

Monthly Bulletin

Oktober 2020

What's Inside



Calendar

CN Coal Import Volume (13-Oct)
 ID BI 7D Repo Rate (13-Oct)
 CN GDP 3Q (19-Oct)
 US GDP 3Q (29-Oct)
 UK LME Nickel & Copper Stocks



Global Event

Menjelang Pemilu AS di Nov'20, persaingan antara Biden dan Trump semakin memanas. Ini memberikan ketidakpastian politik terhadap USD. Di sisi lain, tren peningkatan infeksi *Covid-19* di negara-negara Eropa dan Amerika membuat investor kembali waspada.



Indonesia

Di tengah situasi pandemi Covid-19, Pemerintah Indonesia mulai memberikan kejelasan terkait *progress* Omnibus Law. RUU Cipta Kerja telah disetujui oleh paripurna. Hal ini dapat meningkatkan kualitas kompetisi Indonesia dalam menarik *foreign direct investment*.



Equity Market

Kinerja IHSG ditutup sebesar -22.69% YTD atau -7.03% MoM (*cutoff date: 30-Sep-20*). Koreksi diakibatkan oleh implementasi PSBB 2nd. Top 3 *Leaders* 1) POLL, 2) EMTK, 3) SOHO dan Top 3 *Laggards* 1) BBKA, 2) BBRI, 3) BMRI. Investor asing melakukan *net sell* sebesar 15.5trn di bulan Sep 2020.



Fixed Income Market

Imbal hasil 10 tahun obligasi Indonesia ditutup di level 6.9% pada akhir Sep 2020. Kepemilikan investor secara proporsional menurun dari level 30% menjadi 27%. Pembelian signifikan oleh perbankan mampu mengimbangi aksi jual investor asing sebesar 8.8trn di bulan Sep 2020.





Section

Syailendra Perspective

1

Looking Back Our Investment Thesis in 3Q20

Macro catalyst had priced-in during 2Q20, focusing on *stock-picking*

Selama 3Q20, IHSG mencatatkan kinerja sebagai -0.7% sejak Jun'20. Pandangan kami pada saat itu ialah:

- 🏗️ Stimulus fiskal dan moneter sudah *price-in* ketika indeks saham global, termasuk IHSG, telah *rally* sebesar 25% - 40% dari level terendah.
- 🏗️ Secara umum kembalinya aktivitas ekonomi akan terjadi secara gradual. Beberapa sektor, seperti jalan tol, semen, mobil, dan barang-barang *discretionary* berpotensi akan mengalami *recovery* yang lebih cepat.
- 🏗️ Revisi *earnings* kami rasa telah cukup, mengindikasikan *bottoming market*.
- 🏗️ Posisi investor asing dan institusi lokal juga tidak agresif mengindikasikan *tactical bullish*.
- 🏗️ Respon pasar finansial atas peningkatan kasus Covid-19 terlihat lebih proporsional. Namun, koreksi mungkin terjadi bila 1) terjadi *lockdown* secara *massive* dan 2) sentimen konsumen yang memburuk.
- 🏗️ Dengan Pemilu AS di 4Q20, kami melihat risiko atas penguatan USD menjelang akhir tahun.
- 🏗️ Valuasi tidak lagi terlalu *depressed* di beberapa sektor dan momentum juga sedikit melandai, *risk and reward* dalam *stock-picking* lebih penting.

Our Opinion and View for 4Q20

Cautiously optimistic between fear of lockdown and hope of vaccine

Berdasarkan hal yang telah terjadi di 3Q20, kami memiliki pandangan untuk 4Q20 atas dinamika pasar sebagai berikut:

- 🏠 Pelaku pasar akan fokus pada hasil uji *testing* fase III yang dilakukan pada beberapa kandidat vaksin Covid-19. Level IHSG saat ini sudah mencerminkan sebagian dari ekspektasi tersebut.
 - *Event* yang menurut kami penting akan terjadi pada tanggal 22-Oct-2020 terkait *Advisory Committee Meeting to Discuss Covid-19 Vaccines* yang diumumkan sebelumnya oleh *US FDA*.
- 🏠 Kami melihat hasil dari Pemilu AS akan menentukan kebijakan ekonomi yang mempengaruhi persepsi investor global terhadap *emerging market*.
- 🏠 IHSG bergerak flat dari 2Q20 ke 3Q20 terutama disebabkan oleh koreksi 10% di bulan Sep-2020. Hal ini disebabkan oleh: 1) PSBB 2nd yang tidak di ekspektasi oleh pasar, 2) *Noise* atas perubahan RUU Bank Indonesia yang diajukan oleh DPR, 3) Kasus rata-rata infeksi harian di regional Eropa dan AS mengalami peningkatan signifikan dalam 1 bulan terakhir.
- 🏠 Berdasarkan hal-hal di atas, kami melihat kinerja IHSG akan sangat terpengaruhi oleh ekspektasi pasar terhadap *rollover earnings* di 2021. Ekspektasi konsensus akan sangat dipengaruhi oleh:
 - Hasil fase III vaksin dari para *developer* vaksin (Astra Zenecca, Pfizer, Moderna, Sinovac, dll) dan Rencana roll-out vaksin.
 - Perubahan PSBB menjadi PSBB Transisi yang diikuti oleh penurunan CFR. Penurunan CFR dan relaksasi PSBB akan mengembalikan kepercayaan konsumen secara gradual.



Section

COVID-19 Updates

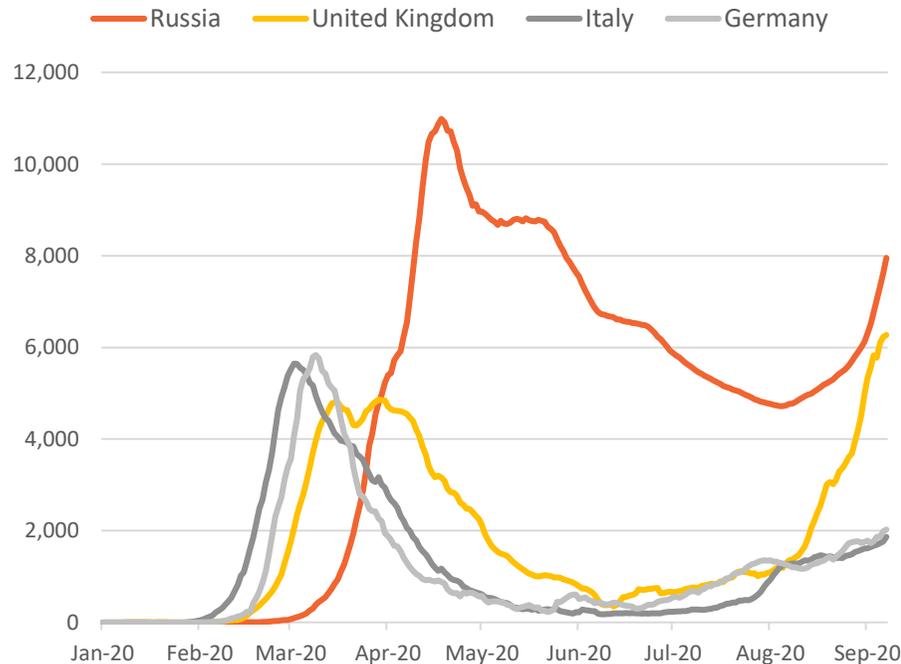
2

UK and Iran Daily Already Start 2nd Outbreak

Avg. 7D daily new cases already outpaces Mar-Apr threshold

European Region Daily New Cases Trend

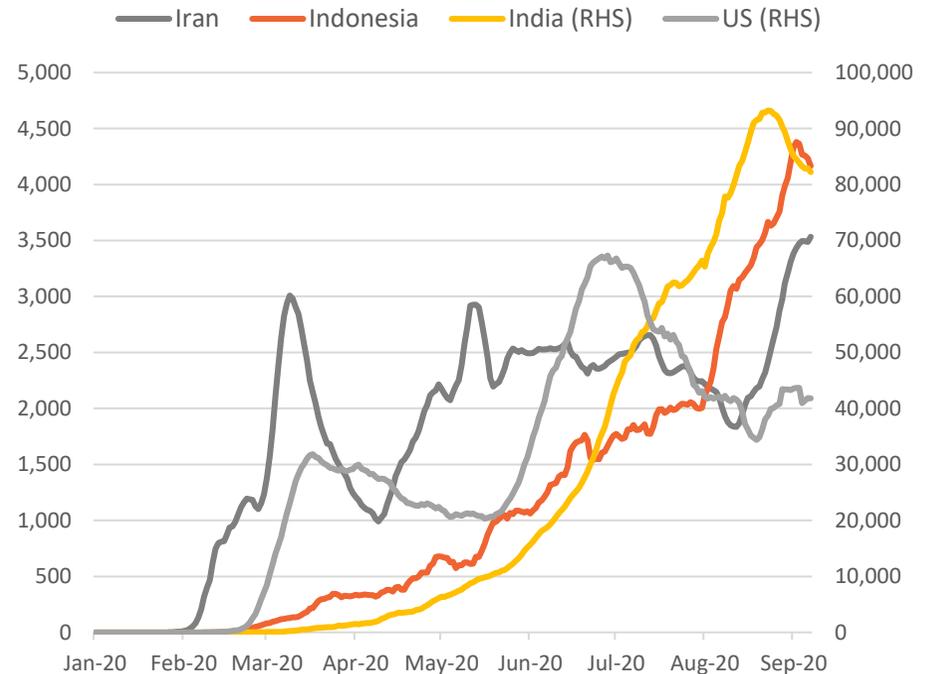
Avg. 7D Daily New Cases



Source: Syailendra Research, JHU, Owid

Asia and North America (US) Daily New Cases Trend

Avg. 7D Daily New Cases



Source: Syailendra Research, JHU, Owid

⚠ Berdasarkan observasi kami dua negara (*UK* dan *France*) di regional eropa tambahan infeksi harian telah melewati level pada saat 1st outbreak (Mar-Apr'20). Tren yang sama terjadi di Iran sedangkan India dan Indonesia belum mengalami penurunan signifikan sejak 1st outbreak.

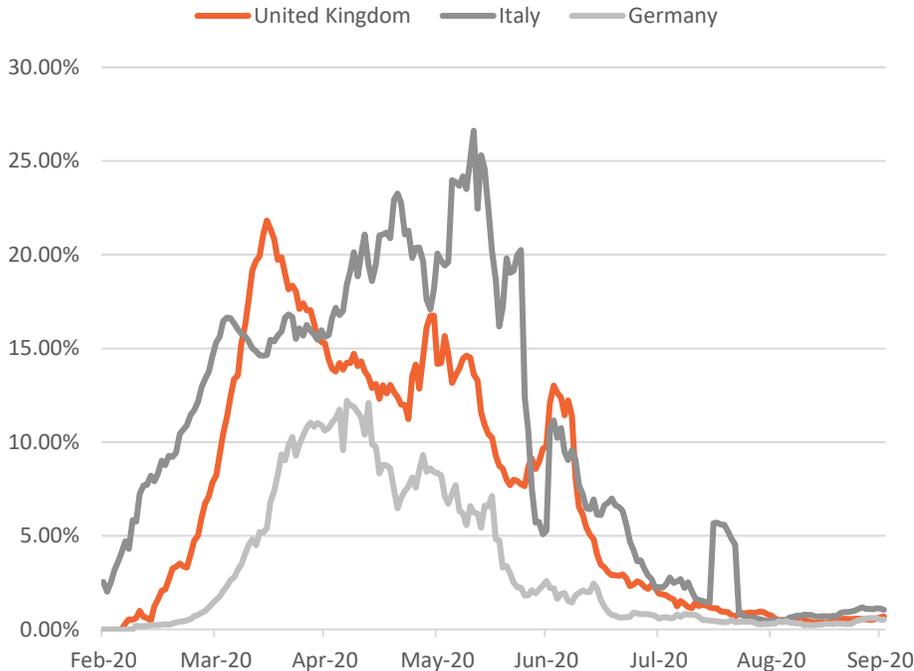
⚠ Infeksi harian AS sedikit mengalami peningkatan di mana penyebaran setelah mengalami penurunan selama bulan Aug'20.

