

# Top-10 investment strategies for 2019:

## #3 Long Indonesian equities

Group Research

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Violet Lee +65 68785281 [violetleeyh@db.com](mailto:violetleeyh@db.com)[#1 Bet on more rate hikes by the Fed](#)[#2 Looking for USDSGD to hit 1.40](#)

- *Expect Indonesia equities to outperform in 2019*
- *Easing macro concerns should lead to return of foreign risk appetite*
- *We believe the market is under-owned*
- *The economy should be relatively more resilient amid a global cyclical slowdown trend as it is driven by domestic demand*

The performance of Indonesia's equity market in 2018 was largely affected by rising US rates, higher US Treasury yields, and stronger USD. Some of these external pressures could start to improve, especially the oil price to which Indonesia is highly sensitive.

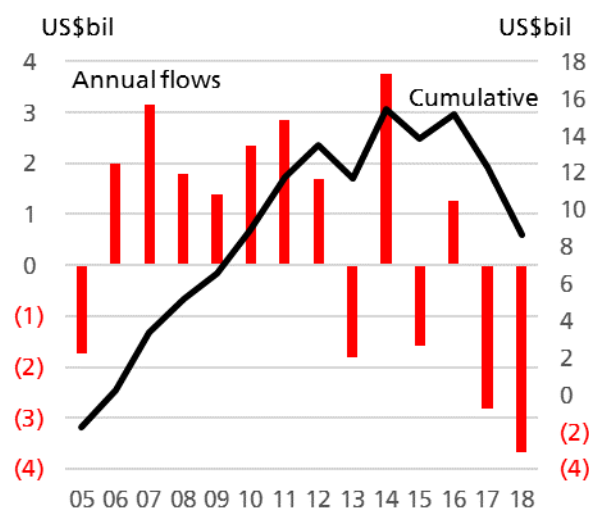
Global growth is expected to slow down in 2019. But the downgrades to Indonesia's growth forecast should be quite minimal as its economy is less cyclical compared to other North Asian markets. By now, investors should have also gotten used to the low 5% GDP growth for Indonesia as it has been consistently growing at this pace in the last five years, driven by steady consumption. We

expect GDP growth in 2019 to improve just slightly to 5.2% vs. our forecast of 5.1% in 2018. Domestic consumption is expected to benefit from the populist approach running up to the election in April 2019.

Meanwhile, the rupiah touched its all-time low in early 4Q18. While still faced with the challenge of twin deficits undermining its external balance sheet strength, a less hawkish Fed would somewhat help to stabilise and even lift the bond market and currency.

We believe the bulk of outflow in Indonesia has already happened and the market should be relatively under-owned. The upcoming presidential election in April 2019 is unlikely to be a big surprise risk factor as it is going to be a repeat between Jokowi and Prabowo, as in 2014. On the contrary, one can expect domestic consumption to benefit from the pre-election populist approach.

### Indonesian equity foreign outflows, annual and cumulative — Unprecedented in 2018



Source: Bloomberg Finance L.P., DBS

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**Sources:** Data for all charts and tables are from CEIC, Bloomberg and DBS Group Research (forecasts and transformations).

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