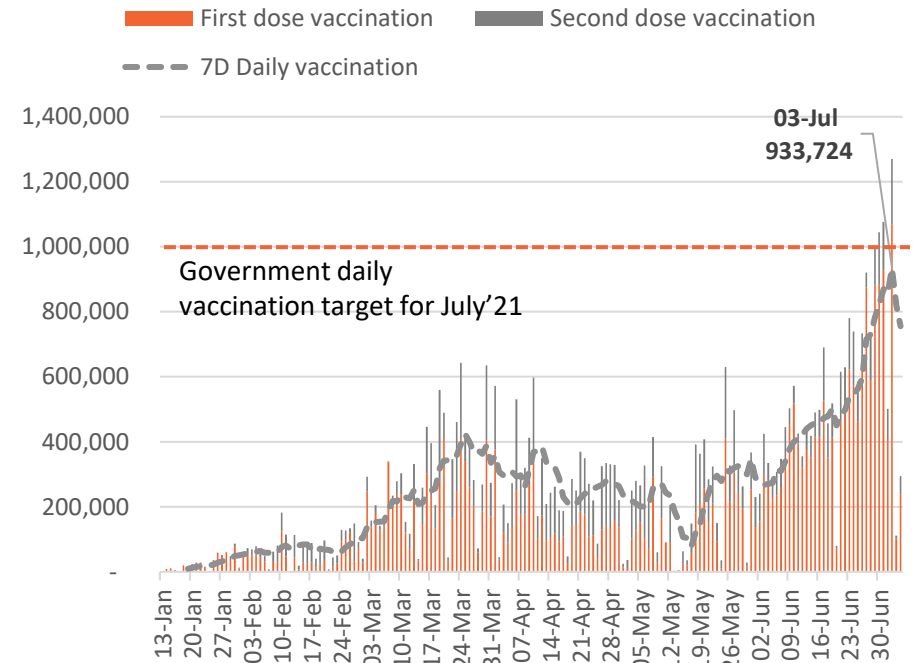
Metric	Target
Daily cases	Less than 10k by July 2021
Daily vaccination rate	1mn by July 2021 2mn by August 2021
Vaccinated population	70% in Java and Bali by Aug 2021
Daily testing rate	400k

Metric	Indicator		PPKM Micro Level
	Average daily case	Average National BOR	
Level I	> 20k	> 70%	Emergency
Level II	10k - 20k	50 - 70%	Strict
Level III	5k - 10k	30 - 50%	Moderate
Level IV	< 5k	<30%	Limited

Source: Syailendra Research, Verdhana, BCAS

Indonesia Daily Vaccination

In no of daily vaccination



Source: Syailendra Research, CLSA

- 🏠 Pemerintah telah menetapkan PPKM darurat selama periode 3 Juli – 20 Juli 2021. Namun, hal ini masih dapat berlanjut apabila indikator-indikator kesehatan publik masih belum memberikan perbaikan.
- 🏠 Di saat bersamaan, Pemerintah menargetkan peningkatan testing dan vaksinasi dengan target 1juta per hari di bulan Juli.

Section 02



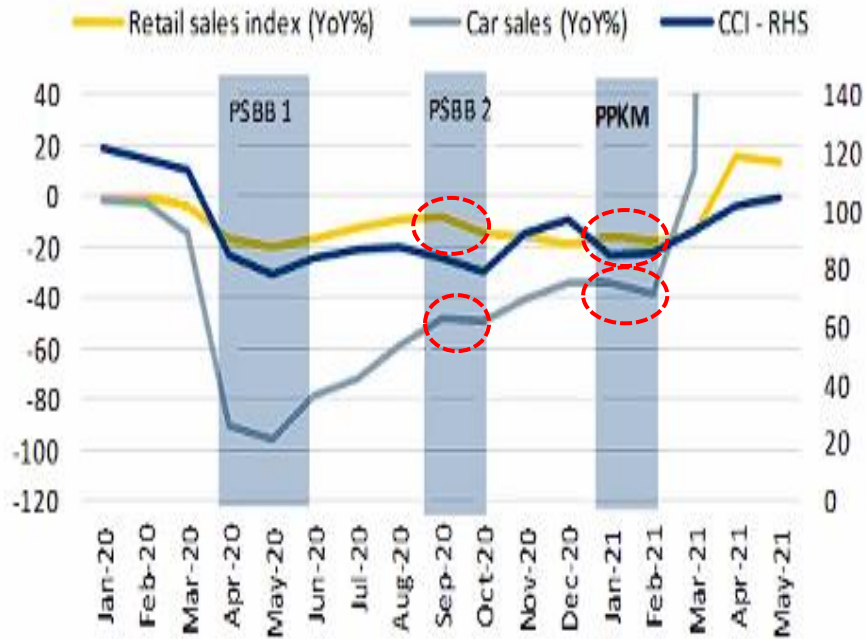
Macro updates

Impact of Restriction : Macro View

Severity of economic impact will depend on how long restriction enforced

Consumption Indicator (Retail Sales Index, Car Sales, CCI)

