

Macro Strategy Weekly

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Your Lifelong
Investment Partner

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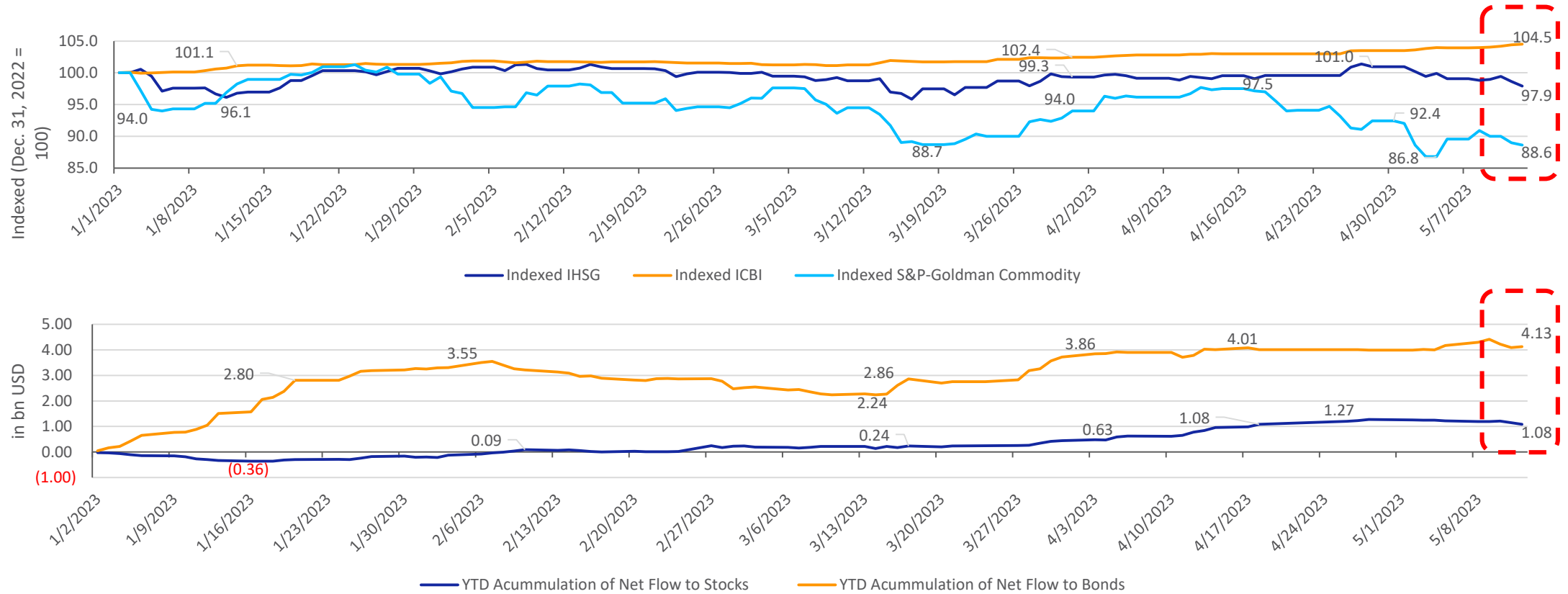


Last Week's Review

8 – 14 May 2023

The bond market continued its rally after the release of US inflation data, while JCI felt some pressure due to commodity slump

