SAMUEL SEKURITAS INDONESIA

Macro Outlook 2023 for Media Sector: Fed and BI Pivot, will it work?

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Our View

We expect Bank Indonesia to start cutting rate in 3Q23 with potential rate cut size of 50-150 bps depending on the trajectory of the Fed's interest rate policy

- We think BI rate cut will benefit the media entertainment sector because the purchase of consumer discretionary services is sensitive to change in interest rate.

- We prepare three rate cuts scenario depending on two factors: a) BI's commitment to its new mandate of achieving sustainable economic growth, and b) the trajectory of the Fed's interest rate policy.

- Currently, market expects the Fed to begin rate cut of 75 bps by 4Q23; however, the Fed may pursue lower cut (25 bps) or no cut at all, if the current macro situation persist.

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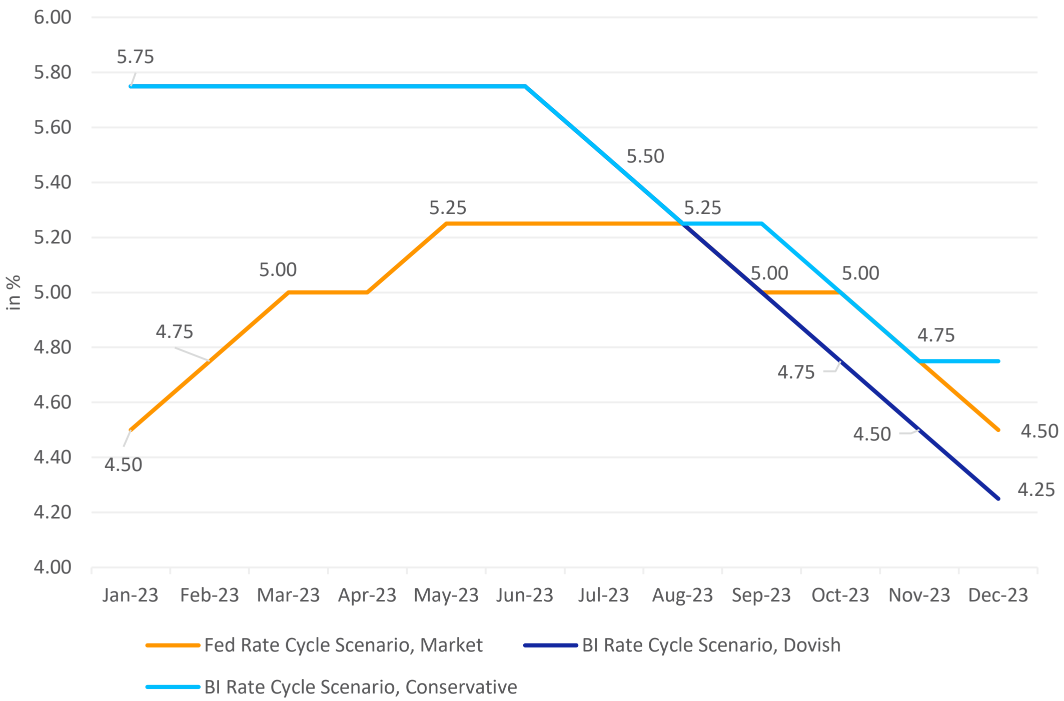
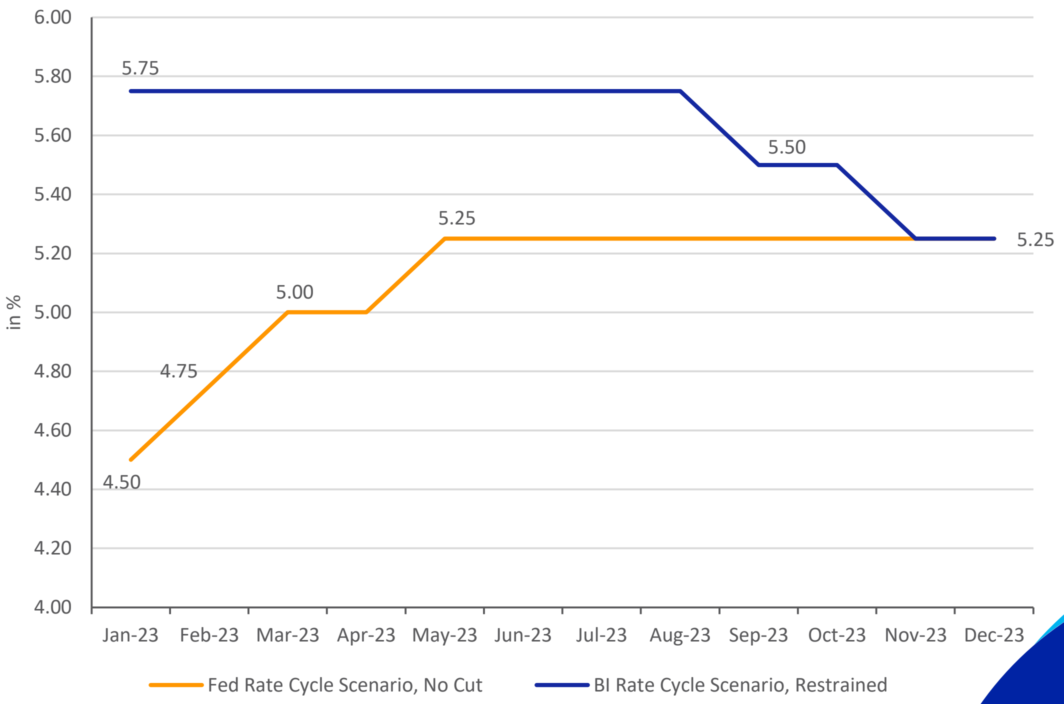
Our BI Rate Cut Scenario