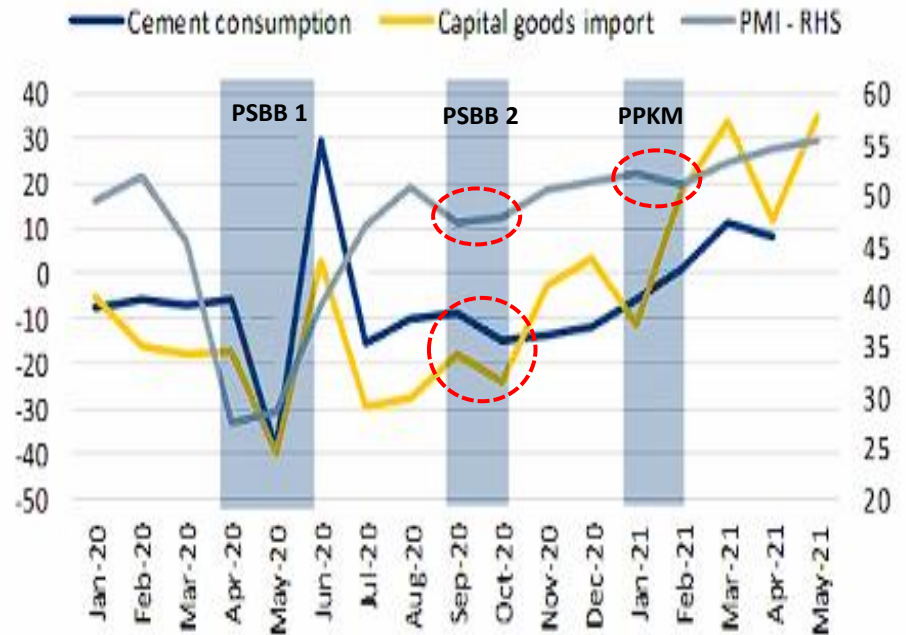
In yoy%, unit of CCI



Source: Syailendra Research, Verdhana, BCAS

Investment Indicators (Cement, Capital Goods Import, PMI)

In yoy%, unit of CCI



Source: Syailendra Research, CLSA

- Indonesia telah melakukan setidaknya tiga kali pembatasan aktivitas sosial walaupun terdapat perbedaan atas level aktivitas antar PSBB 1, PSBB 2 dan PPKM. Berdasarkan data-data makro, Kami melihat aktivitas ekonomi relatif bergerak melandai ataupun sedikit menurun.

Higher allocation to PEN Budget 2021

Additional PEN budget was coming from budget reallocation

Changes in PEN Programme Budget

In trn IDR, % of annual budget

PEN Budger realization	Budget (Old)	Budget (New)	Chg.	Chg. (%)	Realization as of 25'Jun 21	Realization to new budget
Health	172.8	293.6	120.8	69.9%	45.4	15.5%
Support for ministerial and regional gov't	127.9	138.8	10.9	8.5%	39.8	28.7%
Incentives for business	56.7	71.8	15.1	26.6%	36	50.1%
Support for SME's, corporates and SOE's	193.5	243.8	50.3	26.0%	50.9	20.9%
Social safety net	148.3	177	28.7	19.4%	65.4	36.9%
Total	699.2	925	225.8	32.3%	237.5	25.7%

Source: Syailendra Research, CLSA

- 🏠 Pemerintah di awal Juli mengumumkan peningkatan anggaran PEN sebesar 225trn atau sebesar 1.2-1.3% dari PDB Indonesia. Berdasarkan hasil pengecekan kami, Hal ini tidak memberikan dampak terdapat perubahan fiskal defisit (penambahan pengeluaran pemerintah) namun lebih dari realokasi anggaran yang ada saat ini.

