

Macro Strategy Weekly

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Investment Partner

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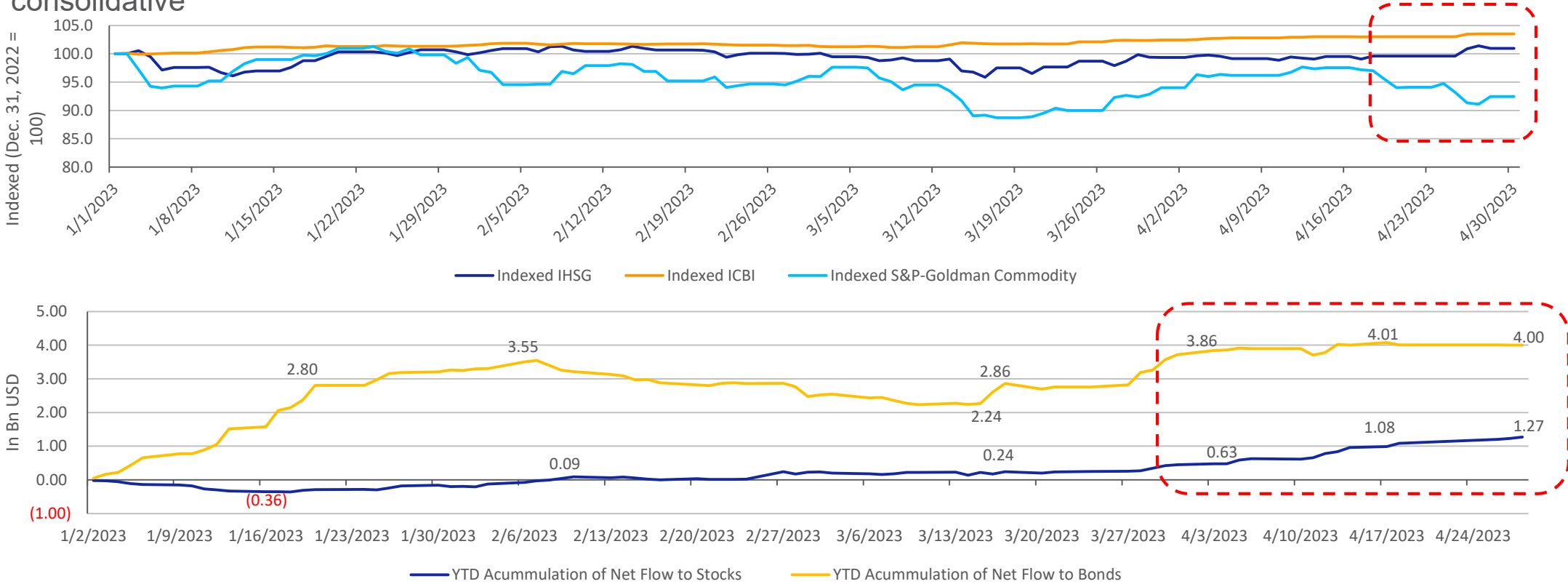


Review

17– 30 April 2023

The Indonesian bond market stagnates after the Eid holiday, while the stock market's mood is quite positive, even with the commodity slump

