

# Macro Strategy Weekly

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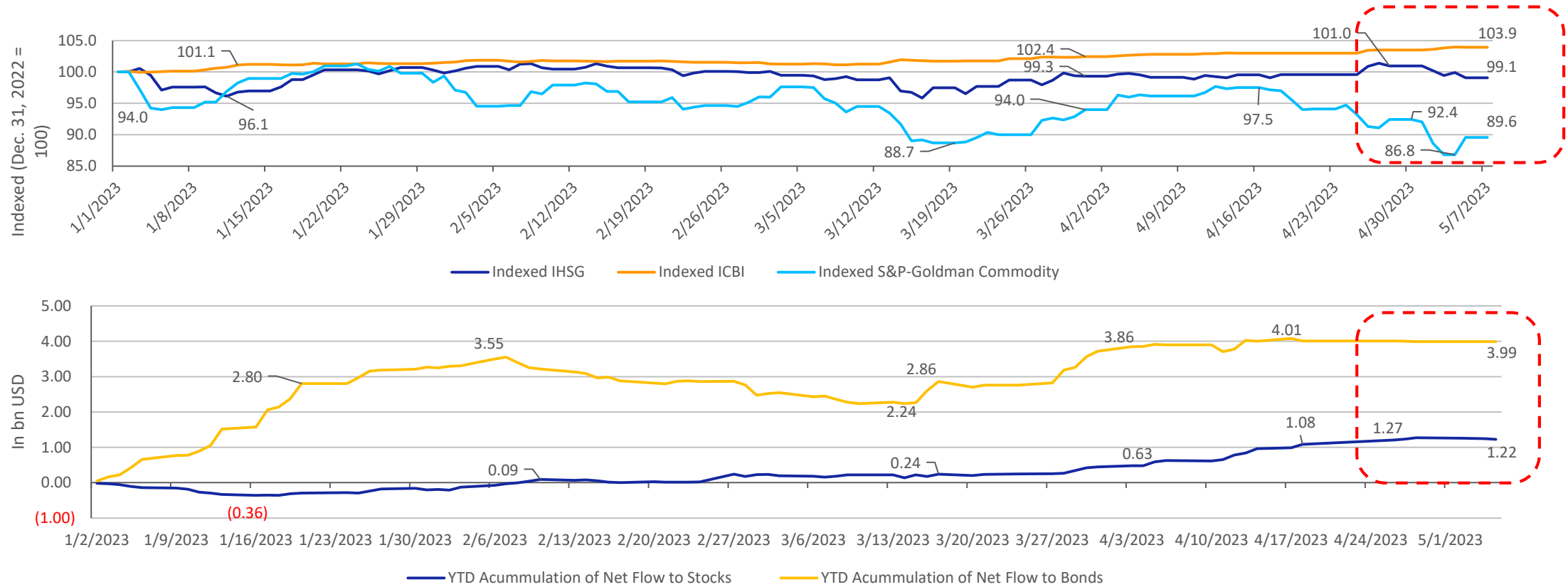