Section 03



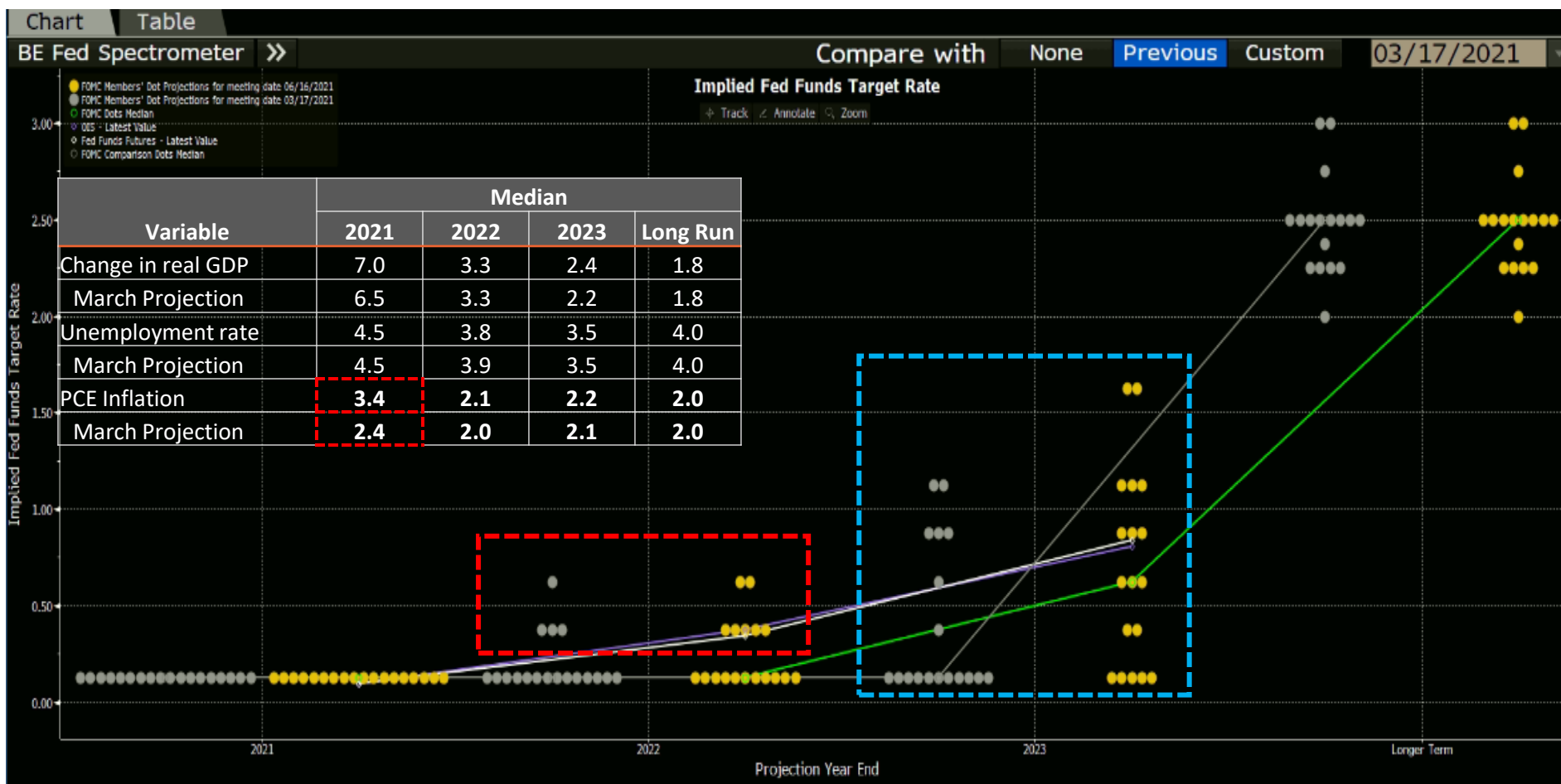
Bond and Equity Outlook

FOMC Dot Plot is Rising on the back Higher Inflation

Anticipating higher inflation in 2021

FOMC Dot Plot and Median Jun'21 FOMC Meeting Economic Projection

In %, no of governor

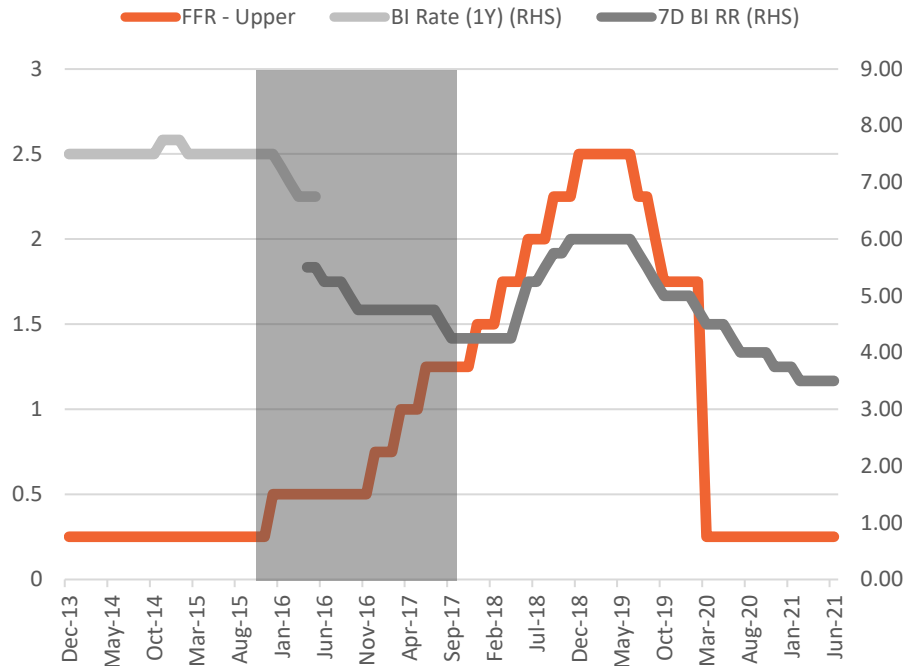


Source: Syailendra Research, Bloomberg

BI might Had Buffer in Regards Global Tightening

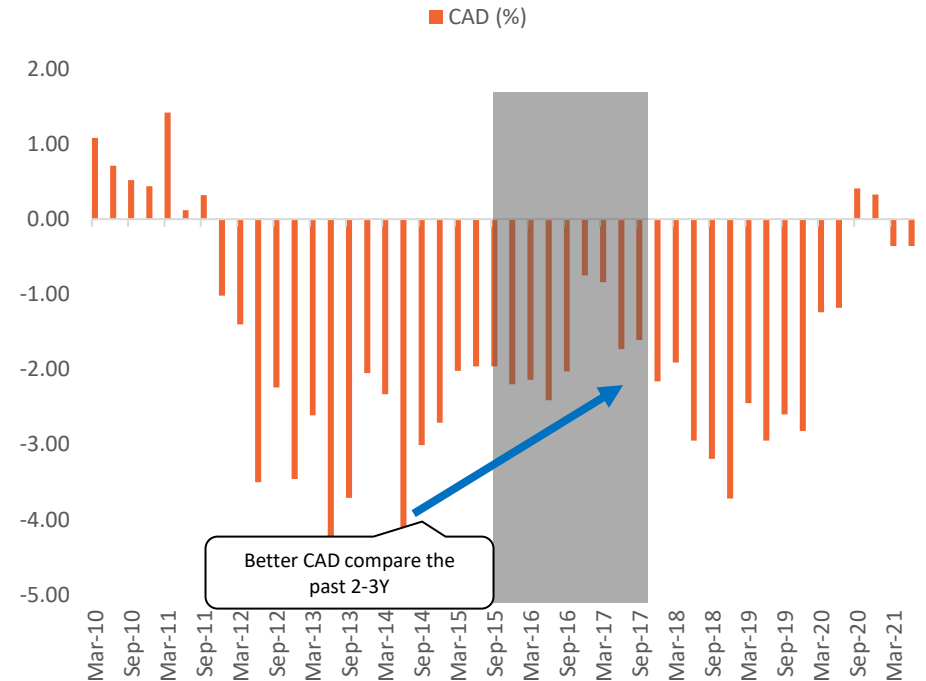
2014 was one of the example, BI had the opposite direction with global tapering

BI Reference Rate vs Fed Reference Rate
In %



