

29 October 2018

Market Review

- ✦ Bank Indonesia decided to maintain the benchmark interest rate (BI 7-day reverse repo rate) at the level of 5.75%. BI's consideration to maintain the benchmark interest rate is as an effort to reduce the current account deficit (CAD) within safe limits and maintain the attractiveness of the domestic financial market so that it can further strengthen external resilience Indonesia sees still high global uncertainties. In addition to CAD, BI also pays attention to US (US) interest rate trends, including looking at the development of neighboring countries' interest rates. We estimate, US interest rates will still rise once in December, up three times in 2019, and once in 2020.
- ✦ During this week, foreign investors bought Government Securities (SBN) until a net inflow of Rp. 9.09 trillion occurred. The easing of global sentiment and stabilizing the domestic market make foreign investors more confident in buying assets in the country, plus the condition of a more stable rupiah throughout the month. The low inflation rate in the past two months also helped lift the bond market. Just so you know, in August and September there were actually deflation of 0.05% and 0.18% respectively. Meanwhile, the benchmark 10-year benchmark SUN yield is currently reaching an attractive level of 8.6%.
- ✦ The government's efforts to boost infrastructure have not driven Indonesia's competitiveness much. The increase in Indonesia's competitiveness rating is still very minimal. Indonesia's competitiveness only rose two ranks from 47 to 45. The increase was still small due to lack of infrastructure, still lacking after massive development. The infrastructure development effort is a transfer of funds from subsidies. Since 2015, the government has transferred subsidies to productive spending. Productive spending includes infrastructure, health and education. Just so you know, the budget for infrastructure continues to rise until 2018. In 2018 the infrastructure budget reaches Rp 410 trillion, up from Rp 390 trillion in the previous year. Until 2018, the roads that have been built are 3,432 kilometers (km), 941 km of toll roads, 39.8 km of bridges, and 134 units of suspension bridges.

Market View

- ✦ The challenge for the rupiah this year until 2019 is still based on external factors despite domestic influences. The detailed pressure is due to great rotation. At present it is a profit harvest period for global investors from emerging markets after investment since 2008. The good performance of the US economy strengthens the outflows flow from emerging markets, one of which is Indonesia. In Indonesia, the biggest outflows come from stocks. In addition, the normalization of interest rates in the United States (US) follows the recovery of the US economy after the 2009 recession so that investors flock to the US. Other risks such as negative sentiment from global financial market players towards contagious emerging market economic conditions, and escalation of the US-China trade war. In addition, the increase in world oil prices led to the perception of market participants that Indonesia's CAD was at an increased risk, affecting the fundamentals of Indonesia's economic fundamentals against the rupiah. Whereas domestic factors, the problem lies in the current account deficit, significant foreign ownership in stocks and SBN so that the rupiah is vulnerable to outflows. Also tightening foreign exchange liquidity and concentrated in large banks and many companies that are not fully hedge FX exposures.

Fund Performance	Type	Nav/unit	1W%	1M%	YTD%
Lancar Victoria Merkurius	Pasar Uang	1,239.49	0.14	0.59	4.96
Victoria Obligasi Negara	P. Tetap	1,099.44	0.22	(2.43)	(6.76)
Victoria Equity Maxima	Saham	1,016.04	(2.17)	(4.55)	(12.65)
Pasar Uang Syariah	P.U. Syariah	1,060.48	0.12	0.47	4.49
Obligasi Negara Syariah	O.N. Syariah	988.71	0.30	0.11	(1.61)
Saham Syariah	Saham Syariah	967.31	(2.10)	(4.90)	N/A
Stock Market Indices	Last	1D Chg	1W%	1M%	YTD%
Jakarta – JCI	5,789.1	34.5	(0.9)	(3.1)	(8.9)
Japan – NIKKEI 225	21,630.9	173.6	(4.4)	(10.3)	(5.0)
Hong Kong – Hang Seng	24,585.5	(226.5)	(6.0)	(11.5)	(17.8)
US – S&P 500	2,682.6	41.4	(3.1)	(7.4)	0.3
UK – FTSE 100	7,035.9	9.5	(0.8)	(6.3)	(8.5)
Exchange Rate	Last	1D Chg	1W%	1M%	YTD%
USD / IDR	15,224.0	1.0	0.2	2.1	12.3
USD / JPY	113.1	0.7	0.4	(0.7)	0.4
GBP / USD	1.27	(0.0)	(2.3)	(2.6)	0.0
EUR / USD	1.13	(0.0)	(1.7)	(2.0)	(5.5)
Commodity	Last	1D Chg	1W%	1M%	YTD%
Oil (USD/bbl)	66.2	0.2	(4.2)	(9.4)	9.9
Coal (USD/MT)	96.0	(1.0)	(12.6)	(3.3)	6.2
CPO (MYR/MT)	2,075.0	(18.0)	(2.4)	(2.9)	(15.8)
Gold (USD/OZ)	1,222.9	(2.3)	(0.3)	2.4	(6.3)
Nickel (\$/MT)	11,740.0	(137.5)	(5.8)	(6.4)	(7.2)
Tins (\$/MT)	19,115.0	(157.5)	(0.6)	1.5	(4.2)

Government Bond Yield (%)	Last	1W Chg	1M Chg	YTD Chg
Indonesia IDR 2yr	7.56	(0.09)	(0.1)	2.0
Indonesia IDR 5yr	8.44	(0.08)	0.4	2.5
Indonesia IDR 10yr	8.63	(0.03)	0.5	2.3
Indonesia IDR 20yr	9.03	0.01	0.5	2.0
Indonesia USD 5yr	4.50	0.08	0.4	1.3
Indonesia USD 10yr	4.88	0.09	0.5	1.3
US Treasury 10yr	3.12	(0.07)	0.1	0.7

Interest Rate (%)	Last	1W Chg	1M Chg	YTD Chg
Fed Rate	2.25	0.00	0.00	0.75
Jakarta Interbank Offered Rate	5.72	(0.0)	0.1	1.8
1M USD Deposit Rate	1.15	0.0	0.1	0.3
Libor USD 3M	2.52	0.0	0.1	0.8

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	225.7	0.3	0.4	(1.5)	(6.0)

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