

ANALISA SAHAM INDONESIA

2021: a year -end review for the Jakarta Composite Index (JCI)

Base improvements: of the 2nd year from COVID-19 pandemic event

Ending the year 2021 (12/30), the JCI closed at 6,582pt, to record an annual gain of 10.1% (2020:-5.1%, 2019: 1.7%).

The year 2021, the 2nd COVID-19 pandemic year, was marked by improvement in the country's capital market foundation in terms of investors' both quantity and quality. As of December 29 last year, the total number of investors increased by 92.7% YoY to 7.48mn investors' identity a significant increase, especially if compared to the pre-pandemic year 2017, of about 7 (seven) times higher. Additional investors have been dominated by the Millennials and the Z-Generation, who made up 88% of the total, as of November last year. In addition, the daily average trading value last year was recorded at IDR13.4tr or representing an annual increase of 45% as compared to that of in 2020 of IDR9.2tr. The increase in number of investors has improved the role of retail investors which made up around 60% of total trading volume last year (2020:50%). (Data Source: Indonesia Stock Exchange, site).

Missed estimates made in the start of the 2021 year

The above descriptions are expected to provide further ground for the Indonesia capital market to fuel the country's economic growth, even though the JCI did not fulfill the wide estimations to close at within 7,000pt in the year-end. After hitting the historic and intra-day high on November 22 last year, at 6,755pt and 6,724pt respectively, the JCI fluctuated while in October saw the total daily average trading value of IDR17.02tr and to decline to IDR13.2tr in November (January - September: IDR13.1tr).

The dynamic of monetary policy in the Advanced Economies, especially that of the United States of America (US) plays its influence the domestic financial market, we reckon. Mainly, during the last quarter of last year, the US economy released strong annual gains of macro data, although sometimes on below-than-expected estimates. Overall, the latest US economy is estimated to grow by 5.5% YoY last year an estimate by the country's central bank, against that of the global economy of 5.9% YoY, Advanced Economies of 5.2% YoY, and that of the developing Economies of 6.4% YoY (Source data: WEO). Indonesia's GDP is estimated to grow by 4.2% YoY*, and this put the country to compete for funds that move in line with the best optimum level of yield, within the choice of regions and the choice of types.

At present, favors seem to side with domestic Indonesia, given the relatively (1) well-controlled COVID -19 spread, (2) encapsulated economy toward external volatility, (3) prudent population, among others. These should help the economy and the JCI to record further improvement, we reckon**.

* GDP estimate

For the 2021 Review write-up, the 4Q21 Indonesia GDP value of the constant price is expected to grow by 3% QoQ to make up for the urgent lockdown administered from July 3 to within end of September last year.

** General valuations

At the latest ratio of 49.2%, the Indonesian stock market currently seems to be in the Under-Value bracket range, based on the StockMarketCapitalization to GDP ratio method presented below, as compared to the neighboring and other countries. This simply puts Indonesia's stock market poised for further growth, we think.

Stock-Market Capitalization to GDP Ratios	Indonesia			
	2019	2020	3Q21	2021
GDP value: current (IDRtr)	15,832.5	15,434.2	12,470.3	16,795.7
Stock-Market Capitalization (IDRtr)	7,265.0	6,970.0	7,715.4	8,256.0
JCI (pt)	6,300	5,979	6,287	6,582
Ratio (%)	45.9	45.2	61.9	49.2

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