

Macroeconomic Review

- Export Development Failed. President Joko Widodo said that the export development performance of the Ministry of Trade has failed. The proof : non-oil exports from Indonesia are always less competitive with neighboring countries, Malaysia, Vietnam, and Thailand.
- The government plans to simplify the requirements for the filing of tax allowance and tax holiday facilities.
- Food Prices Become the trigger of Inflation. January 2018 inflation is expected to rise slightly compared to December 2017 inflation after some food prices have risen in the beginning of year 2018. However, the pressure on inflation is not only contributed by the movement of food prices (*volatile foods*), such as rice, horticultural crops, chicken and eggs, which rose due to weather factors.
- Labor absorption from investment realization declined with the share of investment to labor-intensive industrial sectors also shrinking. This condition is seen as a signal to the government that incentives for labor-intensive sectors are ineffective.

Equity Review

US index was closed higher yesterday amid earnings reports from some listed companies are above expectations. VIX was down to 13.54, indicating the Fed's statement yesterday that ensured that its benchmark rate hike has no significant effect on the market. From the latest update of macro data, the market is looking forward to the release of monthly data on Jobless and Continuing Claims and PMI Manufacturing. European markets were closed mixed, while this morning some indexes in the APAC region traded up. From the commodity market, world oil prices and gold were up.

Meanwhile, from the domestic market, investors are looking forward to earnings season which will confirm the achievement of last year's (inline, below, or above expectation) performance of the companies and the extent of their impact on this year's projection and growth potential. From macro data updates, the market awaits the release of inflation data and Nikkei Indonesia PMI Mfg as well as sales of 2W and 4W.

Fixed Income Review

SOEs are encouraged to release Komodo Bond. This year, there are still one or two SOEs that will publish Komodo Bond. At least, there are one to two SOEs that will release Komodo Bond this year. SOE Minister Rini Soemarno said the new Komodo Bond issuance plan is in the process of preparation.

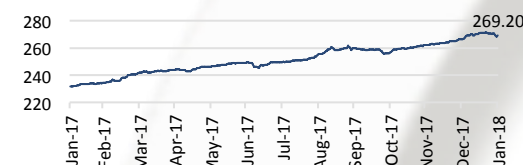
The results of the SUN auction show the enthusiasm is still quite large from investors. Auction of government bonds yesterday was recorded at Rp47.2 trillion with a total of Rp17.5 trillion won.

The **Dollar Index** is expected to strengthen against a basket of currencies today boosted by US government bond yields. Rupiah is predicted to continue weakening. Ahead of the FOMC meeting to decide the benchmark interest rate Dollar index is expected to strengthen against a number of currencies. Trump's desire to keep the dollar strong gives a positive catalyst for the dollar. Rupiah is expected to continue weakening driven by upward trend in global bond yields.

IHSG - Equity Index



IBPA - Government Bond Index



Stock Market Indices	Last	1M%
Jakarta – JCI	6,605.6	3.9
Japan – NIKKEI 225	23,098.3	1.5
Hong Kong – Hang Seng	32,887.3	9.9
US – S&P 500	2,822.4	3.1
Dow Jones	26,149.4	5.8

Bond Market Indices	Last	1M%
INDOBEX – Govt. Bond Index	242.9	1.1

Exchange Rate	Last	1M%
USD / IDR	13,393.5	(1.2)
USD / JPY	109.2	(3.0)
GBP / USD	1.42	5.2
EUR / USD	1.24	3.4

Commodity	Last	1M%
Oil (USD/bbl)	64.5	6.0
Coal (USD/MT)	109.0	6.3
CPO (MYR/MT)	2,514.0	1.9
Gold (USD/OZ)	1,338.5	3.1

Government Bond Yield (%)	Last	1M Chg
Indonesia IDR 2yr	5.44	(0.10)
Indonesia IDR 5yr	5.87	(0.10)
Indonesia IDR 10yr	6.37	0.05
Indonesia IDR 20yr	7.14	0.08
US Treasury 10yr	2.72	0.31

Selected Macroeconomic Data	Nov-17	Dec-17
Real GDP (YoY %)	N/A	N/A
CPI (YoY %)	3.30	3.61
Core CPI (YoY %)	3.05	2.95
BI Net Foreign Reserve (USD bn)	125.97	130.20
BI 7 Days Reverse Repo (%)	4.25	4.25
Export (YoY %)	13.18	(6.93)
Import (YoY %)	19.62	17.83