

12 November 2018

Market Review

- ✦ After declining in September 2018, Indonesia's foreign exchange reserves increased again in October 2018. Bank Indonesia (BI) recorded a foreign exchange reserve position at the end of October 2018 of US \$ 115.2 billion, an increase of US \$ 400 million compared to September 2018 which was US \$ 114.8 billion. The increase in foreign exchange reserves was driven by oil and gas foreign exchange revenues and the withdrawal of foreign debt. But on the other hand, foreign exchange reserves are also used to pay off government foreign debt and stabilize the rupiah. The position of foreign exchange reserves is equivalent to 6.4 months of import financing or 6.2 months of imports plus government foreign debt payments. The amount of foreign exchange reserves is above the international adequacy standard of around three months of imports. We consider that the foreign exchange reserves are able to support the resilience of the external sector and maintain macroeconomic and financial system stability.
- ✦ Bank of Indonesia (BI) recorded a current account deficit (CAD) in the third quarter of 2018 reaching US \$ 8.8 billion or 3.37% of gross domestic product (GDP). This third quarter CAD widened compared to CAD in the second quarter of 2018 which amounted to US \$ 8 billion or 3.02% of GDP. Cumulatively, the current account deficit until the third quarter of 2018 was recorded at 2.86% of GDP, so that it is still within safe limits. The increase in CAD in the third quarter was influenced by a decline in the goods trade balance and an increase in the service balance deficit.
- ✦ The Indonesia Balance of Payments (NPI) returned a deficit in the third quarter of 2018. Based on data released by Bank Indonesia (BI), in the period ending September 2018, the balance of payments experienced a deficit of US \$ 4.4 billion. This deficit even increased from the balance of payments deficit in the second quarter of 2018 of US \$ 4.3 billion. Based on Bank Indonesia's report, the third quarter balance of payments deficit was due to the current account deficit (CAD) which could not be financed by a surplus of capital and financial transactions (TMF).

Market View

- ✦ We expect the current account deficit (CAD) throughout 2018 to be in the range of 2.9% to 3.1% until the end of the year. In our opinion, in the fourth quarter there will indeed be an increase in imported goods, seeing demand for imported raw materials, especially for consumer goods, increase. This is in line with the Christmas holiday and the new year. Meanwhile, from the export side there will be no significant increase because the manufacturing industry does not utilize the production utilities to the maximum. Plus, export destination countries have faced a winter and a long holiday, making demand for raw materials from Indonesia decreasing. Although imports have increased and exports have not increased significantly, the current decline in crude oil prices can still help Indonesia's trade balance.

Fund Performance	Type	Nav/unit	1W%	1M%	YTD%
Lancar Victoria Merkurius	Pasar Uang	1,242.64	0.13	0.57	5.23
Victoria Obligasi Negara	P. Tetap	1,131.23	0.93	3.71	(4.06)
Victoria Equity Maxima	Saham	1,016.20	(2.99)	(0.78)	(12.63)
Pasar Uang Syariah	P.U. Syariah	1,063.01	0.12	0.49	4.74
Obligasi Negara Syariah	O.N. Syariah	996.34	0.36	1.28	(0.85)
Saham Syariah	Saham Syariah	963.22	(2.20)	(2.51)	N/A

Stock Market Indices	Last	1D Chg	1W%	1M%	YTD%
Jakarta – JCI	5,777.1	(1.7)	(2.4)	0.4	(9.1)
Japan – NIKKEI 225	21,589.3	(3.1)	(2.1)	(4.9)	(5.2)
Hong Kong – Hang Seng	25,633.2	0.1	(1.2)	(0.7)	(14.3)
US – S&P 500	2,726.2	(2.0)	(0.4)	(0.0)	2.0
UK – FTSE 100	7,053.1	(0.7)	(0.7)	0.8	(8.3)

Exchange Rate	Last	1D Chg	1W%	1M%	YTD%
USD / IDR	14,825.0	139.0	(0.9)	(3.4)	8.3
USD / JPY	113.9	0.0	0.6	1.9	1.0
GBP / USD	1.28	(0.0)	(1.5)	(2.3)	0.0
EUR / USD	1.12	(0.0)	(1.8)	(3.1)	(6.6)

Commodity	Last	1D Chg	1W%	1M%	YTD%
Oil (USD/bbl)	59.9	(0.9)	(5.1)	(17.3)	(2.3)
Coal (USD/MT)	88.4	2.0	(4.7)	(5.6)	1.0
CPO (MYR/MT)	1,880.0	(15.0)	(5.3)	(11.7)	(23.7)
Gold (USD/OZ)	1,200.4	2.9	(2.5)	(1.2)	(7.7)
Nickel (\$/MT)	11,347.5	(70.0)	(3.4)	(10.6)	(10.3)
Tins (\$/MT)	19,245.0	117.5	1.1	0.7	(3.5)

Government Bond Yield (%)	Last	1W Chg	1M Chg	YTD Chg
Indonesia IDR 2yr	7.45	7.45	(0.2)	1.9
Indonesia IDR 5yr	8.08	8.17	(0.4)	2.1
Indonesia IDR 10yr	8.23	8.34	(0.5)	1.9
Indonesia IDR 20yr	8.67	8.79	(0.5)	1.6
Indonesia USD 5yr	4.47	4.51	0.1	1.3
Indonesia USD 10yr	4.81	4.84	0.1	N/A
US Treasury 10yr	3.18	3.2	0.0	0.8

Interest Rate (%)	Last	1W Chg	1M Chg	YTD Chg
Fed Rate	2.25	0.00	0.00	0.75
Jakarta Interbank Offered Rate	5.74	0.0	(0.1)	1.8
1M USD Deposit Rate	1.19	0.1	(0.0)	0.4
Libor USD 3M	2.61	0.0	0.2	0.9

Selected Macroeconomic Data	Oct-18	3Q18	2Q18	1Q18
Real GDP (%YoY)	N/A	5.17	5.27	5.06
CPI (%YoY)	3.16	2.88	3.12	3.40
Core CPI (%YoY)	2.94	2.82	2.72	2.67
BI Net Foreign Reserve (USD bn)	N/A	114.85	119.84	126.00
BI 7 Days Reverse Repo (%)	5.75	5.75	5.25	4.25
Export (%YoY)	N/A	1.70	11.47	6.14
Import (%YoY)	N/A	14.18	12.66	9.07

Bond Market Indices	Last	1D Chg	1W%	1M%	YTD%
INDOBEX IBPA Index – IDR Bond	231.8	(0.6)	1.2	3.5	(3.5)

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