Dovish (150 bps, 6X25 bps); Conservative (100 bps, 4X25 bps); Restrained (50 bps, 2X25 bps)

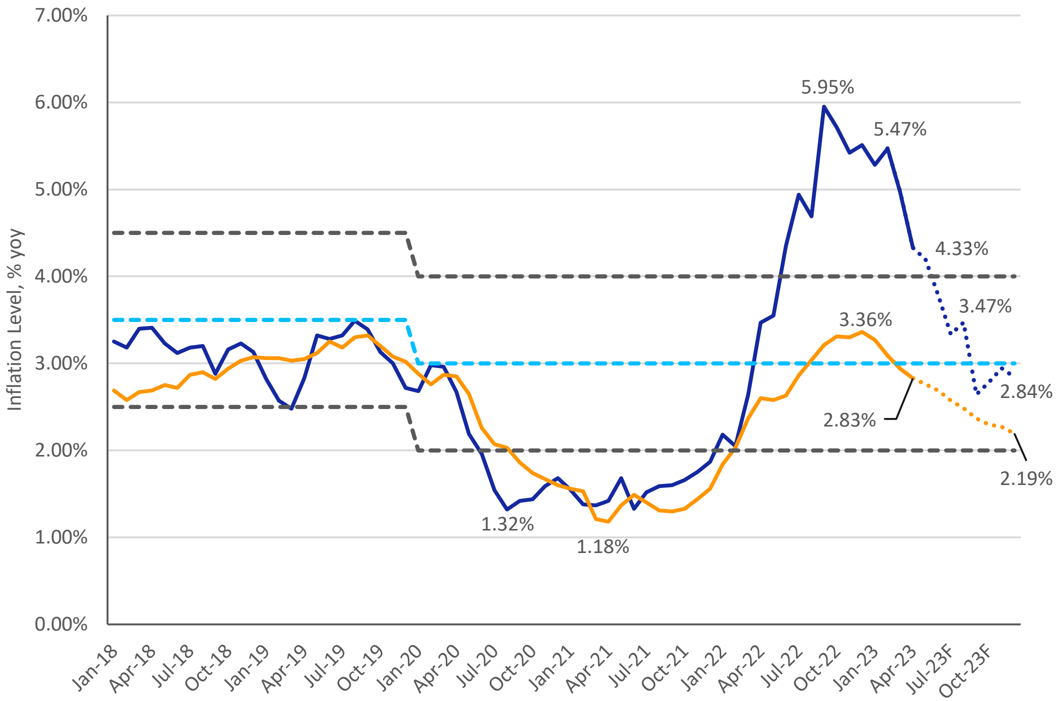


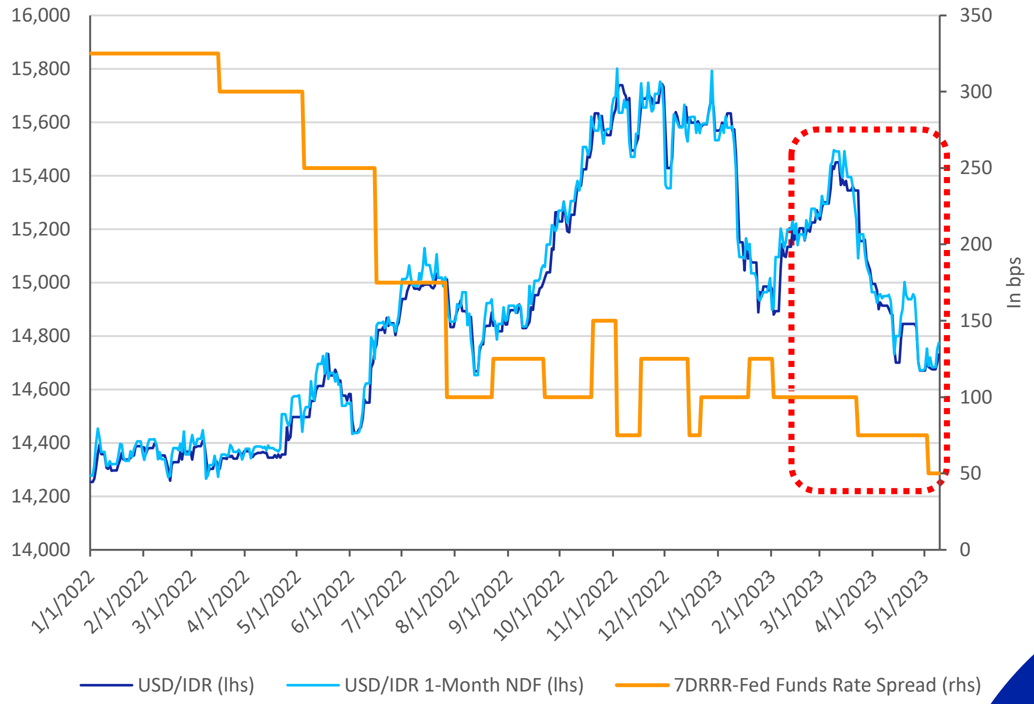


Source: The Federal Reserve, CME Group, Bank Indonesia, SSI Research

Room for BI's 7DRRR cut opened

Following rapid disinflation, expected to fall within BI's target range of 3±1% in June and Rupiah sharp appreciation

