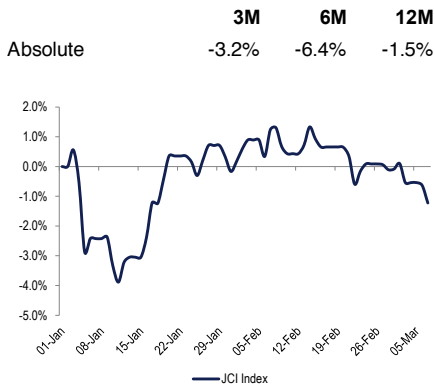


## JCI Performance



## When liquidity become scarce; flow was only concentrated on banks

- Foreign recorded a net inflow of c.Rp2tr in Feb23 vs. outflow of -Rp3tr in Jan23. Banks recorded inflow of Rp4.4tr followed by coal at Rp350bn.
- Foreign recorded outflow in the rest of the sectors which we think is due to drying up liquidity. ADTV has come down similar to pre-Covid level.
- We think liquidity has a strong correlation with index performance and thus, will remain cautious until tangible catalysts for JCI emerge.

### Flow was only concentrated towards banks

Foreign recorded a net inflow of c.Rp2tr in Feb23 vs. outflow of -Rp3tr in Jan23. Banks recorded inflow of Rp4.4tr followed by coal at Rp350bn. This was in contrary with Jan23 when foreign recorded massive outflow in banks amounted -Rp4.2tr and inflow to metals, coal and staples. We believe this was due to: 1) rotation to China has subsided, 2) strong FY22 results by banks in Feb and strong guidance and 3) banks are the most liquid sector.

### Drying-up liquidity is a bigger concern for the market; history suggests direct correlation between liquidity and market performance

Average daily turnover (ADTV) for JCI dropped to c.Rp8.5tr/day or -24% yoy from Rp11.2tr in Jan-Feb22 (-50% vs. Jan-Feb21 ADTV of Rp17tr/day). This was more similar to pre-Covid level of Rp7.5tr in Jan-Feb19. We observed that liquidity has direct correlation with market return (fig 3) i.e. there are instances where ADTV dropped in 2016/20/22 by -17/-35/-34% yoy and at the same time JCI returns were -12/-15/+10% yoy but worth noting that drop in liquidity is the only factor driving the market return as crash in Jan-Feb16 was caused by massive drop in oil price/Brexit while Jan-Feb20 was caused by Covid. As such, any negative catalysts may result in steep correction.

### Thin liquidity may prolong as JCI lack tangible catalysts

We believe several factors contributed to thinner liquidity such as: 1) drop in retail turnover from full economic reopening, 2) drop in churns by local mutual fund – susceptibly due to all-time high performance last year, 3) election year which caused most investors to prefer wait and see and 4) most of the catalyst for Indonesia has played out last year (all time high commodity prices which resulted in all-time high trade surpluses). Lack of imminent and tangible catalysts may prolong the thin liquidity condition, in our view.

### Only handful of sectors may continue to outperform

Banks will be clearly in favour given that interest rate will be higher for longer i.e. BBKA and BMRI. Consumer names may continue to outperform i.e. staples/cigarettes. Commodity may also provide inflation hedge. Tech may outperform when there is tangible sign of peaking interest rate.

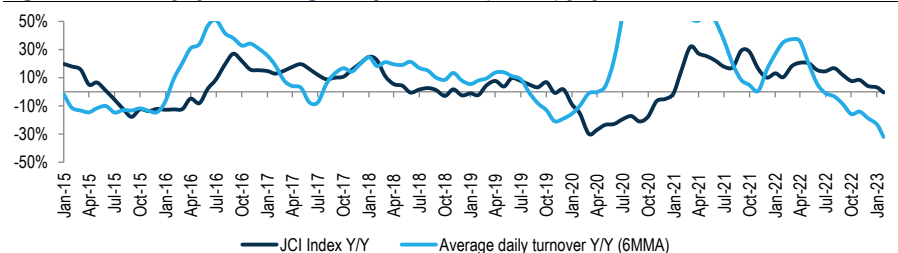
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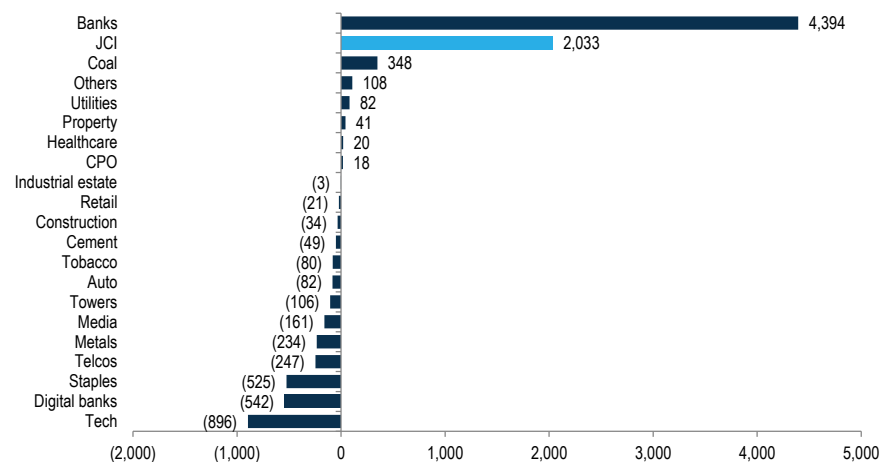
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Fig. 1: JCI index yoy vs. average daily turnover (6MMA) yoy