Source: Syailendra Research

Indonesia Current Account Deficit
In no of daily vaccination



Source: Syailendra Research

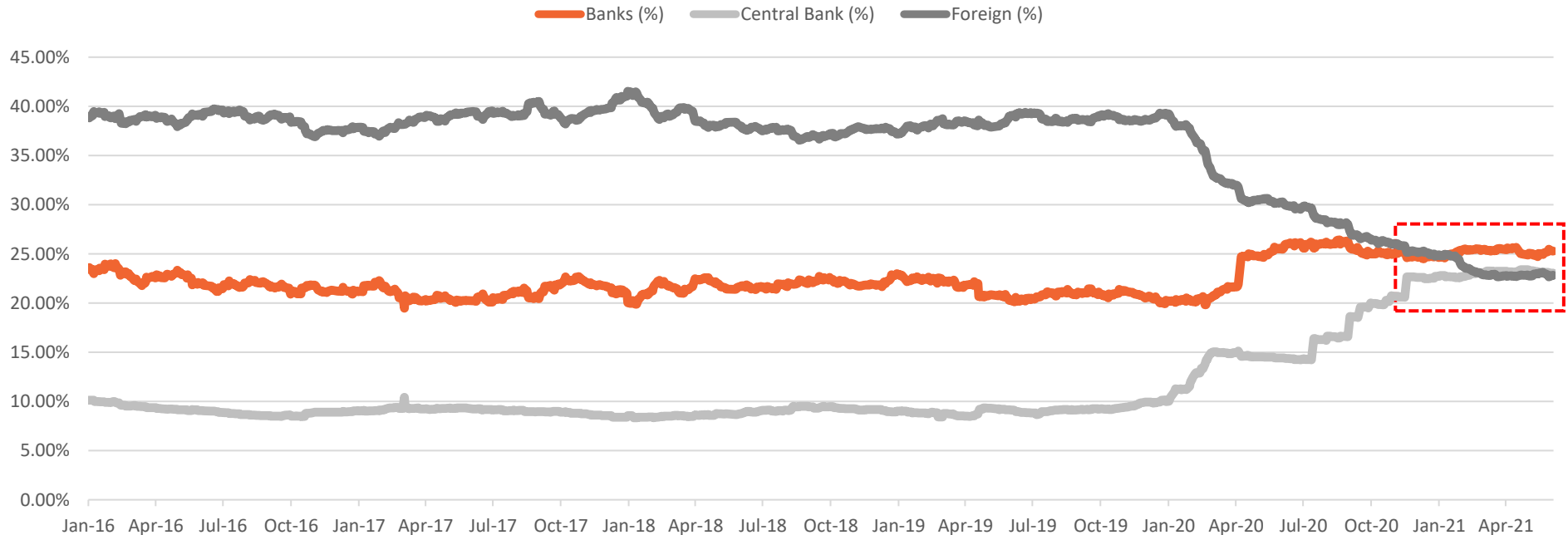
- 🏠 Dalam beberapa tahun kedepan, Pasar global memasuki fase *global tightening* both on *higher interest rate* ataupun *tapering*. Indonesia memiliki potensi *buffer* terkait *global tightening* seperti di tahun 2015-2016. Kasus 2015-2016 diakibatkan oleh ekspektasi inflasi yang rendah dan CAD yang membaik. Indonesia berpotensi memiliki buffer temporer apabila terjadi *global tightening*.