# Last Week's Review

## 1 – 7 May 2023

## Foreign capital inflow into the Indonesian stock and bond markets subsided in the first week of May

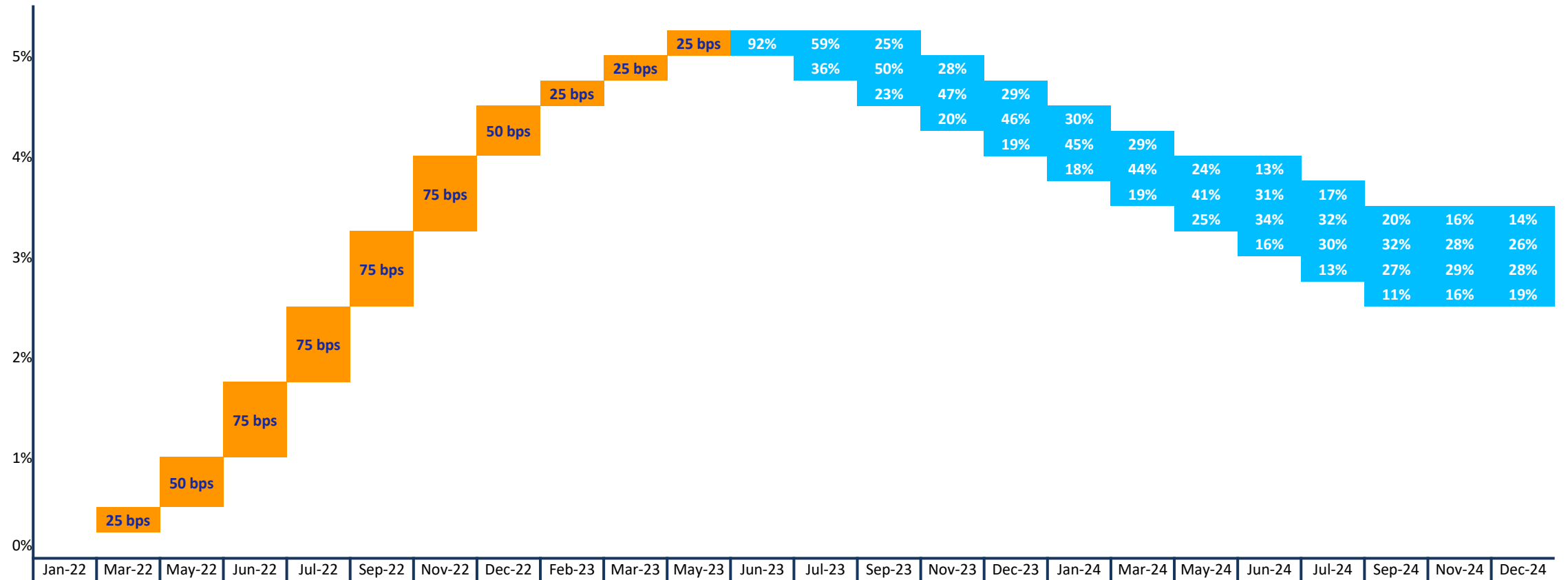
Commodities and JCI fell under pressure ahead of Fed rate announcement; we expect a rebound once Fed announces its rate hike pause in June



