



SYAILENDRA CAPITAL

2022 Market Outlook

December 20, 2021

Preferred Investment Partner

Section 01



Macro updates

Key Macro Question Going Into 2022

Global normalized growth, inflation story and many others

Key Questions on Macro

Macro topics

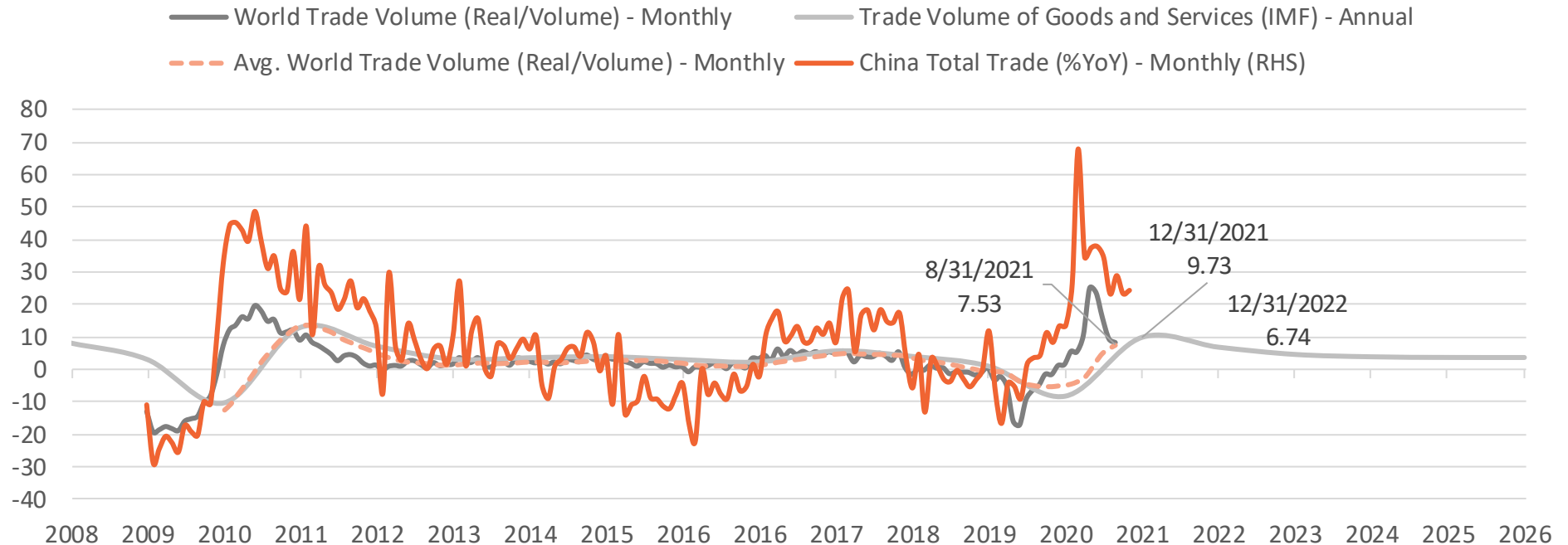
- 🏠 **Global growth normalizing.** Pertumbuhan dunia di tahun 2021 melonjak, didorong *recovery* permintaan konsumen pasca *lockdown* dan efek stimulus pemerintah sepanjang tahun 2020 dan 2021. Memasuki tahun 2022, pertumbuhan ekonomi akan menjadi lebih normal.
- 🏠 **Rising inflation: short lived or prolonged?** Dalam tiga bulan kebelakang, Inflasi US mencatatkan peningkatan dan diatas ekspektasi pasar. Di saat yang bersamaan, isu terkait *supply chain* mengakibatkan biaya pengiriman barang meningkat. **Apakah peningkatan inflasi kali ini berpotensi menjadi sesuatu yang struktural?**
- 🏠 **Public Health Policy Beyond Pandemic.** Pandemi *covid-19* memasuki tahun kedua. Negara maju dan berkembang telah melakukan protokol kesehatan publik untuk mengelola *transmission rate* dan *fatality rate*. Kebanyakan negara akan mencapai *herd immunity* di tahun 2023, namun *variant covid-19* terbaru masih menjadi ancaman. **Bagaimana kebijakan kesehatan publik setelah *herd immunity*, apakah potensi *mobility restriction* masih terus ada?**
- 🏠 **Major countries central banks and governments policy are anticipating 3 things above.** Pandemi *covid-19* di tahun 2020 dan 2021 mengharuskan pemerintahan diseluruh dunia untuk melakukan kebijakan yang tidak umum seperti *fiscal deficit* yang sangat besar, *quantitative easing*, etc. Normalisasi kebijakan sudah mulai berjalan di saat bersamaan ketidakpastian memasuki tahun 2022 masih cukup tinggi. **Apakah dampak dari normalisasi kebijakan *central bank* dan pemerintahan terhadap pertumbuhan ekonomi?**

Slowdown in Global Trade

Pent up demand due to lockdown inflated the trade

World Trade Volume vs China Trade Growth (%YoY)

In daily of cases



Source : Bloomberg, Syailendra Research

- 🏠 Bersamaan dengan penurunan beberapa harga komoditas, *freight cost* turun -47% dari level tertinggi (Oct'21: 3,519, Sep'21 : 5,167).
- 🏠 Hal ini selaras dengan *world PMI supplier delivery times* cenderung melandai. Namun, US masih mengalami perlambatan *supplier delivery index*.

Fiscal Cliff-off and Slower Trade Priced-In

Indonesia and few countries still deliver higher growth

2021F vs 2022F Real GDP Growth Comparison

In % YoY

GDP Growth (%YoY)	World	DM	US	EU	JP	EM	BR	MX	South Africa	Asia Ex-Japan	CN	VN	ID
2021F	5.8	5.08	5.50	5.37	2.10	6.39	5.00	5.90	2.25	7.01	8.01	4.50	3.50
2022F	4.4	3.88	3.90	4.38	2.60	5.06	1.50	3.00	5.15	5.55	5.40	7.00	5.20
Differential	-1.40	-1.20	-1.60	-0.99	0.50	-1.33	-3.50	-2.90	2.90	-1.46	-2.61	2.50	1.70

Source : Bloomberg, Syailendra Research

2021F vs 2022F Inflation Comparison

In % YoY

CPI (%YoY)	World	DM	US	EU	JP	EM	BR	MX	South Africa	Asia Ex-Japan	CN	VN	ID
2021F	3.70	3.32	4.50	2.46	-0.20	3.47	8.20	5.60	3.10	1.28	1.00	2.50	1.60
2022F	3.45	2.95	3.70	2.44	0.70	3.93	5.50	4.15	2.00	2.53	2.20	3.50	2.85
Differential	-0.25	-0.37	-0.80	-0.02	0.90	0.46	-2.70	-1.45	-1.10	1.25	1.20	1.00	1.25

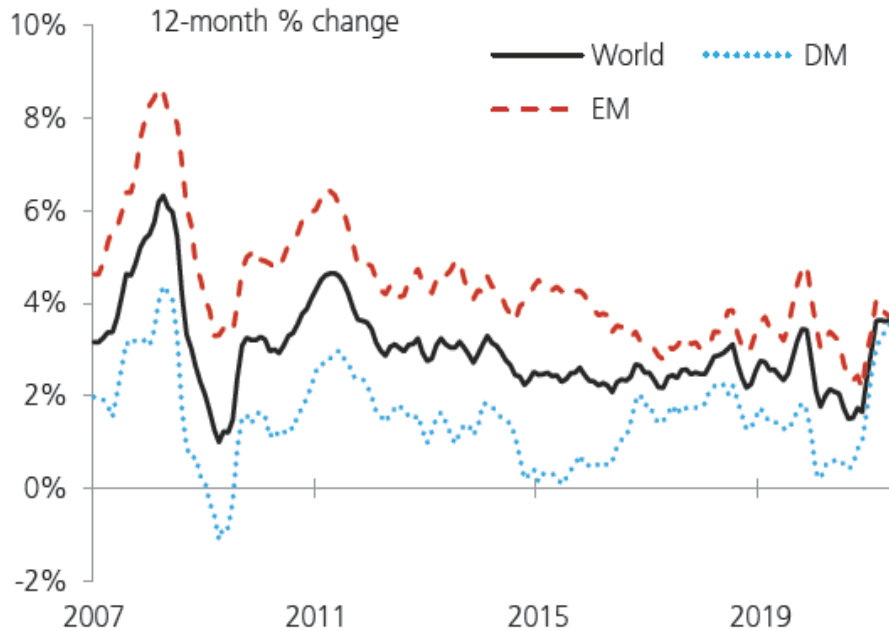
Source : Bloomberg, Syailendra Research

Developed Countries Recorded High Inflation

Inflation was partly driven by stimulus

Inflation in DM rose higher compare to EM

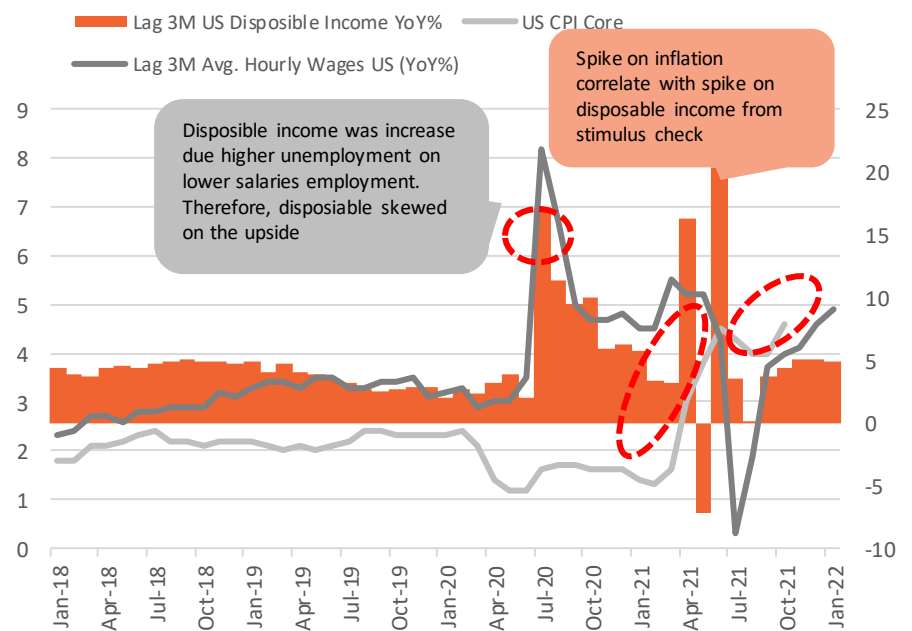
In %YoY



Source: Syailendra Research, MS

Core CPI was inline with Spike on Disposable Income

As of Dec, 2020



Source: Syailendra Research, Bloomberg

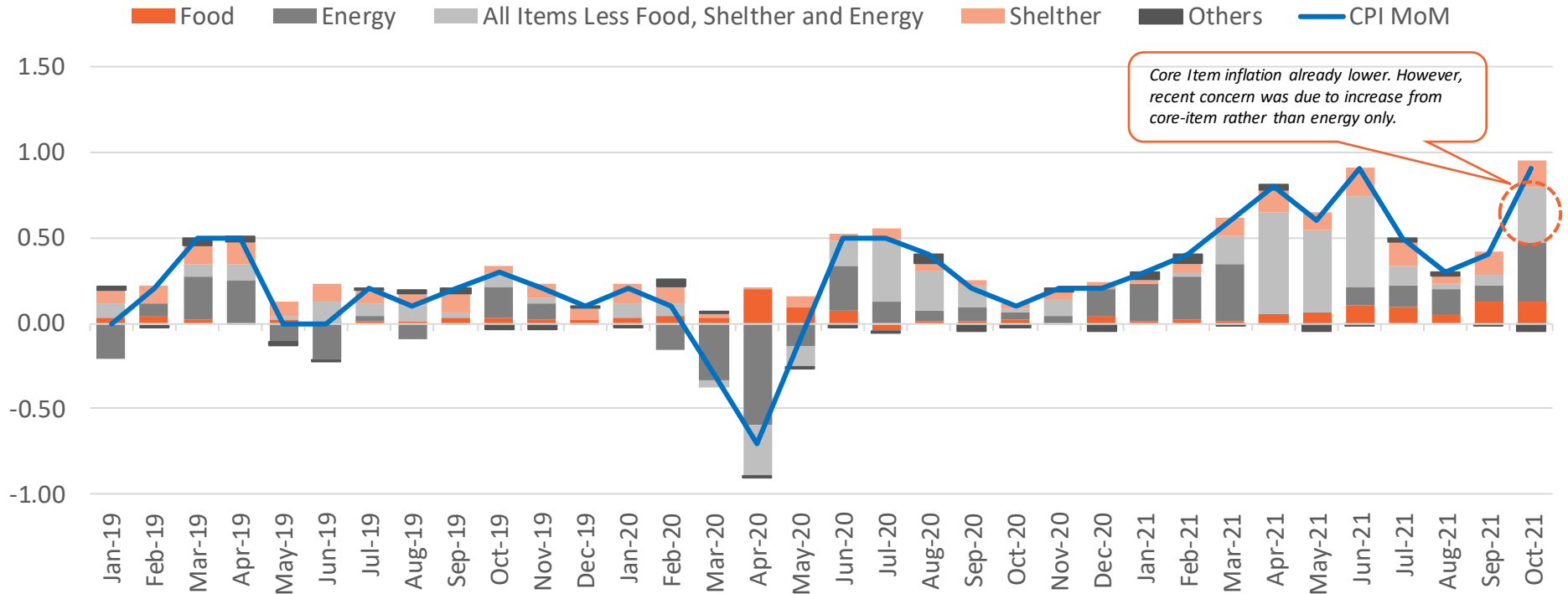
▲ Peningkatan inflasi terjadi di seluruh dunia. Namun, peningkatan inflasi lebih terlihat jelas di negara maju. Hal ini diakibatkan oleh tingkat stimulus yang diberikan ke konsumen. *Spike* inflasi yang terjadi sejak Apr'21-Jul'21 sesuai dengan stimulus yang diberikan di Dec'20-Jan'21. Adapun menurut kami mengapa inflasi masih memperlihatkan peningkatan akibat *wages growth* yang meningkat dari *low-base*.

▲ Memasuki tahun 2022 inflasi akan menurun secara gradual sejalan dengan penurunan signifikan *fiscal deficit* pemerintah.

Why We Think Inflation Partly Transitory

Inflation was partly driven by stimulus

US CPI Breakdown MoM
In MoM



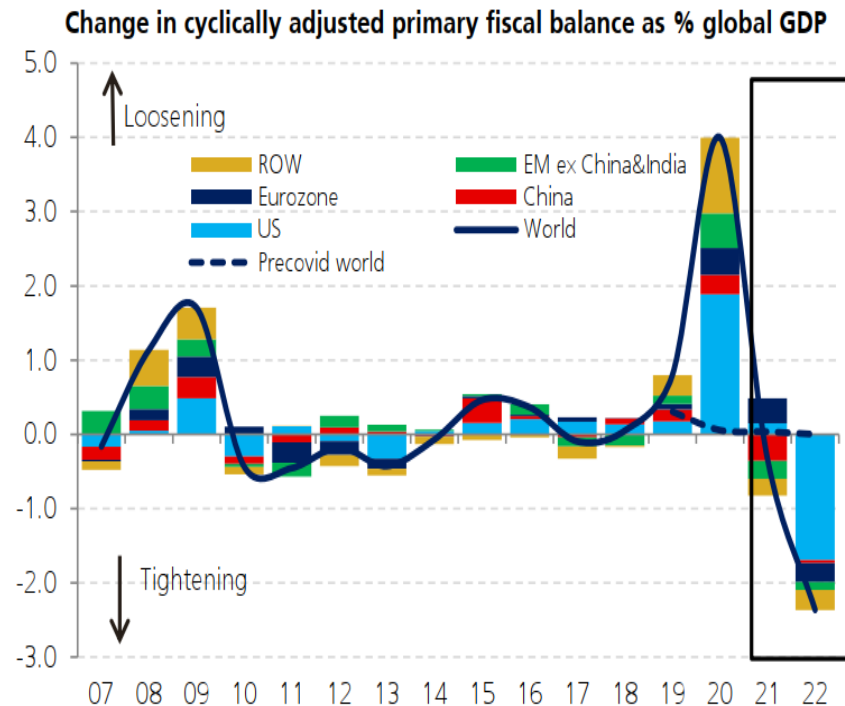
Source : Bloomberg, Syailendra Research

- ⚠️ Inflasi menjadi topik hangat dengan meningkatnya kontribusi dari *core-inflation* di bulan Okt-21. Sebelumnya, kontribusi dari *core inflation* menurun secara perlahan. Hal ini sesuai dengan konsensus pasar *rising inflation driver* merupakan *transitory factor* i.e harga komoditas, *bottleneck supply & demand*.