Govt Bond Ownership Structure Might Change

Foreign Ownership was already lowest level since 2016

Indonesia Tradeable Government Bond Ownership

In % of total tradeable government bond



Source: Syailendra Research, DJPPR, Bloomberg

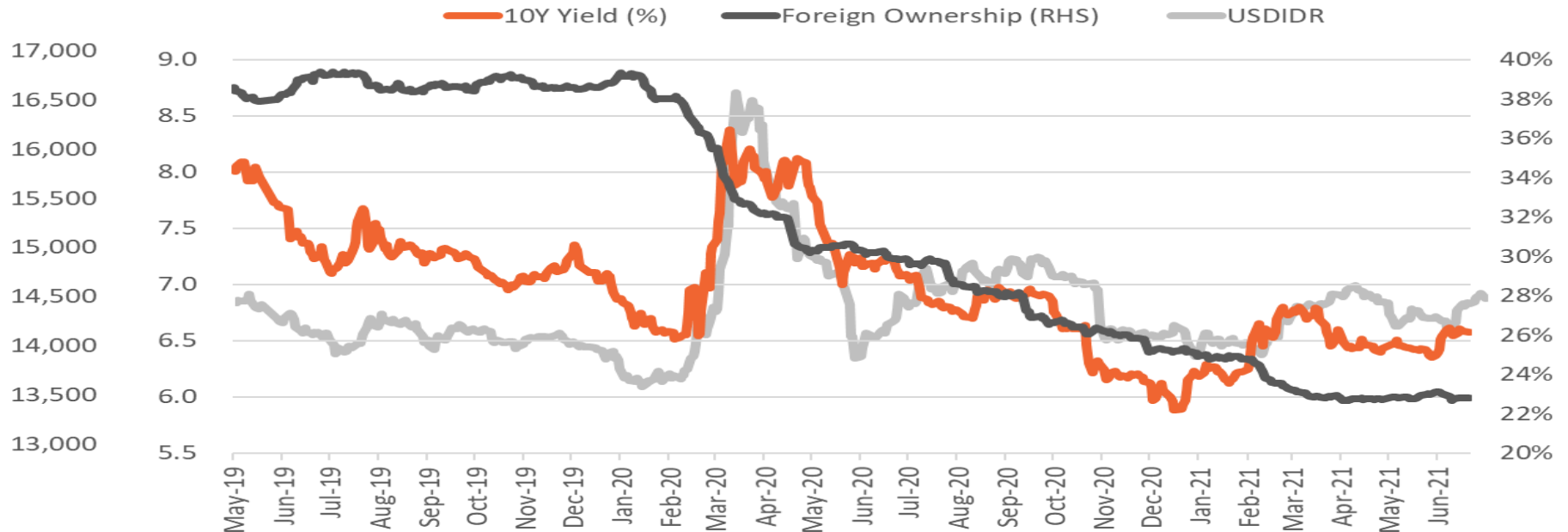
- Tingginya fiskal defisit di tahun 2020 dan 2021 dan minimnya partisipasi *foreign investor* membuat struktur kepemilikan SUN Indonesia menjadi relatif sama. Perubahan struktur ini dapat mengakibatkan perubahan dinamika *supply & demand* SUN. Hal ini akan berdampak terhadap *yield level* dan *curve* SUN Indonesia kedepan.

Government Bond Outlook

Ample liquidity may provide some support to the market

10y Gov't Yield (%), Ownership of Foreign Investors (%) and USDIDR movement

Foreign ownership is still in declining trend



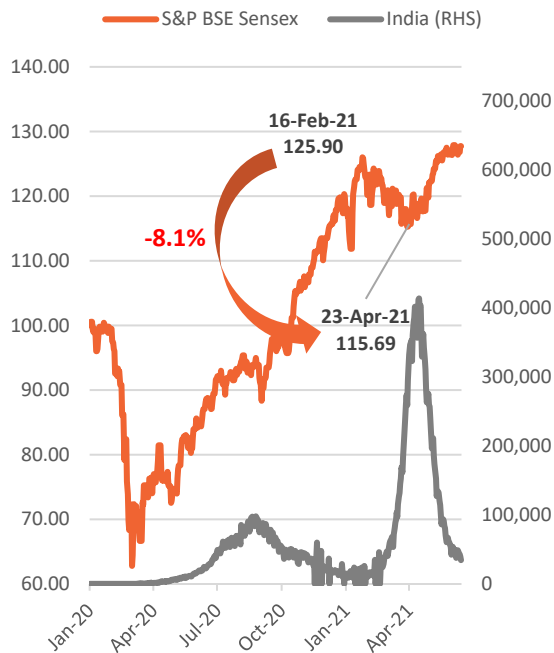
Source: Bloomberg, Syailendra Research

- ▲ Kondisi inflasi negara maju dalam tiga bulan ke depan akan menjadi acuan para pelaku pasar.
- ▲ Namun, likuiditas lokal dan global yang tinggi dapat menjaga kestabilan pasar obligasi sampai akhir tahun.
- ▲ Tetap fokus pada tenor menengah (5 – 10 tahun) selama level imbal hasil 10Y berada pada range 6.0 – 6.5%, di atas range tersebut merupakan buying opportunity.