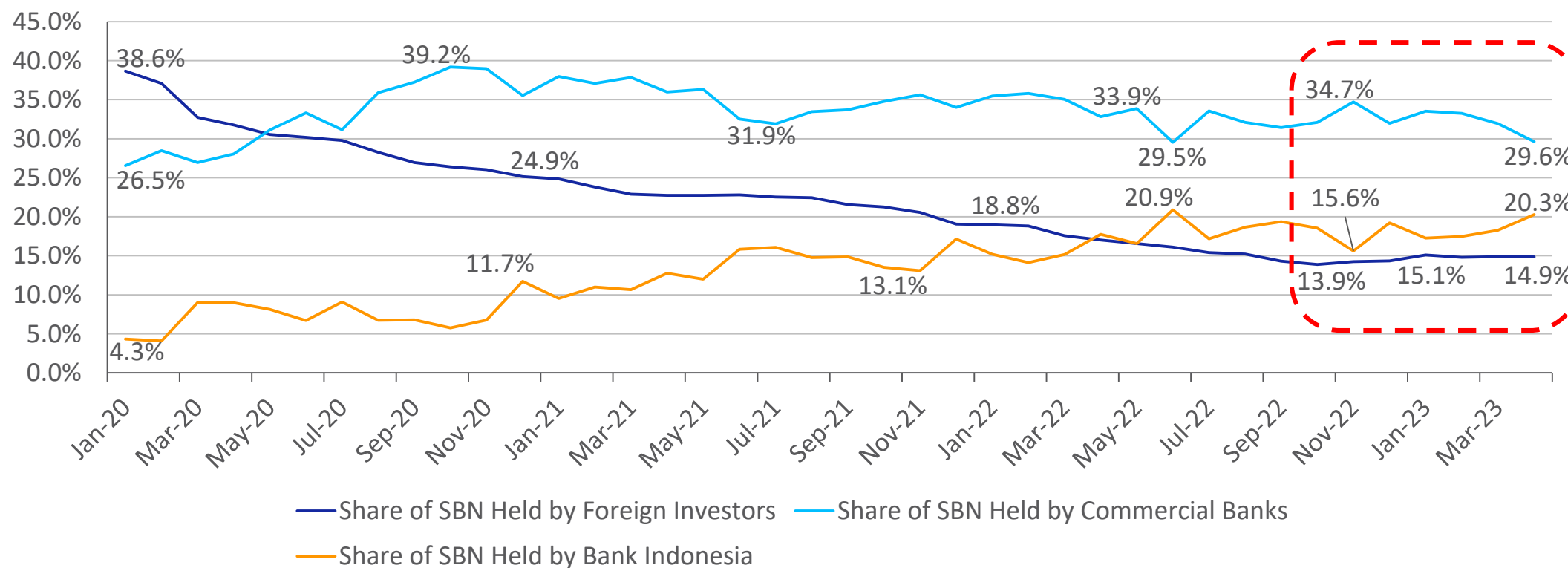
Foreign investors have become more bullish towards JCI, while the sentiment in the bond market is more 'consolidative'



Source: IDX, Bloomberg, SSI Research

More foreign capital inflow into the bond market is necessary to counter the sell-off in the banking sector

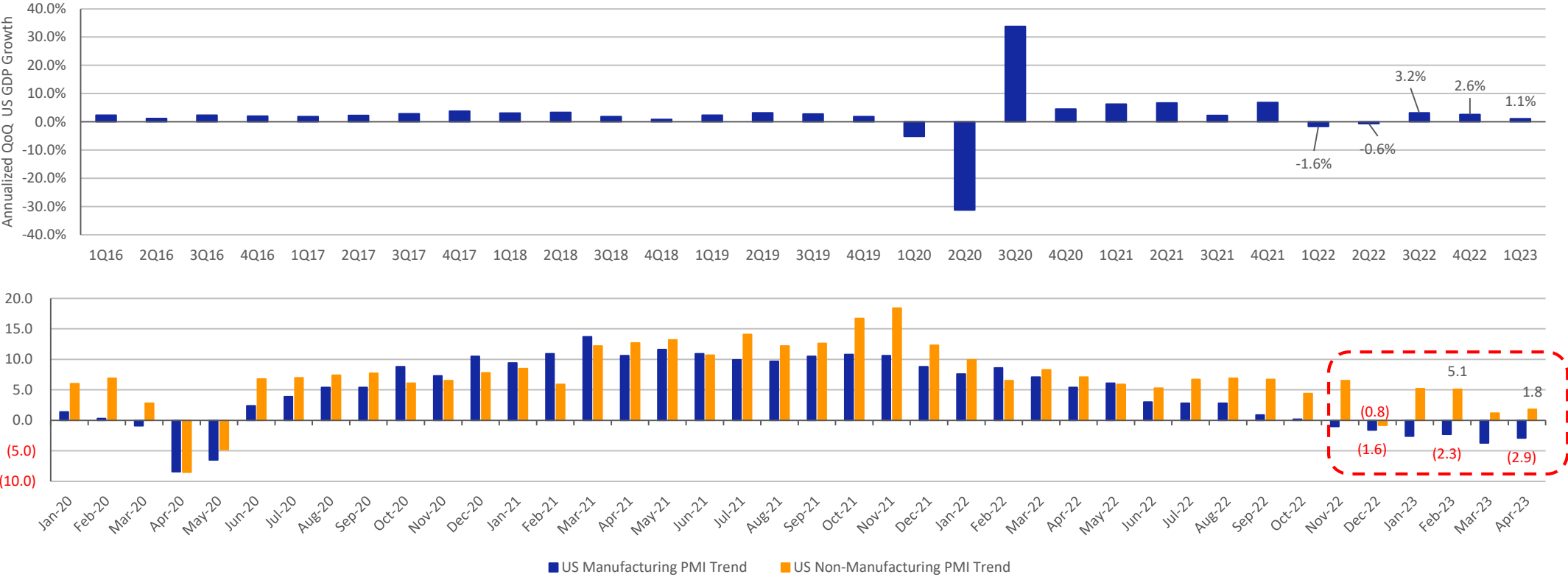
At the moment, Bank Indonesia acts as the standby buyer, with SBN ownership of IDR 1,122.8tn (as of 27 April)



