

Monthly Bulletin

January 2019

What's Inside



Calendar

ID Trade Balance (15-Jan)
CH GDP (21-Jan)
US GDP Annualized Adv. (30-Jan)
US FOMC Meeting (31-Jan)



Global Event

Tahun 2018 dipenuhi oleh berbagai *event global* seperti *US Quantitative Tightening*, *US-China Trade War*, dst. Di awal 2019 terjadi pembalikan arah atas sentimen tersebut yang menguntungkan pada negara-negara *emerging market*



Indonesia

Sejak Akhir Nov-18, Rupiah mengalami penguatan sehingga selama periode 2018 Indonesia hanya terkena 5.75% depresiasi. Rupiah melanjutkan penguatannya sebesar 2.4% per 10-Jan-18. Hal ini dipicu dari perubahan sentimen atas perekonomian Amerika Serikat



Equity Market

Kinerja IHSG ditutup sebesar -2.54% selama 2018. Hal ini diakibatkan oleh sentimen global sehingga terjadinya pelemahan Rupiah dan Arus Keluar oleh investor asing. BBKA, CPIN, INKP merupakan *leaders* sedangkan HMSP, UNVR, TLKM menjadi *laggards* selama tahun 2018



Fixed Income Market

Yield 10YR selama 2018 8.03% atau meningkat 1.7% dari awal tahun. Hal ini dipengaruhi oleh sentimen luar, Berbeda dengan pasar saham. Investor asing secara nominal tidak melakukan penjualan bahkan menambah sebesar 33trn IDR. Namun, investor asing cenderung kearah *wait and see* dan sehingga porsi kepemilikan Investor asing di tahun 2018 menurun 40.8% menjadi 37.7% atau menurun 3.1% selama tahun 2018.