Impact of Restriction : Equity Indexes

India and Malaysia both down by 8-9% during outbreak period

Sensex vs Daily Covid - India
in no of cases, normalized price index



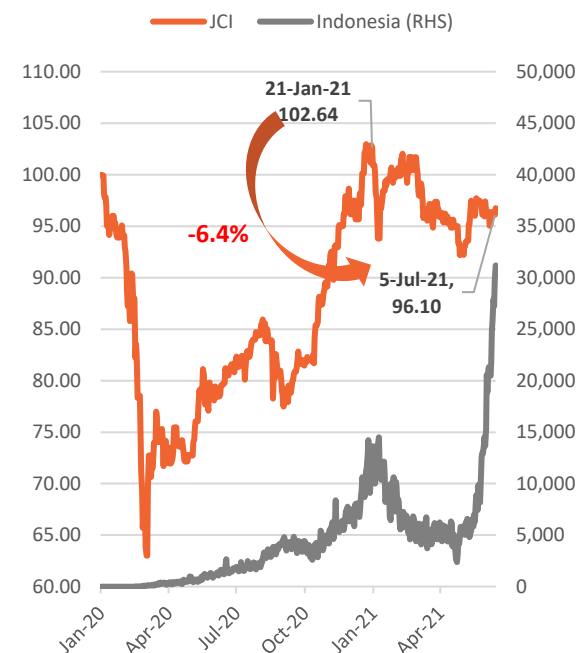
Source: Syailendra Research, BBG

FTSE KL vs Daily Covid - Malaysia
in no of cases, normalized price index



Source: Syailendra Research, BBG

JCI vs Daily Covid - Indonesia
in no of cases, normalized price index



Source: Syailendra Research, BBG

- 🏠 Berdasarkan perbandingan antara ketiga negara, JCI telah mengalami pelemahan relatif signifikan (-6.4%) sejak awal tahun 2021. Hal ini terhitung saat kasus peningkatan hari libur panjang natal dan tahun baru.
- 🏠 India dan Malaysia dengan situasi yang sama mengalami pelemahan berkisar -8% sd -9% dalam situasi yang sama.

Foreign Equity Flow

Indonesia and India record positive inflow

(in US\$ mn.)	India	Indonesia	Korea	Philippines	Taiwan	Thailand	Malaysia	EM Asia ex. China
May-20	1,719	-548	-3,302	-166	-5,051	-984	-690	-9,021
Jun-20	2,473	-318	-705	-190	3,269	-737	-698	3,096
Jul-20	1,153	-264	725	-124	269	-323	-601	835
Aug-20	6,096	-581	-2,295	-261	-2,183	-887	-356	-468
Sep-20	-767	-1,049	-990	-306	-1,425	-738	-476	-5,751
Oct-20	2,506	-252	-434	-156	-609	-701	-161	193
Nov-20	9,559	245	5,205	-169	4,507	1,081	-251	20,178
Dec-20	7,267	-279	-614	-171	2,285	82	-147	8,424
Jan-21	1,978	775	-5,254	-273	-3,389	-365	-208	-6,735
Feb-21	3,016	258	-1,781	-191	-3,224	-621	-215	-2,759
Mar-21	2,333	-186	-1,312	-483	-5,523	-1	-7	-5,179
Apr-21	-1,489	-244	68	-278	2,758	-107	-276	431
May-21	749	247	-7,964	-239	-1,911	-1,061	-40	-10,220
Jun-21	1,498	342	-792	-79	-1,814	-314	-283	-1,442
Yearly								
YTD	8,084	1,192	-17,037	-1,544	-13,104	-2,469	-1,028	-25,905
2020	23,373	-4,320	-20,082	-2,513	-15,997	-8,287	-5,782	-33,607
2019	14,234	-1,306	924	-240	9,377	-1,496	-2,683	18,811
2018	-4,557	-3,656	-5,676	-1,080	-12,231	-8,913	-2,885	-38,999
2017	8,014	-2,960	8,267	1,095	6,587	-796	2,456	22,664
2016	2,903	1,259	10,480	83	10,956	2,240	-628	27,294