However, Case Fatality Rate Generally Trending Down

Discovery on better treatment improve global CFR

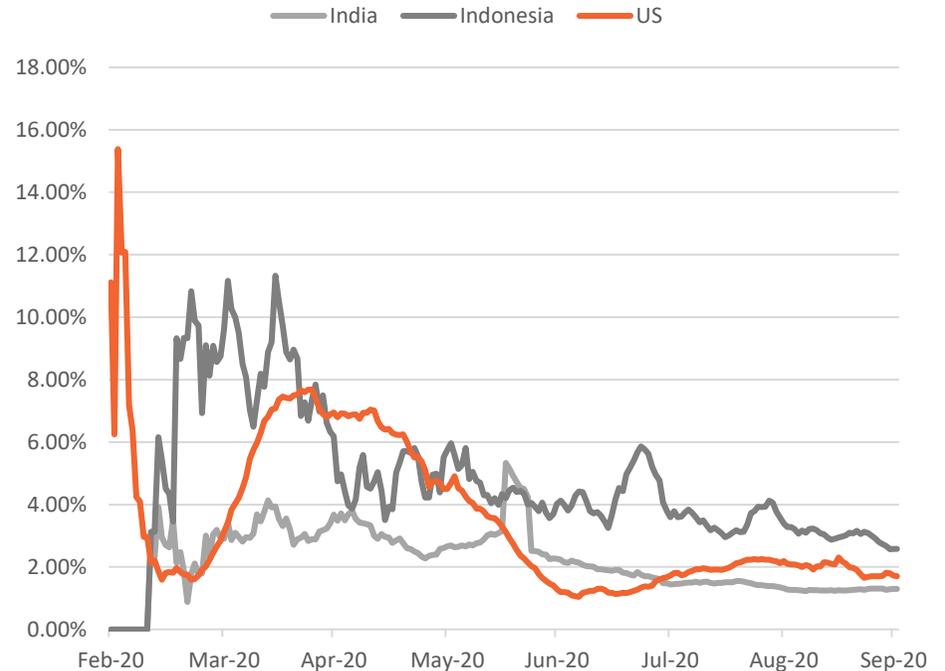
European Region Case Fatality Rate

In % 7DMA death of 7DMA confirmed cases



Asia and North America (US) Case Fatality Rate

In % 7DMA death of 7DMA confirmed cases



Source: Mandiri Sekuritas, Syailendra research

Source: Syailendra Research

- Walaupun kita cermati ada peningkatan kasus harian di Negara-Negara sebelumnya. Namun, secara umum tingkat mortalitas (*case fatality rate*) yang terjadi di setiap Negara menurun. Menurut kami hal ini diakibatkan dengan berkembangnya penemuan *treatment* untuk pasien yang terkena COVID-19 .

Update on Vaccine Timeline

Few of Phase III vaccine candidates had released their study protocol in Sep'20

Summary of Major Vaccine Development

As of Sep'2020

Country/ Region	Vaccine Developer	What Happened in Sep'20 & Anticipated Next Steps	2020				2021	
			1Q	2Q	3Q	4Q	1Q	2Q
US	Novavax/Emergent Biosolution/Praha Vaccine/Serum Institute of India/AGC Biologics/Fujifilm Diosynth Biotech	Phase III trial expected to be dosed September 2020	Phase I & II			Phase III (Dec-Jan'21) 1Q21 : Operation Warp Speed		
US	Moderna/NIAID/Lonza/Catalent/Rovi/Mediate	Study protocol for late-stage clinical trials released September 2020; Phase I interim data from older adult cohorts released Aug 2020 and published Sept 2020	Phase I & II		Phase III (Nov-Dec'21) 4Q20-1Q21 : Operation Warp Speed			
China	Sinovac/ Instituto Butantan	Received approval for Phase I/II trial in adolescents and children in September 2020		Phase II	Phase III + Limited Approval			
China	Beijing Institute of Biological Products/Sinopharm				Phase III			
China	Wuhan Institute of Biological Products/Sinopharm				Phase III			
UK & EU	Astra Zeneca & Consortium of University	Study protocol for late-stage clinical trials released September 2020; AstraZeneca clinical trials resumed in the UK on 9/14/2020 and in Brazil and South Africa on 9/15/2020, trial remains on hold in the US; AstraZeneca voluntarily paused vaccination to allow independent review of safety data on 9/8/2020;			Phase III (Nov-Dec) 4Q20 : Possibility of Emergency Delivery		Est. Production	
US	Biontech/Fosun Pharma/Pfizer	Study protocol for late-stage clinical trials released September 2020;			Phase III (End Oct) 4Q20-1Q21 : Operation Warp Speed			
US	Janssen Pharma (J&J)	Phase III trial (ENSEMBLE) began and study protocol released September 2020;				Phase III (Dec-Jan'21)		
China	Cansino		Phase I & II		3Q20-4Q20 : Phase III 3Q20 : Limited Used (Military)			
Russia	Gamaleya Research Institute	Phase III (post-registration) trial began September 2020;			Phase III			

Sumber: New York Times, Milken Institute, Credit Suisse

- Ada sembilan kandidat yang akan atau telah memasuki fase III. Fase III merupakan tahapan pengujian secara masal untuk menguji efektivitas vaksin. Adapun dua tambahan vaksin yang masih dalam fase III telah disetujui oleh negara masing-masing untuk dapat dilakukan penggunaan terbatas sebagai penggunaan *emergency*.

Vaccine Progress on Sep'20

Incremental positive news from several vaccine producers

Secara umum, kami telah melihat beberapa negara sedang ikut dalam uji coba fase III dengan produsen vaksin seperti: Brazil bekerja sama dengan SINOVAC, Astra Zanecca, dan 2021: Sputnik-V dari Russia, Chile bekerja sama SINOVAC dan J&J. Kami juga melihat hal yang sama di India.

Di saat yang bersamaan, kami melihat beberapa hasil positif dari uji fase I dan II terhadap profil risiko tertentu (e.g. *elderly participants*).

News Coming Out from Media Related to Vaccines:

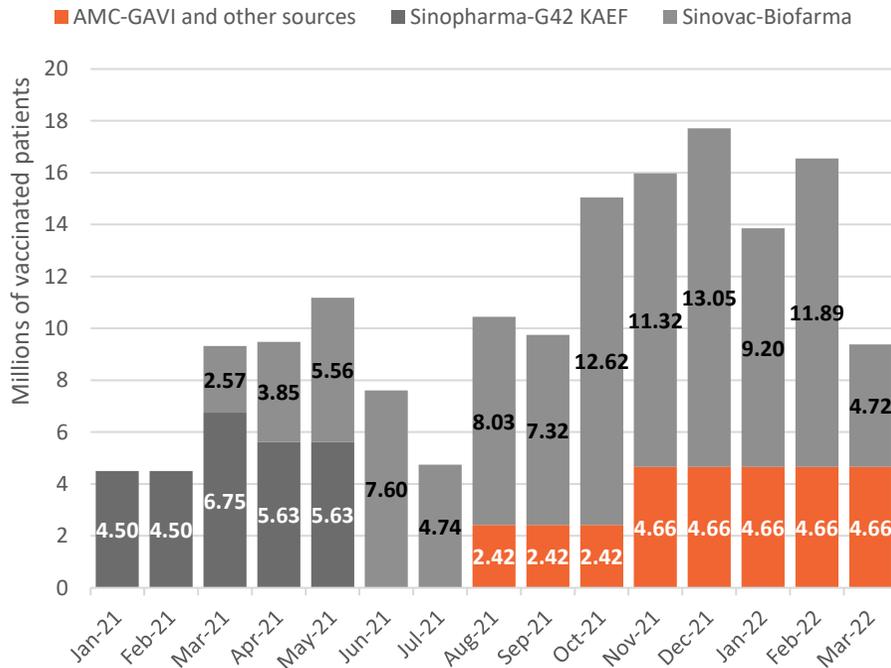
- 🏠 09-Sep : *Sinovac's CoronaVac yields positive Phase I/II data in elderly participants*
- 🏠 22-Sep : *Sinovac Commences Phase III Clinical Trials for COVID-19 Vaccine Candidate in Turkey*
- 🏠 24-Sep : *Novavax Initiates Phase 3 Efficacy Trial of COVID-19 Vaccine in the United Kingdom*
- 🏠 29-Sep : *Moderna's COVID-19 vaccine spurs immune response in older adults*
- 🏠 30-Sep : Hasil Uji Klinis Vaksin Corona Dilaporkan ke BPOM Awal 2021
 - Bio Farma CEO was quoted - Uji klinis vaksin corona (covid-19) berjalan lancar dalam satu bulan terakhir. Jika tidak ada aral melintang, hasil uji klinis dapat dilaporkan ke Badan Pengawas Obat dan Makanan (BPOM) pada Januari 2021.
- 🏠 01-Oct : Uji Klinis Vaksin Covid-19 Genexine Masuki Uji Klinis Tahap Kedua

What We Know So Far Related to Vaccine Roll-Out

Due to supply shortage, both global and Indonesia will have some prioritization

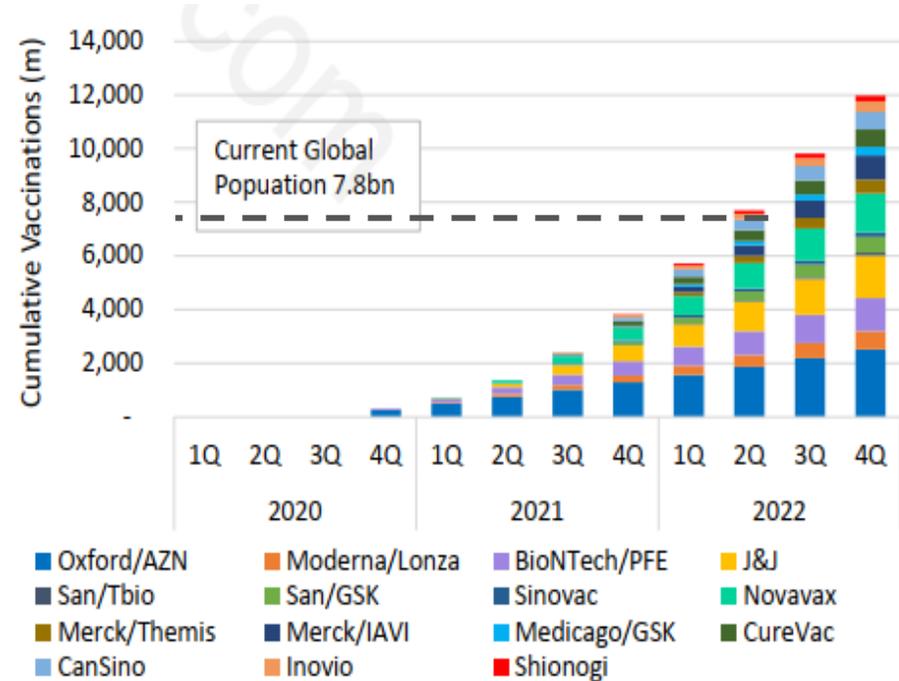
Indonesia MoH Grand Design Vaccine Roll-Out

In mio of person



Blue-Sky Cumulative Vaccinations

In cumulative vaccination (m)



Source: Ministry of Health

Source: Syailendra Research

- 🔺 Kementerian Kesehatan telah mengkomunikasikan terkait rencana pemberian vaksinasi Covid-19 berdasarkan target per bulan seperti grafik di atas. Sebagian besar vaksinasi akan terjadi di Q3 2021.
- 🔺 Beberapa produsen vaksin memiliki kapasitas sebagai berikut: 1) Pfizer 1.3 bio 2) Moderna 0.5 bio, 3) AZN >2.5bio, 4) J&J 1bio, 5) Novavax 2bio sampai dengan akhir tahun 2021.