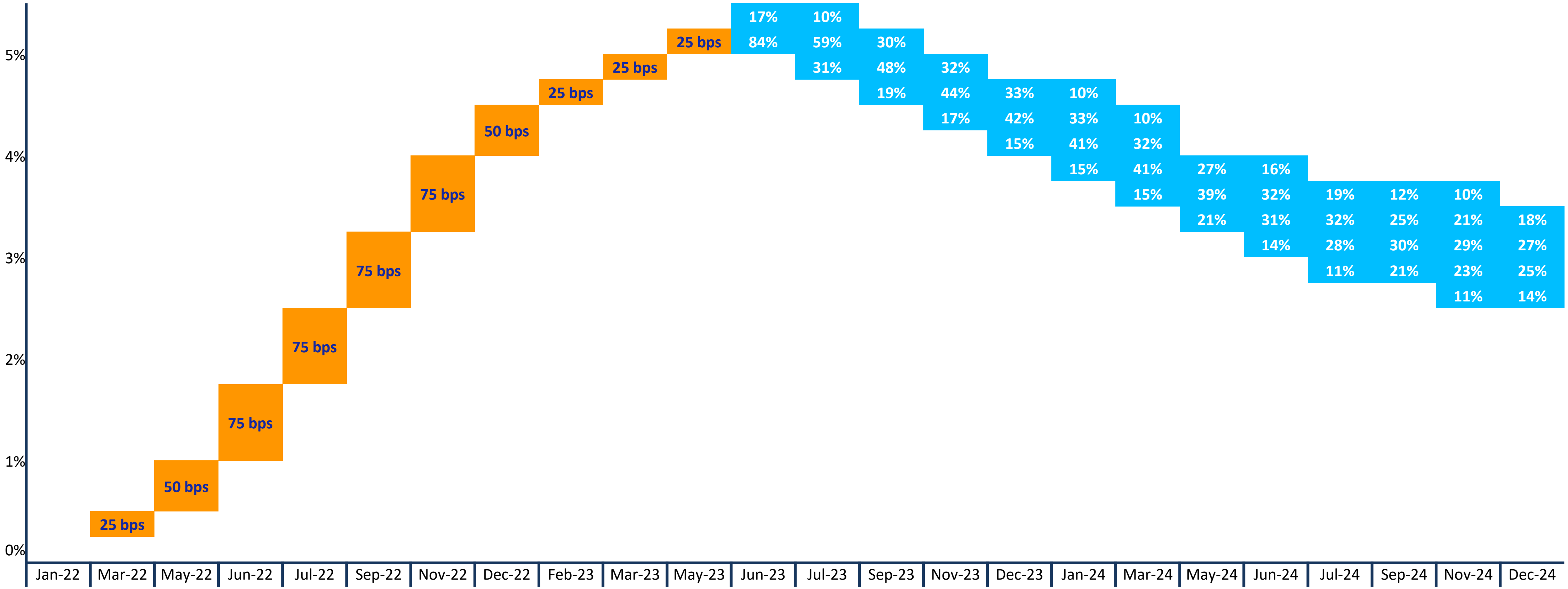




Source: The Federal Reserve, CME Group, Bank Indonesia, BPS , Bloomberg, SSI Research

Current market expectation on future Fed Rate trajectory

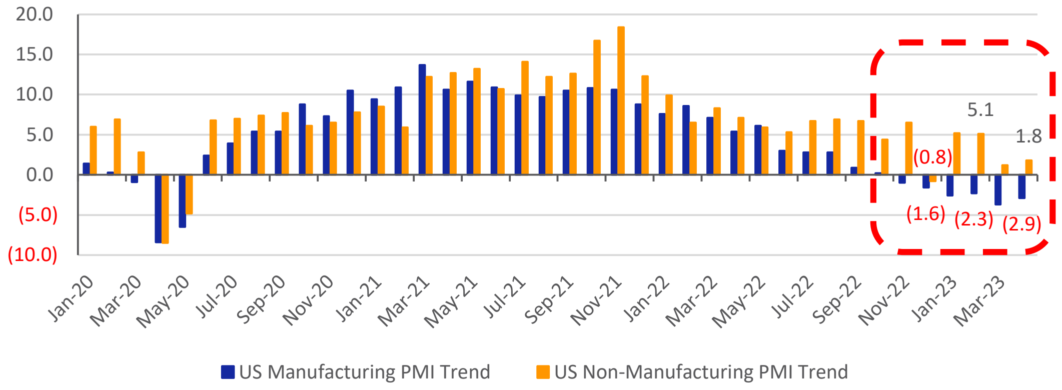
75 bps (3X25 bps) cut starting September 2023 and additional 150 bps cut in 2024