Source: CME Group, Federal Research, SSI Research

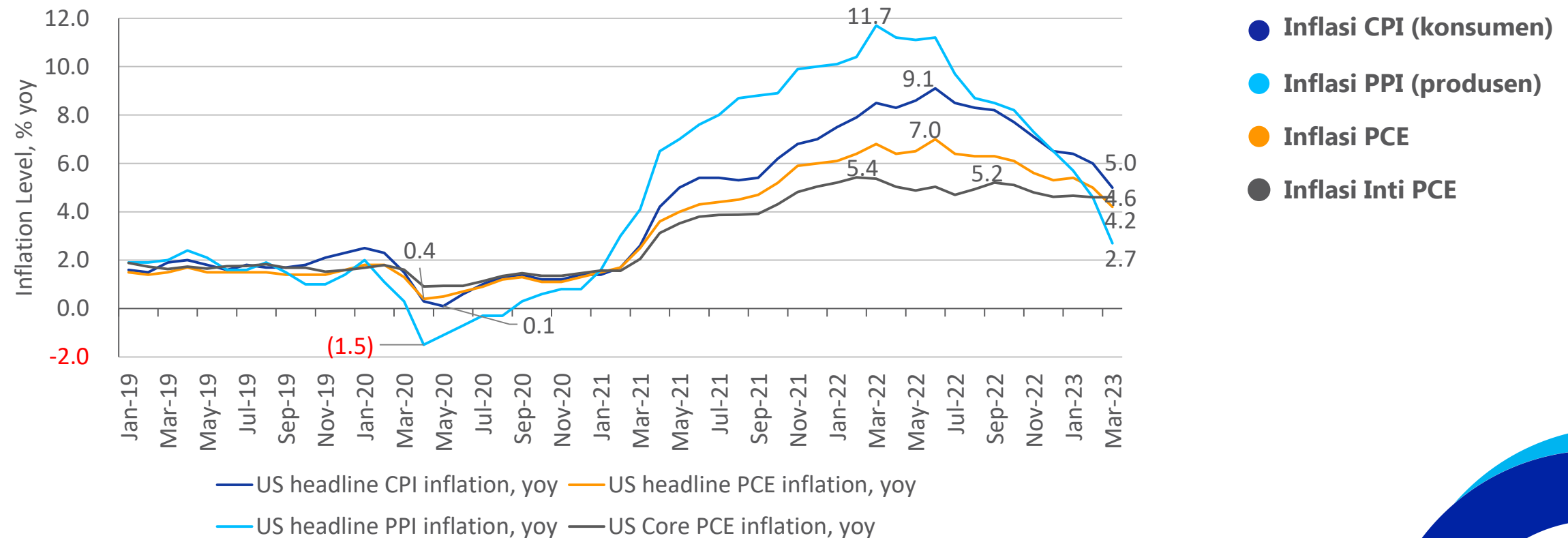
There’s a huge possibility for massive capital outflow from the US market as the country approach recession

At the moment, the resilience of the service sector is the main factor that keep the US economy afloat