Section

Macro Update

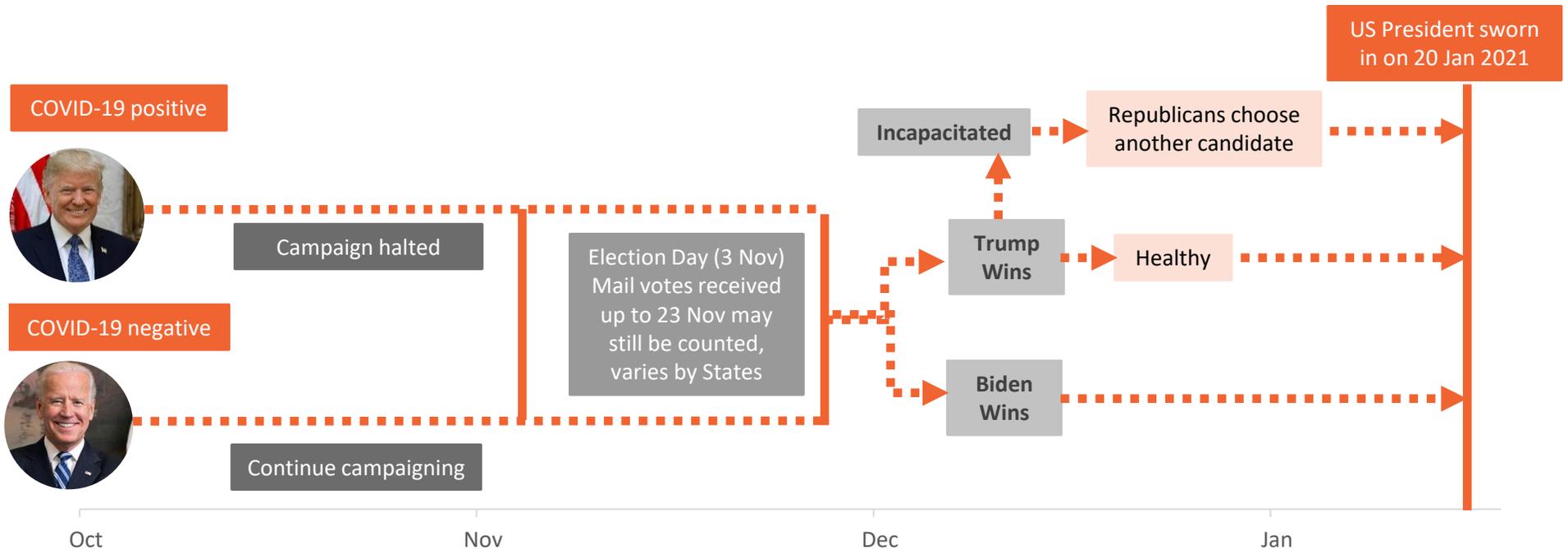
3

US Election Agenda

2020 is unique due to mail voting and candidate's health condition

Expects Longer Than Usual Result and Replacement Should Candidates Become Incapacitated

US Election timeline until next president is sworn



Source: Syailendra research

- Beberapa hari yang lalu, Presiden Trump baru saja terkonfirmasi terinfeksi COVID-19. Hal memberikan ketidakpastian terhadap proses pemilu yang akan berlangsung di US pada 3 November 2020. Pandemi COVID-19 menyebabkan banyak pemilih suara memilih melalui *mail votes*. Hal ini mengakibatkan pengumuman pemenang pemilu tidak akan diketahui pada hari pemilu.

Possible Outcome and Impact

EM mostly benefit from stable US economy and status quo Fed policy

Unified Government will be Positive for US Economy

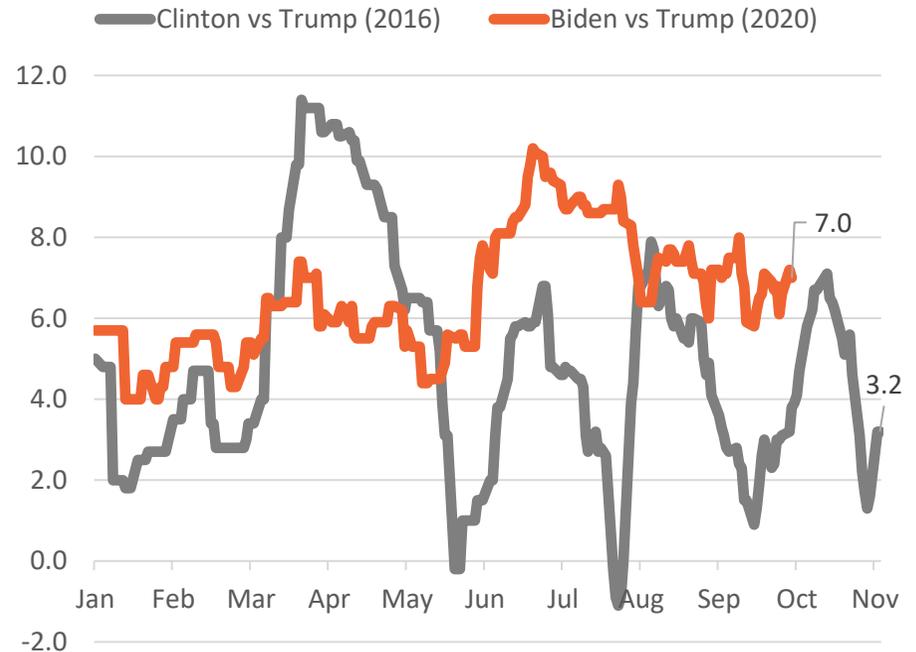
Possible outcome and policy scenarios

Election Outcome	Policy	US GDP	Fed Policy
Biden - Unified Govt	Fiscal stimulus, tax reform, shift in foreign trade policy	Positive - Fiscal stimulus	Mainstream economist
Biden - Split Congress (likely R Senate)	Legislative gridlock, risk of fiscal tightening	Negative - Lack of fiscal flexibility	Status quo
Trump - Unified Govt	Fiscal stimulus, deregulation in some sectors	Positive - Fiscal stimulus	Status quo or Trump's loyalist
Trump - Split Congress (likely D House)	Current status quo	Negative - Less severe than R Senate	Status quo or Trump's loyalist

Source: Credit Suisse, Syailendra research

Polls Showing Biden Stable Lead

Average polls lead in %



Source: Real Clear Politics, Syailendra Research

- ⚠️ Dampak pemilu US terhadap negara-negara berkembang dapat disimpulkan kedalam 2 hal yaitu 1) Kebijakan moneter yang longgar dari Fed dan 2) Tingkat pertumbuhan ekonomi US yang relatif stabil.
- ⚠️ Saat ini, Biden mengungguli Trump dengan 6-7 point terkait poling pemilu dalam 2 bulan kebelakang. Hal ini berbeda dengan pemilu US 2016, Perbedaan Clinton dan US bergerak volatil semenjak pertengahan tahun 2016.

Omnibus Law Update

Some positive indications from Omnibus Law latest details

Industrial (including Property), Infrastructure, and Banks Sectors Would be the Biggest Beneficiaries of Omnibus Law

Compiled from various resources, some parts may still be subject to change

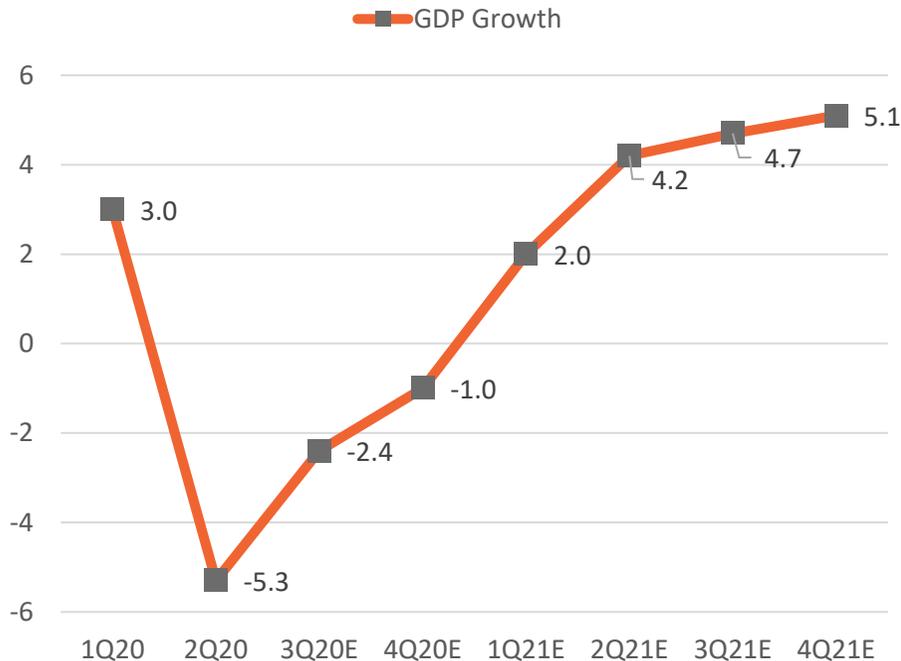
Topic	Contents
Simplification of business permit issuance	<ol style="list-style-type: none">1. Acceleration of digital spatial planning policy2. AMDL licenses for high risk business3. Standardization of building permit (SLF) issuance4. Risk Based Approach for issuing business permits
Private investments	<ol style="list-style-type: none">1. Sectors closed to investment are based on national interest2. Further details to be given in Presidential Regulations
Labor**	<ol style="list-style-type: none">1. Max severance payout remains at 32x month salary, though employers only contribute 23x, the rest to be paid by government2. Provincial government to set minimum wages3. Extension of out outsourcing system4. Government to introduce job loss insurance scheme
SME empowerment	<ol style="list-style-type: none">1. Providing facilities, protection and empowerment for MSMEs and cooperatives in Indonesia
Ease of doing business	<ol style="list-style-type: none">1. Simplification of immigration services for investors2. Individual micro and small business owners may establish an individual limited liabilities company (PT)3. Raw material guarantee for village-owned enterprises (BUMDes)
Penalty for businesses	<ol style="list-style-type: none">1. Administrative violations are subject to administrative penalties; occupational health and safety violations may result in criminal sanctions
Research and innovation assistance	<ol style="list-style-type: none">1. Government to task SOEs with overseeing research and innovation processes2. Establishment of regional research and innovation institutions
Land acquisition and land banks	<ol style="list-style-type: none">1. New provisions to simplify land acquisition process on acquisition of forest, village reserve land, waqf land and asset land2. Government to form a Land Banking Agency that is tasked with planning, acquiring, procuring, managing, utilising and distributing land for public needs
Government investments	<ol style="list-style-type: none">1. Government to form an agency with special authority to manage government investments
Economic zone	<ol style="list-style-type: none">1. Grant rights to Special Economic Zone (KEK) to issue permits, services and incentives within their zones2. Government provides infrastructure facilities for industrial zones. May use the Land Acquisition Law to acquire land for priority industrial zones3. Government may grant Special Economic Zone facilities to enclaved Free Trade Zone and Ports

Source: Mandiri Sekuritas, CIMB Sekuritas, Syailendra research, **may subject to further change

Smaller Impact from PSBB II Jakarta

Relative to more restrictive PSBB in Apr-May

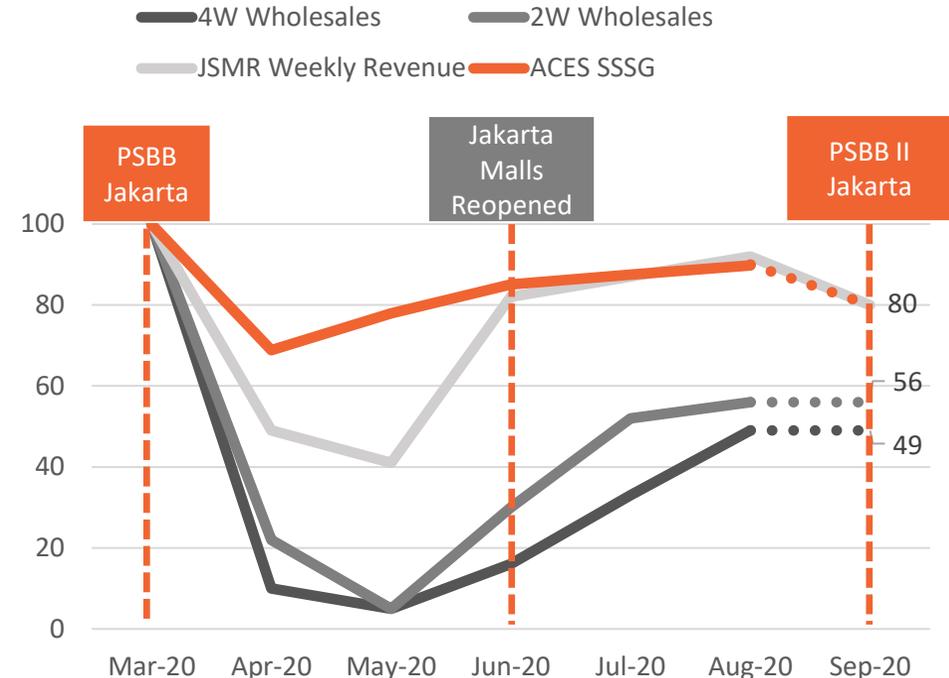
GDP Growth Continues to Improve Despite Renewed PSBB
YoY Change in % (Assuming Modest PSBB Tightening)