Section
Macro Update

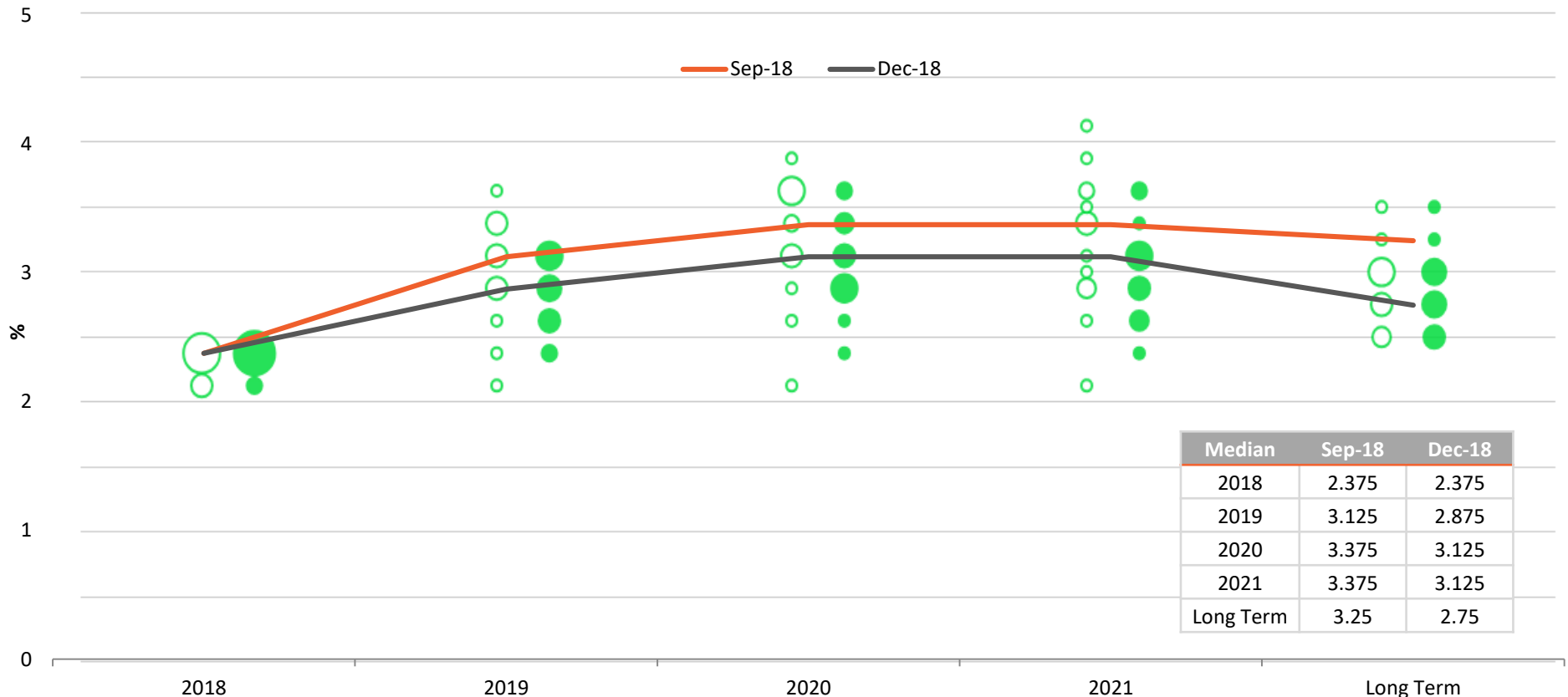
01

The Fed's New Dot Plot and Fed Minutes Dec-19

2 from 3 Hikes in 2019, More Dovish Tone Coming from FOMC

Projection comparison between Sep 2018 and Dec 2018

In %



Source: Bloomberg, Syailendra Research

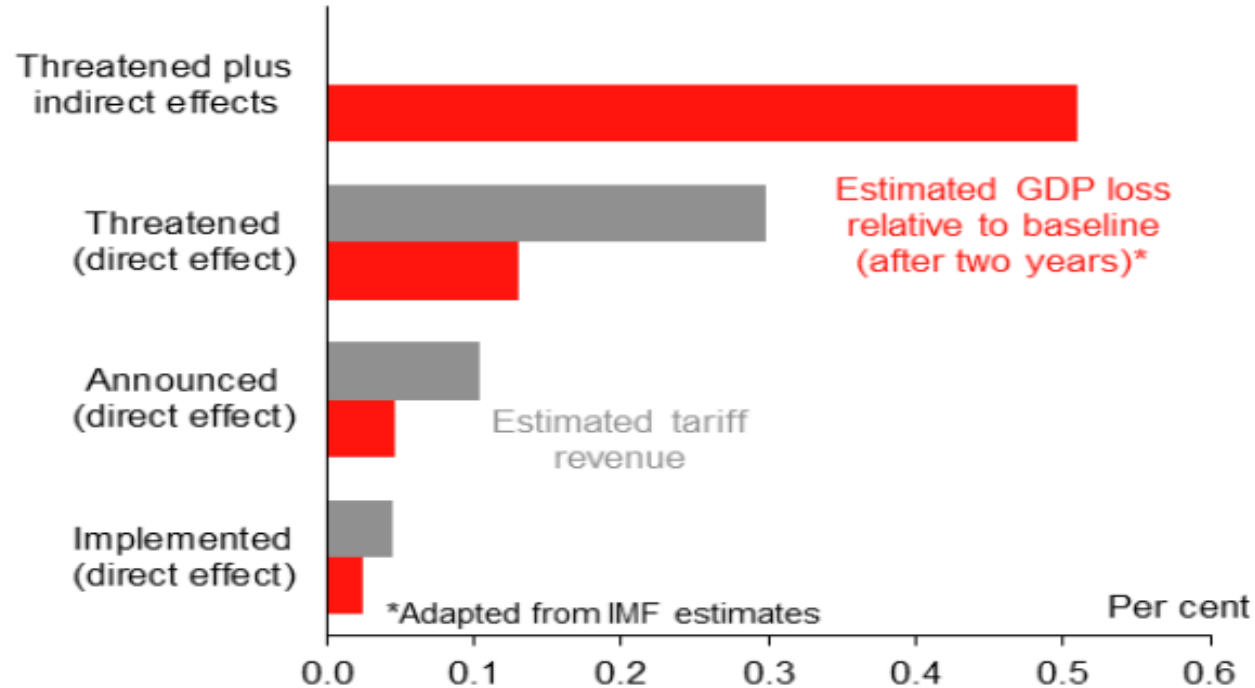
Bank Sentral Amerika menurunkan proyeksi kenaikan suku bunga dari 3 kali menjadi 2 kali di 2019 dan juga 2020. Hasil notulen *FOMC Dec-18* menekankan atas pendekatan *data dependent* dan mempertimbangkan volatilitas pasar finansial yang dapat berdampak terhadap perekonomian.

