

Macroeconomic Review

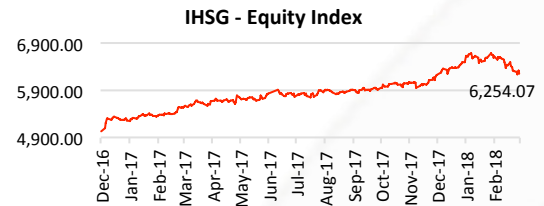
- As expected, the US Federal Reserve's or Fed's rate is hiked at 25 basis points (bps) today to 1.75%. Looking at the dot plots released by the Fed, most FOMC members still estimate that this year's US rate hike is 75 bps. We judge that the dot plot released by the Fed will cause the volatility in the rupiah to decline because the level of uncertainty in the market also declined.
- After enjoying a surplus since 2015, Indonesia's trade balance in the last three months has fallen back into deficit. With a deficit in February 2018 of US \$ 0.12 billion, the total deficit in the three months since December 2017 reached US \$ 1.1 billion. The trade deficit for three consecutive months is the first time since 2014.
- Indonesia's foreign exchange reserves fail to break the record again. The trend of additional foreign exchange reserves which took place since November 2017 stalled in February 2018. Indonesia Central Bank (ICB) recorded the position of Indonesia's foreign reserves at the end of February 2018 amounting to US\$ 128.06 billion. The amount is down compared to the end of January 2018 which amounted to US \$ 131.98 billion. The decrease of foreign exchange reserves was due to the government's foreign debt repayment, stabilization of rupiah exchange rate and decrease of banking currency placement in ICB in line with the requirement of payment of foreign currency liabilities.

Equity Review

- The bearish trend overshadowed the domestic stock market. In this Month, the JCI Index has fallen by -5.2% to 6,254.07. JCI Index is pressured by the correction of the largest market capitalization stocks, TLKM, ASII, HMSP and UNVR. JCI correction was triggered by many factors, one of which is the plan until the realization of the Fed's interest rate increase. In addition, the global economic downturn still can be felt. This is evident from recent weak economic data.
- The Ministry of Energy and Mineral Resources (ESDM) officially sets the price of DMO for electricity generation at a fix price of US\$ 70 per ton. The Beleid is valid until 2019. Domestic coal price or DMO can be a blow for coal companies. This rule is seen to erode coal producers' revenue over the next two years. The fixed price is valid for coal with 6,322 Kcal calorie, far below the current benchmark coal price at US\$ 101.86 per ton. Then, coal with calories of 4,200 Kcal to 5,700 Kcal will also decrease in price according to that pricing policy.

Fixed Income Review

- Indonesia's bond market is expected to stabilize after the Federal Reserve's decision to raise its benchmark interest rate by 25 basis points. The pressure on the bond market has actually begun to subside within days before the Federal Open Market Committee (FOMC) agenda is held. This is driven by almost all market participants who believe that a rise in US benchmark interest rates will occur. Yields on US Treasury began to move down again to the 2.85% range after some time earlier almost touching the 3.00% level.



Stock Market Indices	Last	1M%
Jakarta – JCI	6,254.1	(5.1)
Japan – NIKKEI 225	21,592.0	(1.7)
Hong Kong – Hang Seng	31,071.1	0.3
US – S&P 500	2,711.9	0.4
Dow Jones	24,682.3	(0.5)

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

Exchange Rate	Last	1M%
IDR / USD	13,761	1.1
JPY / USD	106.33	(1.0)
GBP / USD	1.41	0.75
EUR / USD	1.23	(0.36)

Commodity	Last	1M%
Oil (USD/bbl)	65.2	5.7
Coal (USD/MT)	97.2	(8.0)
CPO (MYR/MT)	2,459.0	(2.0)
Gold (USD/OZ)	1,315.8	(1.0)

Government Bond Yield (%)	Last	1M Chg
Indonesia IDR 2yr	5.61	0.18
Indonesia IDR 5yr	6.00	0.11
Indonesia IDR 10yr	6.79	0.17
Indonesia IDR 20yr	7.38	0.06
US Treasury 10yr	2.85	(0.07)

Selected Macroeconomic Data	Feb-18	Jan-18
Real GDP (YoY %)	N/A	N/A
CPI (YoY %)	3.18	3.25
Core CPI (YoY %)	2.58	2.69
BI Net Foreign Reserve (USD bn)	128.06	131.98
BI 7 Days Reverse Repo (%)	4.25	4.25
Export (YoY %)	11.76	7.86
Import (YoY %)	25.18	26.44