Source: Mandiri Sekuritas, Syailendra research

- ▲ Pertumbuhan GDP kuartal III 2020 diperkirakan terdampak oleh PSBB II di DKI Jakarta, namun demikian dampak PSBB terhadap GDP kali ini diperkirakan tidak sedalam di kuartal II (dengan asumsi PSBB yang tidak seketat kuartal II).
- ▲ Indikator aktivitas perekonomian Indonesia sedikit terdampak oleh PSBB II DKI Jakarta, meskipun penurunan tidak terjadi sedalam pada Apr-Mei

Activities Slightly Impacted by PSBB in September
Indonesia activity indicators index (100 = pre PSBB)



Source: Syailendra Research, *dotted lines indicate forecasts



Section

Fixed Income Update

4

Lower Incoming Bids on Shariah Gov't Bonds

Potential weakening local demand

Sukuk Auction Incoming Bids in 3Q 2020

Data from July to September 2020

Series	Coupon (%)	Maturity	Total Bids (IDR tn)							Average Bids (IDR tn)		
			7-Jul	21-Jul	4-Aug	18-Aug	1-Sep	15-Sep	29-Sep	Jul	Aug	Sep
SPN-S		6mo	0.5	2.6	1.5	6.3	9.7	2.0	1.3	1.5	3.9	4.4
PBS002	5.45	Jan-22	19.8	14.9	-	-	-	-	-	17.3	-	-
PBS027	6.50	May-23	-	-	12.6	15.8	8.8	2.1	2.2	-	14.2	4.4
PBS026	6.63	Oct-24	7.9	6.5	9.5	11.5	8.2	3.4	3.0	7.2	10.5	4.9
PBS003	6.00	Jan-27	-	-	-	-	-	-	0.2	-	-	0.1
PBS025	8.38	May-33	-	-	6.4	7.1	4.9	7.3	6.7	-	6.8	6.3
PBS022	8.63	Apr-34	1.9	5.9	-	-	-	-	-	3.9	-	-
PBS005	6.75	Apr-43	4.8	-	-	-	-	-	-	2.4	-	-
PBS028	7.75	Oct-46	6.8	10.3	9.7	8.7	6.7	5.9	6.4	8.6	9.2	6.4
Total			41.6	40.2	39.8	49.4	38.3	20.8	19.9	40.9	44.6	26.3

Source: DJPPR, Mansek, Syailendra Research

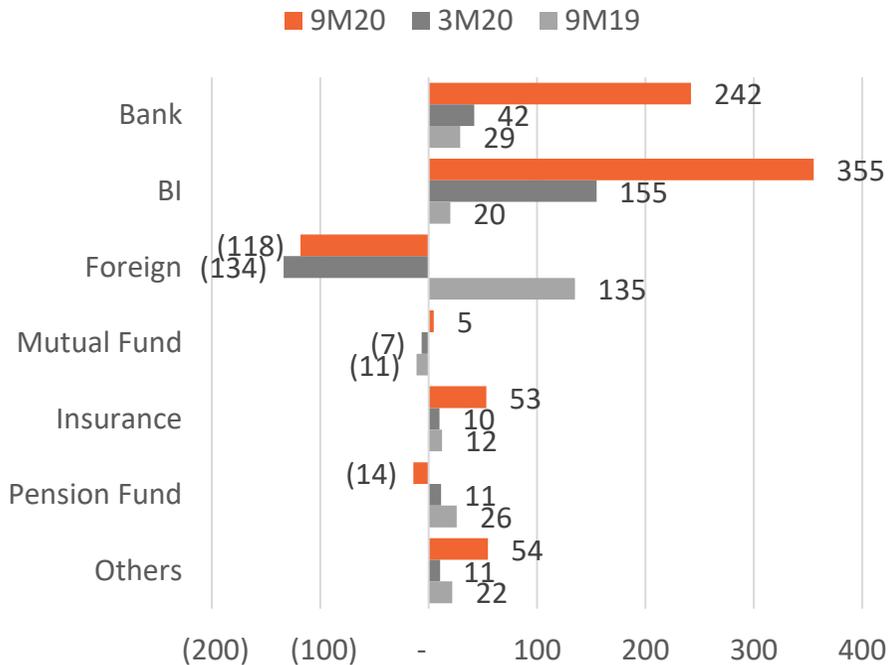
- 🏗️ Pemintaan obligasi syariah pemerintah mengalami penurunan dari rata-rata total permintaan bulan Jul-20 di IDR40.9tn menjadi IDR26.3tn pada bulan Sep-20.
- 🏗️ Penurunan yang paling signifikan terlihat pada tenor pendek, yaitu tenor 3 – 4 tahun.

SBN Ownership

Banks and BI continue the purchase

Net New Ownership of SUN

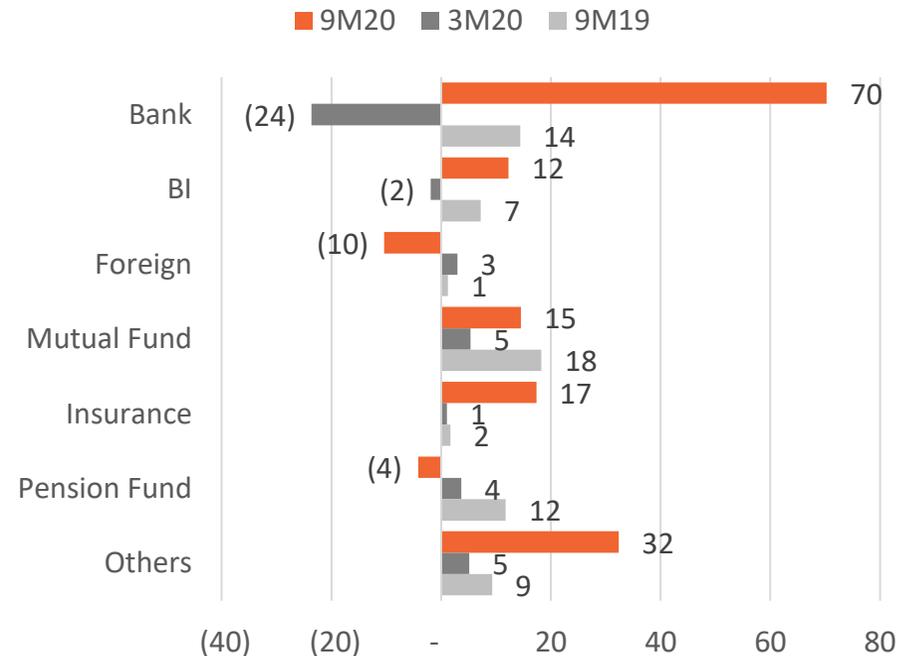
Based on ownership change YTD, in IDR tr



Source: DJPPR, Syailendra Research

Net New Ownership of SBSN

Based on ownership change YTD, in IDR tr



Source: DJPPR, Syailendra Research

- Kepemilikan investor domestik pada SBN melanjutkan peningkatan sementara investor asing mencatatkan penjualan IDR4tn pada bulan Sep-20.
- Dalam beberapa pekan terakhir, beredar berita bahwa BI dan Pemerintah akan memperpanjang skema *Burden Sharing* sampai dengan 2022. Hal ini belum terkonfirmasi terkait peraturan teknis. Namun, Bank Indonesia akan menjadi faktor penting, yaitu sebagai pembeli SBN utama dalam beberapa tahun ke depan.

Real Rate Comparison among EMs

Indonesia still has attractive real yield compared to peers

Real 10Y YTM – Indonesia vs. Peers

Sorted by real yield (%), data as of 1-Oct for YTM and currency while 30-Sept for others

Country	10Y YTM			Currency YTD (%)	Inflation (%)	Real Yield (%)	Current Account (% of GDP)	Fiscal Balance (% of GDP)	S&P Rating
	1-Oct (%)	3Q20 (ppt)	YTD (ppt)						
South Africa	9.4	0.2	0.4	19	3.1	6.3	-0.7	-15.0	BB-
Indonesia	6.9	-0.2	-0.1	7	1.3	5.6	-1.9	-6.3	BBB
Brazil	7.7	0.6	0.8	40	2.4	5.3	-1.0	-15.7	BB-
Malaysia	2.7	-0.2	-0.7	1	-1.4	4.1	1.5	-6.5	A-
Russia	6.2	0.3	-0.1	25	3.6	2.6	1.0	-4.5	BBB-
Colombia	6.1	0.0	-0.2	17	3.5	2.6	-4.1	-7.9	BBB-
Peru	4.3	0.6	0.1	9	2.1	2.2	-1.6	-1.7	BBB+
Mexico	6.1	0.3	-0.8	15	4.1	2.1	0.1	-5.0	BBB
Philippines	2.8	0.2	-1.5	-4	2.4	0.4	0.5	-7.6	BBB+
Vietnam	2.8	-0.8	-0.8	0	2.8	0.0	4.0	-4.2	BB
Romania	3.6	-0.3	-0.8	-3	3.8	-0.2	-4.7	-4.3	BBB-
India	6.0	0.1	-0.5	2	6.7	-0.7	-0.9	-4.1	BBB-
Hungary	2.4	0.3	0.4	3	3.4	-1.0	-0.3	-2.0	BBB
Turkey	6.7	0.1	0.7	30	11.8	-5.1	-2.1	-2.1	B+

Source: Bloomberg, Syailendra Research

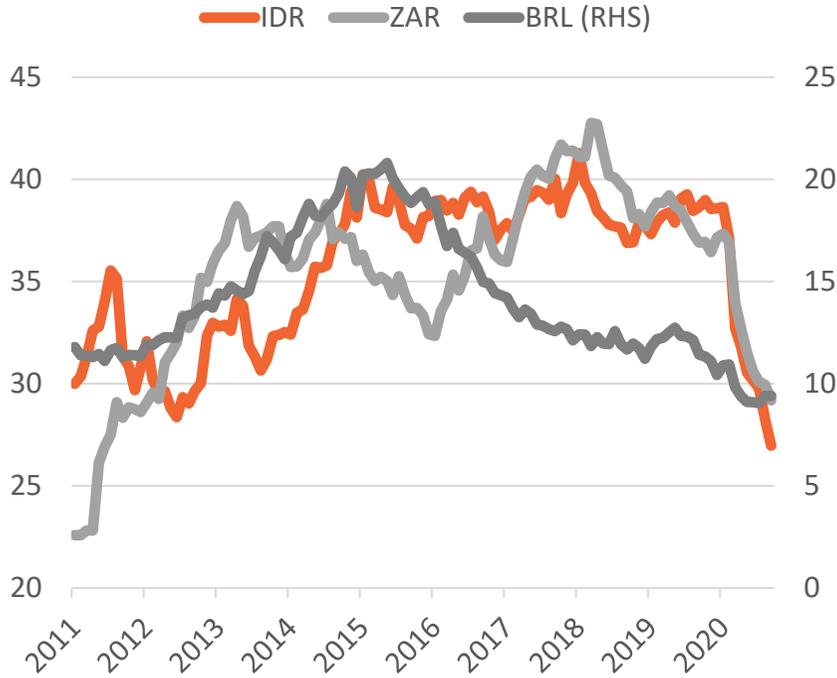
🏠 *Real 10yr Yield* Indonesia masih menarik dibandingkan negara berkembang lainnya terutama di Asia Tenggara, yaitu sebesar 5.5%. Sebagai perbandingan, negara lain dengan *real yield* yang relatif tinggi adalah Afrika Selatan (6.3%), Brasil (5.3%) dan Malaysia (4.1%).