Potential Modest Trade Deal Between US-China

Waiting until the 01 March 2019 for deal deadline

Estimated global GDP loss and tariff revenue

Percent of GDP



Source: IMF, Macquarie

Chart diatas merupakan estimasi dampak atas *worst case scenario (no-deal scenario)* terhadap global GDP. Namun, kami mendengar terkait perkembangan di sector energy dan agriculture tetapi masih perlu perkerjaan tambahan terkait teknologi dan *intellectual properties*. Adapun kemungkinan akan di lakukan perpanjangan selama 3 bulan berikutnya terkait resolusi atas permasalahan dagang antara US-China.



Section

Fixed Income Update

02

Auction Opens with Solid Demand

Slightly higher offshore demands for conventional gov't bonds

1st Auction Result on Conventional Gov't Bonds

As of 3-Jan-2019

Bio IDR	3M SPN	1Y SPN	FR77	FR78	FR68	FR79
Total bids	7,075	10,825	16,742	11,126	4,267	5,240
Total awarded	2,000	3,000	9,750	6,650	2,750	4,100
Lowest Bid Yield (%)	5.78	5.80	7.95	8.02	8.30	8.40
Avg. Yield Awarded (%)	5.81	5.94	7.98	8.05	8.35	8.48

Source: DJPPR

1st Auction Result on SBSN

As of 8-Jan-2019

Bio IDR	6M SPNS	PBS014	PBS019	PBS021	PBS022
Total bids	8,201	3,743	5,080	0,461	0,326
Total awarded	2,000	1,800	4,450	0,405	0
Lowest Bid Yield (%)	6,25	7.78	7.90	8.28	8.53
Avg. Yield Awarded (%)	6.44	7.84	7.94	8.34	

Source: DJPPR

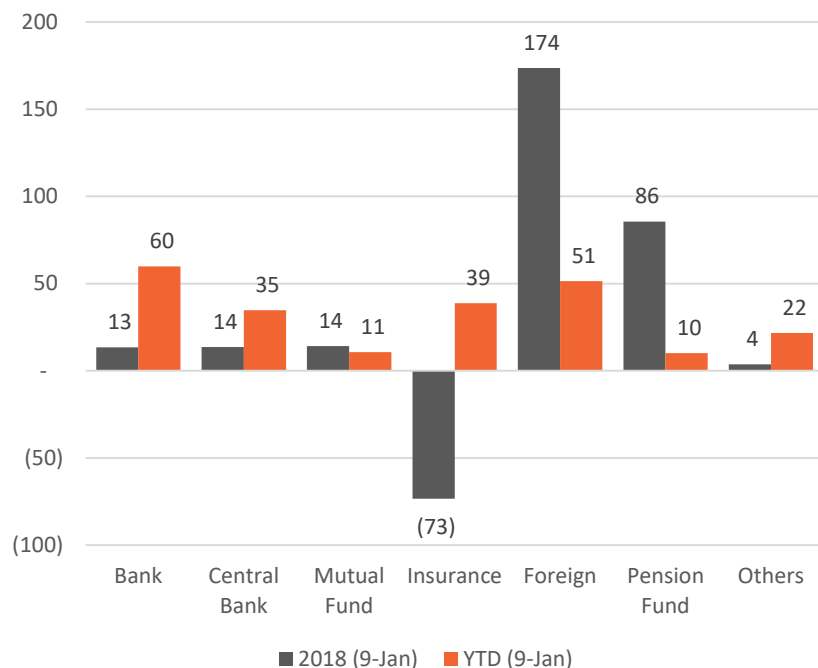
- 10Y Yield cenderung menurun selama 2 minggu kebelakang ini dari akhir tahun di 8.02% menjadi kisaran 7.9% pada minggu ke-2 Jan-19.
- Hal ini didukung oleh penawaran yang cukup stabil untuk lelang obligasi atau sukuk pemerintah. Pemerintah memperkenalkan FR0079 sebagai benchmark 20Y dan PBS022 sebagai benchmark sukuk 15Y.
- Permintaan dari investor asing sedikit meningkat dari 22.8% di 3-Jan-19 dibandingkan rata-rata tahun 2018 berada di 21.4%. Penguatan IDR mengakibatkan stabilitas dan *improvement* atas Pasar SUN Indonesia.