Global Policy to Pause on Expansion

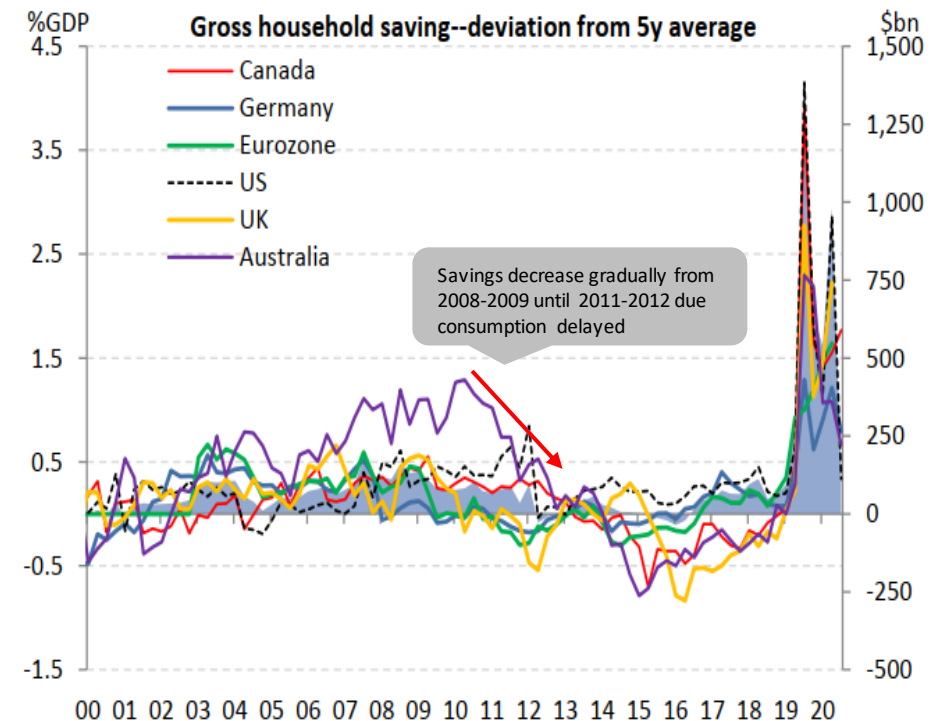
Inflation should be plateau while excess saving might buffer for a slowdown

Next year global fiscal cliff-off will be one of the largest
In Est. % of global GDP



Source: Syailendra Research, UBS

Excess Saving in 2020-2021 will ad buffer going into 2022
In % of GDP



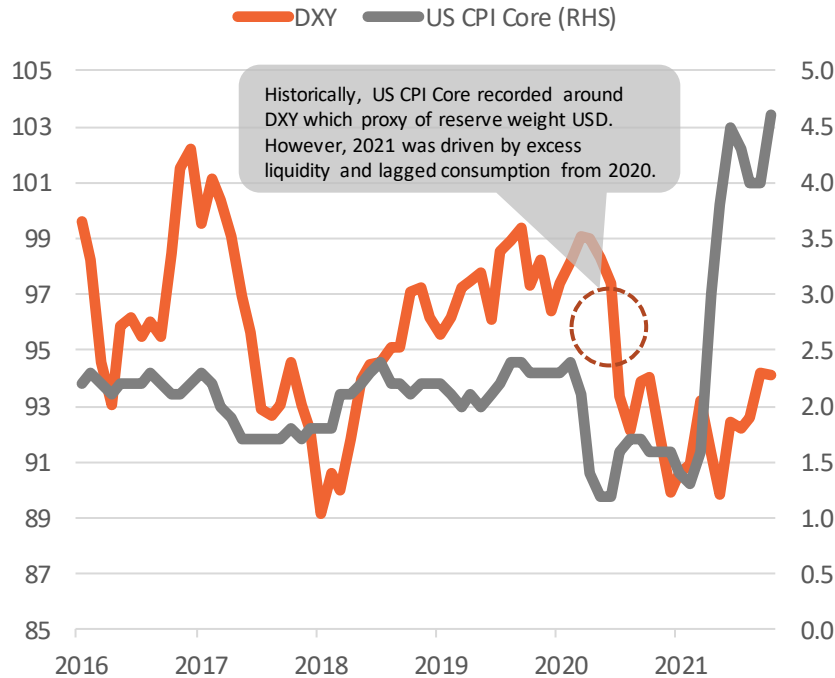
Source: CS Research, Syailendra Research

- ⚠ Peningkatan inflasi sangat dipengaruhi oleh meningkatnya *household saving* yang didapatkan melewati stimulus fiskal. Dengan menurunnya stimulus fiskal, *excess saving* yang ada saat ini akan menurun, selaras dengan *thesis* bahwa *rising inflation* akan bersifat *transitory*.

Inflation Happened during Excess USD Supply

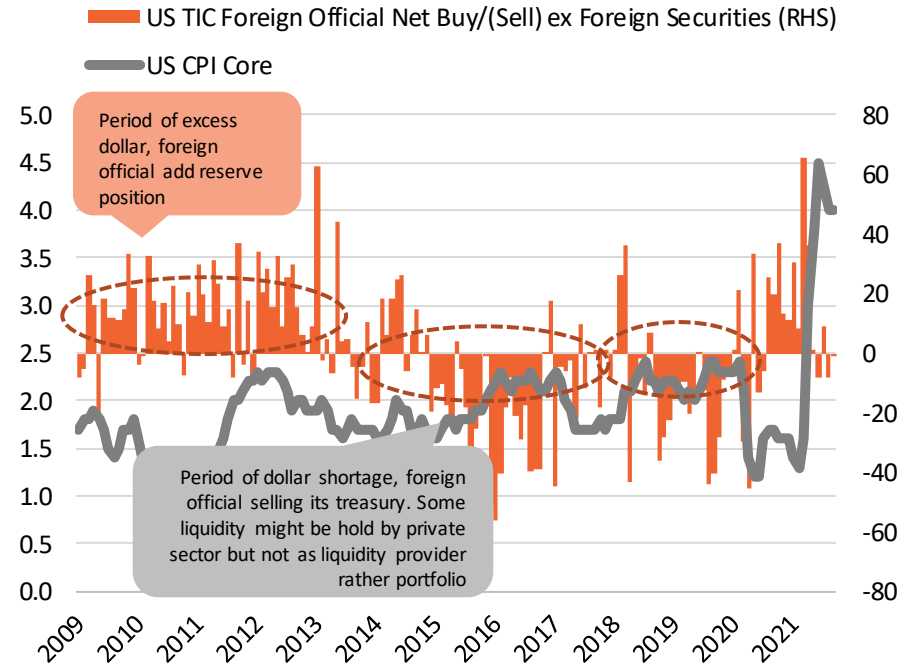
Lower dollar supply should put pressure on CPI from monetary point of view

Historically, US core CPI track with DXY as reserve weighted curr.
In unit of DXY, % YoY



Source: Syailendra Research, CLSA

US core CPI also tend to overshoot during dollar excess
Foreign official selling US asset/treasury as mean to provide liquidity



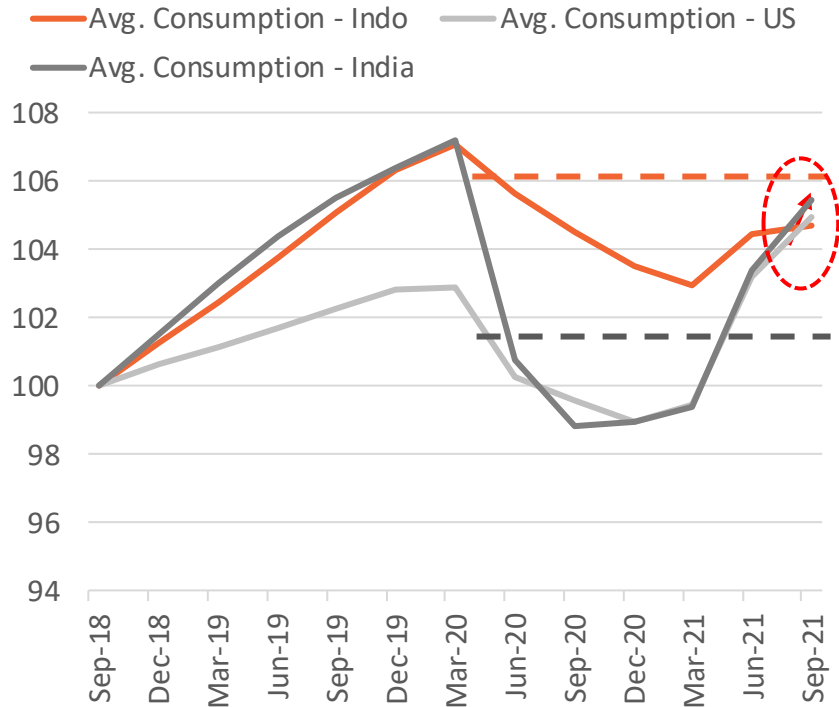
Source: IATA, Markit

- Umumnya inflasi terjadi saat *supply* dollar relatif banyak hal ini terjadi di tahun 2010-2012 bersamaan dengan *economy recovery* mengakibatkan peningkatan inflasi secara global. Sejalan dengan *tapering* yang sedang berjalan, sulit untuk melihat *dollar excess* terulang kembali di tahun 2022 yang mendorong tren peningkatan inflasi.

GDP Has Yet to Fully Recover

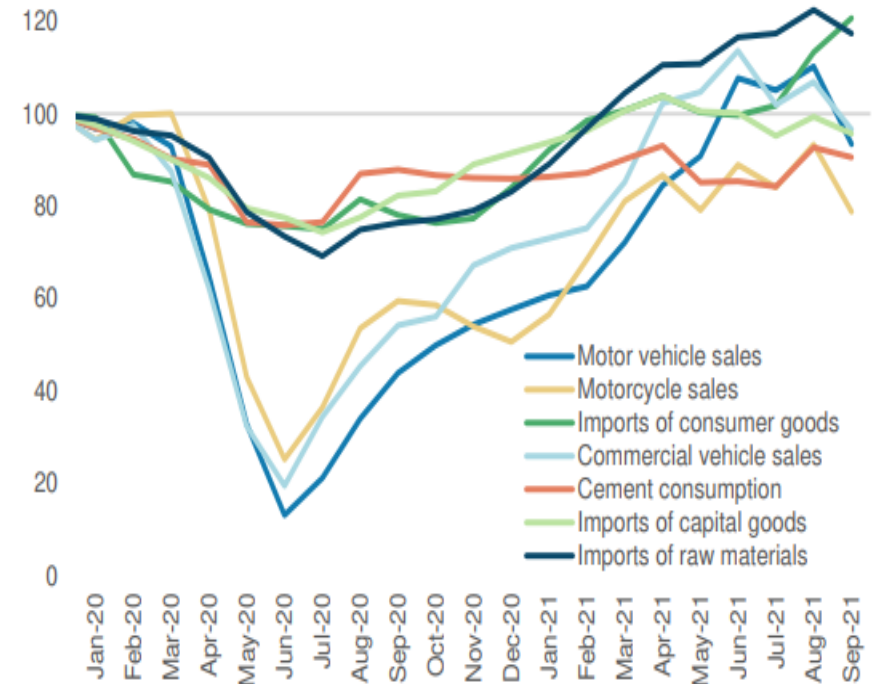
Domestic demand proxies reveal potential consumption growth

Avg. 4Q Nominal Consumption GDP
In % YoY, as of GDP



Source: Syailendra Research, Bloomberg

Indonesia Domestic demand proxies
Normalized to 4Q19 (SA, 3mma)



Source: Morgan Stanley Research, Syailendra Research

- ⚠ Berdasarkan *proxy data demand* mencerminkan beberapa indikator telah mencapai level yang sama di 4Q19. Di saat yang bersamaan, data *aggregate* konsumsi masih dibawah level 4Q19. Hal ini menandakan potensi pertumbuhan yang lebih tinggi di 4Q21 dst.

Indonesia is Promising for Investment Target

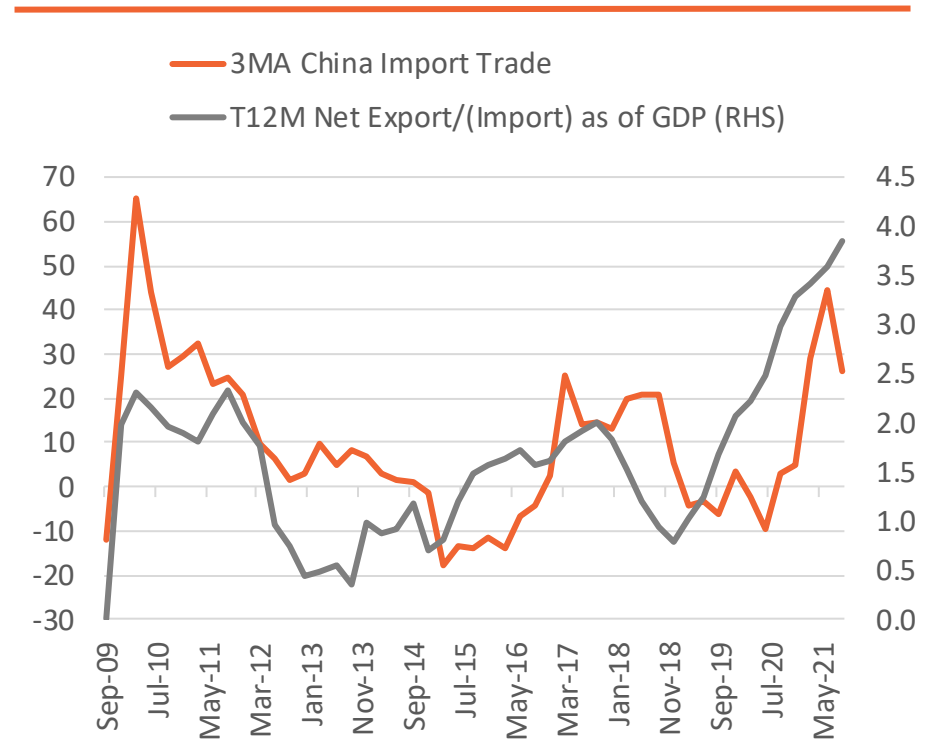
While we saw some downside coming from lower contribution from trade

Syailendra View on Indonesia GDP Growth
In % YoY, as of GDP

Scenario	9M 21	Nominal GDP			Gov	Notes
		Bear	Base	Bull		
Consumption	1.50	4.5	5.25	6.0	5.0-5.3	While transaction already reflect V-Shape recovery, GDP Growth seems to reflect more on consumption loan. Market expect about 4-6% YoY in 2022
Gross Fixed Capital Formation	3.56	5.50	6.50	8.0	5.6-7.0	Utilization rate comeback to normal level while investment loan
Government	3.65	1.0	2.0	4.0	2.8-4.5	Based on government expenditure 5-6%
Net Trade (% of GDP Growth)	4.20	2.5	3.0	3.5	3.8-3.9	Incorporate for 25-75% lower trade due china/global slowdown
GDP Growth	3.24	3.5	4.8	6.0	5.2	

Source: Syailendra Research, Bloomberg

China Import Trade vs T12M Real Net Export/(Import) as of GDP
In % YoY, as of GDP



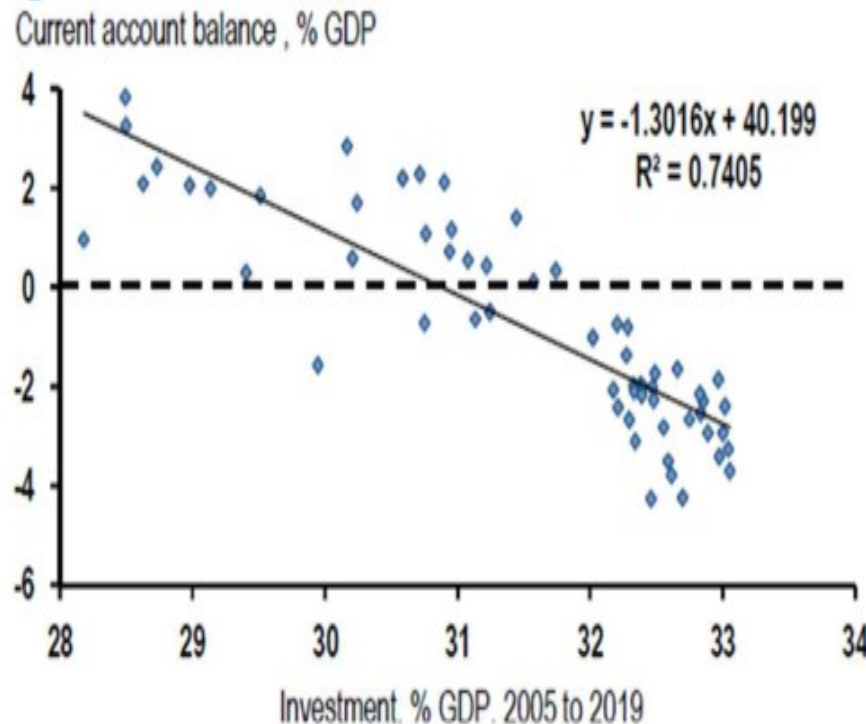
Source: Syailendra Research, Bloomberg

- ⚠ Berdasarkan data-data sebelumnya, terdapat potensi perlambatan ekonomi dari sisi eksternalitas. Net export Indonesia memberikan kontribusi sebesar 4.20% selama 9M21. Hal ini berpotensi turun dengan terjadinya perlambatan (normalisasi) ekonomi secara global.

Commodity Reform Should Ease CAD Pressure

Since 2018, iron, steel and nickel had grew exponentially

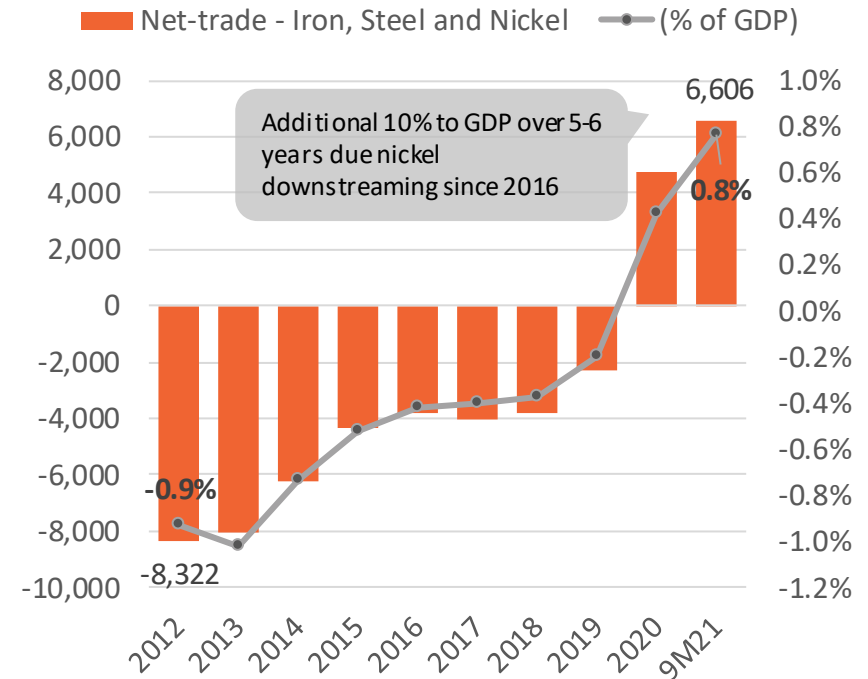
Correlation between Investment vs Current Account
In % of GDP



Source: Syailendra Research, JPM, BI and BPS

- Walaupun investasi dan konsumsi sektor swasta meningkat, umumnya Indonesia mengalami permasalahan terkait neraca perdagangan (CA %GDP) dengan peningkatan impor.
- Namun, sejak 2018 Indonesia telah mencatatkan ekspor *industrial metal* dari hilirisasi nikel dimana kontribusi dari sektor ini sebesar 7.7% selama 9M21. Hal ini dapat membantu *current account* di tahun 2022F.