Outflow in Emerging Markets

Risk appetite seems to start returning but not to Indonesia

Foreign Ownership of Selected EM Countries

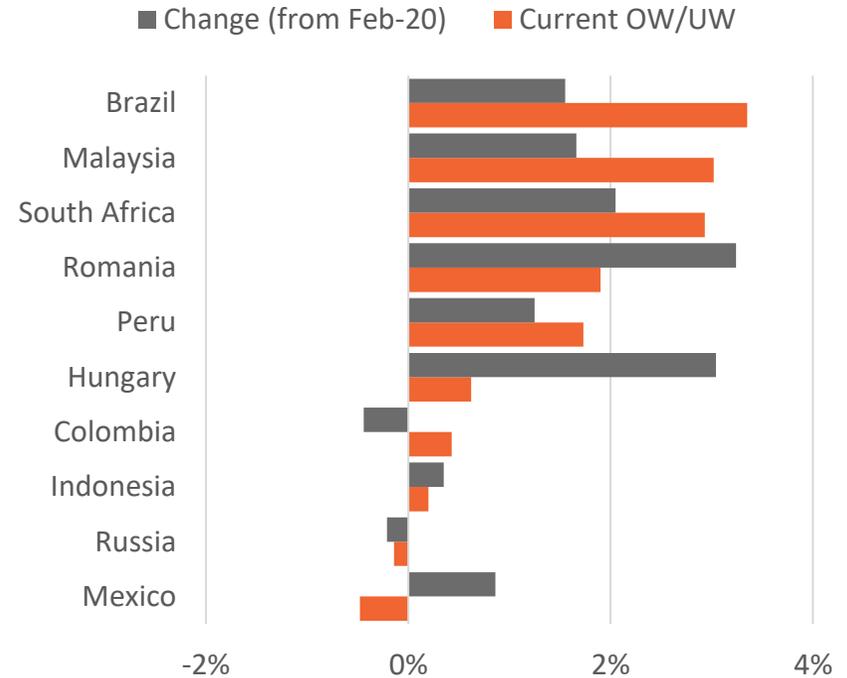
Indonesia (IDR), South Africa (ZAR) and Brazil (BRL)



Source: Bloomberg, Syailendra Research

Blackrock EM Local Currency Gov't Bond ETF

Top 10 holdings; data as per 31-Aug-20



Source: Blackrock, Syailendra Research

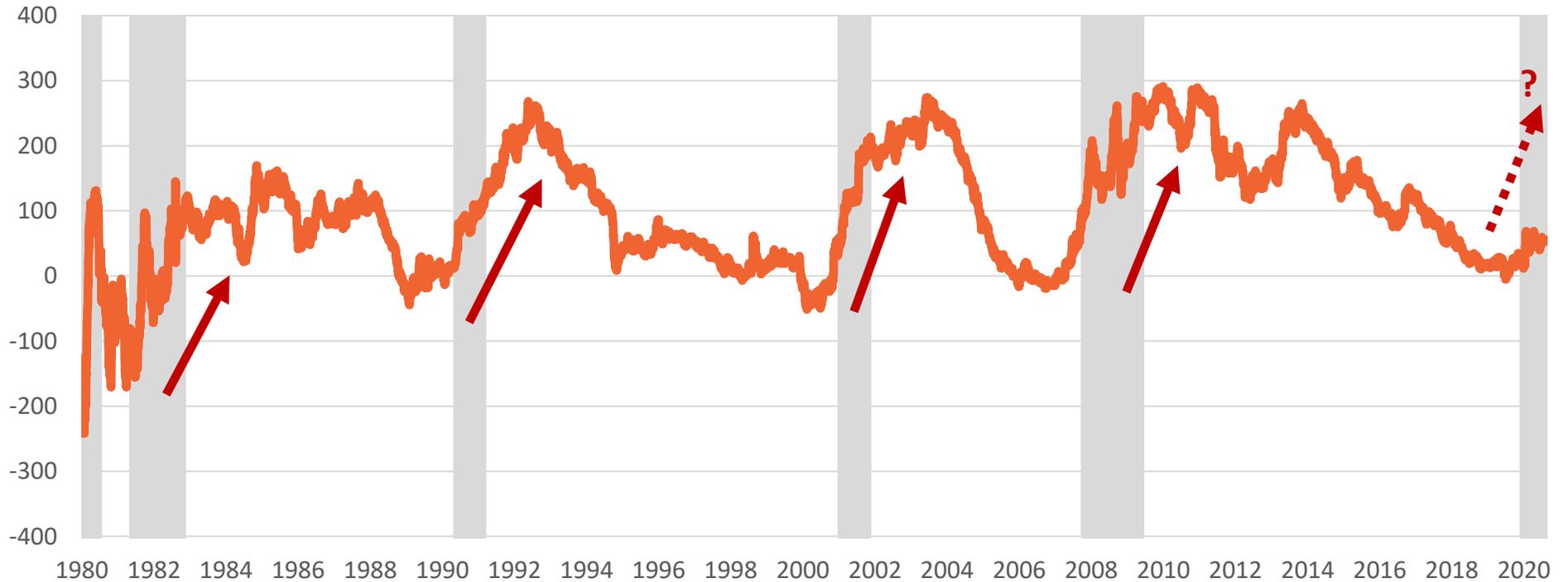
- 🏗️ Membandingkan dengan negara-negara EM lain seperti Brasil dan Afrika Selatan, kepemilikan investor asing pada obligasi pemerintah masih dalam tren penurunan.
- 🏗️ Namun, melihat *top 10 holdings* salah satu ETF milik Blackrock, minat investor global terhadap Indonesia belum menunjukkan perbaikan yang signifikan.

UST Yield Curve Post-Recession

Curve steepening bound to happen

Spread of UST 2yr and UST 10yr during multiple periods of US recession (grey area)

Numbers in bps



Source: Bloomberg, Syailendra Research

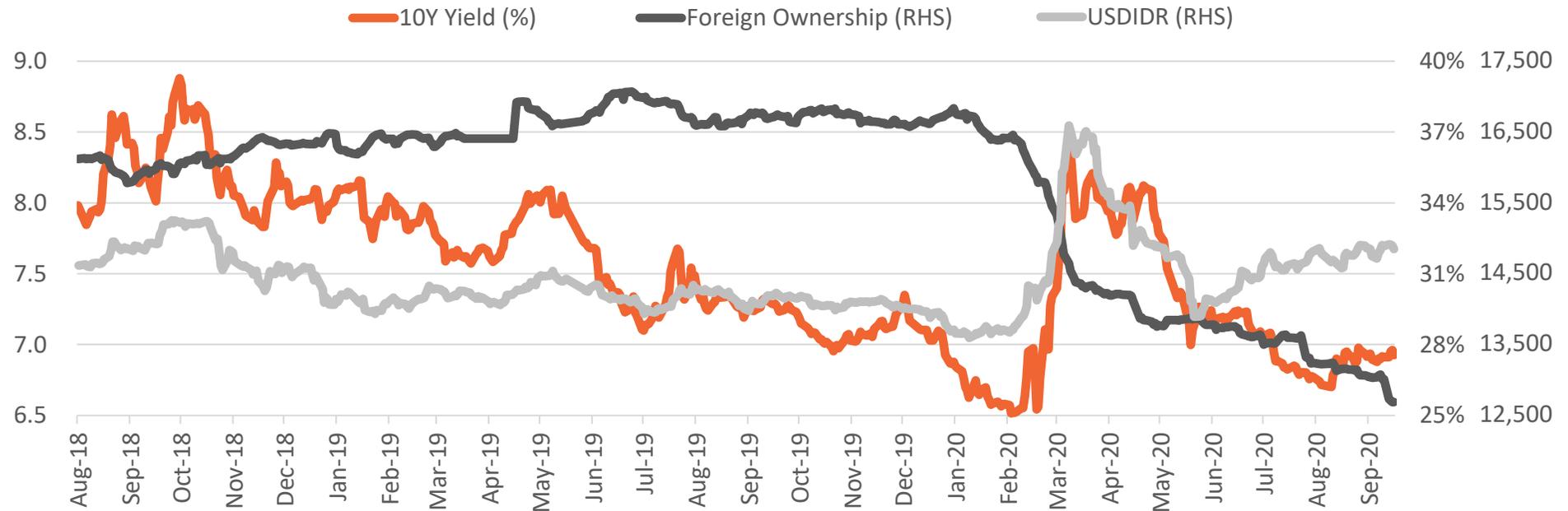
- ⚠ Berdasarkan data historis, 2-10 *spread* obligasi pemerintah AS mengalami kenaikan selama dan sesudah terjadinya resesi, i.e. *yield curve steepening*.
- ⚠ Yang terjadi pada periode-periode sebelumnya adalah imbal hasil obligasi tenor rendah mengalami penurunan atau cenderung lebih stabil dibandingkan obligasi tenor panjang.

Government Bond Outlook

Risk of supply-demand imbalance

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

Foreign ownership keeps declining



Source: Bloomberg, Syailendra Research

- 🚩 Permintaan signifikan dari investor asing belum terlihat, i.e. level kepemilikan masih dalam tren penurunan dan saat ini berada di bawah 27%, bahkan ketika USDIDR sudah menyentuh level 14,800 dan imbal hasil 10y di 6.9%.
- 🚩 Kami melihat ada risiko *supply-demand imbalance* pada obligasi pemerintah hingga tahun depan. Hal ini berpotensi menyebabkan kenaikan level imbal hasil dalam jangka waktu pendek-menengah.
- 🚩 Kami merekomendasikan menjaga portofolio pada tenor menengah dengan kisaran 5 – 10 tahun.



Section
Equity Update

5

Global Indices Performance

Most major indices recorded negative performance last month

No	Country	YTD	1M	3M	6M	1Y	P/E	P/BV	ROE
Global Market									
1	Dow Jones (US)	-2.39%	-2.28%	7.63%	26.76%	3.21%	24.13	4.19	23.03
2	S&P 500 (US)	4.40%	-3.92%	8.47%	30.12%	12.98%	25.56	3.58	18.89
3	Nasdaq (US)	24.83%	-5.16%	11.02%	45.03%	39.61%	37.61	0.99	38.40
4	London (UK)	-5.71%	-2.38%	3.91%	20.50%	-3.23%	23.17	1.49	7.97
5	DAX (GR)	-3.69%	-1.43%	3.65%	28.43%	2.68%	20.53	1.51	6.12
6	CAC (FP)	-19.70%	-2.91%	-2.69%	9.27%	-15.40%	24.53	1.44	5.26
Asia Market									
1	Nikkei (JP)	-1.99%	0.20%	4.02%	22.56%	6.57%	23.18	1.72	8.28
2	Hang Seng (HK)	-17.16%	-6.82%	-3.96%	-0.61%	-10.09%	12.41	1.00	9.85
3	Shanghai (CN)	5.86%	-5.23%	7.82%	17.01%	10.77%	14.46	1.43	9.55
4	Shenzhen (CN)	12.39%	-4.75%	10.17%	24.45%	20.26%	15.69	1.90	10.37
5	NFT (IN)	-8.23%	-1.23%	9.18%	30.82%	-1.98%	24.33	2.63	10.59
ASEAN Market									
1	Singapore (SG)	-23.45%	-2.60%	-4.76%	-0.59%	-20.94%	16.14	0.85	6.59
2	Kuala Lumpur (MK)	-6.86%	NA	0.26%	11.39%	-4.99%	17.50	1.46	8.08
3	Thailand (TH)	-21.70%	-5.62%	-7.62%	9.88%	-24.44%	21.40	1.39	5.66
4	Philippines (PH)	NA	NA	-5.53%	10.20%	-24.62%	20.57	1.43	6.38
4	Vietnam (VN)	-6.20%	2.67%	9.71%	36.63%	-9.17%	16.42	2.09	14.73
Indonesia Market									
1	JCI / IHSG (ID)	-22.69%	-7.03%	-0.72%	7.29%	-21.06%	17.69	1.64	11.66
2	JII / ISSI (ID)	-23.39%	-4.61%	-0.76%	7.33%	-23.88%	19.02	1.72	12.92
3	IDX30 (ID)	-27.54%	-10.90%	-2.72%	4.78%	-24.19%	16.21	1.75	12.11
4	LQ45 (ID)	-27.34%	-10.56%	-2.52%	6.66%	-23.86%	16.50	1.73	11.97