Source: IDX, Bloomberg, SSI Research

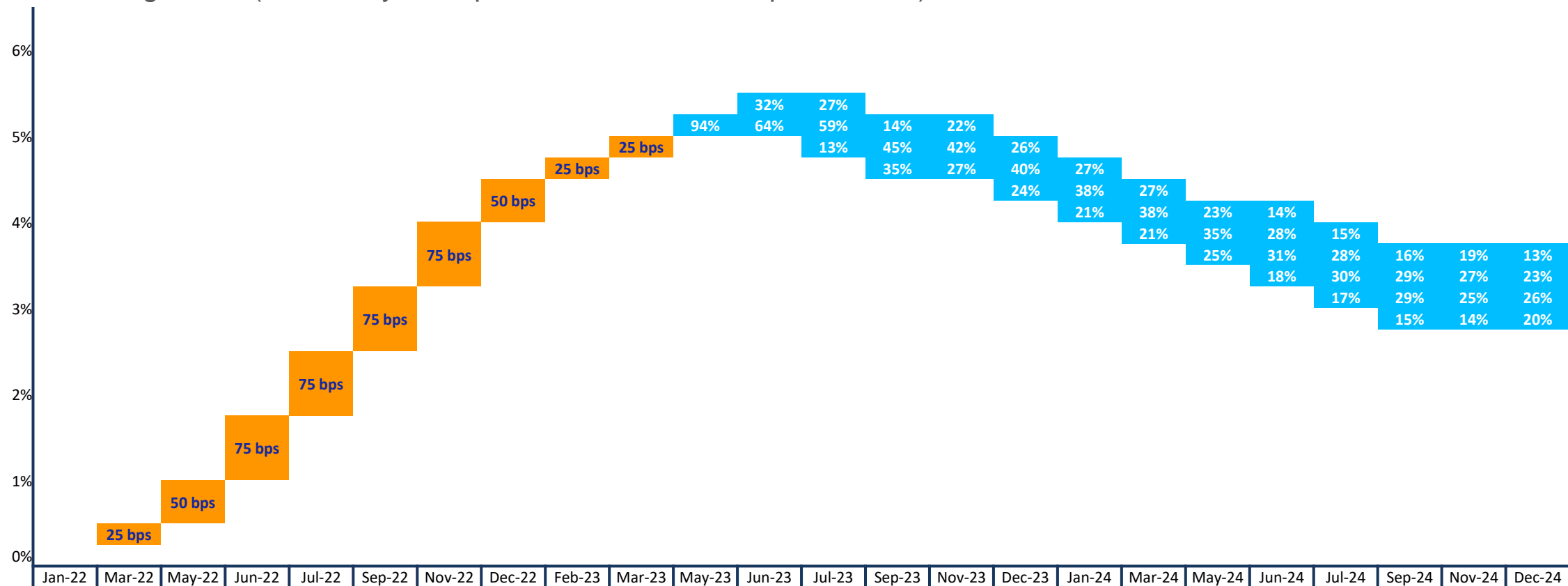
US recession is necessary to kickstart the disinflationary process in the country, which is currently halted due to stagnation of inflation