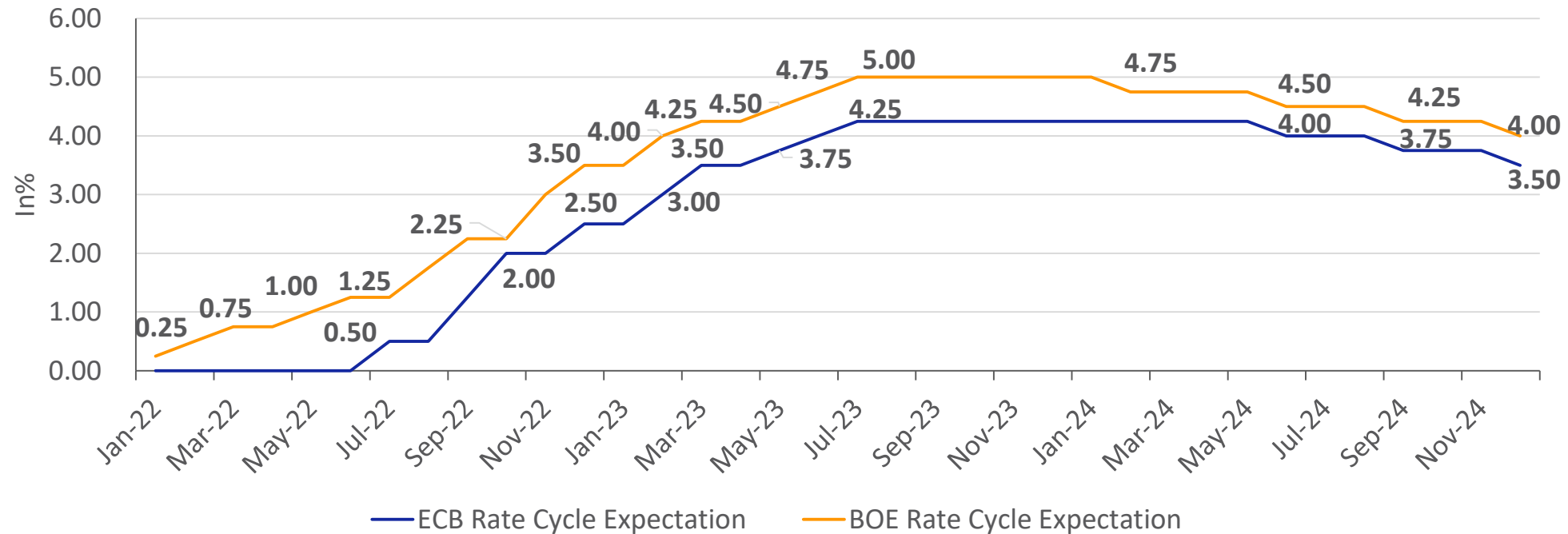
The reversal of foreign capital flow this week hampered stock market sentiment, while the bond market was largely unaffected



Source: IDX, Bloomberg, SSI Research

One of the main factors pressuring the stock market is the increase in BOE's terminal rate expectations to 5% (prev: 4.5%).