Foreign Equity Flow

Biggest foreign outflow since September 2019

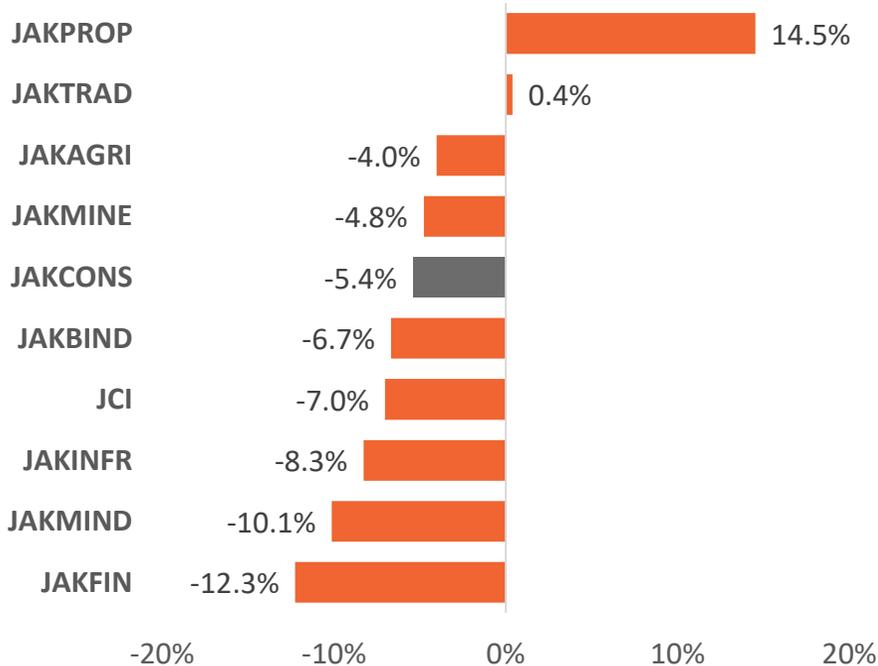
Monthly Data	India	Indonesia	Korea	Philippines	Taiwan	Thailand	Malaysia	EM Asia ex-China	EM Asia ex-China ex-Malaysia
Sep-19	955	-519	-872	-143	2,532	-381	-133	1,437	1,571
Oct-19	2,062	-269	-208	73	4,094	-258	-116	5,379	5,494
Nov-19	3,150	-493	-3,025	-259	1,961	-254	-370	710	1,081
Dec-19	862	571	1,024	-173	1,058	-811	-292	2,239	2,531
Jan-20	1,373	1	-165	-164	-1,143	-562	-33	-693	-660
Feb-20	414	-340	-3,000	-179	-4,659	-627	-469	-8,859	-8,390
Mar-20	-8,390	-375	-10,544	-303	-12,077	-2,450	-1,288	-35,426	-34,139
Apr-20	-31	-560	-3,964	-325	818	-1,439	-612	-6,113	-5,500
May-20	1,719	-548	-3,302	-166	-5,051	-984	-690	-9,021	-8,331
Jun-20	2,473	-318	-705	-190	3,269	-737	-698	3,096	3,793
Jul-20	1,153	-264	725	-124	269	-323	-601	835	1,436
Aug-20	6,096	-581	-2,295	-261	-2,183	-887	-356	-468	-112
Sep-20	-767	-1,049	-990	-306	-1,425	-738	-476	-5,751	-5,276

Yearly									
YTD	4,040	-4,033	-24,240	-2,017	-22,180	-8,748	-5,223	-62,402	-57,179
2019	14,234	-1,306	924	-240	9,377	-1,496	-2,683	18,811	21,493
2018	-4,557	-3,656	-5,676	-1,080	-12,231	-8,913	-2,885	-38,999	-36,114
2017	8,014	-2,960	8,267	1,095	6,587	-796	2,456	22,664	20,208
2016	2,903	1,259	10,480	83	10,956	2,240	-628	27,294	27,922
2015	3,274	-1,580	-3,580	-1,194	3,384	-4,372	-5,062	-9,130	-4,068

Monthly Sector Performance

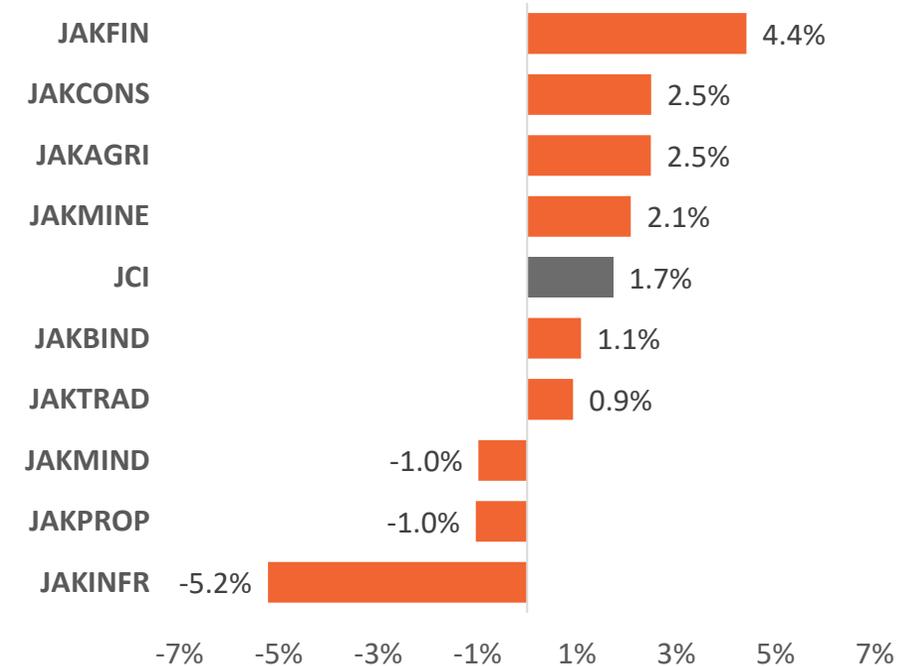
Almost all sectors recorded negative performance in September

JCI Performance By Sector
In September 2020



Source: Bloomberg

JCI Performance By Sector
In August 2020



Source: Bloomberg

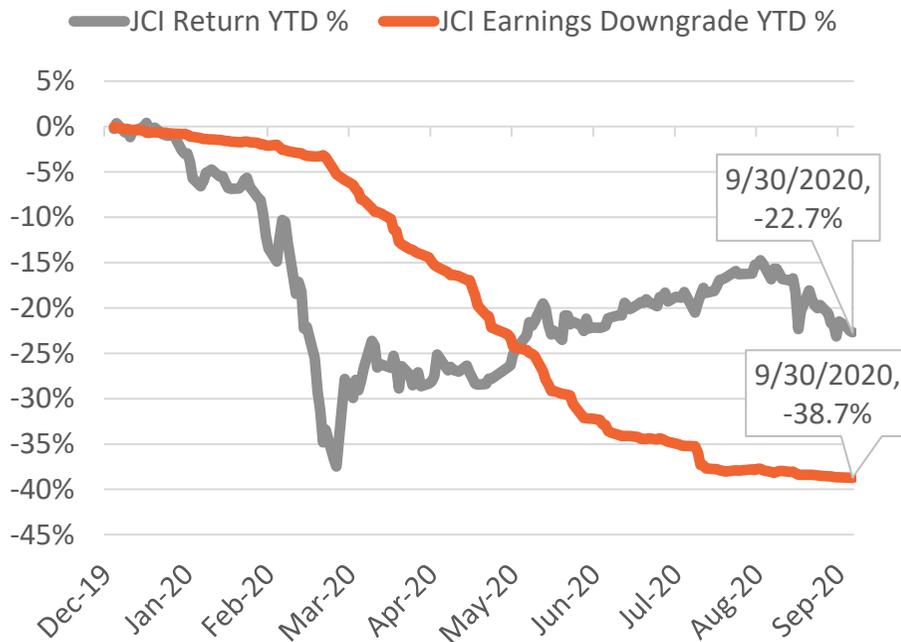
- Di bulan September, IHSG berkontraksi sebesar -7,0%.
- Sektor Properti berhasil mencatatkan kinerja positif +14.5%. Namun, kinerja ini hanya disumbang oleh satu saham yaitu POLL (PT Pollux Properti) yang memiliki bobot sebesar 25.7% pada indeks dengan kinerja +180% di bulan September.
- Sektor Perbankan dan Aneka Industri berkontraksi sebesar -12.3% dan -10.1%.

Earnings Expectation Still Adjusting

Market consensus continued JCI 2020 earnings downgrade

Earnings Downgrade Converging with Index Return

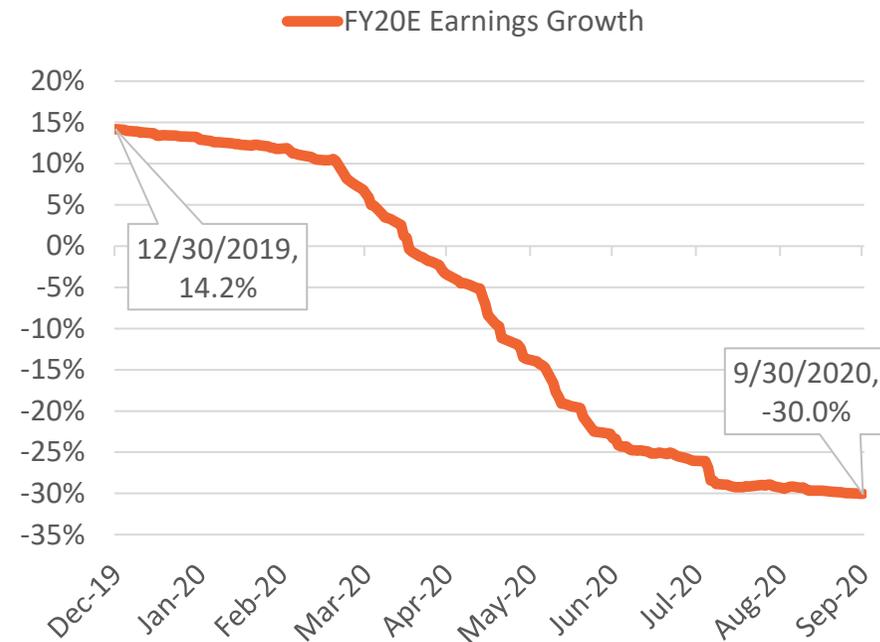
JCI return vs JCI earnings downgrade YTD %



Source: Bloomberg

FY20E Earnings Cuts Were Decelerating

JCI FY20E earnings growth in % YoY



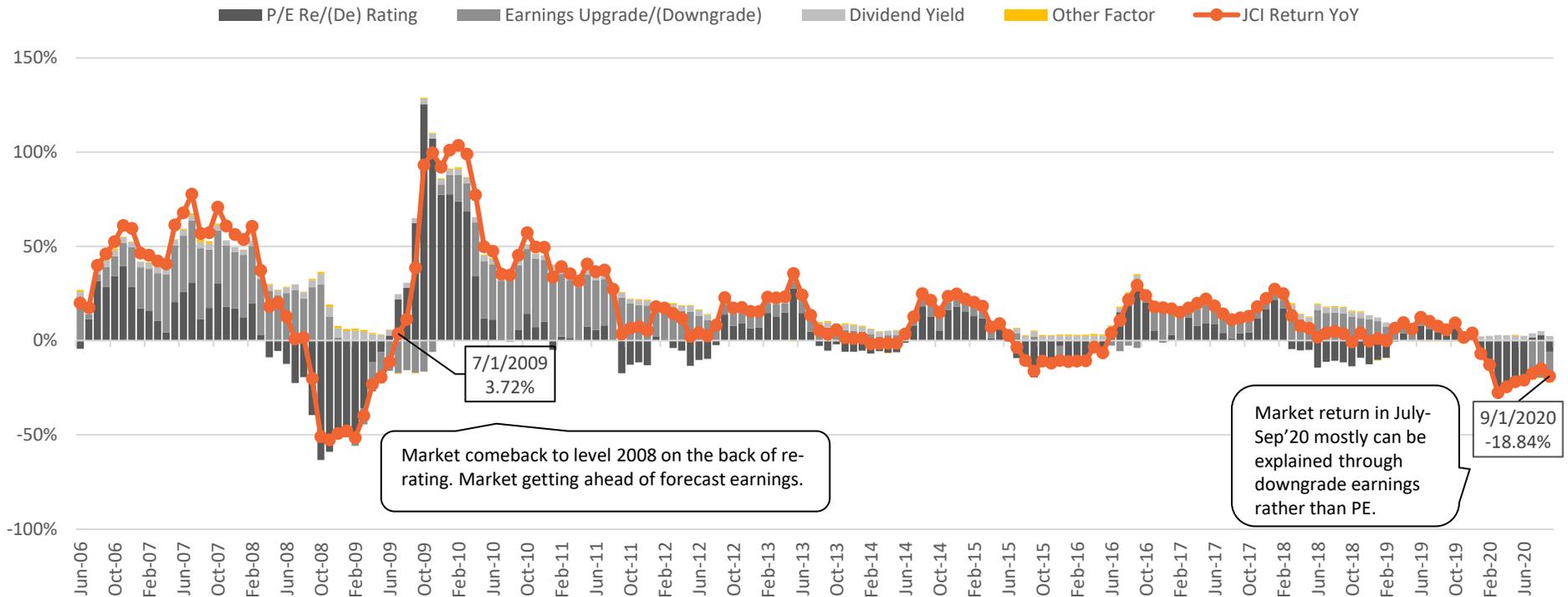
Source: Bloomberg

- 🚩 Penurunan ekspektasi pasar atas pertumbuhan laba FY20 IHSI terus berlanjut. Konsensus pasar masih memperkirakan seberapa besar sebenarnya dampak penyebaran virus COVID-19 terhadap pertumbuhan laba FY20.
- 🚩 Ekspektasi pertumbuhan laba IHSI FY20 bergerak dari +14.2% YoY pada awal tahun menjadi -30.0% YoY, setelah berubah negatif pada bulan April.