Net - Trade Iron, Steel and Nickel
In mio USD, In % GDP



2022F CAD Should be Managable

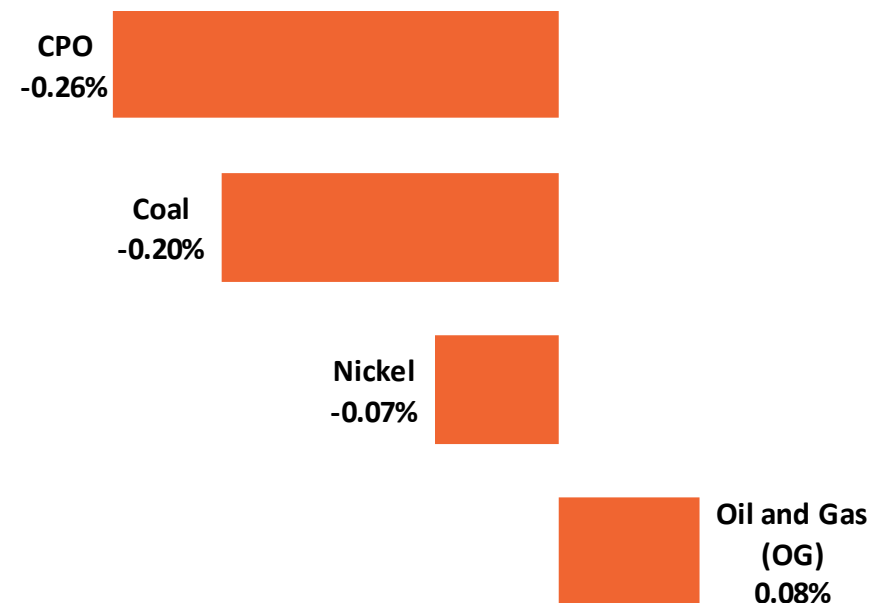
Assuming commodity drop varies around 10-25% at current level

Scenario Analysis on Current Account In % of GDP

2022F		CA (% GDP)	Notes
3Q21	Actual	1.49	
2022F	Bear	-1.20	Commodities prices drop 30-50%
	Base	-0.60	Commodities prices drop 10-25%, Services component keep increasing due pent-up demand
	Bull	-0.20	Commodities prices drop 10-25%, Services normalized rather than stay sharply rising

Source: Syailendra Research, Mandiri Sekuritas, Bloomberg

10% Decrease Price Impact to Current Account In % of GDP



Source: Syailendra Research, Mandiri Sekuritas, Bloomberg

- 🏠 Kami melihat *current account deficit* Indonesia seharusnya dapat dikendalikan dengan asumsi penurunan harga komoditas tidak tajam. Kami melihat *current account* untuk tahun 2022 dapat berkisar di -0.4% dari GDP. Sementara FDI kami perkirakan ada di level 1.8% GDP.

Covid-19 in Major Economies

It is getting better, although Indonesia is lagging behind other countries on vax

Covid Vaccines and Testing
In %

Countries	1st dose vaccinated (% pop)	Full dose vaccinated (% pop)	Confirmed cases/pop (avg. 1 mo)	CFR (avg. 1 mo)	Testing/pop (7DMA)
Indonesia	53%	37%	0.00%	3.48%	0.08%
US	72%	60%	0.03%	1.20%	0.35%
UK	75%	68%	0.07%	0.29%	1.58%
India	59%	37%	0.00%	4.61%	0.09%
Brazil	77%	65%	0.00%	2.47%	0.01%

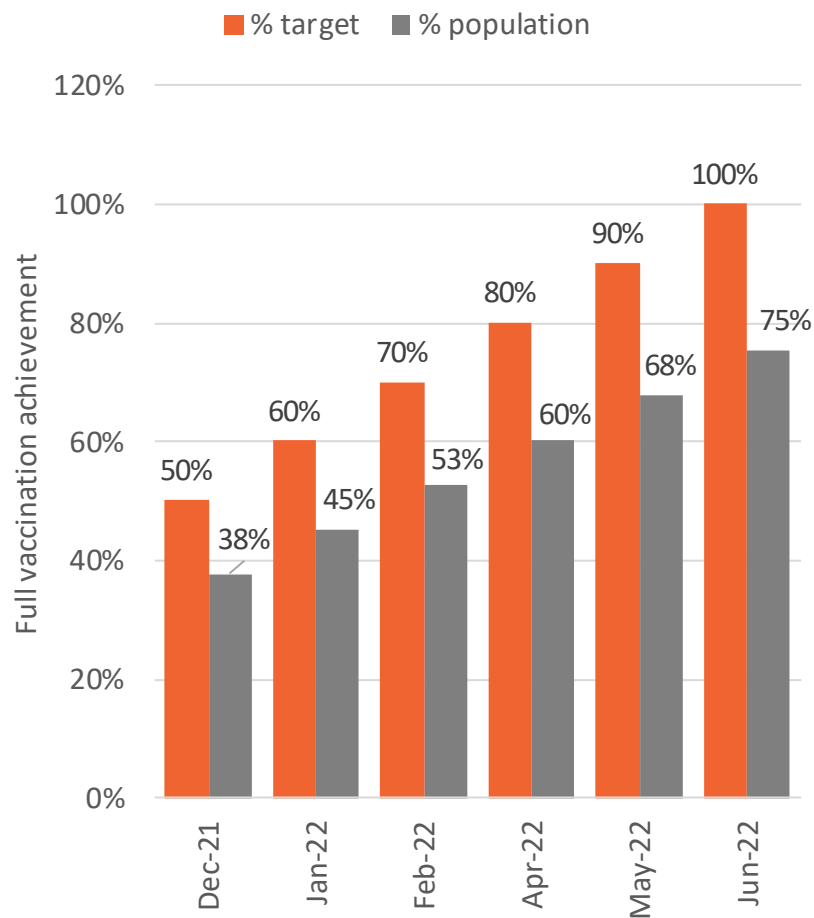
Source : Bloomberg, Syailendra Research

Indonesia Should Reach Herd Immunity in 2022

While Indonesia still a bit lag on vaccination compare to few countries

Herd Immunity Should Reach Around 1Q-2Q22

In %



Source: Mandiri Sekuritas, Syailendra Research

Latest Indonesia Vaccine Supply and 2022 Potential

As of 13 Dec 2021

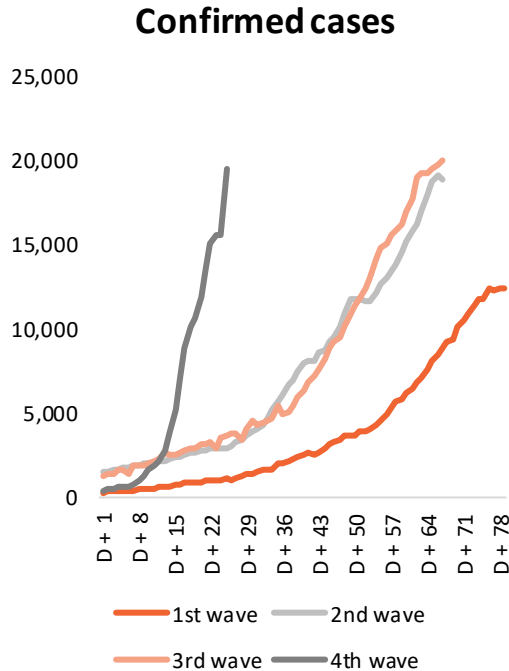
Vaccine	Target until 31-12-2021	Realization	Realization % Target
Sinovac bulk	153,900,000	153,900,280	100%
Sinovac finished	53,000,000	118,154,680	223%
Novavax	50,000,000	9,000,000	18%
Covax/Gavi multilateral	108,000,000	85,585,380	46%
AstraZeneca	50,000,000		
Grant bilateral	20,368,300		
VGR	7,500,000		
Pfizer	50,000,120	35,886,360	72%
Total finished	338,868,420	248,626,420	73%
Total bulk	153,900,000	153,900,280	100%
TOTAL FINISHED + BULK	492,768,420	402,526,700	82%

Source: Mandiri Sekuritas, Syailendra Research

Should We Worried about Omicron?

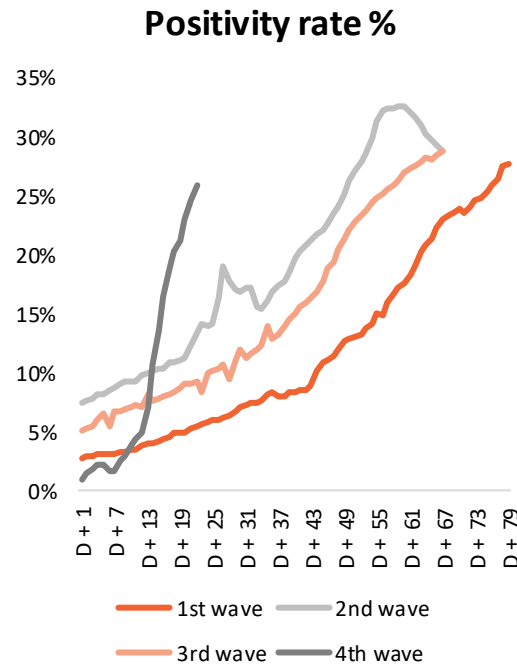
While it had higher transmission rate, so far fatality rate also lower

Conf. Case in South Africa
Cum. from each wave



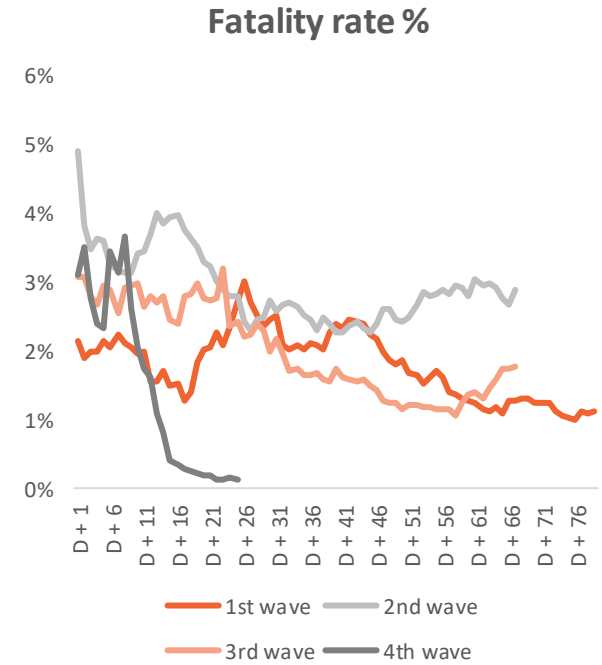
Source: Verdhana, Syailendra Research

Conf. Case in South Africa
Cum. from each wave



Source: Verdhana, Syailendra Research

Conf. Case in South Africa
Cum. from each wave



Source: Verdhana, Syailendra Research

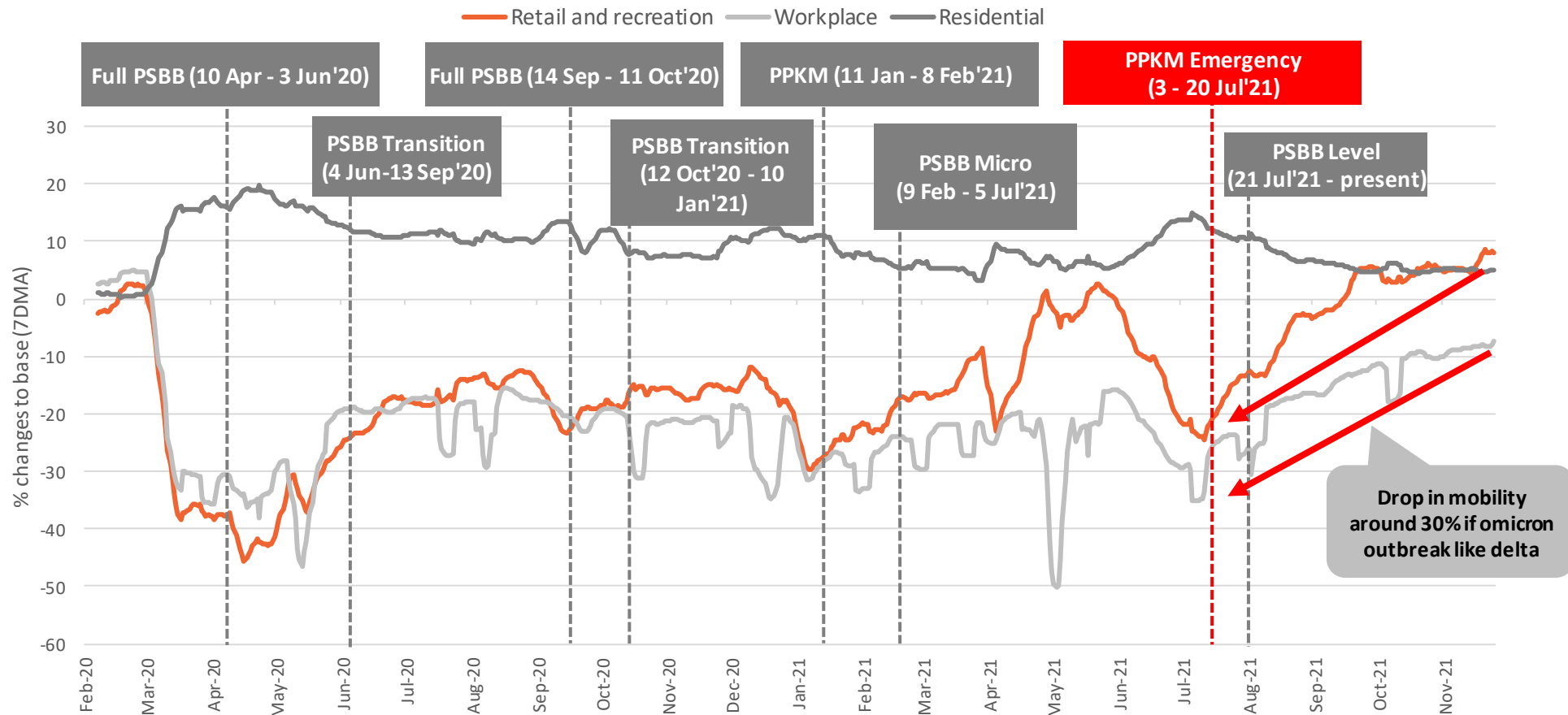
- Belajar dari penyebaran virus Covid Omicron di Afrika Selatan, tingkat penyebaran (*transmission rate*) relatif lebih tinggi dibandingkan dengan varian terdahulu. Namun, *fatality rate* varian Omicron relatif lebih rendah.
- Pfizer-Biotech mengatakan bahwa vaksin dosis ketiga dapat meminimalisir tingkat penyebaran kasus Omicron.