Source: IDX, Bloomberg, SSI Research

## Market players believe that the Fed rate hike in May will be the last one in the current cycle

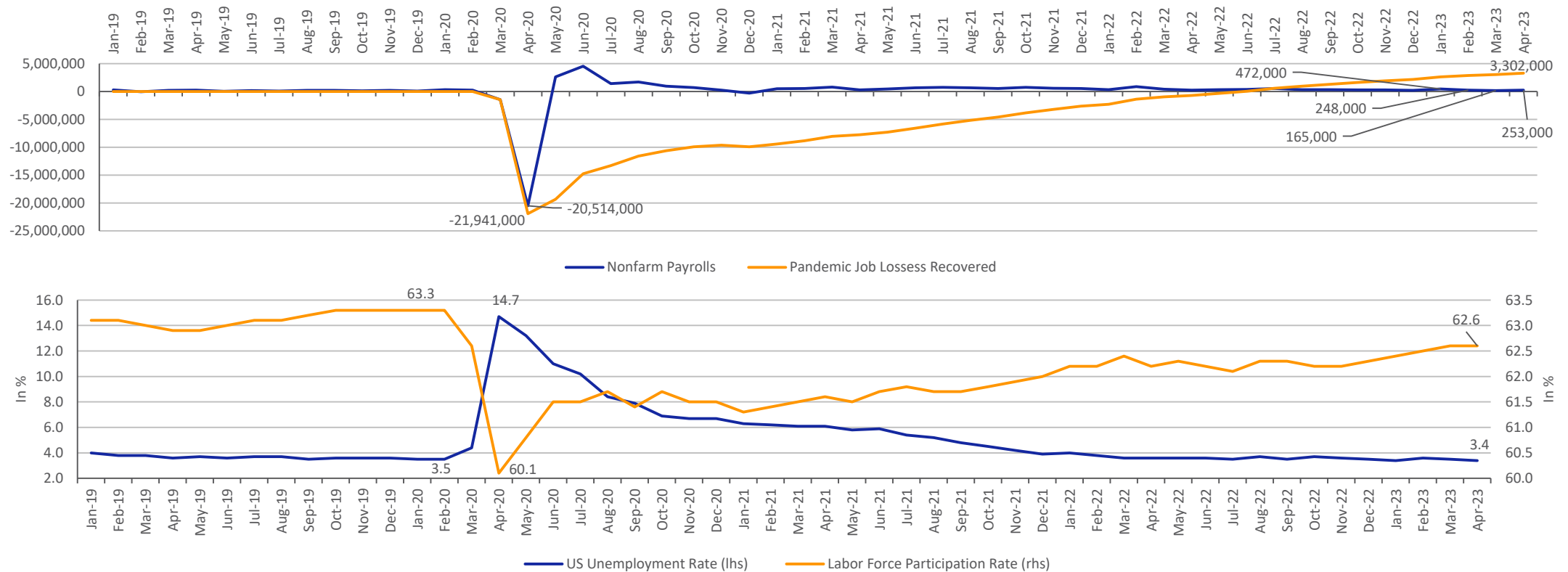
Most market players hope that a Fed pivot will occur in 4Q23 following an economic recession in 2H23, prompting the Fed to cut its FFR to 4.5% (-75 bps) by the end of 2023



Source: CME Group, Federal Reserve, SSI Research

## US labor market expansion continued in April; however, market players believe that the Fed is more concerned about the financial impact of its rate hikes

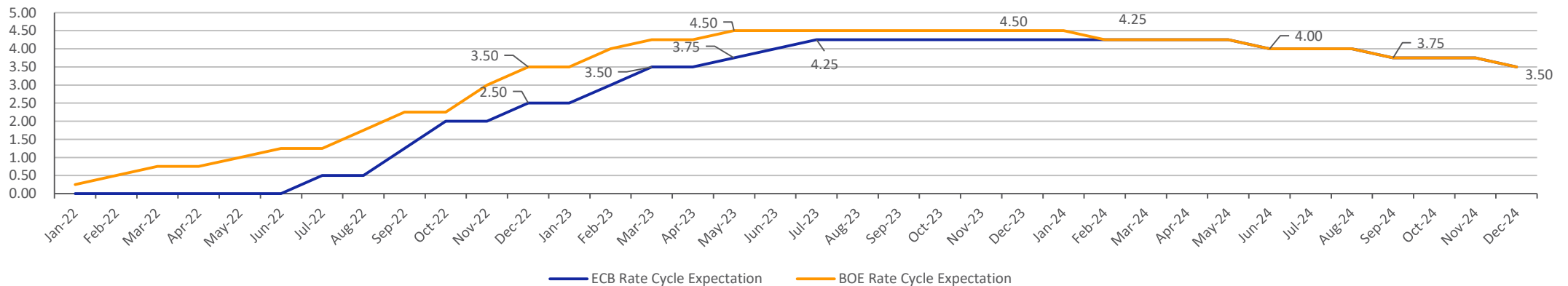
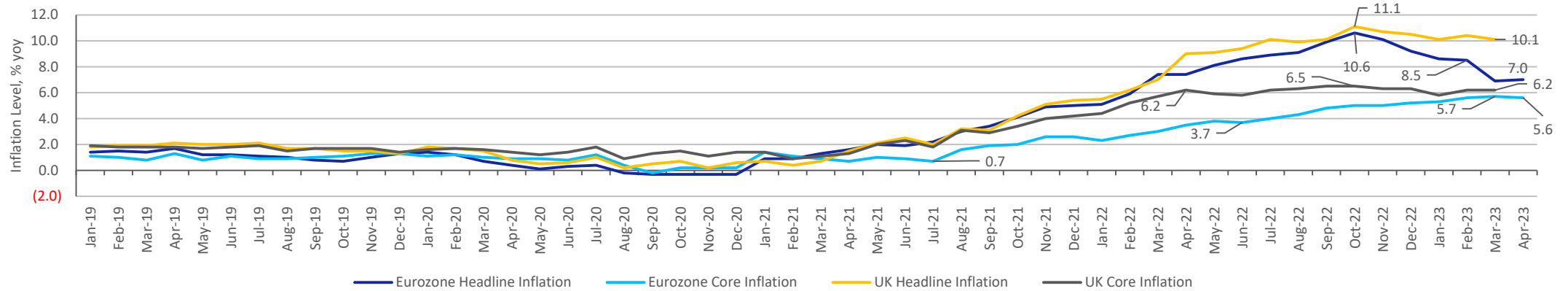
The certainty of the Fed's upcoming rate policy will be determined by April inflation data, following the hotter-than-expected labor market data