Fixed Income Update – SBN & SBSN Ownership

Local Demand still dominate in beginning of the year

Net New Ownership of SUN

Based on ownership change YTD, in IDR tr

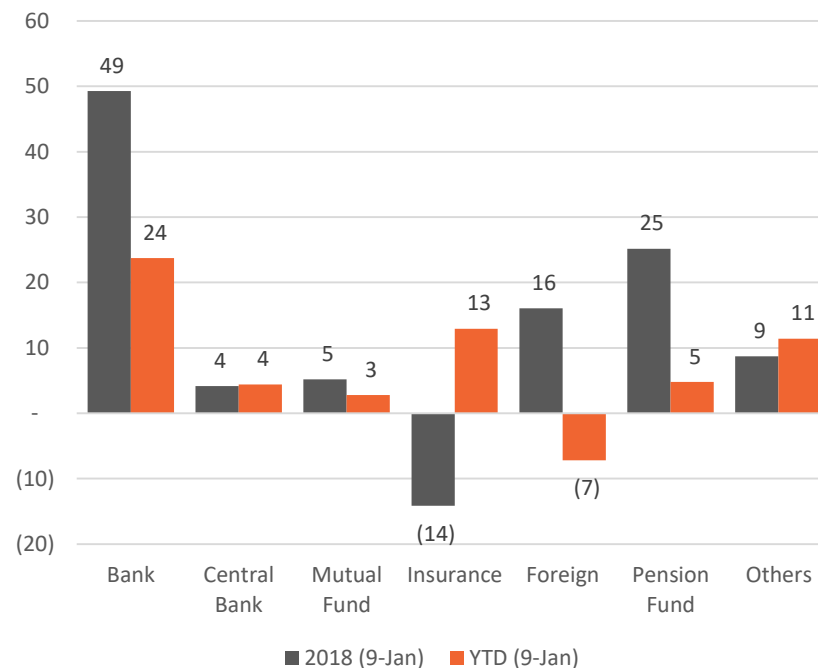


Source: DJPPR

Investor asing mempunyai **posisi lebih rendah** dibandingkan awal tahun 2019. Namun, kami melihat sedikit peningkatan pada lelang pertama. Di sisi lain, *demand* dari lokal mulai cukup kuat (**perbankan dan asuransi lebih dominan**) dibandingkan periode yang sama tahun 2018.

Net New Ownership of SBSN

Based on ownership change YTD, in IDR tr



Source: DJPPR

Asuransi cukup mendorong pasar SBSN di awal tahun sedangkan perbankan mempunyai posisi sedikit menurun di awal tahun 2019. *Demand* secara overall cukup stabil

Strategy fixed income for 2019

Importance of timing

Expectation Related to Indonesia Bonds

In points of argument

Arguments for Fixed Income Market

Sentimen negatif dari eksternal, seperti perang dagang dan harga minyak mentah secara perlahan mulai berkurang

Posisi investor asing di SBN secara historikal relatif rendah

Sinkronisasi kebijakan moneter dan fiskal pemerintah Indonesia

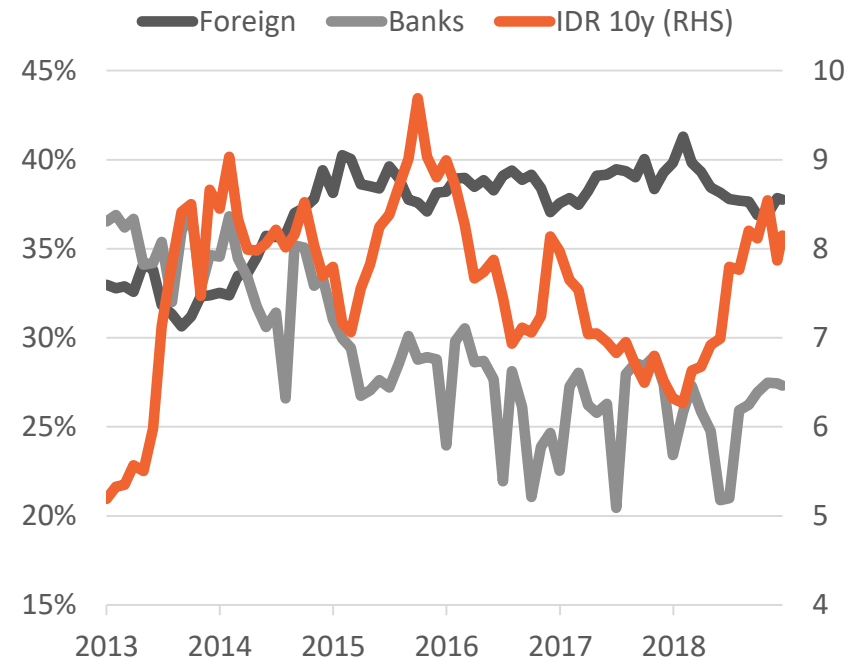
Faktor ketidakpastian dari Pilpres 2019 tetap perlu kita cermati