Mobility Normalizes as Restrictions Subside

Retail mobility has gone back to pre-covid level; workplace mobility is normalizing

Google Mobility Data

Retail/Recreation, Workplace, and Residential



Source: Google, Syailendra Research

Policy on Public Health Going Forward

Requirement on vaccine passport, mixing, and booster

Countries	Vaccine Passport	Vaccine Mixing	Vaccine Booster
China	Yes	No	Yes
Hong Kong	Yes	No	Yes
India	No	Pending	No
Indonesia	Yes	Yes	Yes
Japan	Yes	No	Yes
Korea	Yes	Yes	Yes
Malaysia	Yes	Yes	Yes
Philippines	Yes	No	Yes
Singapore	Yes	Yes	Yes
Taiwan	Yes	Yes	Pending
Thailand	Yes	Yes	Yes

Source : Syailendra Research

Section 02



Fixed Income

Key Fixed Income Dynamics Into 2022

Rising interest rates, hawkish sentiments, and 2022 supply-demand outlook

Fixed Income Dynamics

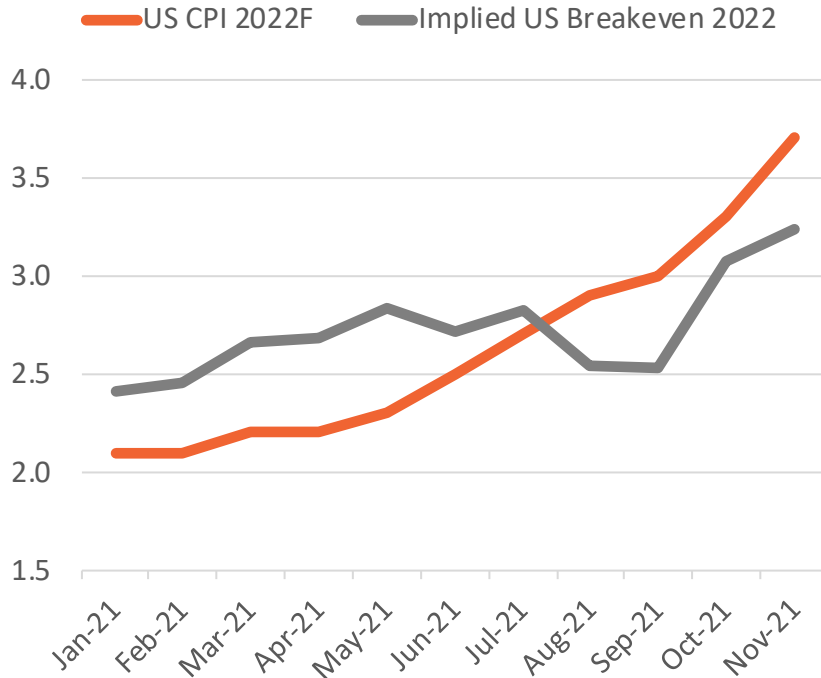
Key Topics

- 🏠 **Balance Sheet Tapering.** Pandemi *covid-19* menyebabkan seluruh negara melakukan stimulus besar-besaran untuk menjaga perekonomian. Hal ini mengakibatkan mayoritas dari *central bank* negara maju melakukan kebijakan QE (*quantitative easing*). Namun, dampak dari QE sudah mulai terlihat yaitu peningkatan inflasi yang signifikan. Sehingga, *central bank* perlu menghentikan laju kebijakan QE tanpa menghentikan momentum *economy recovery*. **Apakah Tapering 2021 akan memiliki dampak negatif terhadap pasar EM khususnya INDOGB?**
- 🏠 **Rising Interest Rate Environment.** Seluruh negara *central bank* memasuki tahun 2022 cenderung memiliki pandangan *hawkish*. Hal ini diakibatkan oleh tren inflasi yang terjadi di seluruh dunia. INDOGB merupakan salah *gov't bond* yang memiliki korelasi tinggi dengan US Treasury. **Sehingga, apa yang harus diantisipasi investor terkait dengan peningkatan yield ke depan?**
- 🏠 **2022 Supply-Demand Outlook.** Sebelum 2020, INDOGB cenderung disukai oleh investor asing karena *real yield* indonesia yang relatif tinggi. Namun, memasuki 2021, posisi *foreign investor* menurun sampai di level 20-21%. **Bagaimana supply-demand outlook INDOGB dengan mempertimbangkan defisit fiskal indonesia di -4.85%? Apa pertimbangan *foreign investor* tidak menambah posisi pada INDOGB selama 2020-2021?**

What Market Implies on Inflation

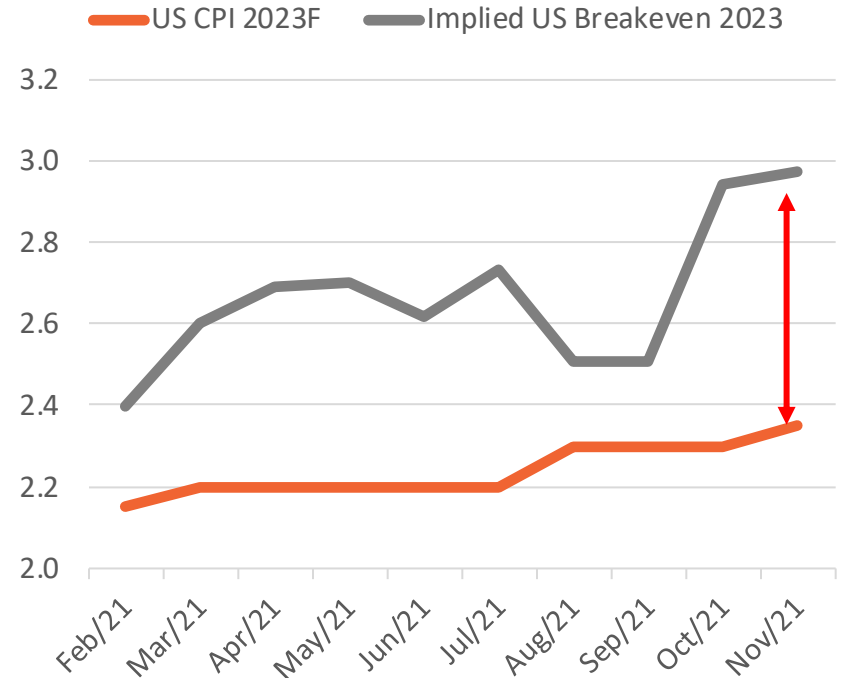
Market had reflected on short-term inflation but not beyond 2023

US CPI 2022 vs US Breakeven 2Y Yield
In % YoY, as of GDP



Source: Syailendra Research, Bloomberg

US CPI 2023 vs US Breakeven 3Y Yield
In % YoY, as of GDP



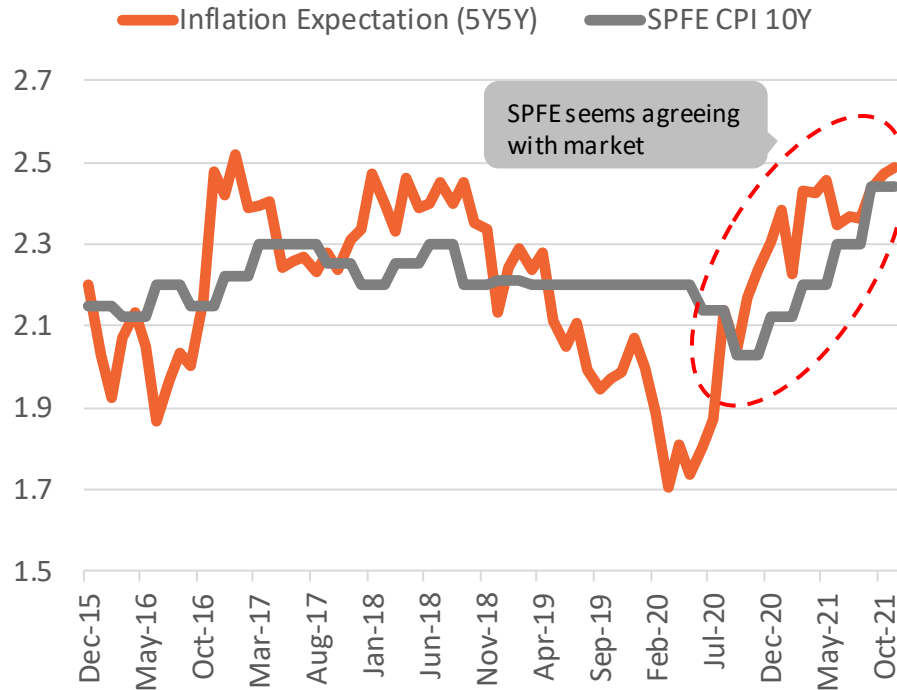
Source: Syailendra Research, Bloomberg

- Di tahun 2022, inflasi sudah merefleksikan kondisi pasar sehingga kenaikan tingkat inflasi dapat diantisipasi oleh pasar.
- Tahun 2023 *Consumer Price Index* masih belum terefleksi di pasar sehingga kenaikan tingkat inflasi perlu dicermati. Namun, hal ini dapat terjadi karena *global market* masih belum melakukan pembaharuan data terhadap indeks ini.

Market Is Getting More Nervous on Inflation

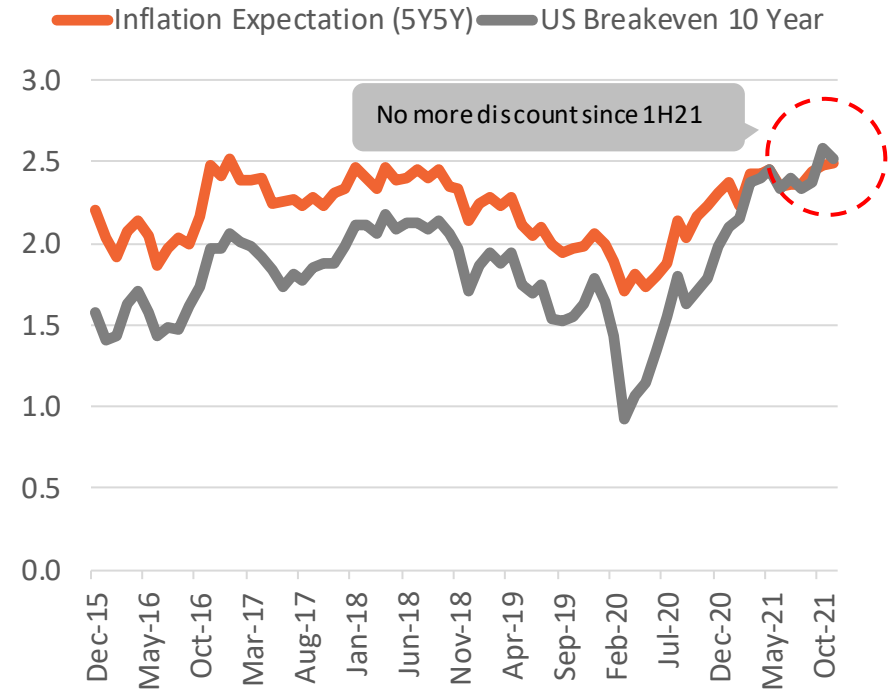
Breakeven discount dissipating on 10Y vs its 5Y5Y inflation expectation

Inflation Expectation 5Y5Y vs Survey Professional CPI 10Y
In %



Source: Syailendra Research, Bloomberg

Inflation Expectation 5Y5Y vs US Breakeven 10Y
In %



Source: Syailendra Research, Bloomberg

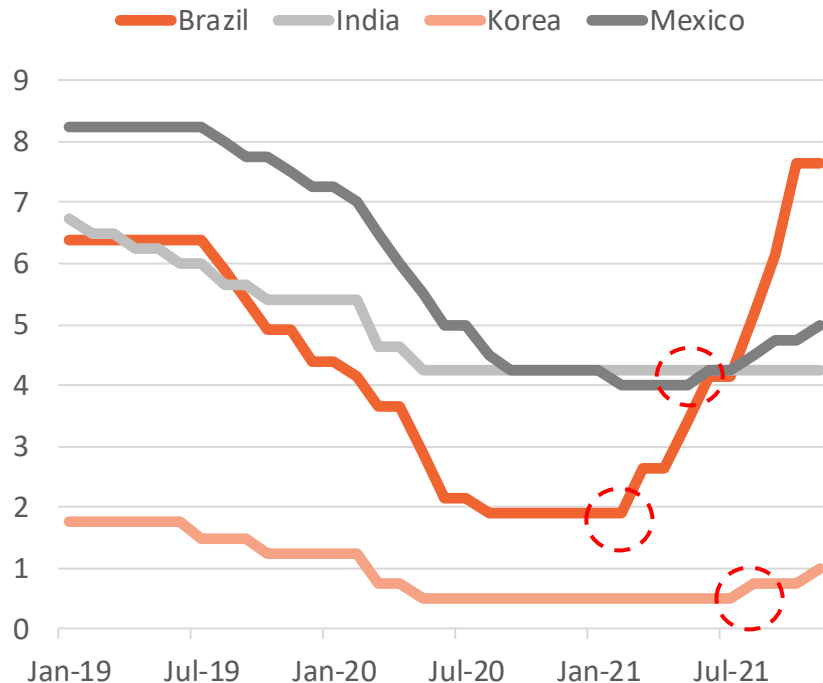
- 📊 **Spread** antara analis dan konsensus untuk inflasi jangka panjang semakin kecil. Hal ini mencerminkan investor cenderung menghindari risiko atas kemungkinan inflasi yang terjadi dalam jangka panjang

EM Central Banks Already Starting Hiking Rates

DM central banks expected to follow as inflation becomes more apparent

EM Market Central Banks

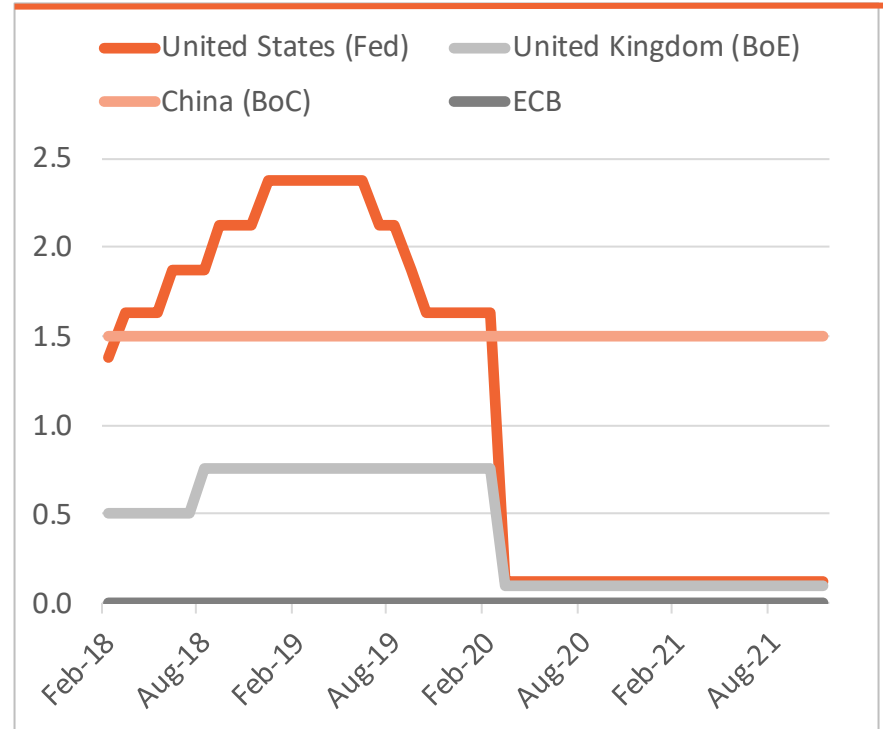
In %



Source: Syailendra Research, Bloomberg

DM Market Central Banks

In %



Source: Syailendra Research, Bloomberg

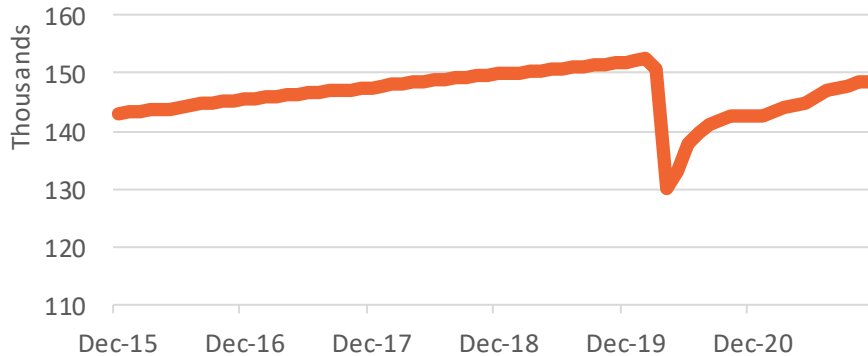
- ⚠ Meningkatkan inflasi di beberapa negara mengakibatkan *emerging markets central bank* melakukan *rate hikes* atas *policy rate* mendahului *developed markets*.
- ⚠ Hal ini membantu *emerging markets* dalam posisi *ahead of the curve* apabila *the Fed* melakukan peningkatan *policy rate* di kisaran 2Q22.

What Should We Look For as Fed Hiking Rate?

Tightening labor market and inflation expectation

Non-Farm Payroll enrollment roughly near peak

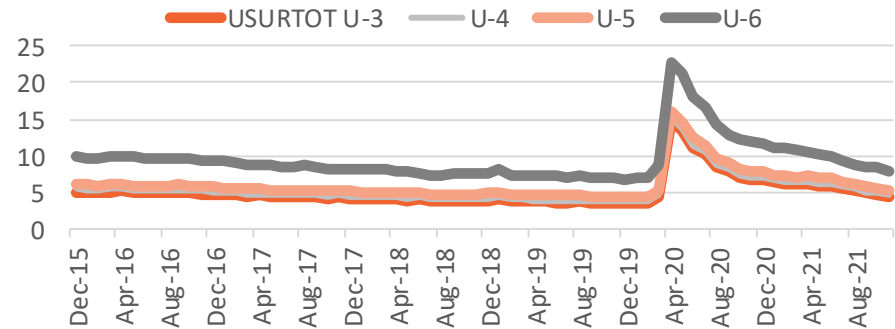
As of Nov, 2021



Source: Mandiri Sekuritas, Syailendra research

Unemployment rate needs to be below 4.0%

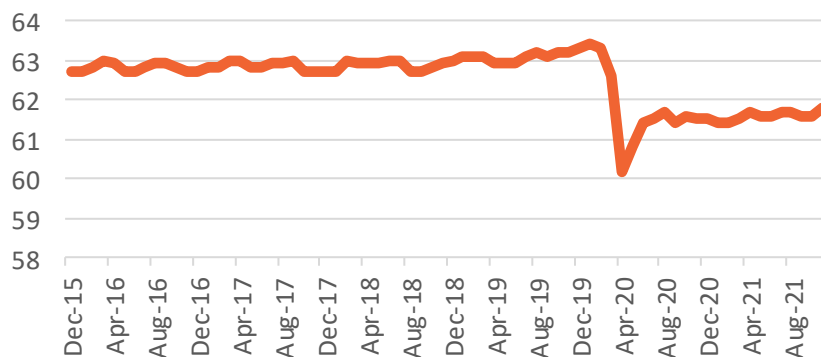
As of Nov, 2021



Source: Mandiri Sekuritas, Syailendra research

US Labor Force Participation shows robust uptrend

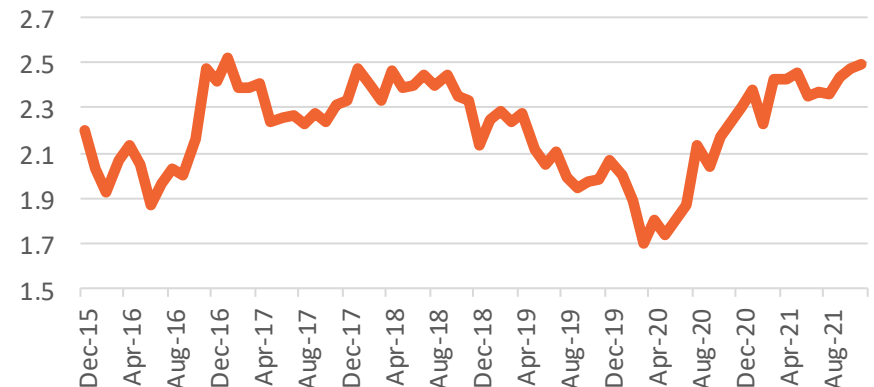
As of Nov, 2021



Source: Mandiri Sekuritas, Syailendra research

Inflation expectation stays below <3%

Inflation Expectation (5Y5Y), as of Nov, 2021



Source: Mandiri Sekuritas, Syailendra research

What Is Current Probability of Fed Hike

Interest rate probability model

Interest Rate Probability – US Fed Funds Futures

In % hike/cut probability, implied rate

Pricing Date	Dec-21			
Target Rate	0.25			
Effective Rate	0.08			
Cur. Imp. O/N Rate	0.08			
Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate
12/15/2021	-0.01	-1.4	0.00	0.08
01/26/2022	0.06	7.2	0.02	0.10
03/16/2022	0.39	33.5	0.10	0.18
05/04/2022	0.74	34.9	0.19	0.27
06/15/2022	1.14	39.4	0.28	0.37
07/27/2022	1.44	30.1	0.36	0.44
09/21/2022	1.90	45.8	0.47	0.56
11/02/2022	2.16	25.9	0.54	0.62
12/14/2022	2.70	54.3	0.68	0.76
02/01/2023	2.96	25.9	0.74	0.82