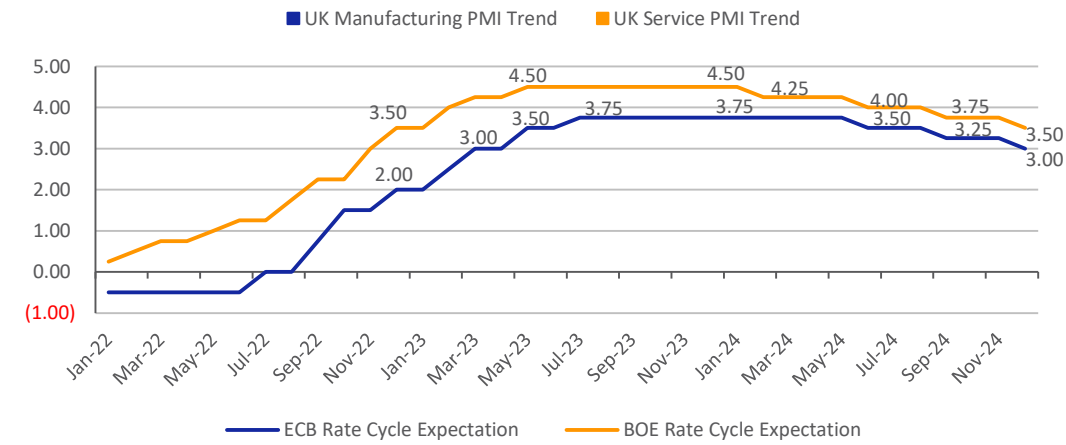
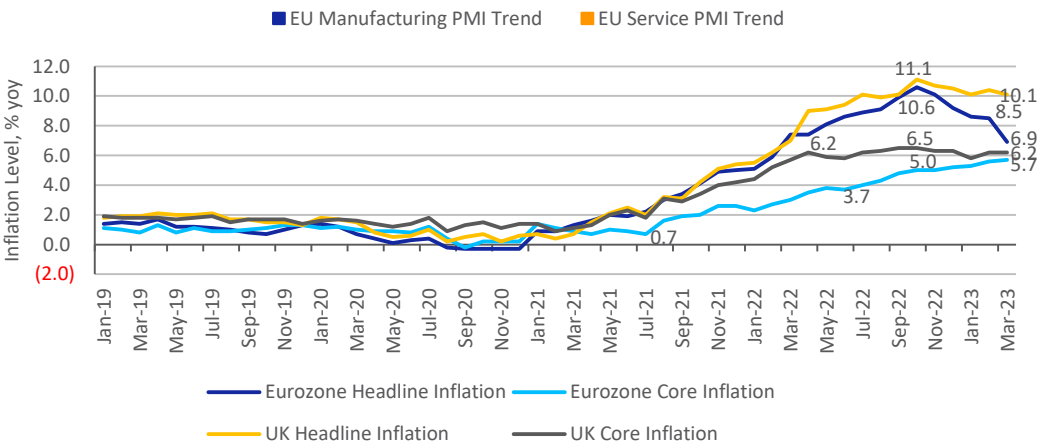
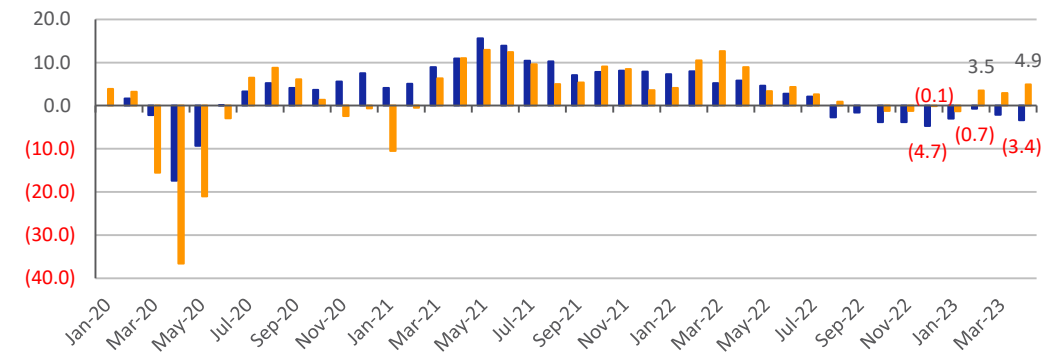
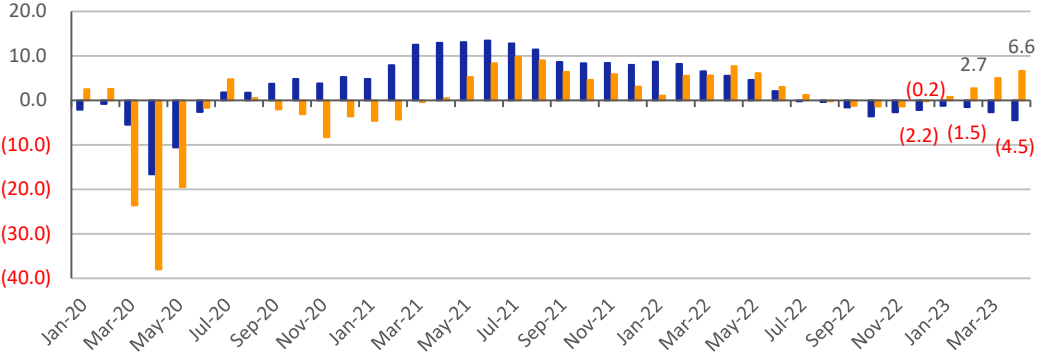
Source: US BLS, Bloomberg, SSI Research

Facing the possibility of a recession, the market expect a dovish Fed rate hike of 25 bps to 5.25% in May

The hike is expected to be the last one, considering the negative effect of the Fed’s aggressive rate policy on the banking sector (marked by the liquidation of the First Republic Bank)