Source: Bloomberg, Indo Premier

Fig. 2: Feb23 foreign net flow (RG+TN) – in Rp bn



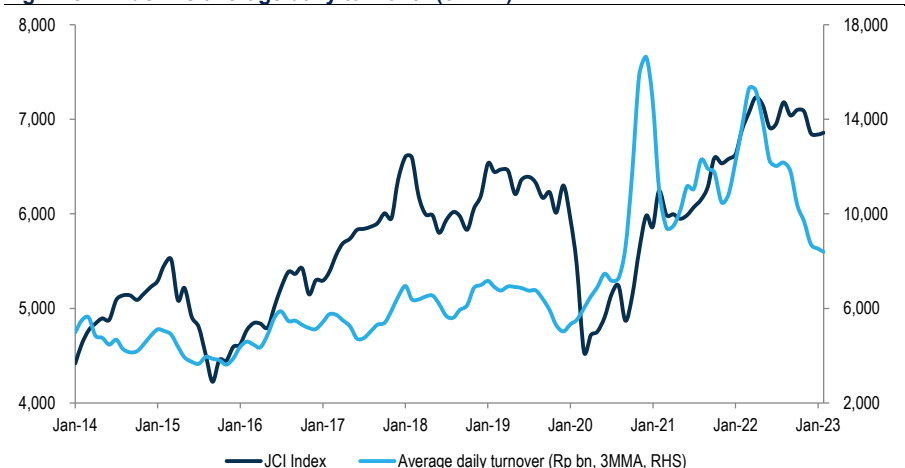
Source: Indo Premier

Fig. 3: JCI historical Jan-Feb average daily turnover (ADTV) vs. performance

	ADTV Jan-Feb (Rp bn)	ADTV Jan-Feb YoY	JCI Feb YoY
2014	4,521	-1%	-4%
2015	5,111	13%	18%
2016	4,254	-17%	-12%
2017	5,413	27%	13%
2018	7,204	33%	22%
2019	7,574	5%	-2%
2020	4,946	-35%	-15%
2021	16,996	244%	14%
2022	11,189	-34%	10%
2023	8,496	-24%	-1%

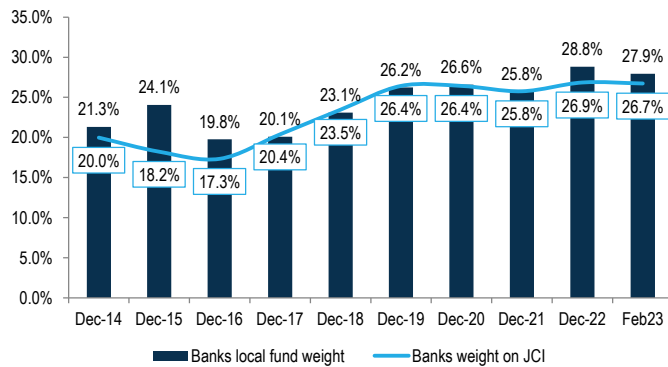
Source: Bloomberg, Indo Premier

Fig. 4: JCI index vs average daily turnover (3MMA)