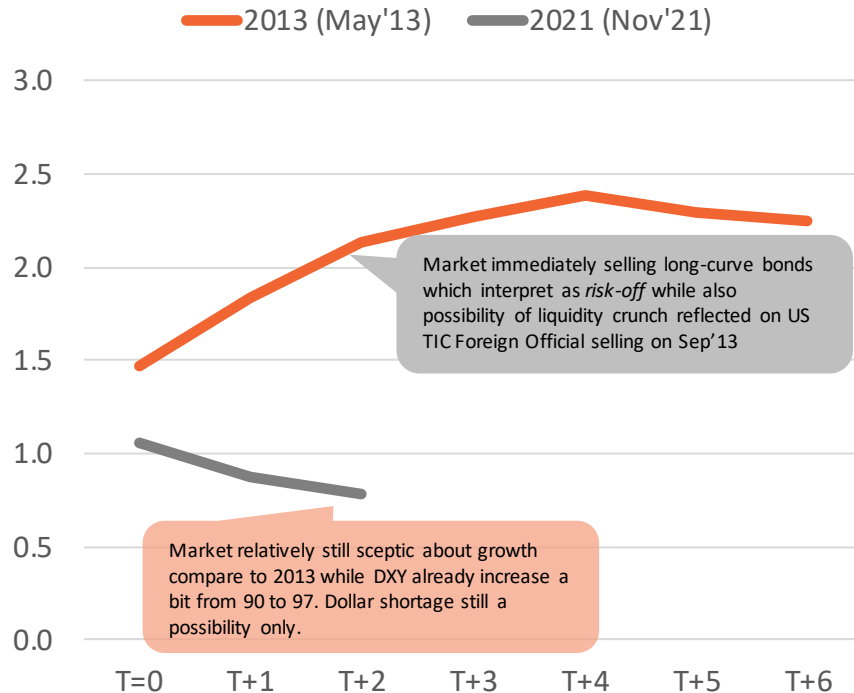
Source: Syailendra Research, Bloomberg

- ⚠ Berdasarkan data *fed funds rate futures*, investor dapat melihat probabilitas yang *price-in* oleh pasar. Saat ini terdapat probabilitas 3x *hike rate* di bulan May, Sep dan Dec'22.

2021 Tapering Seems More Muted

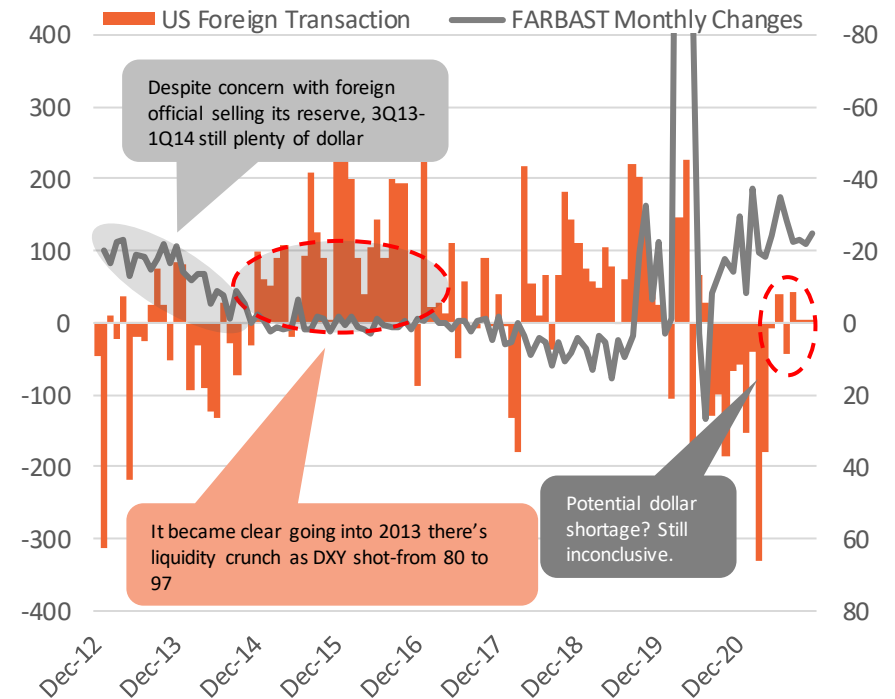
Increasing pace of tapering arises concerns if there's dollar shortage

10/2s US Spread Comparison between 2013 vs 2021 Tapering
In %



Source: Syailendra Research, Bloomberg

Inv. US TIC Foreign Official Monthly Chg. vs Monthly Fed BS Chg.
In bio USD



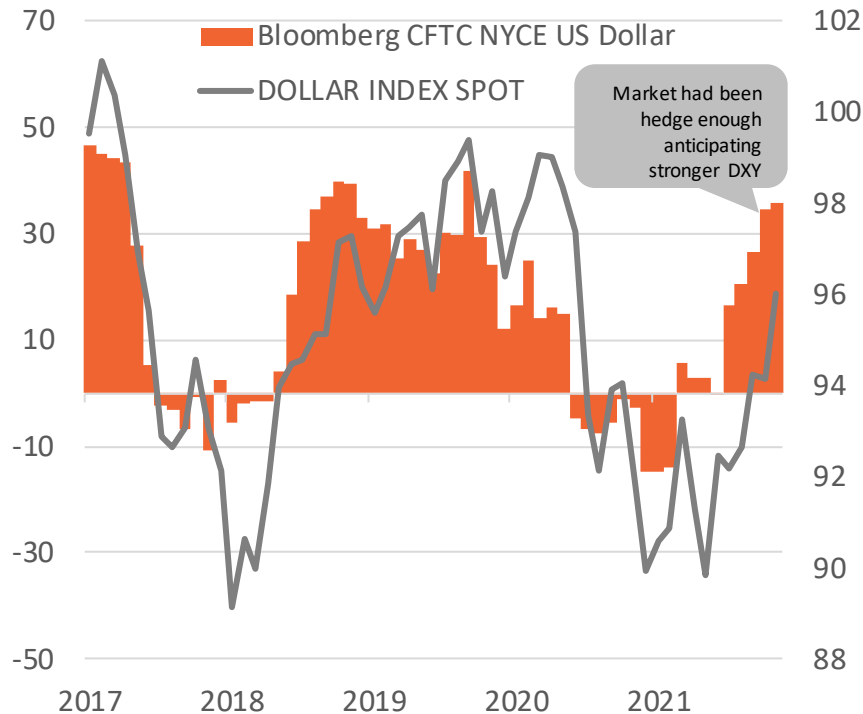
- Reaksi pasar terhadap tapering di 2013 vs 2021 terlihat berbeda, hal ini ditunjukkan dari perbandingan *spread* antara dua periode tapering tersebut (2013 April-Mei) & (2021 Juli) yang memiliki perbedaan yang signifikan.
- Walaupun terdapat *concern* terkait *dollar shortage* yang dapat diakibatkan dari *fed tapering*. Kondisi *dollar* saat ini masih sulit ini di prediksi terlepas DXY telah meningkat dari 90 menjadi 97.

Strong Dollar Is Going to Be Problematic

Consensus has priced-in strong dollar, anticipating dollar shortage

Bloomberg CFTC NYCE US Dollar vs Dollar Spot Index

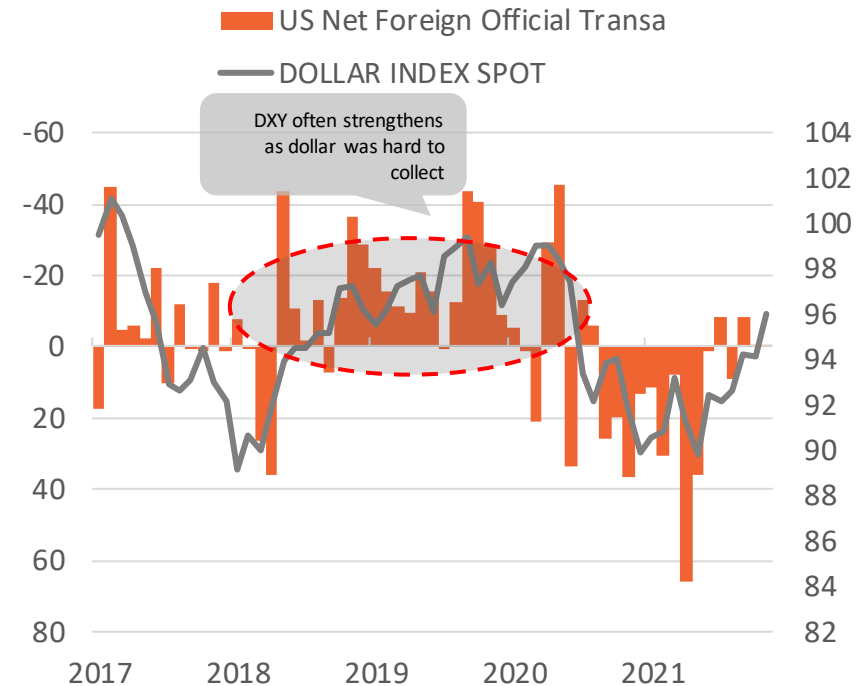
In unit of contract, unit of DXY



Source: Syailendra Research, Bloomberg

Inv. US TIC Foreign Official Monthly Chg. vs Dollar Spot Index

In bio USD, unit of DXY



Source: Syailendra Research, Bloomberg

- ⚠ Berdasarkan data CFTC, investor telah memiliki posisi *net-long* relative tinggi dibandingkan periode-periode sebelumnya. Hal ini mengartikan investor telah *pricing-in* kemungkinan USD menguat terhadap *other currency peers*.

Indonesia 2022 Gov't Supply Outlook

Central bank will act if foreign investors not coming back in 2022F

INDOGB 2022F Supply & Demand Calculation

In tn IDR

	Min	Max
Deficit Financing		868
Below the line financing		105
Maturing government bond		444
2022F Burden Sharing		-224
Gross Financing		1,193
Loans Programs		-18
Government Bond Issuance		1,211
Regular rupiah bond acution (80-85%)	968	1,029
Global bond (12-15%)	145	182
Retail (4-6%)	48	73
Est. Gov't Auction	968	1,029
Tradeable rupiah gov't bonds matured in 2022		-229
Total Net Issuance IDR Gov't Bonds	740	800

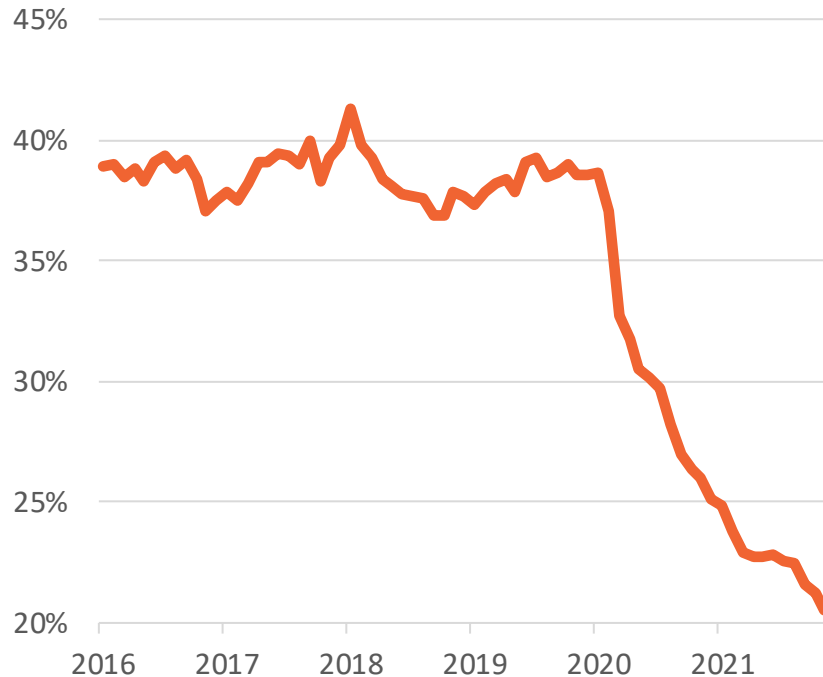
Year	2018	2019	2020	Dec-21	2022F	Notes
Banks	64	53	384	217	210	
Central Bank	38	56	602	189	260	
MF	15	12	31	-5	32	
Insurance & Pension Fund	66	57	71	105	128	
Foreign	57	-125	-88	-73	60	
Others	30	37	118	220	110	
Total Net Issuances IDR tradeable Gov't	269	91	1,118	653	800	

Year	2018	2019	2020	Dec-21	2022F	Avg. Pre Covid
Banks	23.7%	58.7%	34.4%	33.2%	26.2%	25.1%
Central Bank	14.0%	61.5%	53.8%	28.9%	32.5%	16.8%
MF	5.4%	13.5%	2.7%	-0.8%	4.0%	5.7%
Insurance & Pension Fund	24.4%	63.1%	6.4%	16.1%	16.0%	23.9%
Foreign	21.3%		-7.9%	-11.1%	7.5%	40.2%
Others	11.2%	41.0%	10.6%	33.6%	13.8%	13.8%

Foreign Is Looking for Cheaper IDR

Incorporating 2022F, INDOGB deliver lower carry yield compare to other EM

Foreign Ownership in INDOGB
In % of total outstanding



Source: Syailendra Research, Bloomberg

Despite Top 3 Highest Real Yield, INDOGB Carry Yield Rel. Low
In %

Country	10Y Yield (%)	Carry Yield	Real Yield (%)		Credit
	Current	2022F	Current Inflation	2022F Inflation	Rating
South Africa	10.2	9.5	5.2	5.6	BB
Colombia	8.4	9.4	3.8	4.3	BBB-
Indonesia	6.1	5.6	4.4	3.3	BBB
Mexico	7.5	9.5	1.3	3.1	BBB+
Russia	8.4	14.2	0.3	2.8	BBB
Romania	5.5	3.6	-2.4	1.2	BBB-
India	6.3	6.6	1.9	0.9	BBB-u
Thailand	1.9	5.6	-0.5	0.4	A-
Hungary	4.4	9.5	-2.1	-0.1	BBB

Source: Syailendra Research, Bloomberg

- Foreign investor sepanjang 2020-2021 tidak melakukan penambahan signifikan terlepas terdiluasi akibat fiskal defisit terbesar selama 20 tahun kebelakang.
- Salah satu alasan yang dari perspektif *foreign investor* ialah IDR relatif kuat selama 2020-2021 dibandingkan mata uang lainnya. Hal ini mengakibatkan *carry-yield* INDOGB relatif rendah dibandingkan *other peers*.