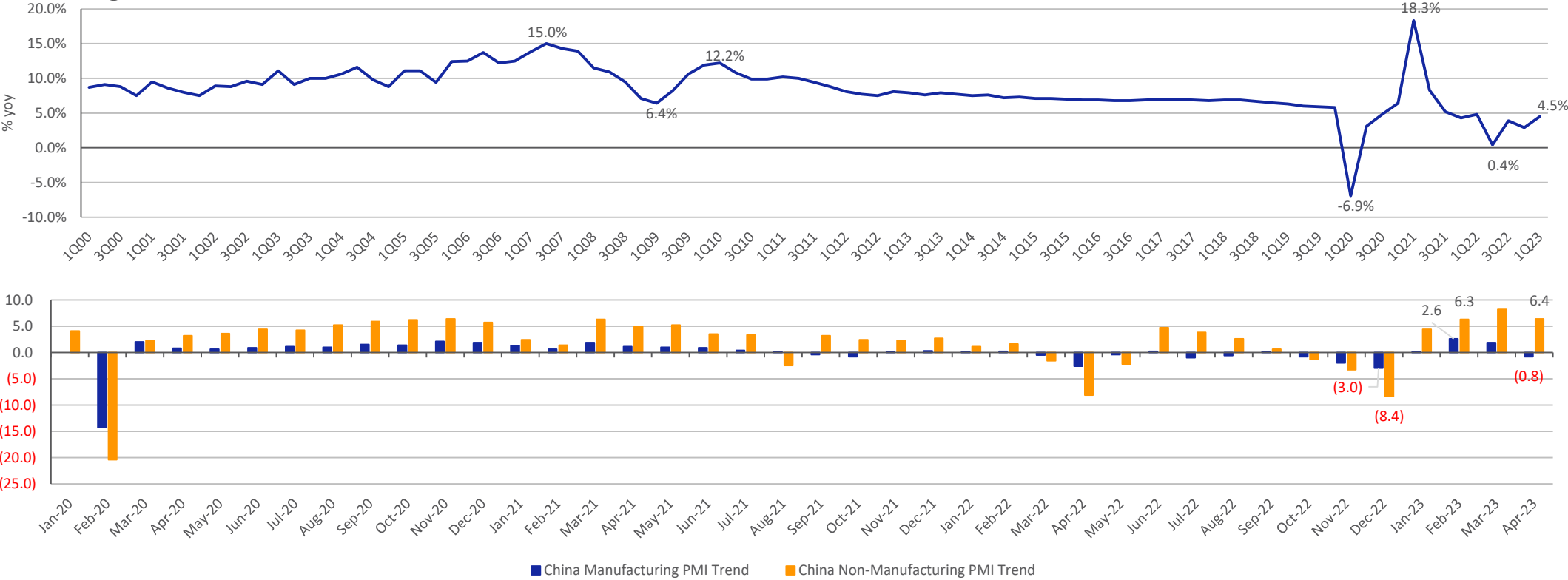
Even with the recent economic recovery in Europe, we don't see the potential for massive capital inflow from the US to Europe
Mainly due to high inflation rate and ongoing rate hikes



Source: S&P, Bloomberg, SSI Research

Even with better GDP growth in 1Q23, manufacturing slowdown in April fuels concerns regarding the future prospect of Chinese economy

The slowdown in China might persuade investors to shift their investments to other financial markets, including Indonesia



Source: IDX, Bloomberg, SSI Research

What's Our View?

We anticipate the possibility of massive capital inflow into the Indonesian financial market following the announcement of Fed rate hike on Wednesday

- (5/3)
- Another deciding factor for the foreign capital inflow is the macroeconomic stability, particularly the inflation rate (which was announced on Tuesday [5/2]) and consumer sentiment (which will be announced next week)
 - 1Q23 GDP growth might also play a part, since it will show how successful is the government in anticipating the impact of export slowdown as geopolitical effect on commodity prices fades away
 - We expect a consolidative week in the Indonesian market this week, with 10-year INDOGB yield staying within the range of 6.5-6.7%
 - We also expect the USD/IDR to consolidate at IDR 14,700-14,900 per USD following its massive spike last week

This Week

1 – 7 May 2023

Ones to Watch



1 May 2023

US ISM manufacturing PMI (Apr: 46.3 & Cons: 46.8)



3 May 2023

US ISM services PMI (Apr: 51.2 & Cons: 51.8)



2 May 2023

Indonesia's headline (Mar: 5% yoy & Cons: 4.4% yoy) and core inflation (Mar: 2.9% yoy & Cons: 2.9% yoy)



4 May 2023

Fed rate announcement (Apr: 4.75-5% & Cons: 5-5.25%)



2 May 2023

ASEAN and Indonesia's manufacturing PMI (Mar: 51.9)



5 May 2023

Indonesia's 1Q23 GDP growth (4Q22: 5% yoy; 0.36% qoq sa & Cons: 5% yoy; -0.1% qoq)



Thank You

Your Lifelong **Investment Partner**

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