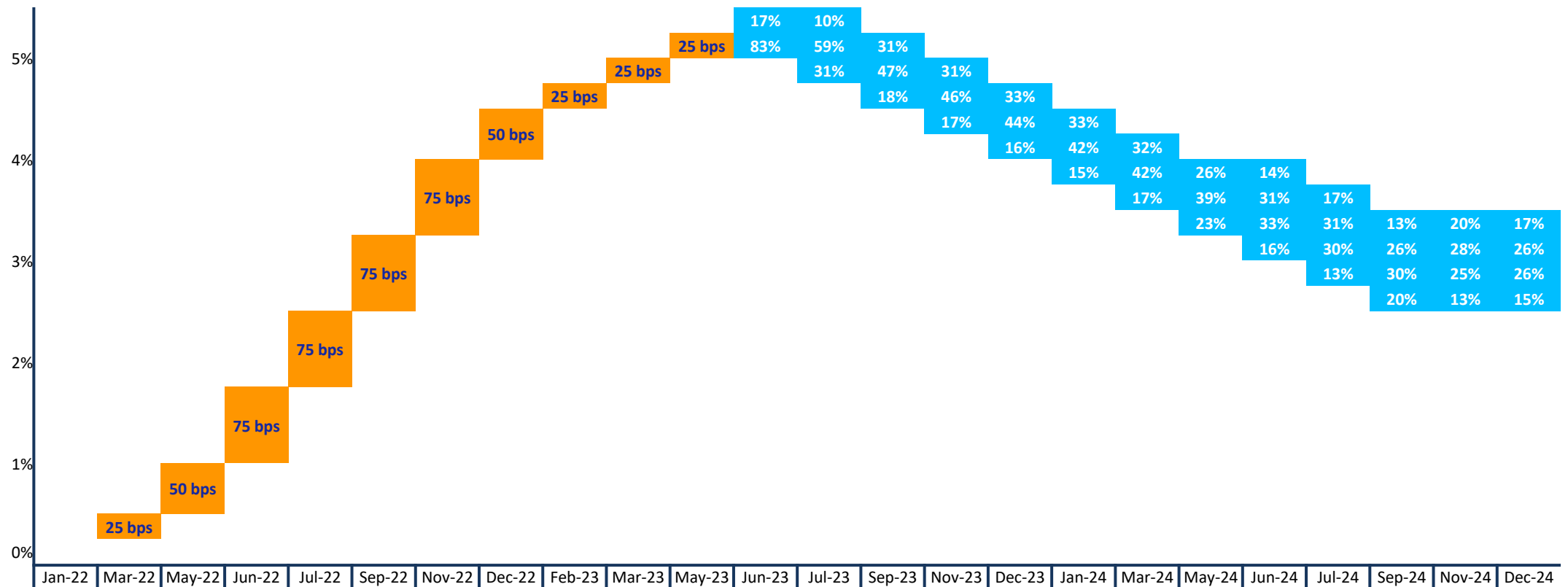
The increase was mainly driven by persistent inflation in the UK, currently reading at 10.1% yoy



Source: ECB, BOE, SSI Research

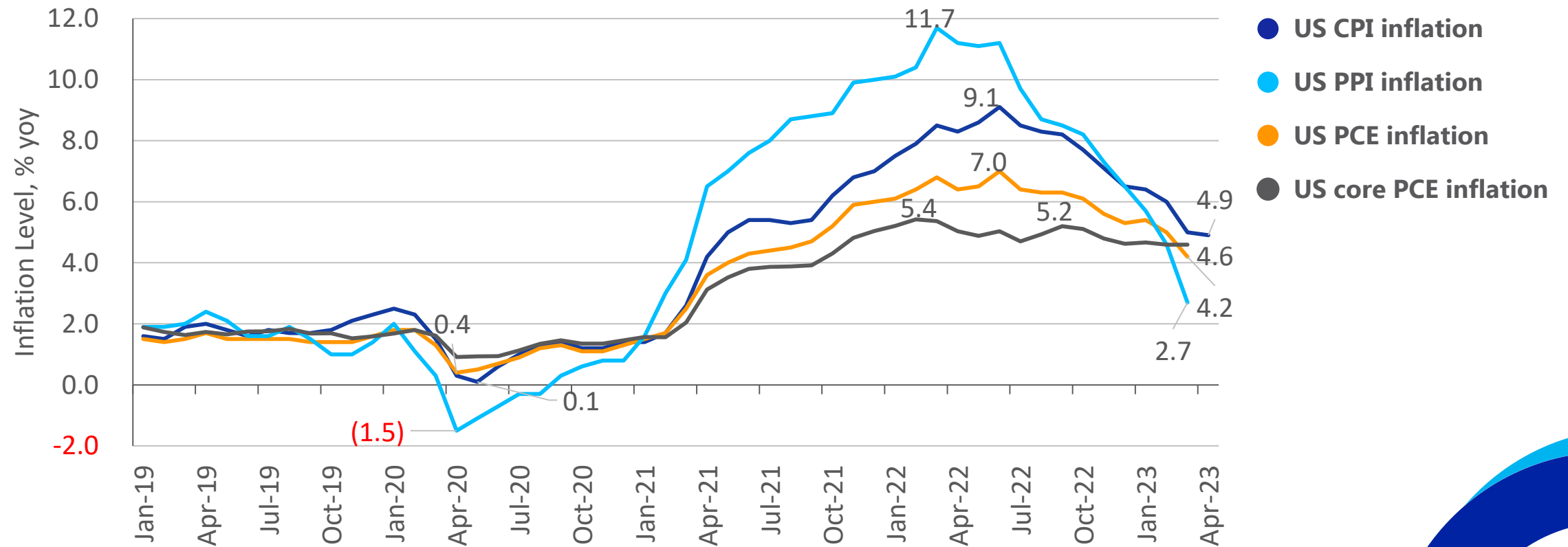
Meanwhile, there's no change in Fed rate expectations