INDOGB Long-Term Valuation Still Attractive

Yet, short-term INDOGB slightly rich reflected on 2022 expected carry yield

10Y Emerging Market Comparison, Grey Highlights on Countries with Similar Rating

In %, ppt and bps, data as per Nov-21

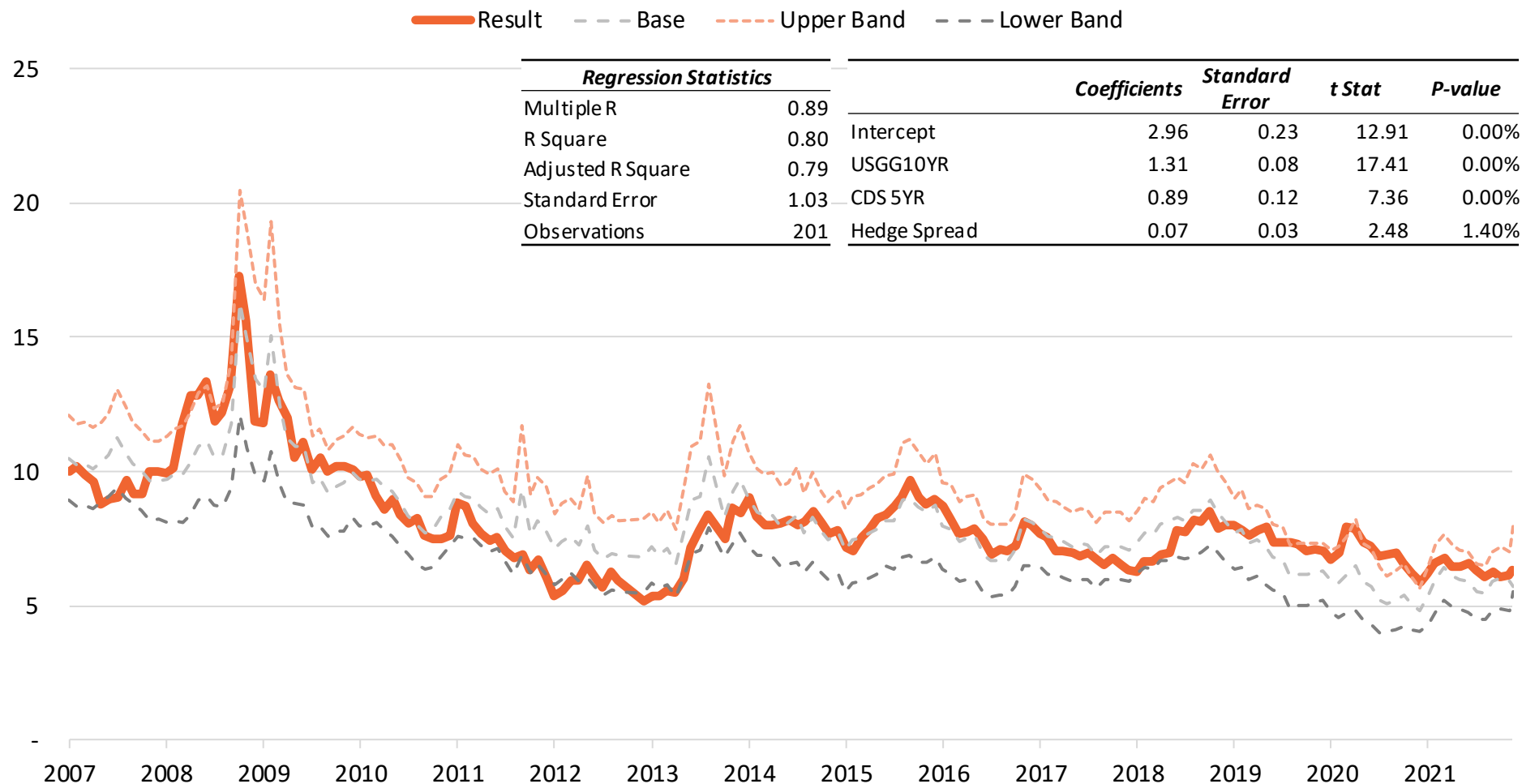
Country	10Y Yield (%)		Currency		Carry Yield	Inflation		Real Yield (%)		CAD	Fiscal Deficit	Credit	
	Current	YTD (bps)	YTD (in ppt)	Current vs Fcst.	2022F	Current	2022F	Curr. CPI	2022F CPI	2022F	2022F	Rating	Outl.
Egypt	14.7	69	0.1	1.7	16.4	6.3	6.1	8.4	8.6	-3.5	-6.9	B	Stable
S. Africa	10.2	149	-7.5	-0.7	9.5	5.0	4.6	5.2	5.6	0.2	-6.4	BB	Stable
Brazil	11.3	438	-7.6	-0.8	10.5	10.7	5.8	0.6	5.5	-1.4	-6.4	BB-	Stable
Colombia	8.4	300	-13.5	1.0	9.4	4.6	4.1	3.8	4.3	-4.4	-6.2	BBB-	Stable
Turkey	20.2	773	-44.8	14.7	34.9	19.9	16.0	0.3	4.2	-2.5	-3.6	BB-u	Neg
Indonesia	6.1	22	-1.9	-0.5	5.6	1.7	2.8	4.4	3.3	-1.4	-4.5	BBB	Neg
Mexico	7.5	197	-7.2	2.0	9.5	6.2	4.5	1.3	3.1	-0.1	-3.2	BBB+	Neg
Russia	8.4	247	0.5	5.8	14.2	8.1	5.6	0.3	2.8	5.8	0.5	BBB	Stable
Malaysia	3.5	87	-4.4	1.8	5.3	2.9	2.0	0.6	1.5	3.2	-5.9	A	Neg
Ukraine	8.2	202	4.3	-3.0	5.2	10.9	7.0	-2.7	1.2	-1.9	-3.2	B	Stable
Romania	5.5	255	-8.8	-2.0	3.6	7.9	4.3	-2.4	1.2	-5.9	-6.0	BBB-	Stable
India	6.3	46	-2.8	0.2	6.6	4.5	5.4	1.9	0.9	-1.0	-6.7	BBB-u	Stable
China	2.9	-28	2.6	-1.5	1.4	1.5	2.2	1.4	0.7	1.5	-4.4	A+	Stable
Thailand	1.9	60	-11.1	3.7	5.6	2.4	1.5	-0.5	0.4	1.0	-4.6	A-	Stable
South Korea	2.2	51	-8.6	3.3	5.5	3.2	1.9	-1.0	0.3	4.1	-2.6	AA	Stable
Hungary	4.4	229	-7.7	5.1	9.5	6.5	4.5	-2.1	-0.1	-0.4	-5.7	BBB	Stable
Vietnam	2.1	-51	1.6	1.0	3.1	1.8	3.3	0.3	-1.2	2.3	-4.0	BB	Pos

INDOGB Trading at Its Fair Value Model

INDOGB may slightly weaken going into 2022 incorporating forecasted number

10Y INDOGB Yield vs its Fair Value Model

In %

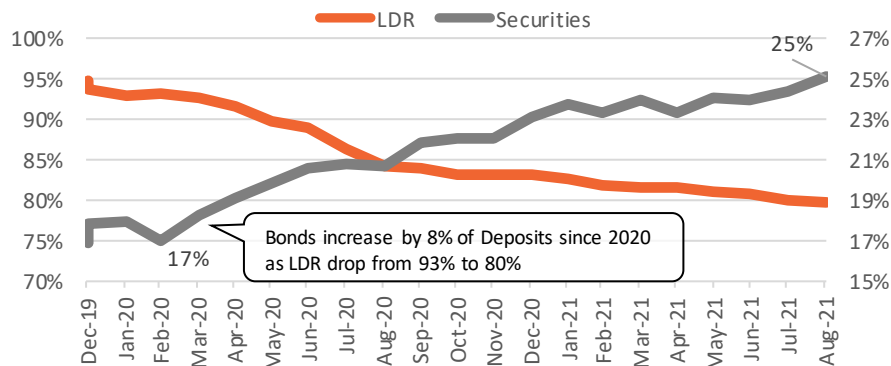


Market Seems Heavy on Short-Tail

Higher demand from banks anticipating inflation and rate hikes

Portion of Bonds from SPI Sep'21

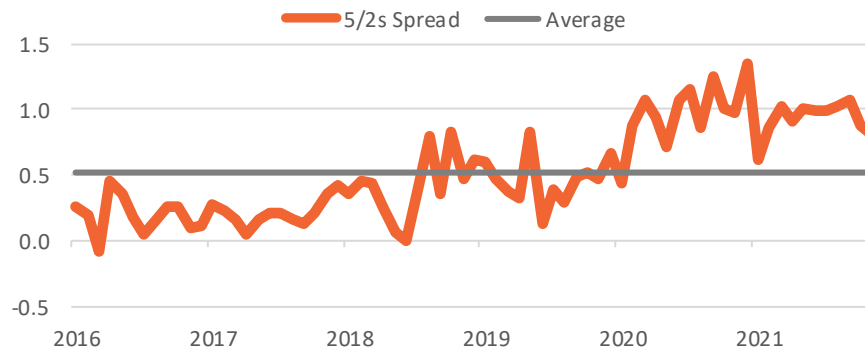
In %



Source: Syailendra Research,

5/2s Spread vs 5Y Average

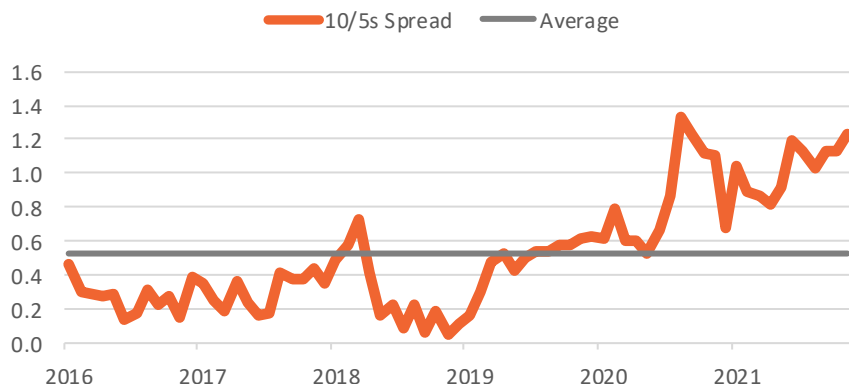
In %



Source: Mandiri Sekuritas, Syailendra research

10/5s Spread vs 5Y Average

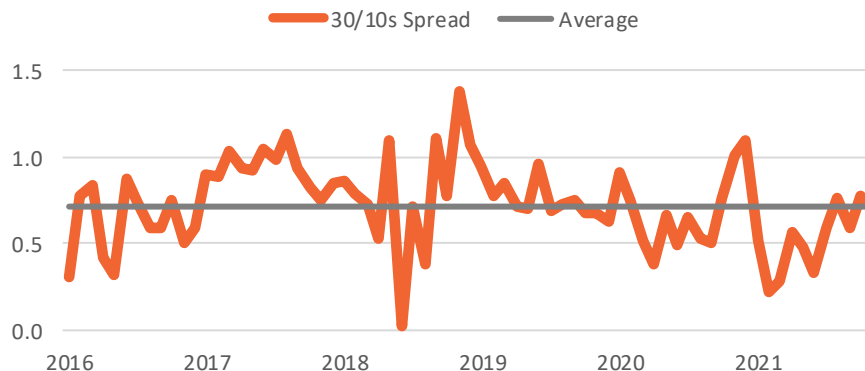
In %



Source: Mandiri Sekuritas, Syailendra research

30/10s Spread vs 5Y Average

In %



Source: Mandiri Sekuritas, Syailendra research

Government Bond Outlook

Short-term: neutral, tactical buy; long-term: long recommendation

Our View on Bonds and Rates Strategy

Explanation

Catalyst & Key Thesis	2020	2021	2022F	Notes
Valuation	Cheap	Neutral	Neutral	Tactically fair, still rich on LT-valuation
Liquidity	Positive	Positive	Neutral	No dollar shortage based on current observation
Supply outlook	Positive	Positive	Neutral	Dynamic between banks, central bank and credit growth a bit concerning
Foreign position	Neutral	Positive	Positive	All-time low positioning
Credit Rating	Negative	Neutral	Neutral	Some concerns during 2020-2021
IDR Outlook	Neutral	Positive	Positive	Strong trade balance and CAD, depreciating IDR might attract short-term investors looking at IDR carry yield

- 🏠 Kami merekomendasikan untuk melakukan strategi barbel menggunakan pasar uang dan seri *off-benchmark* tenor 13-20Y.
 - 🏠 ID 10/2s relatif cukup tinggi di level 221bps (avg. 5Y: 116bps) sesuai dengan demand SUN tenor pendek yang mayoritas berasal dari perbankan dan BI. Menurut kami, hal ini sudah tercemin di pasar sehingga *risk-reward* untuk short-duration tidak menarik.
 - 🏠 Seri *off-benchmark* tenor 13-20Y masih di atas *yield curve* (i.e. premium) dengan *bid-ask spread* yang cukup wajar di 30-50bps.
- 🏠 Target 10Y yield *base case* berada di range 6.50 – 6.75% dengan mempertimbangkan *interest upcycle*.
- 🏠 Untuk timing, likuiditas pada 1H21 tetap akan tinggi dan dapat memberikan *support* di pasar obligasi. Kami akan cenderung lebih *cautious* jika loan growth mulai meningkat terutama pada periode 2H21.

Section 03



Equity

Global Indices Performance

Most of equity market performing reflecting economy recovery

Global Indices Historical Performance

In % of return

No	Country	YTD	1M	3M	6M	1Y	P/E	P/BV	ROE
Global Market									
1	Dow Jones (US)	17.86%	-1.56%	2.51%	3.80%	18.32%	18.38	4.84	31.44
2	S&P 500 (US)	25.23%	-0.38%	3.88%	10.61%	26.18%	22.20	4.63	22.55
3	Nasdaq (US)	20.76%	-2.32%	1.76%	11.54%	24.50%	34.26	6.64	34.72
4	London (UK)	19.28%	-3.10%	1.06%	4.62%	19.43%	15.98	1.92	13.67
5	DAX (GR)	13.65%	-2.50%	0.10%	0.37%	17.60%	14.68	1.93	13.52
6	CAC (FP)	24.88%	-0.50%	4.84%	6.78%	24.94%	16.00	1.98	12.59
Asia Market									
1	Nikkei (JP)	4.20%	-1.91%	-4.27%	-0.47%	7.38%	17.43	1.88	11.13
2	Hang Seng (HK)	-8.71%	-2.25%	-5.68%	-15.61%	-9.62%	12.40	1.27	11.25
3	Shanghai (CN)	8.70%	4.73%	-0.54%	2.27%	6.63%	13.55	1.60	10.85
4	Shenzhen (CN)	0.71%	4.79%	2.19%	-3.01%	0.25%	16.30	2.14	11.40
5	NFT (IN)	25.73%	-2.92%	0.85%	12.03%	32.12%	23.55	3.44	14.30
6	Kospi (KR)	7.41%	2.27%	-2.73%	-5.80%	10.91%	10.97	1.21	10.76
7	Kosdaq (KR)	6.84%	1.41%	-1.14%	4.50%	11.94%	26.67	NA	NA
ASEAN Market									
1	Singapore (SG)	10.33%	-3.11%	2.30%	-0.35%	10.65%	14.46	1.09	8.12
2	Kuala Lumpur (MK)	-8.15%	-1.46%	-4.88%	-5.04%	-7.40%	15.22	1.45	10.07
3	Thailand (TH)	10.69%	-0.82%	-0.67%	-0.49%	11.62%	18.82	1.80	8.22
4	Vietnam (VN)	33.51%	0.44%	9.23%	10.13%	43.71%	17.12	2.70	19.17
5	Philippines (PH)	1.33%	-2.78%	4.49%	4.82%	1.41%	21.67	1.74	6.82
Indonesia Market									
1	JCI / IHSG (ID)	10.07%	-0.39%	9.49%	9.86%	14.34%	18.58	2.29	13.12
2	JII / ISSI (ID)	5.15%	0.28%	8.98%	8.60%	11.11%	17.14	2.18	12.43
3	IDX30 (ID)	0.30%	0.75%	9.57%	5.81%	2.65%	17.40	2.25	14.12
4	LQ45 (ID)	0.73%	-0.01%	9.25%	5.96%	3.96%	17.30	2.18	13.91

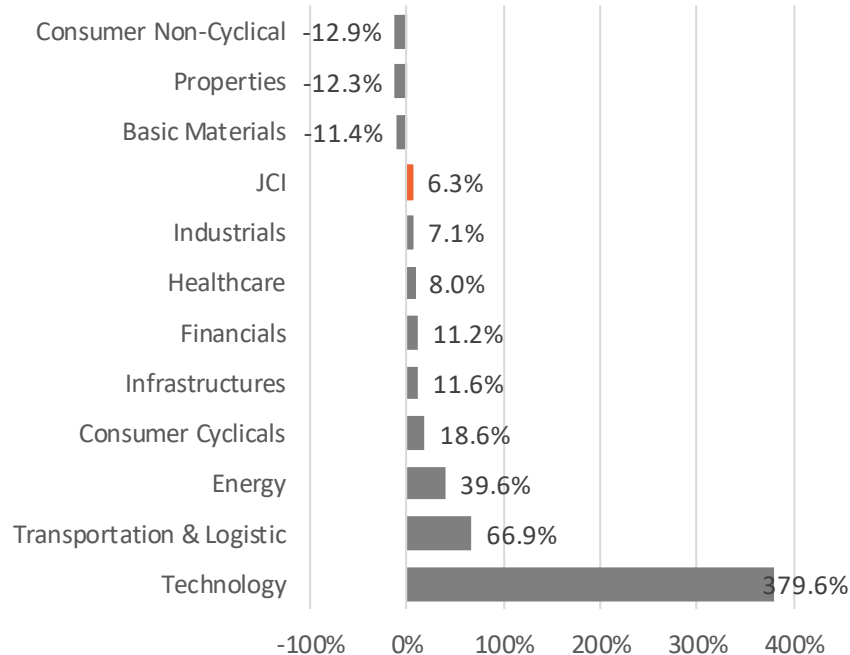
Source: Syailendra Research, Bloomberg

Old Economy Continues Performing in 4Q21

However, tech stocks had been rallying throughout the 2021

JCI Sectoral Movement YTD (Since 25'Jan new IDX category)

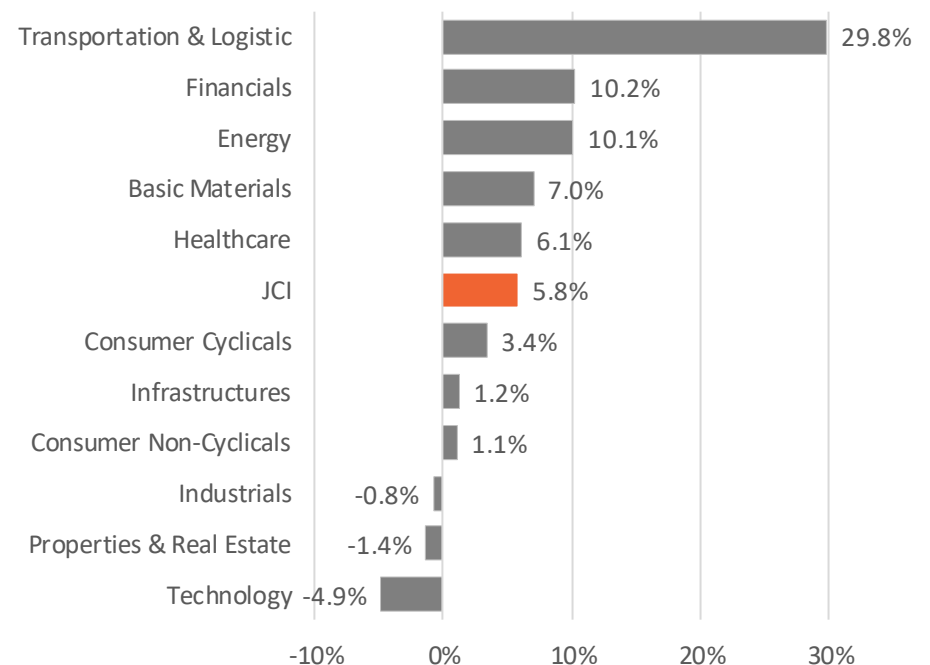
As of 10 Dec 2021



Source: Syailendra Research, Bloomberg

JCI Sectoral Movement QTD

As of 10 Dec 2021



Source: Syailendra Research, Bloomberg

- 📊 Selama 4Q21, IHSG rally sebanyak 5.8%. Hal ini diktribusi oleh sektor transportasi dan logistik, finansial, energi. Kinerja sektor teknologi cenderung melambat memasuki 4Q21, namun hal ini mempertimbangkan outperformance yang diberikan sepanjang 2021 sebesar 379.6%.