Source: BLS, Bloomberg, SSI Research

## Meanwhile, we expect the rate hike cycle in Europe to continue for a while, due to slow disinflation in the region

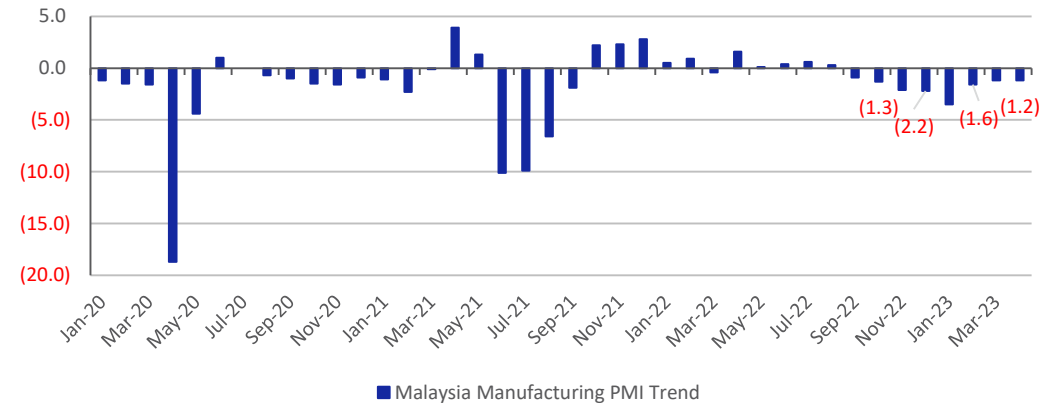
At the moment, many investors believe that BoE and ECB will end their rate hike cycles in early 3Q23 at the latest