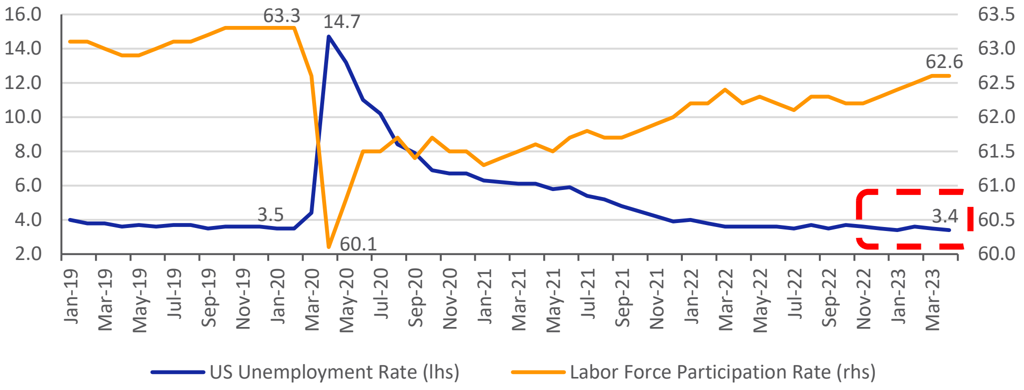


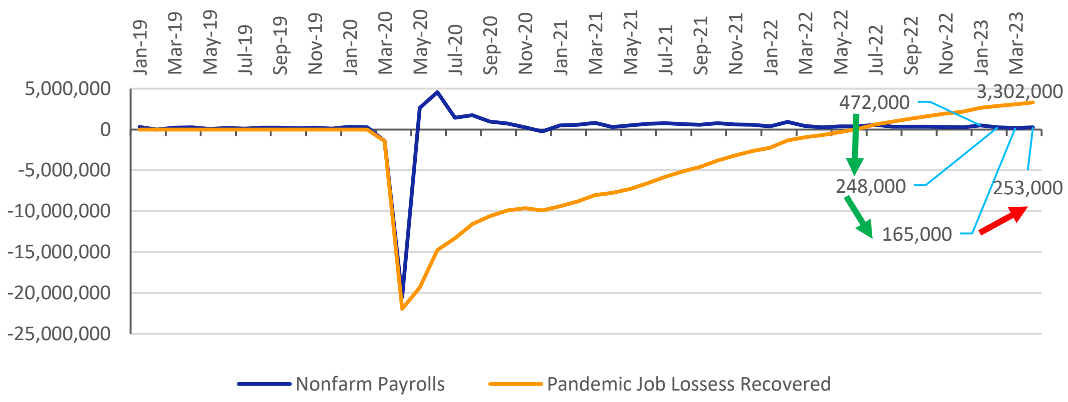
Source: CME Group, Federal Research, SSI Research

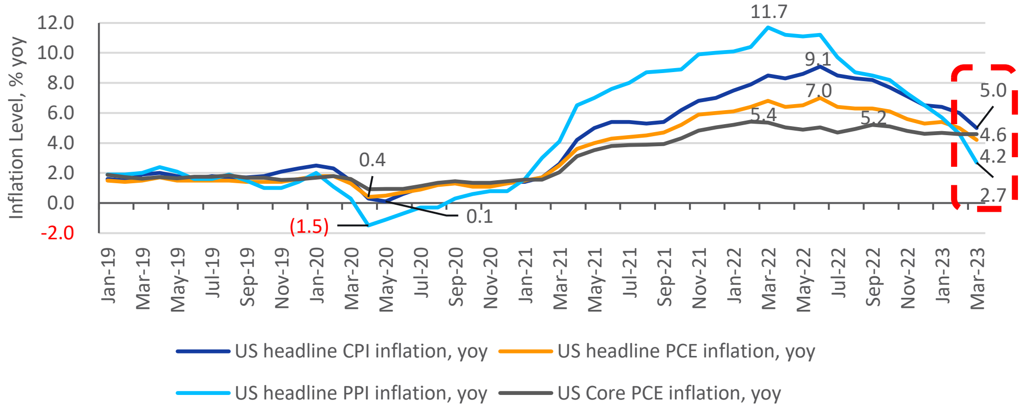
US labor market expansion remains strong, despite manufacturing recession

May result in stalled disinflation process, particularly core PCE inflation, which in turn makes the Fed hesitant to pursue rate cut in 2023









Source: BLS, S&P, Bloomberg, SSI Research

Thank You

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