Source: Bloomberg

- ⚠ Kami melihat volatilitas yang pasar akan alami tahun depan lebih rendah daripada tahun ini melihat sentimen negatif di pasar berkembang secara perlahan mulai berangsur netral. Selain itu, posisi investor asing di SBN secara historikal juga relatif rendah.
- ⚠ Dari sisi *timing*, kami akan cenderung lebih defensif pada 2Q dan 3Q tahun depan melihat adanya ketidakpastian dari hasil Pilpres 2019 sambil mengukur efisiensi dari kebijakan pemerintah yang baru.
- ⚠ Memperhatikan kebijakan moneter Indonesia maupun global, *fair level* untuk imbal hasil tenor 10y kami perkirakan berada di level 8%.

10y Yield and Ownership of Foreign & Banks

Numbers in %



Source: Bloomberg



Section
Equity Update

03

Looking Back 2018

Key Highlight

List of Highlight in 2018

By each event

No	Related	2018 Highlights
1.	General Economy	<ul style="list-style-type: none">Trade deficit and CAD are widened. In midst of higher deficit, MoF imposed import restriction on selected goods and require for higher local component import (TKDN)
2.	Politics	<ul style="list-style-type: none">Jokowi announced Mr Ma'ruf Amin, leader of Indonesian Ulema Council, as his VP for 2019 election. While, The opposition, Prabowo subianto, announced Mr. Sandiaga Uno ,former PE CEO and Jakarta Depusty Governor, as his VP for 2019 election.
3.	Paper	<ul style="list-style-type: none">Paper stocks outperform due higher paper price. Also, TKIM and INKP are included into MSCI and FTSE Index.
4.	Mining	<ul style="list-style-type: none">Coal DMO and price cap on coal domestic sales to power plants at USD 70 for 6,000 kcal/kg GAR to relieve PLN financial burden. Also, Price divergence between Newcastle 5,500kcal and 6,000 kcal
5.	Property	<ul style="list-style-type: none">Bank indonesia relaxed on property mortgage and mortgage disbursement from bank to developers.
6.	Telco	<ul style="list-style-type: none">Issue on price war between big company still surround 2018. At the same time, EXCL market share is increasing while ISAT loss in 2018.
7.	Tobacco	<ul style="list-style-type: none">Absence of excise hike in 2019 support for tobacco stocks to rally post the announcement in news
8.	Regulation	<ul style="list-style-type: none">IDX will implement free-float adjustment in LQ45 and IDX30 Index as weighting measurement. HMSP and UNVR were the losers due low free-float. The adjustment will adjusted gradually.

Source: Various Sources, IDX, Bloomberg

2018 was Rough Year for Equity

Comparing to 2013 and 2015

List of Highlight in 2018

By each event

Peak to trough change	Taper Tantrum 2013	Taper Tantrum 2015	Quantitative Tightening 2018
MSCI Indonesia (USD) Peak to trough correction	37%	37%	26%
JCI (IDR) Peak to trough correction	24%	25%	16%
Time span (no. of trading days)	65	115	112
USDIDR (Peak to trough)	17% Depreciation	14% Depreciation	14.4% Depreciation
FX Reserve (USD Bn)	112bio to 93bio (-19bio)	115bio to 100bio (-15bio)	132bio to 114.9bio (-17bio)
Foreign bond ownership % (Peak to trough)	34% to 31% (-3%)	40% to 37% (-3%)	41% to 37% (-4%)
FY Current Account (% of GDP)	-3.2%	- 2.1%	-2.0% up to -2.5% (BI Estimation)
Fiscal Deficit	-2.2%	-2.5%	-1.76%
Inflation CPI	8.1%	3.4%	3.13%