Key Equity Dynamics Going Into 2022

How to position equity during rising inflation and rising rate environment

Equity Dynamics

Key topics

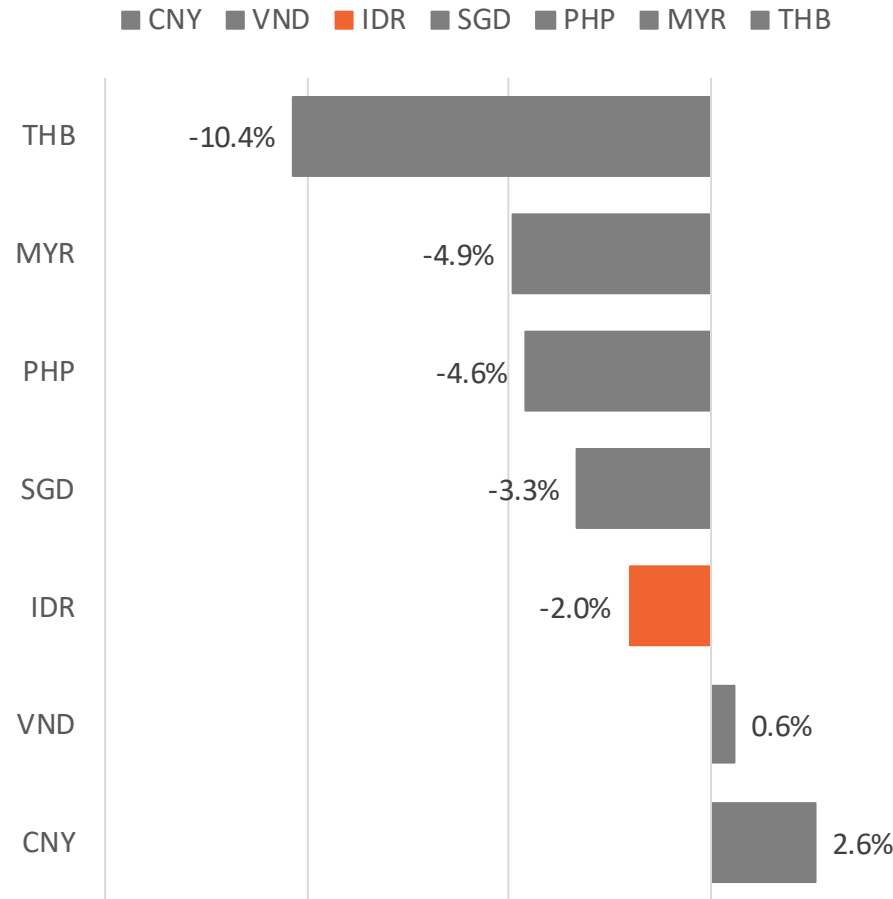
- 🏰 **Rising Interest Rate, will it hurt IHSG?** Sama dengan indeks saham *EM* negara lainnya, IHSG berpotensi terkena dampak negatif terhadap peningkatan suku bunga. Hal ini diakibatkan kekhawatiran atas volatilitas IDR yang memiliki korelasi sangat tinggi terhadap valuasi IHSG. **Apakah *risk* terhadap IDR relative tinggi dan apa dampaknya terhadap IHSG?**
- 🏰 **Structural Story – Unicorn Startup and Commodity Downstream.** Indonesia telah mencatatkan surplus neraca perdagangan 7-8 bulan berturut-turut. Hal ini merupakan salah satu alasan mengapa IDR relative kuat terhadap USD. Di saat bersamaan *foreign flow* juga mencatatkan inflow dalam 6 bulan ke belakang. Salah satu alasannya adalah IHSG akan menjadi salah satu indeks dengan *start-up unicorn* listing di tahun 2020. **Apakah hal ini *trend* ini akan menjadi *sustainable*? Apakah investor asing memiliki posisi yang tinggi atas *inflow* beberapa bulan ke belakang?**
- 🏰 **Rising Inflation: Curse or Blessing in disguise?** Inflasi merupakan salah satu topik yang mengkhawatirkan investor dalam beberapa bulan ke belakang. Namun, Indonesia mungkin diuntungkan dengan posisi Indonesia yang net eksportir khususnya untuk komoditas batu bara, nikel, dan CPO.
- 🏰 **2022 Recover : Indonesia potentially deliver higher growth compare to other countries.** Memasuki 2022, ekonomi global mengalami perlambatan hal ini diakibatkan efek *highbase* di tahun 2021. Namun, beberapa negara termasuk Indonesia mencatatkan laba di atas rata-rata. **Apakah ekspektasi laba 2022 sudah *priced-in* terhadap harga IHSG saat ini? Apakah kita perlu khawatir atas *earnings revision* mempertimbangkan perlambatan ekonomi?**

Is IDR Overvalued Compared To Peers ?

Shock in IDR might translate to lower JCI valuation

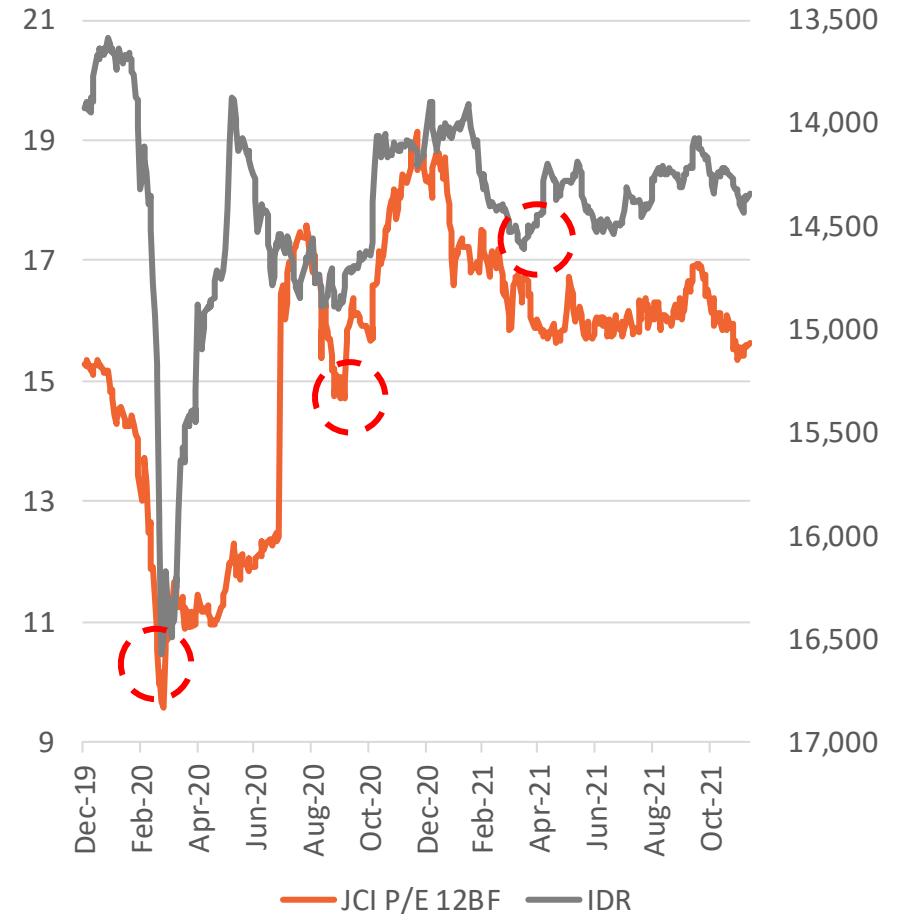
IDR Compared to Other ASEAN Currency

Dec' 2019 – Dec' 2021



JCI P/E vs Inverted USDIDR

Dec' 2019 – Dec' 2021



Source: Syailendra Research, Bloomberg

Source: Syailendra Research, Bloomberg

Foreign Equity Flow

Indonesia, India, and Japan saw slight outflow while the others recorded an inflow

(in US\$ mn.)	India	Indonesia*	Korea	Philippines	Taiwan	Thailand	Malaysia	EM Asia ex. China
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
Jul-21	-1,706	67	-4,222	-183	-4,210	-522	-318	-11,094
Aug-21	1,012	312	-5,089	33	1,074	175	251	-2,232
Sep-21	1,139	728	884	-47	-440	338	179	2,781
Oct-21	-2,271	1,771	-3,228	8	-2,289	474	378	-5,158
Nov-21	-756	-214	3,043	5	586	-324	41	2,380

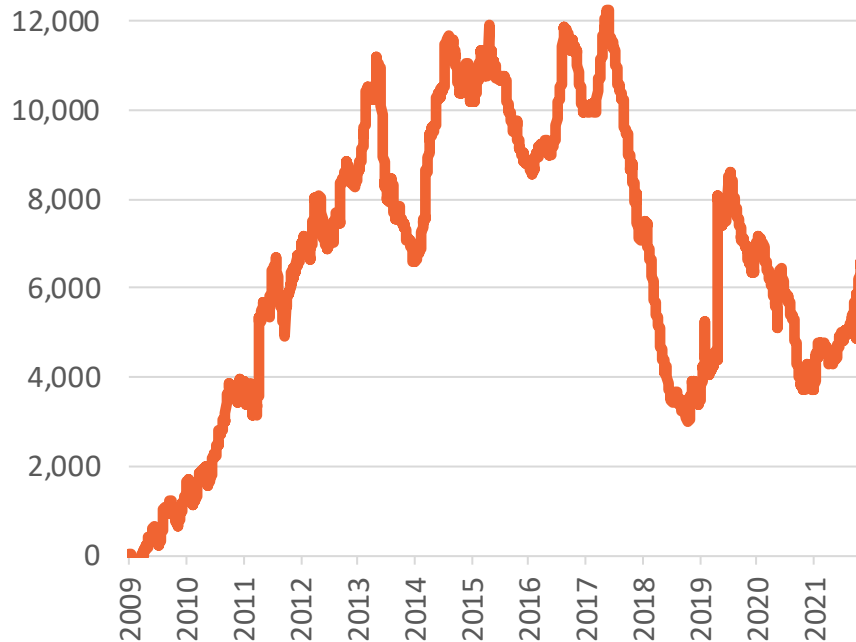
Yearly								
YTD	5,502	3,855	-25,648	-1,729	-18,384	-2,328	-497	-39,227
2020	23,373	-4,320	-20,082	-2,513	-15,997	-8,287	-5,782	-33,607
2019	14,234	-1,306	924	-240	9,377	-1,496	-2,683	18,811
2018	-4,557	-3,656	-5,676	-1,080	-12,231	-8,913	-2,885	-38,999
2017	8,014	-2,960	8,267	1,095	6,587	-796	2,456	22,664
2016	2,903	1,259	10,480	83	10,956	2,240	-628	27,294

Potential Listings May Attract Foreign Inflow

Despite recent foreign inflow, foreign position in Indonesia relatively small

Foreign Inflow

Jan' 2009 – Nov' 2021



Source: Syailendra Research, Bloomberg

Indonesia telah mencatat *foreign outflow* semenjak 2H19 dan mulai mencatatkan *inflow* kembali pada 2021, selaras dengan membaiknya kondisi ekonomi. Tetapi *foreign inflow* masih relatif rendah di banding tahun-tahun sebelumnya.

IPO *unicorns* dan *centaurs* Indonesia bisa menjadi *catalyst* untuk *inflow* yang *sustainable*.

Potential Start-up Listings

Based on market cap

Indonesia's Unicorns and Centaurs



Source: Mandiri Capital – Unicorns & Centaurs Collaboration with Financial Institutions, updated

References:

- 1) https://mandiri-capital.co.id/wp-content/uploads/2020/07/DSResearch_MCI_Unicorn_Public_Rev3-compressed.pdf
- 2) Multiple sources April 2021 (bloomberg, cbinsights, dealstreetasia, seaasia.co, techinasia.com)
- 3) Unicorn: Start-up with $\geq$ USD1 billion valuation
- 4) Centaur: Start-up with USD100 million - <USD1 billion valuation

2022 Consensus Expectation on Earnings

Consensus 2021 earnings seems a bit high than our expectation

JCI Earnings Expectation Going into 2022

In % YoY, contribution YoY, % of 2019 Level

Headline Earnings	W%	Growth Rate		Contribution Chg.			vs 2019 Earnings		Notes
		2021	2022	2021F	2022F	Chg.	2021F	2022F	
Basic Material	10.3%	143.3%	14.4%	6.7%	1.0%	-5.7%	172.2%	197.0%	Earnings was elevated due commodity beneficiary (INCO, ANTM, BRPT)
Consumer Cyclical	2.7%	158.5%	36.1%	2.5%	0.9%	-1.6%	79.5%	108.2%	
Energy	3.7%	NA	2.0%	17.3%	0.2%	-17.1%	227.8%	232.3%	Consensus hasn't reflected significant adjustment on commodity price
Financial	43.2%	35.8%	30.1%	16.8%	11.7%	-5.1%	91.4%	118.9%	Potentially could be lower if recovery wasn't fast as expected reflected to reverse on credit cost.
Healthcare	3.3%	43.5%	3.1%	1.2%	0.1%	-1.2%	184.7%	190.3%	Healthcare earnings stay elevated (high-base)
Industrial	5.4%	40.4%	13.3%	5.1%	1.4%	-3.6%	94.7%	107.2%	
Infrastructure	11.7%	90.6%	14.8%	8.9%	1.7%	-7.2%	109.4%	125.6%	Reflect lower on construction
Consumer Non-Cyclical	13.4%	0.1%	16.8%	0.0%	2.6%	2.5%	91.1%	106.5%	Overall upgrade from FMCG, Cigarette, Groceries
Property	2.2%	NA	19.2%	6.3%	0.4%	-5.9%	72.5%	86.4%	Earnings stay elevated (high-base) yet earnings hasn't reach 2019 level
Tech	3.7%	NA	NA	-0.7%	0.3%	1.0%	NA	NA	
Transportation	0.5%	NA	286.1%	0.1%	0.1%	0.0%	25.4%	97.9%	
Coverage	76.7%			64.1%	20.3%		103.9%	125.0%	Market expect earnings already surpass 2019 level 2021F
Remaining Non-covered	23.3%			-25.9%	0.8%				
JCI	100.0%	38.1%	21.1%	38.1%	21.1%		118.1%	143.0%	JCI Index number were interpolation from coverage sell-side

Source: Syailendra Research

JCI Valuation Slightly Higher Compared to Peers

Consensus expects ID still delivers better-off growth in 2022 compared to peers

Desc.	P/E		EPS Growth		P/B		Dividend Yield		ROE	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
South East Asia	15.2	13.4	15.9	13.7	1.6	1.5	3.0	3.3	10.1	11.0
Indonesia	15.3	13.7	20.8	11.6	2.1	1.9	2.1	2.4	14.6	15.6
Malaysia	14.6	13.2	4.6	11.0	1.4	1.3	4.0	4.5	9.9	10.7
Phillipines	16.7	13.8	28.2	21.3	1.6	1.5	1.7	1.8	8.4	10.0
Singapore	12.6	11.2	14.4	12.2	1.0	1.0	4.3	4.7	8.9	9.5
Thailand	17.0	15.1	11.4	12.5	1.7	1.6	2.7	3.0	8.8	9.3
Vietnam	13.9	11.4	24.1	21.3	2.3	2.0	1.2	1.4	19.1	19.4
Asia	14.1	12.8	7.8	10.1	1.8	1.7	2.5	2.6	13.0	13.1
China	11.9	10.6	14.2	12.2	1.5	1.3	2.6	2.9	10.7	10.7
Hong Kong	11.0	9.7	10.5	13.4	1.2	1.1	3.2	3.5	11.0	11.2
India	21.1	18.2	17.9	15.8	3.2	2.9	1.4	1.5	15.1	15.7
Korea	11.0	9.9	-2.1	11.2	1.1	1.0	1.8	1.9	12.8	13.3
Taiwan	13.6	13.3	-1.7	2.5	2.3	2.1	3.8	3.8	17.7	17.4
Japan	16.0	15.2	7.9	5.5	1.7	1.6	2.0	2.1	10.4	10.4
Europe	12.5	11.7	7.6	6.1	1.7	1.6	4.5	4.7	12.7	12.6
German	13.8	12.7	4.8	8.8	1.8	1.7	2.9	3.1	13.2	13.2
France	14.7	13.9	7.9	5.2	1.8	1.7	2.9	3.1	12.3	11.7
Spain	12.3	11.1	6.7	10.9	1.2	1.1	4.4	4.8	9.5	9.4
Italy	11.0	10.2	12.5	8.0	1.2	1.1	4.3	4.6	9.4	9.7
Switzerland	17.9	16.5	7.9	8.5	3.0	2.8	2.8	2.9	17.0	17.4
Russia	5.4	5.6	5.9	-5.0	0.9	0.9	10.0	9.5	14.9	14.3
Middle East	13.9	12.8	10.8	8.5	1.9	1.8	3.4	3.8	21.0	20.8
Saudi Arabia	17.2	15.2	10.9	13.5	2.4	2.3	2.7	3.1	32.3	30.1
United Arab Emirates	18.5	17.5	12.1	5.7	2.3	2.2	2.6	2.7	12.6	12.9
Egypt	6.1	5.7	9.3	6.3	1.1	1.0	4.9	5.5	18.1	19.4
South Africa	9.3	8.3	7.5	12.8	1.8	1.6	5.0	5.2	24.2	22.9
South Africa	10.1	9.1	1.5	12.0	1.7	1.5	4.8	4.7	19.0	17.1
Kenya	8.5	7.5	13.6	13.7	1.8	1.7	5.2	5.7	29.4	28.7
Latin America	9.9	9.1	5.2	8.1	1.5	1.4	5.2	5.3	21.0	21.5
Mexico	13.2	11.9	7.3	11.5	2.0	1.8	3.7	3.6	22.5	24.8
Brazil	7.9	7.8	-9.3	1.9	1.5	1.4	7.0	6.9	21.7	21.3
Colombia	8.5	7.7	17.6	10.9	1.0	1.0	4.8	5.5	18.8	18.2

