

15 October 2018

Market Review

- The value of Indonesia's trade balance in September 2018 experienced a surplus of US \$ 0.23 billion, triggered by a non-oil and gas sector surplus of US \$ 1.30 billion despite the oil and gas sector experiencing a deficit of US \$ 1.07 billion. Indonesia's export value in September 2018 reached US \$ 14.83 billion, down 6.58% compared to exports in August 2018. While compared to the same period last year the figure increased 1.70%. While the value of Indonesia's imports in September 2018 reached US \$ 14.60 billion, down 13.18% compared to August 2018. Conversely, when compared to September 2017 it rose by 14.18%.
- IMF annual meeting - World Bank held in the past week in Bali is considered unable to resolve the trade conflict between China and the United States. The trade war that occurs depends largely on the policies of each country. Moreover, until now there have been no changes seen in the trade war. In our opinion, the influence of this annual meeting is very small to the trade war that occurred, because trade negotiations between the United States and China are carried out bilaterally. As long as the two countries have not found the common ground, the call for efforts to reduce trade wars is less effective. Not only through the Annual Meeting of the IMF - World Bank which was held this year, world leaders have asked for cooperation and coordination in each country through the World Economic Forum in Davos. Unfortunately, the President of the United States continues to raise import duties for several countries.
- The trend of weakening the rupiah exchange rate against the United States dollar which occurred in recent times was considered not directly proportional to the entry of foreign investment. Investment, especially foreign investment in the form of direct foreign investment (FDI) will still be less stimulated because the policy of debureaucratization, deregulation, and structural reform has not been effective.

Market View

- We project a global trade war will have an impact on Indonesia. The impact is in the form of a decline in exports. Mainly export raw materials. Of course, the impact of the trade war on Indonesia is not direct. Initially, a trade war would reduce the demand of developed countries directly affected by trade wars, especially the United States (US), China and Europe. Then, this decline in demand will reduce Indonesia's exports. Moreover, so far Indonesia's exports are dominated by exports of raw materials such as coal, crude oil and gas.
- We estimate the current account deficit (CAD) deficit this year to range from 2.3% to 2.5% of the nominal Gross Domestic Product (GDP). One of the reasons is the increase in world oil prices which caused an increase in imports of oil and derivative products which affected the trade balance deficit, and the increase in shipping costs that affected the service balance. The government also continues to strive to reduce the current account deficit. These policies are like carrying out the B20 expansion program for non-subsidies as an effort to reduce the use of crude oil, raise the income tax on luxury goods and some other policies. However, we assess, the impact of various new government policies will have an impact in the coming year.

Fund Performance	Type	Nav/unit	1W%	1M%	YTD%
Lancar Victoria Merkurius	Pasar Uang	1,236.25	0.1	0.6	4.7
Victoria Obligasi Negara	P. Tetap	1,086.79	(2.0)	(1.6)	(7.8)
Victoria Equity Maxima	Saham	669.66	(0.8)	(3.3)	(12.2)
Pasar Uang Syariah	P.U. Syariah	1,058.23	0.1	0.5	4.3
Obligasi Negara Syariah	O.N. Syariah	983.68	(0.4)	0.4	(2.1)
Saham Syariah	Saham Syariah	978.14	(1.5)	(3.1)	N/A

Stock Market Indices	Last	1D Chg	1W%	1M%	YTD%
Jakarta - JCI	5,727.3	(29.2)	(0.6)	(3.4)	(9.9)
Japan - NIKKEI 225	22,321.2	49.9	(5.0)	(3.3)	(1.9)
Hong Kong - Hang Seng	25,445.1	(356.4)	(2.9)	(6.7)	(15.0)
US - S&P 500	2,750.8	(16.3)	(4.6)	(4.0)	2.9
UK - FTSE 100	7,029.2	33.3	(2.8)	(3.8)	(8.6)

Exchange Rate	Last	1D Chg	1W%	1M%	YTD%
USD / IDR	15,220	23.0	0.0	2.3	12.3
USD / JPY	111.9	0.1	(1.0)	0.0	(0.7)
GBP / USD	1.32	0.0	0.8	0.0	0.0
EUR / USD	1.16	0.0	0.9	(0.8)	(3.5)

Commodity	Last	1D Chg	1W%	1M%	YTD%
Oil (USD/bbl)	71.8	0.0	(3.4)	4.1	18.9
Coal (USD/MT)	109.2	0.0	(4.0)	(5.3)	8.4
CPO (MYR/MT)	2,145.0	(6.0)	0.3	(3.0)	(12.5)
Gold (USD/OZ)	1,227.3	1.2	3.3	2.9	(5.7)
Nickel (\$/MT)	12,570	(120.0)	(0.7)	1.3	(0.7)
Tins (\$/MT)	19,145	27.5	1.1	0.7	(4.0)

Government Bond Yield (%)	Last	1W Chg	1M Chg	YTD Chg
Indonesia IDR 2yr	7.64	(0.01)	(0.21)	2.10
Indonesia IDR 5yr	8.55	0.22	0.22	2.59
Indonesia IDR 10yr	8.88	0.38	0.47	2.56
Indonesia IDR 20yr	9.24	0.31	0.26	2.18
Indonesia USD 5yr	4.36	0.16	0.23	1.18
Indonesia USD 10yr	4.70	0.07	0.19	1.11
US Treasury 10yr	3.16	(0.07)	0.16	0.75

Interest Rate (%)	Last	1W Chg	1M Chg	YTD Chg
Fed Rate	2.25	0.00	0.25	0.75
Jakarta Interbank Offered Rate	5.84	0.2	0.4	1.9
1M USD Deposit Rate	1.19	0.1	0.2	0.4
Libor USD 3M	2.44	0.0	0.1	0.7

Selected Macroeconomic Data	Sep-18	Aug-18	2Q18	1Q18
Real GDP (%YoY)	N/A	N/A	5.27	5.06
CPI (%YoY)	2.88	3.20	3.12	3.40
Core CPI (%YoY)	2.82	2.90	2.72	2.67
BI Net Foreign Reserve (USD bn)	N/A	117.90	119.84	126.00
BI 7 Days Reverse Repo (%)	5.75	5.50	5.25	4.25
Export (%YoY)	N/A	4.15	12.47	6.14
Import (%YoY)	N/A	24.65	12.66	9.07

Bond Market Indices	Last	1D Chg	1W%	1M%	YTD%
INDOBEX IBPA Index - IDR Bond	223.4	(0.6)	(1.7)	(0.5)	(7.0)

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