

Knee-jerk reaction to uncertainty

JCI took a -3,6% hit in the morning session today before rebound, as some investors may have a knee-jerk reaction from the demonstration/protest in few cities over the weekend. The protest took a breather after President Prabowo Subianto's speech yesterday. In his speech, Prabowo instructed strict enforcement against unlawful acts, including destruction and looting of public/private property. President also mentioned that some of the parliament allowances will be revoked. Additionally, parliament also imposing a moratorium on overseas business trips. Meanwhile, there is speculation that Minister of Finance may resign, but it's denied by Coordinating Minister for Economic Affairs Airlangga Hartanto. Rupiah weakened last week, touching Rp16,490/USD on Friday closing. However, as of today's AM trading session, Rupiah slightly gained 9 pts to Rp16,481/USD.

JCI's mover as of 11.08 am today (points):

| Leaders | | Laggards | |
|---------|------|----------|-------|
| SRAJ | +4.3 | DCII | -18.1 |
| ANTM | +3.9 | BBRI | -11.6 |
| BRMS | +2.3 | BBCA | -10.8 |
| MPRO | +1.9 | BMRI | -8.8 |
| IMPC | +1.6 | TLKM | -8.0 |

Source: Bloomberg

Our take:

We view the current volatility as a tactical opportunity to gradually accumulate equity exposure, as we have seen swift response from the government and coordinated efforts by the DPR, TNI and the police, hence we expect the situation to be brought under control in the near term. We remain constructive on domestically oriented sectors such as consumer, telecommunications, and healthcare, which are likely to benefit from underlying structural demand. Additionally, we see selective opportunities in the financial sector, supported by our expectation of a rate-cutting cycle ahead. However, we will continue to actively monitor developments and adjust our strategy as conditions evolve.

FI strategy:

The recent turmoil has introduced short-term uncertainty and pushed risk premiums higher, though Bank Indonesia acted swiftly to stabilize markets. With the rupiah hovering around 16,485-16,500/USD and CDS spreads widening modestly to 73.6 (from 70), we expect short-term volatility in the bond market to remain elevated. That said, Indonesia's economic trajectory remains intact, supported by BI's dovish stance, ample domestic liquidity, and the prospect of Fed easing. We stay constructive on Indonesian bonds into year-end given this supportive backdrop, but remain tactical by keeping our portfolio nimble, focusing on short tenors, and deploying cash selectively in line with market conditions.

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