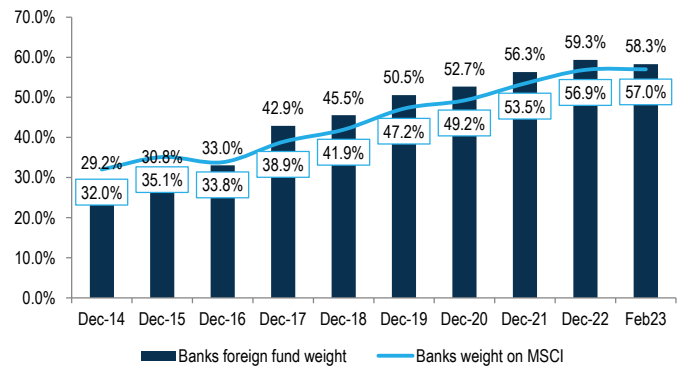
Source: Bloomberg, Indo Premier

**Fig. 5: Banks local fund positioning**



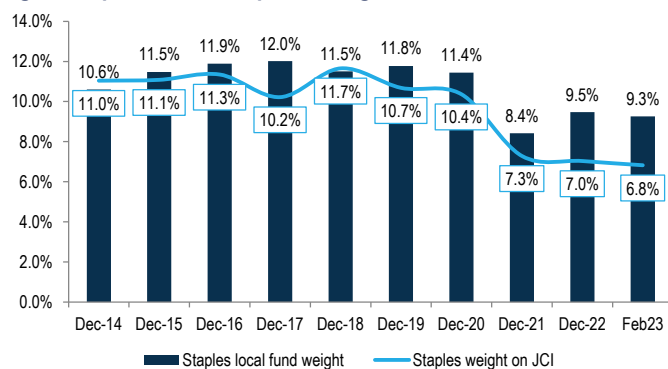
Source: Bloomberg, KSEI, Indo Premier

**Fig. 6: Banks foreign fund positioning**



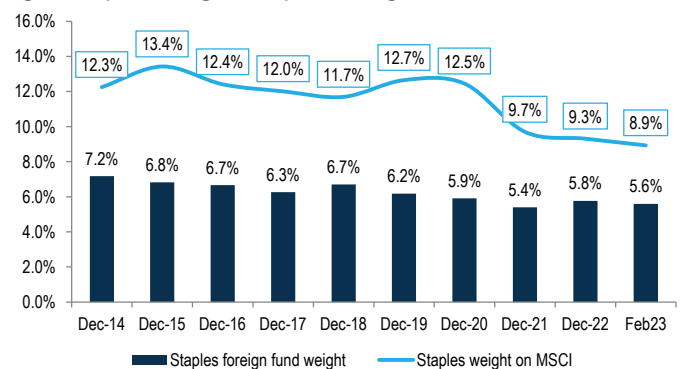
Source: Bloomberg, KSEI, MSCI, Indo Premier

**Fig. 7: Staples local fund positioning**



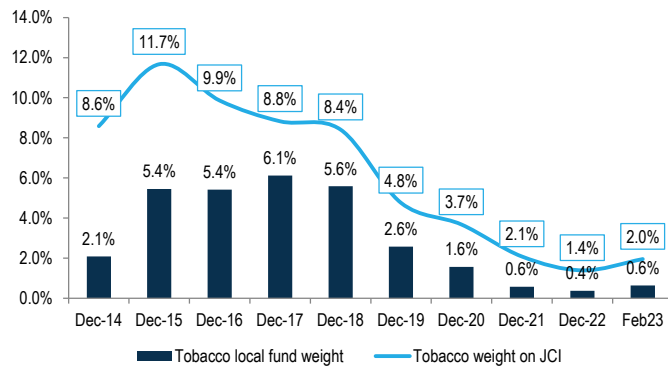
Source: Bloomberg, KSEI, Indo Premier

**Fig. 8: Staples foreign fund positioning**



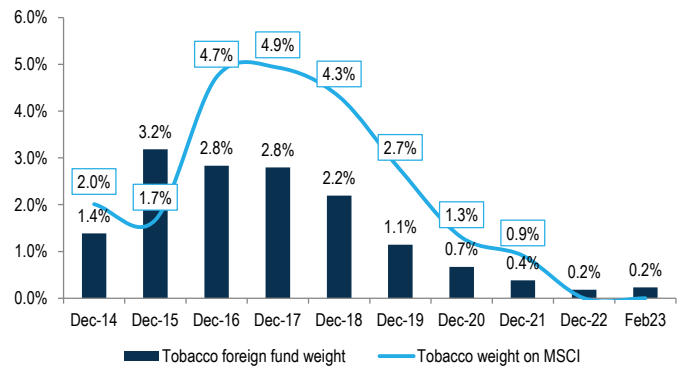
Source: Bloomberg, KSEI, MSCI, Indo Premier