What Is Driving Market Return Currently

Currently, return wasn't driven by PE de-rating but more on earnings

Long-Term Indonesia Interest Movement Nominal and 12-Yr. CAGR



Source: Syailendra research

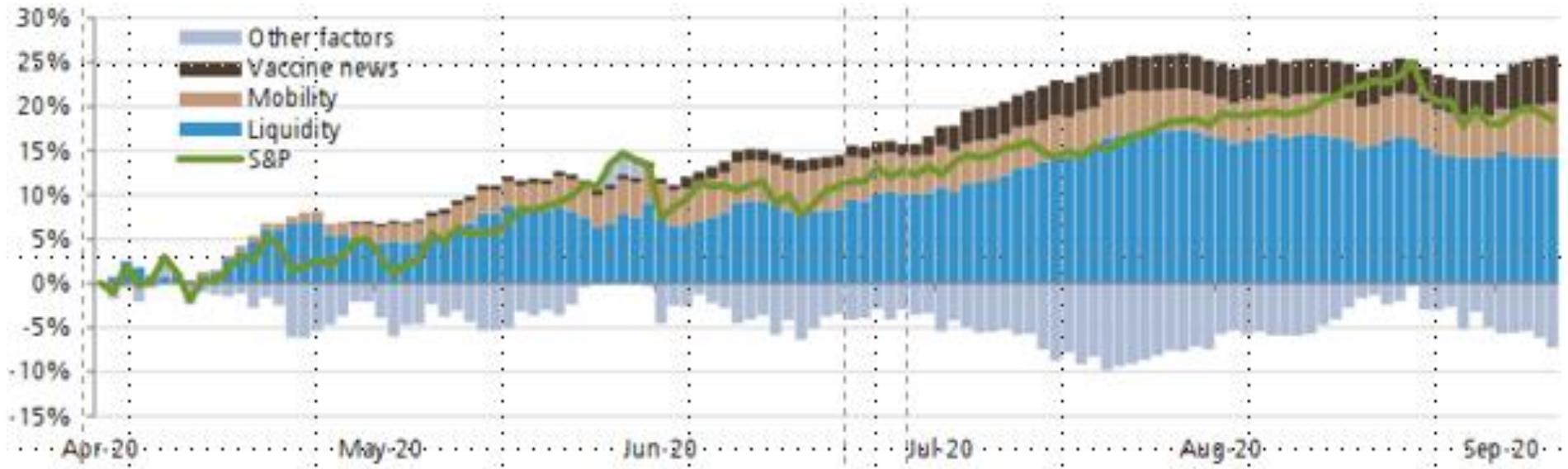
- Secara teoritis, imbal hasil IHSG dapat diatribusikan dari 3 hal, yaitu 1) Perubahan valuasi P/E, 2) Peningkatan/(Penurunan) ekspektasi laba 12 bulan ke depan, 3) Ekspektasi dividen 12 bulan ke depan. *Return* di bulan Agustus diatribusikan lebih atas tingkat laba. Data saat ini terlihat mirip di bulan Mei-2009 saat pasar mulai *recover* di mana P/E belum meningkat namun laba perusahaan sudah mulai meningkat.

Drivers to Market Movement

Vaccine, liquidity, mobility: What matters?

Decomposing Market's Drivers Into Liquidity, Mobility, and Vaccine

S&P cum return since mid-April 2020



Source: UBS Evidence Lab, UBS

- ▲ Meski ketidakpastian terhadap *earnings* di tahun ini masih belum diketahui, indeks pasar saham dunia sudah melewati titik terendahnya pada bulan Maret dan April.
- ▲ Melihat S&P 500 sebagai indeks saham AS, kinerja pasar saham utamanya di dorong oleh 1) Likuiditas (14.3%), 2) Mobilitas (aktivitas ekonomi) (6.2%), vaksin (5.3%), dan faktor lainnya (i.e.: earnings) (-7.2%).

JCI Valuation Compared to Peers

Indonesia's index valuation is attractive compared to other countries'

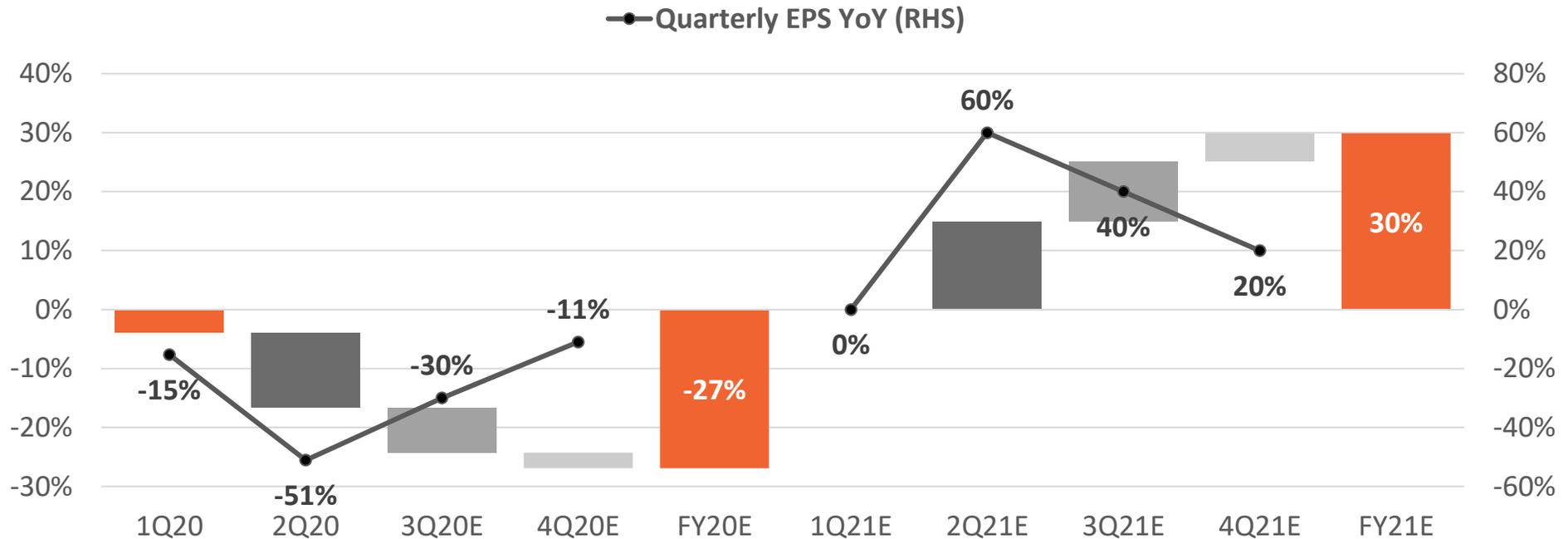
Desc.	P/E		EPS Growth		P/B		Dividend Yield		ROE	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
South East Asia	18.82	14.55	-30.4%	29.9%	1.37	1.30	2.89	3.12	7.67	9.34
Indonesia	18.03	13.21	-27.5%	36.5%	1.68	1.56	2.49	2.35	11.66	14.26
Malaysia	17.42	16.12	-9.9%	8.1%	1.45	1.40	3.43	3.60	8.08	8.35
Phillipines	21.04	15.23	-38.7%	38.2%	1.47	1.36	1.89	1.80	6.38	8.98
Singapore	16.15	12.29	-37.3%	31.5%	0.85	0.83	3.94	4.67	6.63	8.30
Thailand	21.47	15.89	-38.4%	35.1%	1.39	1.33	2.72	3.17	5.60	6.84
Vietnam	16.44	12.67	-8.0%	29.8%	2.09	1.85	1.62	1.91	14.73	15.56
Asia										
Hong Kong	12.41	10.3	-24.8%	20.5%	1.00	0.94	3.10	3.79	9.85	9.96
India	24.57	17.81	-15.6%	38.0%	2.76	2.49	1.40	1.69	10.73	13.57
Korea	16.92	11.84	-1.2%	42.9%	0.96	0.91	1.88	2.11	5.05	11.17
Taiwan	18.45	15.68	4.3%	17.7%	1.99	1.89	3.26	3.69	13.47	13.95
Japan	22.99	18.21	-22.0%	26.2%	1.71	1.62	1.79	2.00	8.40	9.02
Europe										
German	20.18	14.34	-25.8%	40.7%	1.50	1.43	2.79	3.14	6.26	8.95
France	24.62	15.54	-46.2%	58.4%	1.45	1.40	2.85	3.36	5.29	7.65
Spain	28.28	14.25	-67.1%	98.5%	1.02	0.99	3.76	4.49	-1.23	5.79
Italy	22.03	12.77	-55.5%	72.5%	0.96	0.95	3.61	4.23	5.47	6.49
Switzerland	19.8	16.67	-10.8%	18.8%	2.61	2.49	3.06	3.22	15.46	14.38
Russia	10.96	7.41	-41.3%	47.9%	0.84	0.78	5.34	7.17	4.91	7.63
Latin America										
Mexico	21.09	12.83	-37.8%	64.4%	1.62	1.51	2.96	3.73	10.65	16.95
Argentina	19.18	6.99	-74.5%	174.3%	0.82	0.85	1.42	1.80	8.67	11.74
Brazil	39.3	11.58	-66.4%	239.3%	1.76	1.62	2.61	3.85	2.79	13.74
North America										
Canada	23.23	15.81	-34.4%	46.9%	1.50	1.49	3.27	3.36	7.97	10.33
United States	25.21	20.06	-18.1%	25.7%	3.60	3.38	1.75	1.82	23.82	22.33

What to Expect for 2021 Earnings

2Q21 growth becomes a major point to achieve at least 30% growth in 2021

2020 and 2021 Earnings Breakdown per Quarter

In % of quarter earnings contribution to full year, in % YoY of quarterly earnings



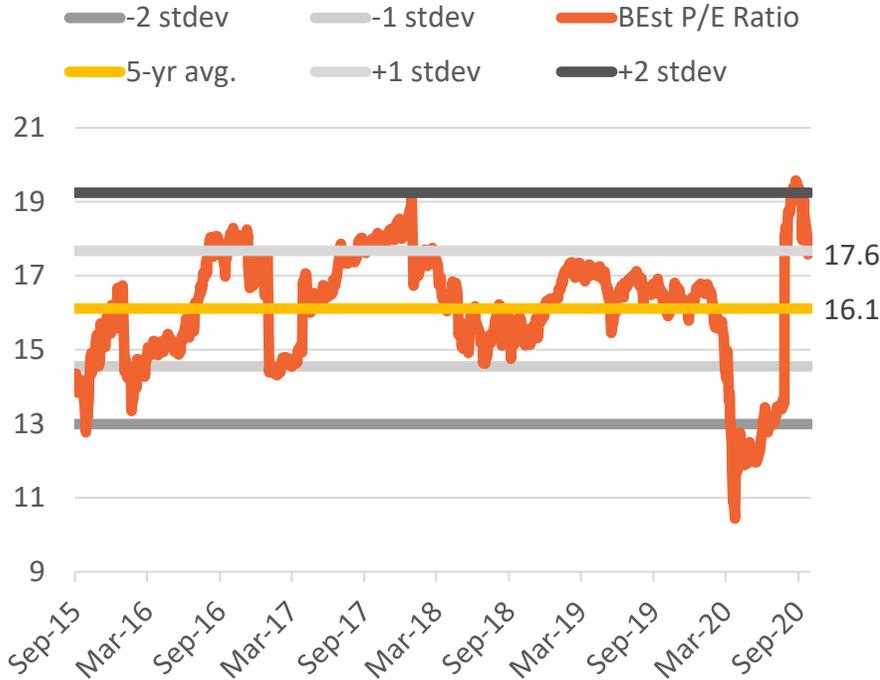
Source: Syailendra research

- ▲ Konsensus menargetkan pertumbuhan laba di tahun 2021 berkisar dari 30-35%. Berdasarkan *trajectory* yang telah terjadi sampai dengan 2Q20. Kami melihat 2Q21 menjadi poin penting dan setidaknya harus mencatatkan kisaran 60% untuk EPS 2021 mencapai pertumbuhan sebesar 30%. Laba per kuartal untuk 1Q21 dan 2Q21 masih berada di level 2019, namun 3Q21 dan 4Q21 sudah berkisar di atas level 2019.