Source: ECB, BOE, Bloomberg, SSI Research

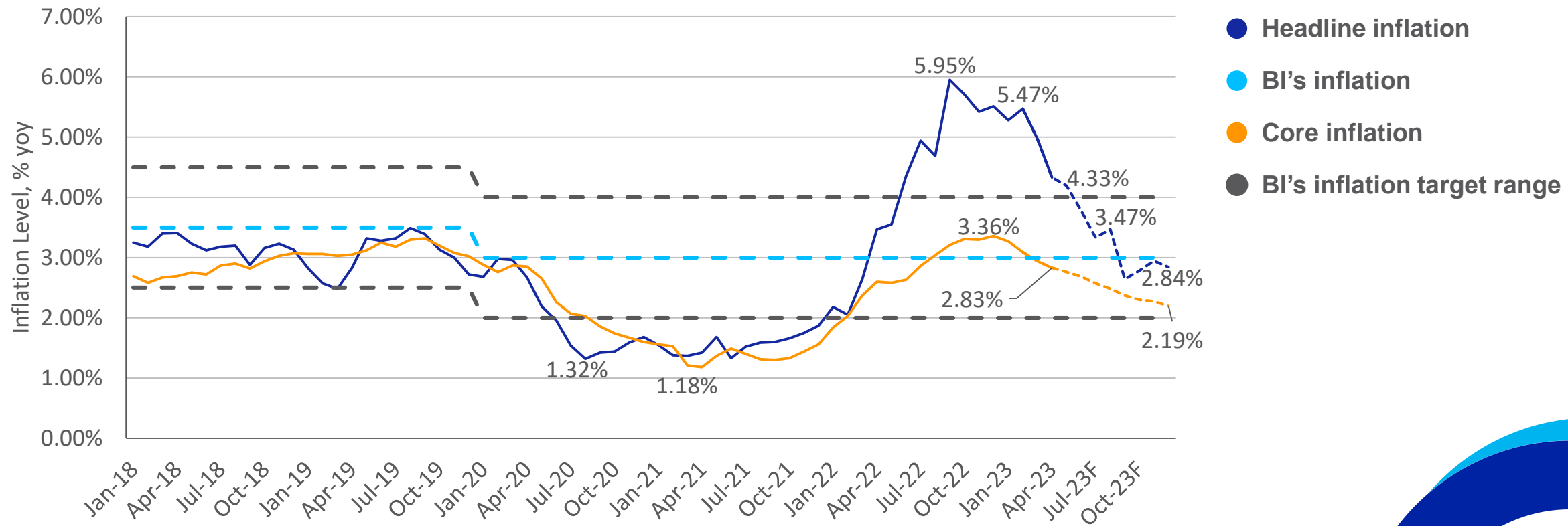
## ASEAN economies (except Malaysia) are on the right track to recovery

As reflected in those countries' manufacturing PMI, which indicate the ongoing expansion of economic activity



Source: S&P, Bloomberg, SSI Research

## Rapid disinflation in April opened the possibility of a rate cut in 3Q23 to prevent further disinflation



Source: BPS, Bank Indonesia, SSI Research



## What's Our View?

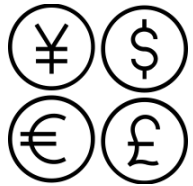
Foreign capital inflow into the Indonesian bond market is overshadowed by global uncertainty following the slower-than-expected disinflation in the US and Europe

- In our view, global investors will remain cautious ahead of the release of US CPI (5/10) and US PPI (5/11) data later this week, as well as the Bank of England's policy rate announcement (5/11); the bank is expected to announce a 25 bps hike to 4.25%
- We believe that domestic macroeconomic conditions are still relatively conducive and stable; however, a supportive global macroeconomic environment is necessary to trigger foreign capital inflow into the Indonesian financial market
- We estimate that the USD/IDR will consolidate at IDR 14,600-14,800 per USD
- The 10-yr INDOGB yield is also expected to consolidate at 6.4-6.6%
- We predict foreign buying action in the bond and stock markets will continue next week, after investors finish forming their expectations following the release of important economic data in Europe and the US

# This Week

## 8 – 14 May 2023

## Ones to Watch



8 May 2023

Bank Indonesia's foreign exchange reserves (Mar: USD 145.2bn) and net foreign asset value (Feb: IDR 2,036.8tn)



9 May 2023

Bank Indonesia's consumer confidence index (Mar: 123.3)



10 May 2023

Bank Indonesia's retail sales index (Feb: 201.2 & BI Forc. Mar: 215.2)



10 May 2023

US CPI headline (Mar: & Cons Apr: 5% yoy) and core inflation (Mar: 5.6% yoy & Cons Apr: 5.5% yoy)



11 May 2023

China's CPI headline (Mar: 0.7% yoy & Cons Apr: 0.3% yoy) and PPI headline inflation (Mar: -2.5% yoy & Cons Apr: -3.3% yoy); US PPI headline inflation (Mar: 2.7% yoy & Cons: 2.5% yoy)



11 May 2023

Bank of England's benchmark interest rate (Mar: 4.25% & Cons. May: 4.5% [↑25 bps])



# Thank You

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