**Fig. 9: Tobacco local fund positioning**



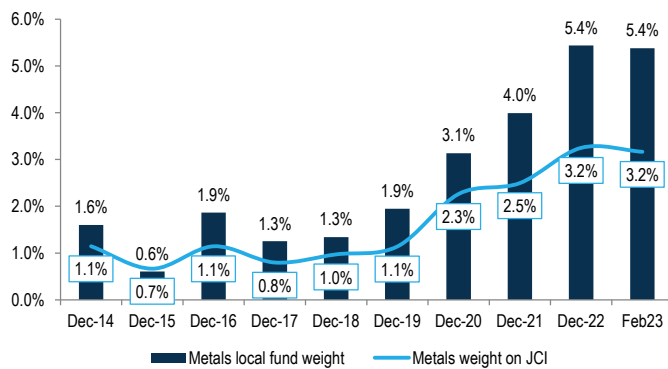
Source: Bloomberg, KSEI, Indo Premier

**Fig. 10: Tobacco foreign fund positioning**



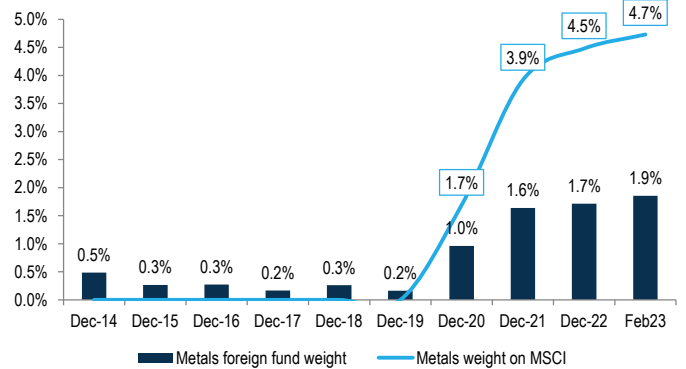
Source: Bloomberg, KSEI, MSCI, Indo Premier

**Fig. 11: Metals local fund positioning**



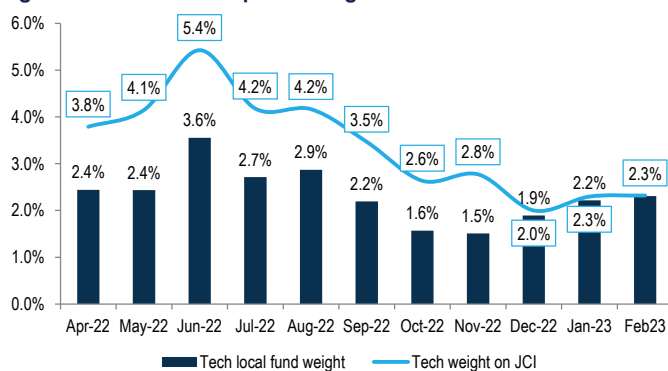
Source: Bloomberg, KSEI, Indo Premier

**Fig. 12: Metals foreign fund positioning**



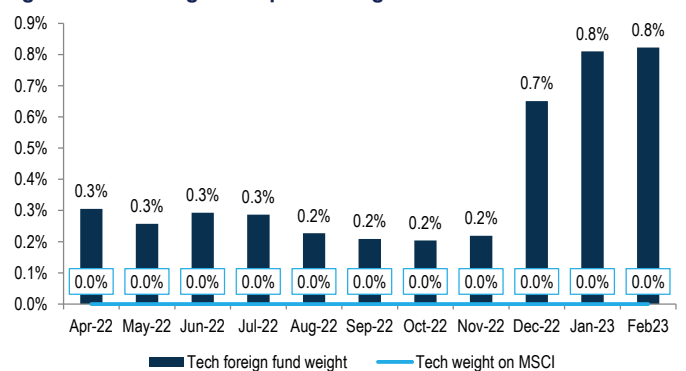
Source: Bloomberg, KSEI, MSCI, Indo Premier

**Fig. 13: Tech local fund positioning**



Source: Bloomberg, KSEI, Indo Premier

**Fig. 14: Tech foreign fund positioning**



Source: Bloomberg, KSEI, MSCI, Indo Premier

## SECTOR RATINGS

- OVERWEIGHT : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

## COMPANY RATINGS

- BUY : Expected total return of 10% or more within a 12-month period
- HOLD : Expected total return between -10% and 10% within a 12-month period
- SELL : Expected total return of -10% or worse within a 12-month period

## ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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