JCI Historical Valuation

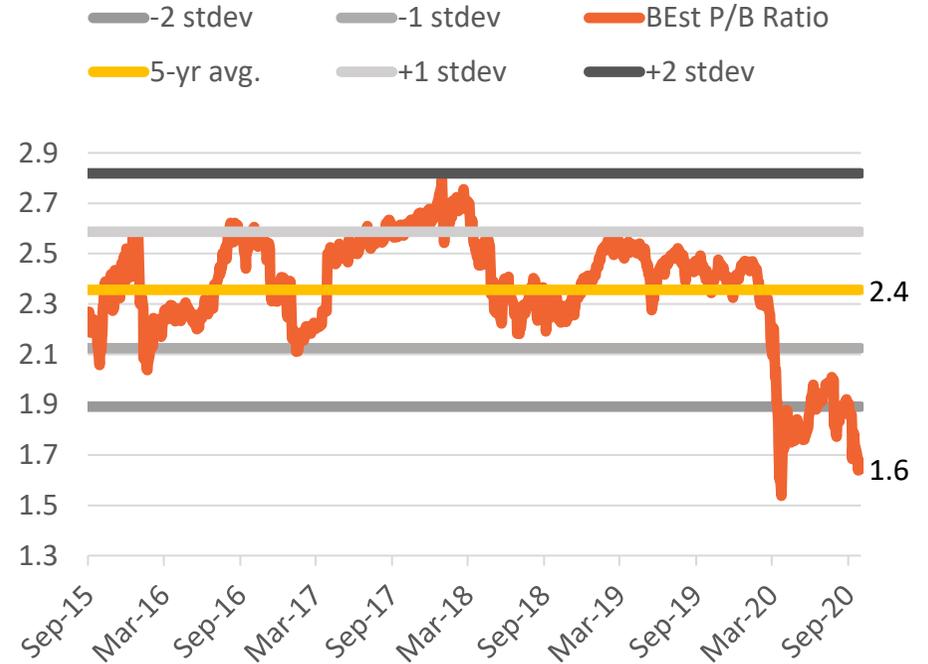
Price to book value still at below -2 standard deviation

JCI PE Valuation Expecting Earnings Recovery in FY21
5 Years JCI T12M BEst PE



Source: Bloomberg, Syailendra research

JCI PB Still at below -2 Standard Deviation
5 Years JCI T12M BEst PB



Source: Bloomberg, Syailendra Research

- ▲ Secara PB valuasi IHSIG masih berada di level 1.6x atau masih di bawah -2x standar deviasi selama 5 tahun.
- ▲ Sementara itu valuasi PE tampak tinggi di level 17.6x, namun demikian pasar mengekspektasi pertumbuhan laba IHSIG sebesar 36% YoY pada 2021 yang mengindikasikan FY21 PE IHSIG berada di level 13.21x PE atau di bawah rata-rata 15 tahun.

4Q20 Sector View

Investment thesis per equity sector

No	Sector	2020	4Q20 Update So Far		Reason to Invest	
			Guidance	Upside/ (Downside) Surprise	Pro	Contra
1.	Agriculture	Overweight	<ul style="list-style-type: none"> • CPO: Limited guidance 	<ul style="list-style-type: none"> • CPO: Upside from better than expected volumes 	<ul style="list-style-type: none"> • CPO : Better ASP in YoY basis as of 9M20. 	<ul style="list-style-type: none"> • CPO : Slower demand outlook triggered by Biodiesel feasibility during cheap oil environment.
2.	Basic Industry	Underweight	<ul style="list-style-type: none"> • Cement: Volume is well guided • Poultry: No guidance 	<ul style="list-style-type: none"> • Cement: Upside from cost savings • Poultry: Downside from worse than expected broiler prices drop impact. 	<ul style="list-style-type: none"> • Poultry : Broiler prices quick return could indicate demand recovery. 	<ul style="list-style-type: none"> • Cement : Longer volume recovery than expected due to weak economy. • Poultry : Economy weakness in general could prolong demand drop.
3.	Consumer staples & Discretionary	Underweight	<ul style="list-style-type: none"> • FMCG : Well guided • Pharma : limited guidance • Cigs : limited guidance 	<ul style="list-style-type: none"> • FMCG : Some company had upside surprise coming from better export sales • Cigs: excise below/above market expectation of ~10% 	<ul style="list-style-type: none"> • Consumer : Revenue growth is slightly weak as of 1H20 but relative better to other industry. • Cigs: volume has started to recover since Jul-20 • Pharma: vaccine is approved and going into production 	<ul style="list-style-type: none"> • Cigs: Market not yet setting the base/best case for another excise increase in 21E. No price increase announcement yet. • Pharma: volume on 2Q20 slowed down during PSBB at the back of massive buying at the early pandemic.
4.	Banks	Marketweight	Well guided	<ul style="list-style-type: none"> • Only <50% of provisioning booked as of 8M20, expect more in 4Q20. • New guidance on loss rate from restructuring and second PSBB likely affect the sentiment 	<ul style="list-style-type: none"> • Several banks have indicated that extension of POJK11 will only affect accounting method, expect no second term restructuring submission 	<ul style="list-style-type: none"> • Consensus is still divided between the bearish & bullish 21E, any guidance of deterioration of asset quality issue in 21E will likely affect banks' 3yrs outlook
5.	Infra, Utility & Transport	Overweight	<ul style="list-style-type: none"> • Toll road: Traffic guidance • Telco: Company guidance withdrawn 	<ul style="list-style-type: none"> • Telco: Possible upside as players benefited by increased data demand during PSBB • Toll Road: Upside from faster economy recovery 	<ul style="list-style-type: none"> • Toll road :. Light impact from 2nd round of PSBB in Jakarta. • Telco : Defensive earnings relative to other sectors 	<ul style="list-style-type: none"> • Telco : Intense competition could limit growth for the whole industry

4Q20 Sector View

Investment thesis per equity sector

No	Sector	2020	4Q20 Update So Far		Reason to Invest	
			Guidance	Upside/ (Downside) Surprise	Pro	Contra
6.	Mining	Overweight	<ul style="list-style-type: none"> Coal: limited guidance 	<ul style="list-style-type: none"> Coal: Upside from better than expected volume 	<ul style="list-style-type: none"> Coal : USD linked revenue and cheap valuations with high dividend payouts. Fast volume recovery as export demand is back. 	<ul style="list-style-type: none"> Coal : Renewed lockdown in countries could hamper demand.
7.	Miscellaneous	Underweight	<ul style="list-style-type: none"> Auto: Guidance of 40% volume drop in 2020 	<ul style="list-style-type: none"> Auto: Downside from possible revised 4W sales volume 	<ul style="list-style-type: none"> Auto : Valuation at historical lows. Fresh funds from BNLI sale could provide opportunity for new business ventures. 	<ul style="list-style-type: none"> Auto : Prolonged weak consumer confidence could hamper return of vehicle purchases
8.	Property & Real Estate	Overweight	<ul style="list-style-type: none"> Limited guidance 	<ul style="list-style-type: none"> Downside surprise as rental waive. 	<ul style="list-style-type: none"> Property : Valuation at historical lows and presales is better than expected. 	<ul style="list-style-type: none"> Property : Prolonged weak economy could hinder property buyer.
9.	Building Construction	Marketweight	<ul style="list-style-type: none"> 30-60% new contracts of initial target 	<ul style="list-style-type: none"> Downside from risk of earnings visibility 	<ul style="list-style-type: none"> Construction: Trading cheaply at around 0.5-0.7x pbv and among most under owned stocks in the market 	<ul style="list-style-type: none"> Construction: Lower contract achievements due to COVID. One of the highly leveraged sectors.
10.	Trade, Services & Inv	Overweight (UNTR, ERAA)	<ul style="list-style-type: none"> Retail & Media : Limited guidance Hospital : well guided 	<ul style="list-style-type: none"> Retail : downside surprise on margin pressure Media: Upside from content cost saving Hospital: volume has recovered to 80-90% of normal while revenue at least flat, better reimbursement rate for COVID patient 	<ul style="list-style-type: none"> Media: Defensive Consumer companies dominated advertising industry warrant a quick return. Hospital: better blended revenue from COVID patient, potential private patients' comeback from BPJS single premium implementation 	<ul style="list-style-type: none"> Retail : Uncertainty on margin due to inventory clearance for 2020.

Equity Strategy

Expecting positive improvement ahead

Arguments for Equity Market

Penurunan pasar yang cukup dalam akibat kekhawatiran investor terhadap dampak Covid-19 menyebabkan valuasi saham menjadi menarik dengan mempertimbangkan pertumbuhan jangka menengah.

Penurunan bersifat sementara, karena tidak adanya perubahan secara fundamental terhadap perekonomian Indonesia secara jangka panjang.

Kebijakan pemerintah dalam pemberian stimulus dapat membantu perekonomian dalam waktu dekat. Pada saat yang bersamaan, Pemerintah tetap berencana untuk memunculkan reformasi guna menarik investasi asing i.e. *omnibus tax law, labor reform*.

Posisi investor asing yang relatif minim dalam 3 tahun terakhir dan valuasi yang atraktif harusnya mengundang investor untuk kembali berinvestasi pada pasar saham Indonesia.

Arguments Against Equity Market – and Why We Think It Is In the Price

Dampak dari Covid-19 terhadap pertumbuhan ekonomi dunia dan domestik masih belum bisa dipastikan besarnya, namun pastinya akan negatif. Risiko penyebaran *Covid-19* yang berkepanjangan dapat mengakibatkan dampak ekonomi yang lebih besar dari ekspektasi pasar.

Pemerintah mempunyai andil besar di tahun 2020 baik dari kebijakan stimulus ekonomi dan rencana reformasi pemerintahan. Namun, *trade-off* yang dilakukan mengakibatkan tingkat hutang Indonesia meningkat. Hal ini dapat menjadi *overhang* setelah beberapa periode ke depan i.e. *crowding-out* sistem perbankan, meningkatnya instrumen cukai/pajak, dll. Sehingga, *recovery* pada beberapa sektor dapat menjadi di bawah ekspektasi pasar.

- 🔺 Kami melihat baik di level global ataupun domestik terdapat perbaikan dari sisi sentimen investor atas ketidakpastian dan *recovery* laba atas beberapa sektor. Hal ini selayaknya dapat memberikan *support* bagi IHSG.
- 🔺 Kami mengasumsikan pertumbuhan laba 2020F di kisaran : -30% sd -20% dengan P/E dikisaran 13-15x. Target JCI 2020F berkisar pada 5,300 – 5,700

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