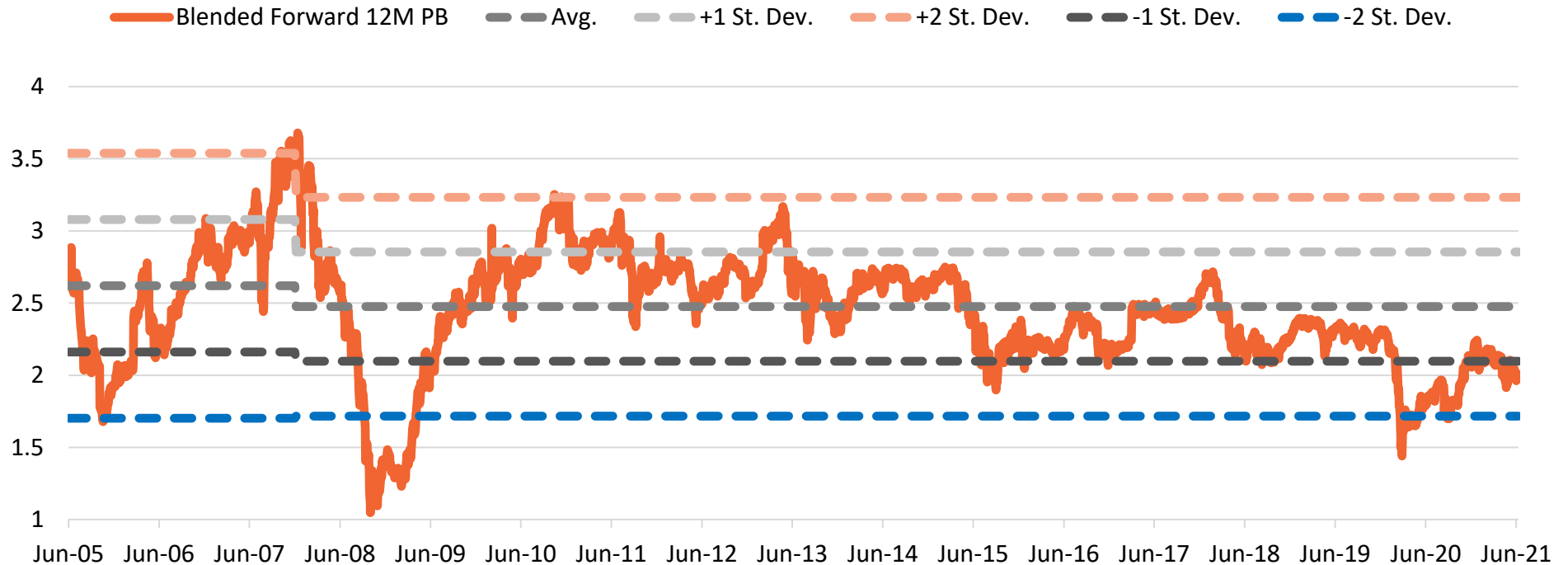
Source: Syailendra Research, Bloomberg

JCI Historical Valuation

However, JCI price to book is still cheap in historical sense

JCI Blended 12M Forward P/B

In times of P/B with 2005-2007 and 2008-2019 deviation band



Source: Bloomberg, Syailendra Research

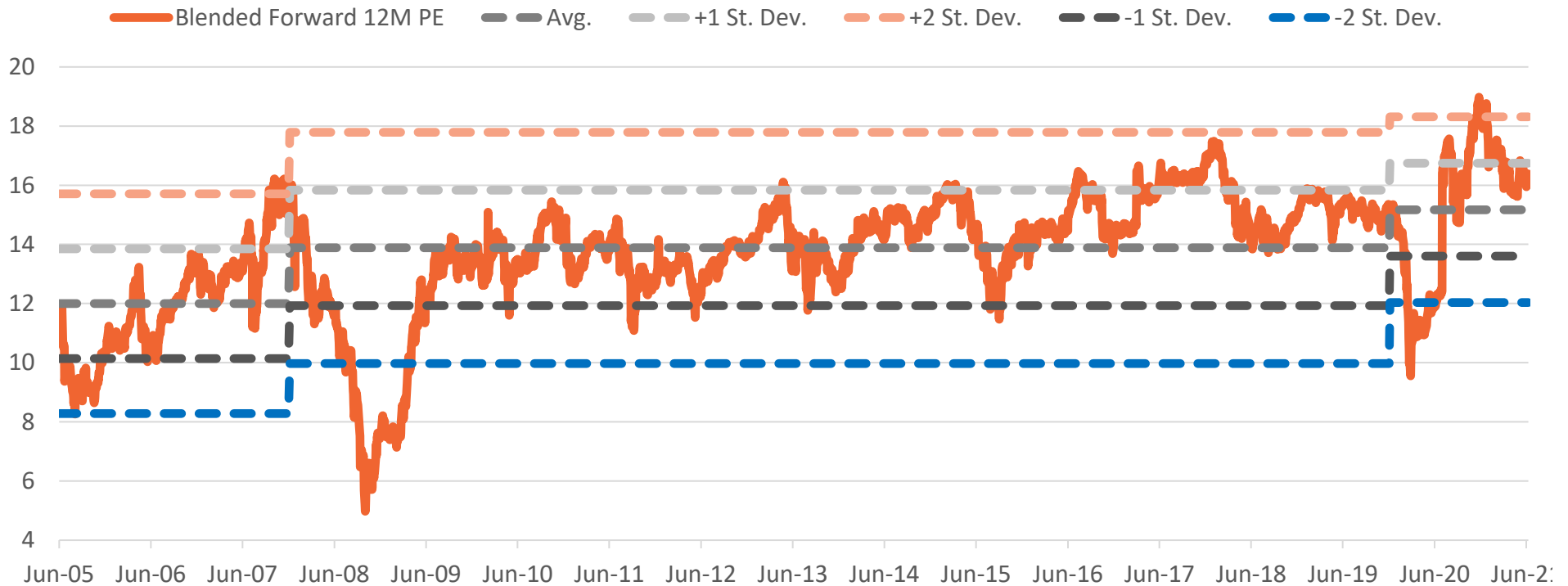
- Di saat yang bersamaan valuasi JCI menggunakan *price to book* masih dapat dikatakan memiliki potensi *upside*. Secara historis sejak 2015, P/B JCI berkisar di antara 2.1x – 2.5x dibandingkan level saat ini masih berada di 2.00x mendekati level -2 Std. Deviasi di 1.71x.

