

Market Review

- In the third quarter of this year, China's economic growth slowed to 6.5%. In fact, in the second quarter of this year, China's economic growth reached 6.7%. The slowdown in China's economic growth this year can affect the performance of Indonesia's exports, especially exports to China. The reason is, the entire supply chain to China will affect the production of raw materials and primary preparations from Indonesia. From data from the Central Statistics Agency (BPS), the growth of Indonesian exports in September fell 8.66% compared to the previous month. Based on China's economic sensitivity test towards Indonesia, every 1% decrease in China's gross domestic product (GDP) growth will have an impact on the decline of Indonesia's GDP growth by 0.09%. This means that this year the likelihood of Indonesia's economy is stagnant in the range of 5.0% - 5.2% and next year will remain at the same range. This also indicates the effect of trade war has begun to be felt to China.
- Government debt interest financing is getting bigger. In the temporary posture of the 2019 State Budget (RAPBN), the debt interest financing in the coming year will increase to Rp. 275.9 trillion compared to the 2018 State Budget of Rp. 238.6 trillion. The increase in interest in the coming year is due to an increase in debt, depreciation of the rupiah exchange rate and an increase in the reference rate interest. As of September 30, 2018, debt interest payments have reached 82.91% or Rp. 197.84 trillion from the 2018 State Budget. This figure increased by 14.05% from last year's debt interest financing. The composition of government debt is a loan of Rp 823.11 trillion and state securities (SBN) of Rp 3.593.26 trillion. The total debt in 2018 increased from the previous year's total debt which reached Rp. 3,866.45 trillion. Related to debt financing, this year debt financing amounted to Rp 399.2 trillion, where debt financing has reached Rp 304.94 trillion or reached 76.4% of the 2018 State Budget. Debt financing in the draft budget of the State Budget in the coming year is Rp 359.4 trillion.

Market View

- We predict that Bank Indonesia (BI) will not raise interest rates this month because the condition of the rupiah is stabilizing, and inflationary pressures are still under control. Based on the Jakarta Interbank Spot Dollar Rate (JISDOR), the rupiah does look volatile but there has been no high volatility since early October. JISDOR recorded IDR 15,185 per day. Meanwhile, September 2018 inflation was 2.88% year-on-year (YoY). We predict that in November 2018, BI will increase interest rates by 25 bps from 5.75% to 6.00%. The factors include anticipating an increase in the Fed's benchmark interest rate and suppressing the current account deficit that will widen until the end of the year.
- We estimate the current account deficit (CAD) in this year to range from 2.3% to 2.5% of the nominal Gross Domestic Product (GDP). One reason is the increase in world oil prices which caused an increase in imports of oil and derivative products which had an effect on the trade balance deficit, and the increase in shipping costs that had an effect on the service balance. The government continues to try to reduce the current account deficit. Such policies such as implementing the B20 expansion program for non-subsidies as an effort to reduce the use of crude oil, increase luxury goods import tax and 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 Mercurius	Pasar Uang	1,237.82	0.13	0.56	4.82
Victoria Obligasi Negara	P. Tetap	1,096.97	0.94	(2.23)	(6.97)
Victoria Equity Maxima	Saham	1,038.62	1.72	(2.06)	(10.71)
Pasar Uang Syariah	P.U. Syariah	1,059.22	0.09	0.46	4.36
Obligasi Negara Syariah	O.N. Syariah	985.71	0.21	0.13	(1.91)
Saham Syariah	Saham Syariah	988.08	1.02	(2.19)	N/A

Stock Market Indices	Last	1D Chg	1W%	1M%	YTD%
Jakarta - JCI	5,840.4	3.1	2.0	(2.0)	(8.1)
Japan - NIKKEI 225	22,614.8	82.7	1.3	(5.3)	(0.7)
Hong Kong - Hang Seng	26,153.2	591.8	2.8	(6.4)	(12.6)
US - S&P 500	2,767.8	(1.0)	0.6	(6.2)	3.5
UK - FTSE 100	7,089.6	39.8	0.9	(5.3)	(7.8)

Exchange Rate	Last	1D Chg	1W%	1M%	YTD%
USD / IDR	15,187.0	0.0	(0.2)	2.2	12.0
USD / JPY	112.7	0.2	0.7	(0.1)	0.0
GBP / USD	1.30	(0.0)	(1.5)	(1.2)	0.0
EUR / USD	1.15	(0.0)	(0.9)	(2.4)	(4.5)

Commodity	Last	1D Chg	1W%	1M%	YTD%
Oil (USD/bbl)	69.1	0.1	(3.8)	(2.2)	14.6
Coal (USD/MT)	109.8	0.3	0.5	(3.9)	9.1
CPO (MYR/MT)	2,125.0	20.0	(0.9)	1.4	(12.2)
Gold (USD/OZ)	1,226.9	(3.4)	(0.0)	2.0	(6.1)
Nickel (\$/MT)	12,457.5	(15.0)	(0.9)	(6.1)	6.1
Tins (\$/MT)	19,222.5	72.5	0.4	1.6	(1.8)

Government Bond Yield (%)	Last	1W Chg	1M Chg	YTD Chg
Indonesia IDR 2yr	7.65	0.01	(0.09)	2.11
Indonesia IDR 5yr	8.52	(0.03)	0.42	2.55
Indonesia IDR 10yr	8.66	(0.22)	0.52	2.35
Indonesia IDR 20yr	9.02	(0.22)	0.45	1.96
Indonesia USD 5yr	4.42	0.06	0.26	1.24
Indonesia USD 10yr	4.79	0.09	0.30	1.20
US Treasury 10yr	3.19	0.03	0.13	0.79

Interest Rate (%)	Last	1W Chg	1M Chg	YTD Chg
Fed Rate	2.25	0.00	0.00	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	224.9	0.3	1.5	(1.4)	(6.4)