Source: Credit Suisse, Bloomberg

Our View on Sector for 1Q19

Current vs 1Q19

No	Sector	Period		Reasonings
		4Q18	1Q19	
1.	Agriculture	Marketweight	Marketweight	<ul style="list-style-type: none"> Slowdown in new planting in the past few years would have an effect in 2H19 and B20 will act as a stabilizer, but expect CPO price to remain sluggish in the next quarter.
2.	Basic Industry	Underweight	Underweight	<ul style="list-style-type: none"> OW on cement as demand and ASP is recovering on top of an expected consolidation. On the poultry side, we recommend UW as we see a potential rise in COGS from rising corn prices.
3.	Consumer staples	Neutral	Overweight	<ul style="list-style-type: none"> We recommend OW on staples as we see grassroots' demand improving across the board. We like companies with strong brand equities that have pricing power.
4.	Banks	Overweight	Overweight	<ul style="list-style-type: none"> Selective OW on M&A plays and big banks. However, recovery in loan demand has not shown a sustainable sign although asset quality has not shown a sign of worsening.
5.	Infra, Utility & Transport	Underweight	Marketweight	<ul style="list-style-type: none"> On the infra space, we think subsector telco is facing short term tailwind due to price war although we believe the long-term growth story remains intact. Subsector utilities are also facing an overhang from potential acquisitions and impairment.
6.	Mining	Underweight	Underweight	<ul style="list-style-type: none"> Demand concerns on commodities linger on amidst trade war. Low CV coal price discount has widened. However, exporters are USD earners and we are entering high season quarter.
7.	Miscellaneous	Marketweight	Marketweight	<ul style="list-style-type: none"> For auto industry, we see no signs of convincing recovery. Valuation is fair.
8.	Property & Real Estate	Underweight	Marketweight	<ul style="list-style-type: none"> The valuation is too cheap to ignore. Some property names is trading at deep discount against its NAV, but lack of catalyst at the moment.
9.	Building Construction	Underweight	Marketweight	<ul style="list-style-type: none"> Lack of catalyst, balance sheet and cash flow issues have dominated investor sentiment. However, valuation is now cheap.
10.	Trade, Services & Inv	Marketweight	Marketweight	<ul style="list-style-type: none"> We recommend UW on mining contractors due to oversupply in the industry potentially pushing down ASP. On the other hand, we like selective retailers as we see improving grassroots demand.

Equity Strategy for 2019

Selectively optimistic

Arguments for Equity Market

IDR mengalami apresiasi yang disebabkan oleh perbaikan sentimen di regional maupun di dalam negeri serta penurunan harga minyak yang merupakan salah satu komponen impor terbesar di Indonesia.

Kami memperkirakan pertumbuhan kredit akan tetap positif diiringi kembalinya dana pihak ketiga di bank BUKU IV. Dengan kualitas aset yang masih stabil. Meningkatnya anggaran belanja sosial dapat menstimulasi *purchasing power* kelas menengah ke bawah.

Valuasi JCI sudah cukup menarik saat ini, walaupun sudah rebound dari titik terendah. Investor asing juga telah mulai kembali.

Arguments for Equity Market

Arus dana asing yang masih jauh dari stabil dan cenderung volatile sejalan dengan fluktuasi pasar keuangan dunia.

Resiko trade war masih ada, walaupun telah mereda jika dibandingkan kondisi di 3-6 bulan yang lalu.

Terdapat penyesuaian indeks dengan mempertimbangkan rasio free float terhadap kapitalisasi pasar. Hal ini akan membuat harga JCI, LQ45, dan IDX30 terlihat turun.

Secara umum resiko utama pasar keuangan EM dan Indonesia bersumber dari penguatan USD dan menurut kami tekanan nya telah jauh berkurang sekarang. Posisi investor asing di Indonesia juga telah jauh berkurang dan valuasi Indonesia telah terlihat cukup murah. Dengan asumsi pertumbuhan EM dan Indonesia membaik, harus nya flow asing bias kembali. Kami melihat ada upside 8% hingga 12% untuk JCI di tahun 2019.

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