JCI Historical Valuation

JCI price to earnings down to its mean

JCI Blended 12M Forward P/E

In times of P/E with 2005-2007 and 2008-2019 deviation band



Source: Bloomberg, Syailendra Research

- ⚠ Dalam 3 bulan kebelakang, IHSG mengalami koreksi bergerak relatif *flat* 5,900 - 6,000. Di saat yang bersamaan, ekspektasi laba tidak menurun signifikan. Hal ini terlihat pada P/E menurun di antara level rata-rata dan +1 Std Dev.

3Q21 Sector View

Investment Thesis Per Equity Sector

Sector	2Q21 Update So Far			Reason to Invest	
	3Q21	Guidance	Upside/ (Downside) Surprise	Pros	Cons
Agriculture	Marketweight	CPO : volume well guided	CPO : Potential early normalized CPO. Consensus expect weaker CPO price going into 2021	CPO : ASP in 1Q21 still higher in YoY%	
Basic Industry	Underweight	- Cement : limited guidance - Poultry : No guidance	Poultry: Possible downside from strong soybean prices	- Cement : ASP in 2020 seems stable despite -10% volume - Poultry: Recovery of broiler demand in 2021 - Poultry: Stable profitable broiler prices provide support to feed margin	- Coal : Strong coal might pressure margin. - Poultry: Margin compression from the feed segment
Consumer Staples & Discretionary	Marketweight	- FMCG: limited guidance - Pharma : better volume - Cigs : Anticipating 22E excise tax while downtrading still continue	- FMCG : Margin pressure from soft commodities - Pharma : if purchasing power was better than expected, private co to be involved in vaccine distribution. - Cigs : if tier 1 player would like to increase prices more aggressively after volume decline normalized	Pharma: sentiment from vaccination involvement or if market back to defensive mode. Consensus hasn't put in super tax deduction scheme. Cigs: sentiment play on market expectation on volume & ASP hike	- FMCG : rising cost might pressure slight margin plus weak sales outlook than expected. - Cigs: likely having negative earnings in 2021, excise might be higher for 2022
Banks	Underweight	Banks : upside risk from better provisioning expense might subside for a while due to PPKM, market likely closely watch the asset quality again	Banks: if the low, medium, and high risk COVID restr. sustain. Downside: if BBRI increasing CoC followed by other Big Banks	Banks: valuation wise PB has been back to early 2021 with worse base number or clarity on COVID restructured asset quality	Banks: flow due to e-commerce IPO

3Q21 Sector View

Investment Thesis Per Equity Sector

Sector	3Q21	3Q21 Update So Far		Reason to Invest	
		Guidance	Upside/ (Downside) Surprise	Pros	Cons
Infra, Utility & Transport	Overweight	- Toll Road : Well Guided - Telco : Limited guidance	Telco: Possible upside from industry consolidation	- Toll Road : Lower CoF, better recovery and potential divestment - Telco: Industry consolidation to ease competition pressure	- Toll Road : New operating toll roads might had lower EBITDA than expected - Telco: Plateuing usage growth to hamper revenue growth
Miscellaneous	Marketweight	Auto : Limited guidance	Auto: Downside from slower volume recovery	Auto: Recovery of auto volume demand in 2021 supported by tax stimulus	Auto: Slower than expected recovery due to weak purchasing power
Mining	Underweight	Coal : Limited guidance	Coal : potential upside from better coal price		
Property & Real Estate	Overweight	- Residential/Commercial: Limited Guidance - Industrial: Limited Guidance	Residential/Commercial: upside if handover of the property could be extended until 22E (for free VAT regulation)	Residential/Commercial: Better than expected presales number, lower mortgage rates. Sector was supported by stimulus from government	Residential/Commercial: Prolonged weak economy and Covid situation could hinder property buyer and also affect reccuring income, demand might have been frontloaded
Building Construction	Underweight	Construction: Well Guided		Construction: Higher burn rate, higher new contract growth, divestments	Construction: Valuation is starting to look fair compared to 2020.
Trade, Services & Inv	Overweight	- Hospital : still questioning the comeback of non-COVID - Retail : No guidance - Media: Limited guidance	- Hospital : BPJS one-tariff halted 'till 2023 for the latest, if non-COVID volume was better than expected - Retail : Drop in 3Q21 due PPKM - Media: Possible upside from digital growth	- Hospital: more on the long-term basis due to IT implementation on several hospitals, better margin. - Retail : Very low earnings base in 2020. - Media: Ads recovery and resilient digital growth	- Hospital: revenue might not yet comeback to pre-COVID after COVID volume slow down, earnings pressure on the near term - Retail : Very low visibility on sales. - Media: Slower than expected ads recovery due to still weak purchasing power

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