1Q22 Sector View (1)

Investment thesis for each sector

Sector	1Q22	Reason to Invest	
		Pros	Cons
Energy	Overweight	Coal :Market price already reflected current price however some company already diversified its portfolio to other commodities outside coal.	Coal : coal price seems still elevated on current market consensus, this inline with rising inflation and gradually normalization
Basic Industry	Underweight	Industrial Metal : price had been in structural uptrend due limited supply	Industrial Metal : as china market slowing down, stainless steel usage might be lower give pressure to nickel price
Industrial	Underweight	- Auto: Sales recovery as economy returns to growth and purchasing power improved - Building Material :Robust presales potentially still give boost to sales volume	- Auto: Tax incentive in 2020 creates a high base for auto sales in 2021. - Building Material : Margin due cost pressure from high energy commodity prices.
Consumer Non-Cyclical	Underweight	Poultry: Peaking commodity prices and improved poultry demand post covid	- FMCG : Margin pressure from commodity if stay elevated - Cigarette : Risk on higher duties - Poultry: Oversupply condition still hampers industry's margin
Consumer Cyclical	Marketweight	- Retail : Retail might surprise on revenue if mobility restriction getting less and less - Media: Consumer cos ad spending recovery should provide revenue growth	- Retail : market seems doesn't price-in, If there's mobility restriction more than 3-4 weeks. - Media: Still weak purchasing power could impact advertising spending

1Q22 Sector View (2)

Investment thesis for each sector

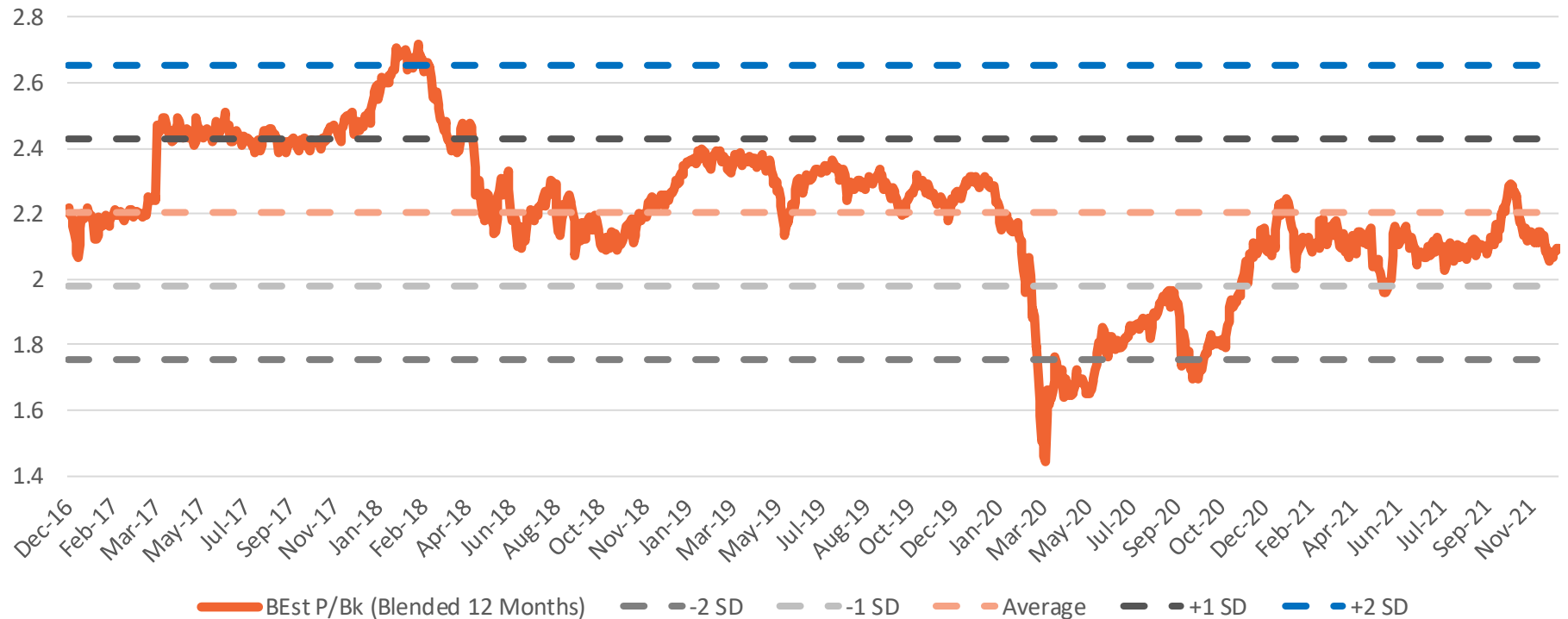
Sector	1Q22	Reason to Invest	
		Pros	Cons
Healthcare	Marketweight	- Pharma : Consumer product was one of laggards in 2021 as economy recovery might become a surprise - Hospital : revenue still could be growing as non-covid volume gradually recover.	- Pharma : Revenue seems to be high-base as supported due <i>covid-19</i> situation - Hospital : Earnings seems to be high-base
Financial	Overweight	Banks : Beneficiary of rising interest	Banks : Coc might slightly reverse if economy recovery were halted due external factor
Property	Overweight	- Residential : Presales had been robust since 1Q21 - Industrial : potential FDI coming back due trade regionalization	Residential : Rising interest might halt presales growth
Tech	Underweight	O2O : as economy recover catch-up, Mitra TPV potentially could be higher than expected	O2O : Marketplace had been struggling since 2Q21. one of factor is competition as GOTO will IPO in 2022.
Infrastructure	Overweight	- Telco: Industry consolidation should create healthier competition - Tower: Operator capex to still support growth - Construction: Better budget balance and reopening should allow infra projects to continue	- Telco: Plateauing subscribers and data growth - Tower: Operators consolidation to hamper tower leasing revenue growth - Construction: Leveraged balance sheet hamper profitability return
Transportation	Marketweight	- Logistic: Still strong ecommerce growth to drive the industry volume - Transportation: Reopening to improve traffic	- Logistic: Increased competition to slow growth - Transportation: Risk of new wave of COVID to cause tightening

JCI Historical Valuation

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

JCI Blended 12M Forward P/B

5 year BEst 12M BF P/B, since Dec' 2016



Source: Bloomberg, Syailendra Research

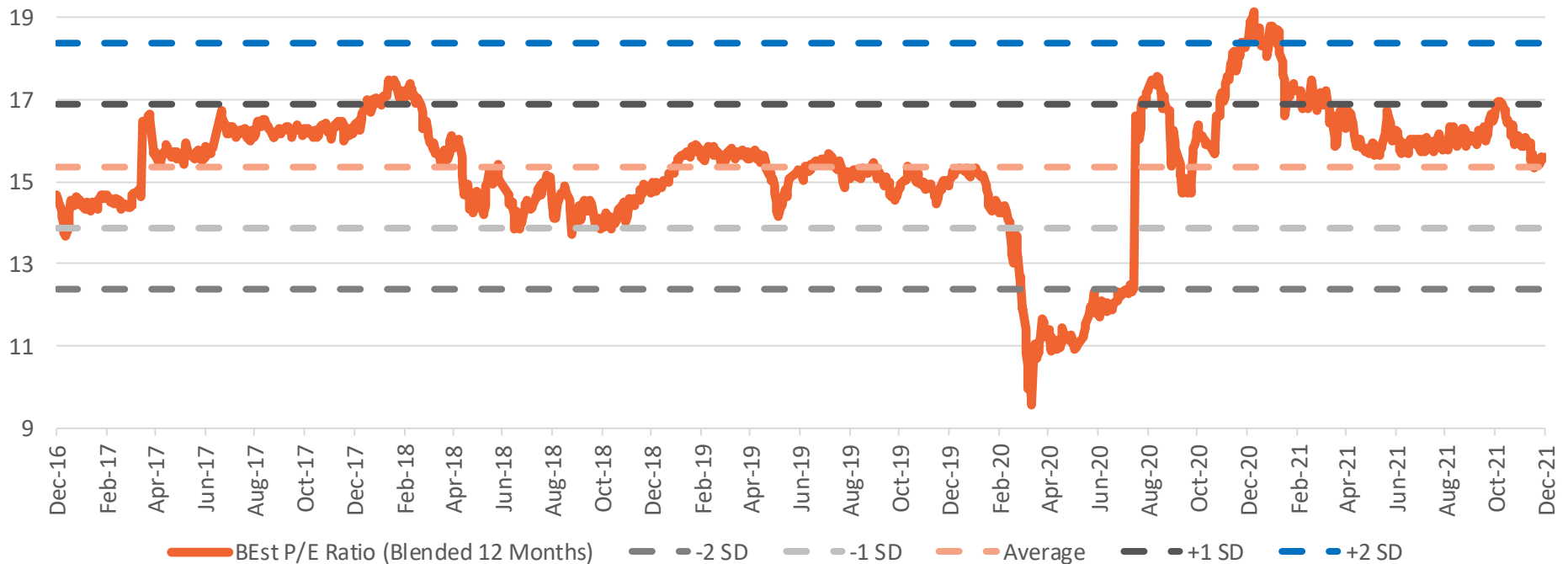
- Di saat yang bersamaan valuasi JCI menggunakan *price to book* masih dapat dikatakan memiliki potensi *upside*. Secara historis sejak 2016, P/B JCI berkisar di antara 2.2x – 2.4x dibandingkan level saat ini masih berada di 2.1x diantara level -1 S.D. dan 5 year average

JCI Historical Valuation

Market rally increases JCI P/E near to +1 Std Deviation

JCI Blended 12M Forward P/E

5 year BEst 12M BF P/E, since Dec' 2016



Source: Bloomberg, Syailendra Research

- Setelah IHSG rally di bulan Oct'21, terjadi koreksi di bulan Nov'21 sehingga sekarang valuasi IHSG berada di rata-rata 5 tahun

Equity Outlook

Our view, bullish on recovery

Our View on Equities

Explanation

Catalyst & Key Thesis	2020	2021	2022F	Notes
Valuation	Rich	Rich	Neutral	Earnings catch-up with valuation become near mean 5Y P/E
Earnings Growth	Negative	Positive	Positive	JCI deliver 17-20% was still higher than majority of EM market
Liquidity	Positive	Positive	Neutral	No dollar shortage based on current observation
Foreign position	Neutral	Positive	Positive	All time low position
IDR Outlook	Neutral	Positive	Positive	Strong trade balance and CAD, if IDR depreciate might attract short-term investor looking its carry yield

- ⚠ Untuk strategi *equity* kami melihat beberapa sektor yang berpotensi menjadi *beneficiary* dengan kondisi 1) *high commodity price & inflation*, 2) *rising interest*, 3) *domestic economy recovery*, 4) *Foreign*:
 - Banks
 - Telco and Auto
 - Commodity related
- ⚠ Target IHSG *base case* berada di 7,400 - 7,500. Hal ini didasarkan pada 2022 *earnings growth* 17 dan P/E bergerak relatif *flat* yaitu di level +0.5 Std.Deviation (P/E : 17.79x 2022F)

Section 04



Appendix

Syailendra Internal Macro and Benchmark View

Internal Target for 2021F and 2023F

Syailendra Macro Indicator and Benchmark

In each unit

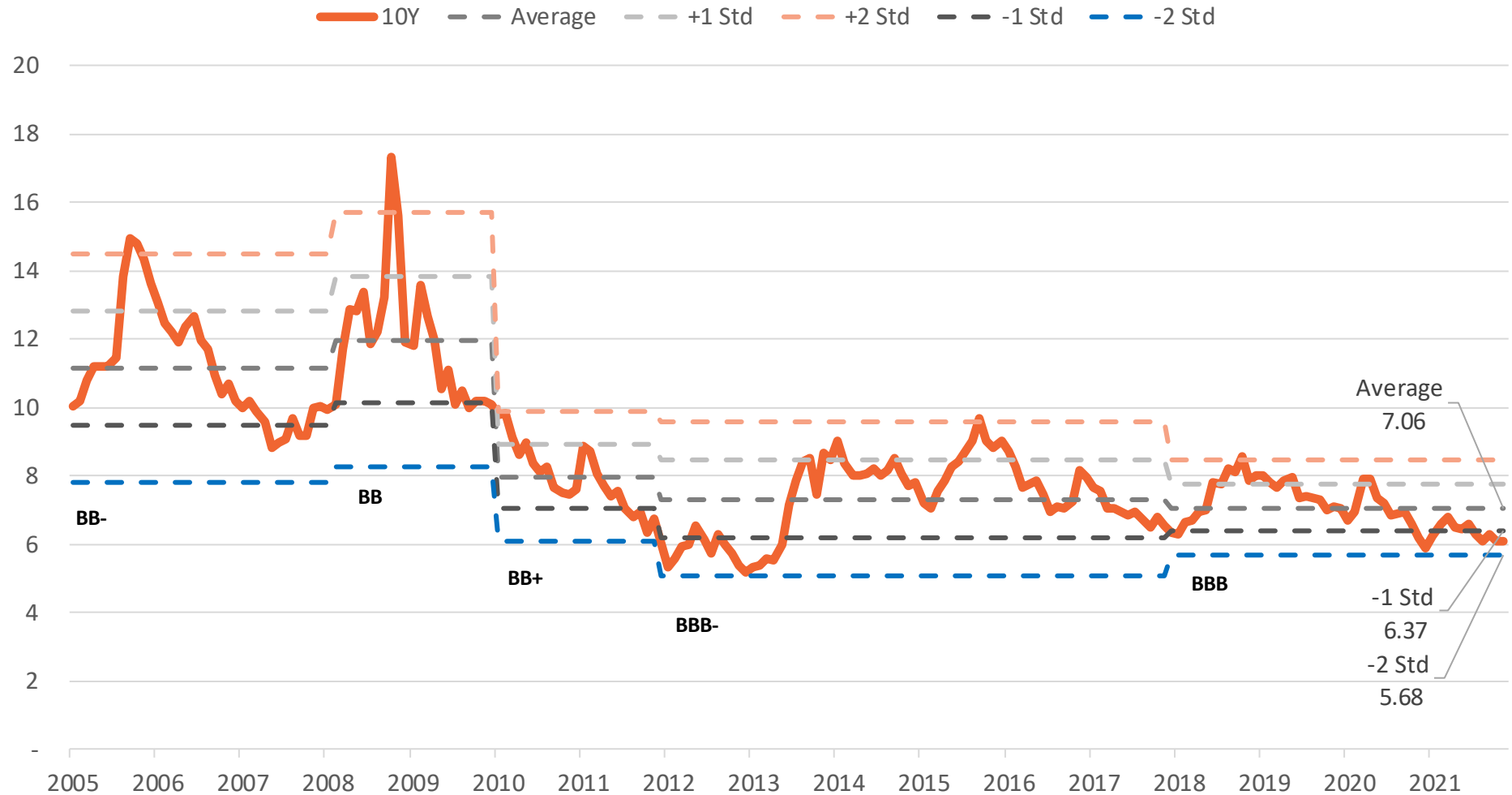
Desc.	Unit	Syailendra						
		21E	22E			23E		
		Base	Bear	Base	Bull	Bear	Base	Bull
Macro Indicator								
GDP Growth YoY	Average full year	3.50	3.50	4.80	6.00	4.80	5.20	5.60
Inflation YoY	Average full year	2.20	4.00	3.00	2.50	4.00	3.00	2.50
Fiscal Deficit (% of GDP)	End of year	-5.80	-5.35	-4.85	-4.35	-3.50	-3.00	-2.75
Current Account (% of GDP)	Average full year	-0.2 sd +0.2	-1.20	-0.60	-0.20	-1.80	-1.40	-1.00
USDIDR	End of year	14,200	15,000	14,500	14,000	15,200	14,800	14,400
Rates								
Central Bank Rates Indonesia	End of year	3.75	4.50	4.00	3.75	4.75	4.25	4.00
10 YR Govt Bond Yield IDR	End of year	6.25	7.00	6.50	6.25	7.25	6.75	6.50
Equities								
JCI	End of year	6,500	7,100	7,500	7,800	7,600	8,000	8,200
Earnings Growth	End of year	30.0%	15.0%	17.5%	22.5%	5.0%	7.5%	10.0%
P/E 1FY	End of Year	17.60	17.30	17.80	17.80	17.30	17.80	17.80
P/E Band	End of Year	+0.75 Mean	+0.25 Mean	+0.50 Mean	+0.50 Mean	+0.25 Mean	+0.50 Mean	+0.50 Mean

Source: Syailendra Research, Bloomberg

INDOGB Long-term valuation still attractive

Currently, INDOGB valuation a bit rich at +1 Std since its BBB rating

10Y INDOGB yield band during each credit rating period
In %



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