The market expects the Fed to hold its policy rate at 5.25% for the next few months before starting its pivot in September and cutting its rate by 75 bps (3x25 bps) to 4.5% by December



Source: CME Group, Federal Research, SSI Research

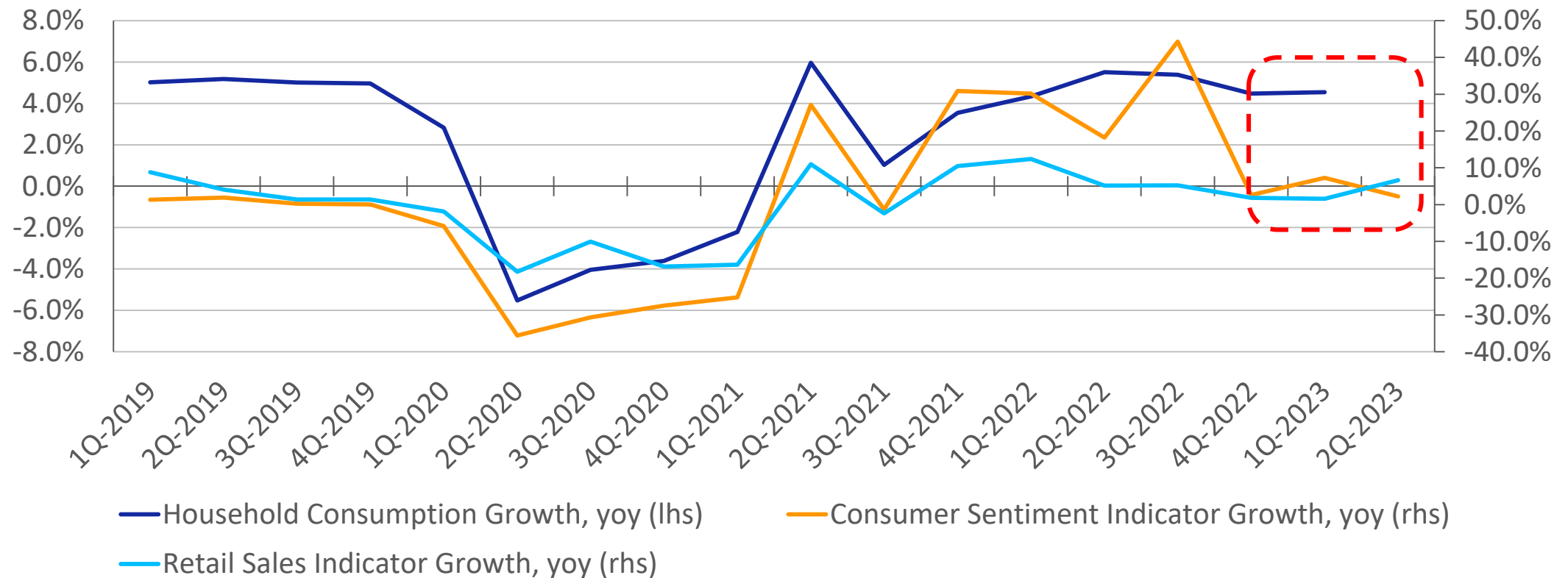
Disinflation in the US slowed down in April



Source: BEA, BLS, Bloomberg, SSI Research

Based on April consumer confidence and retail sales data, we expect flattish household consumption growth in 2Q23

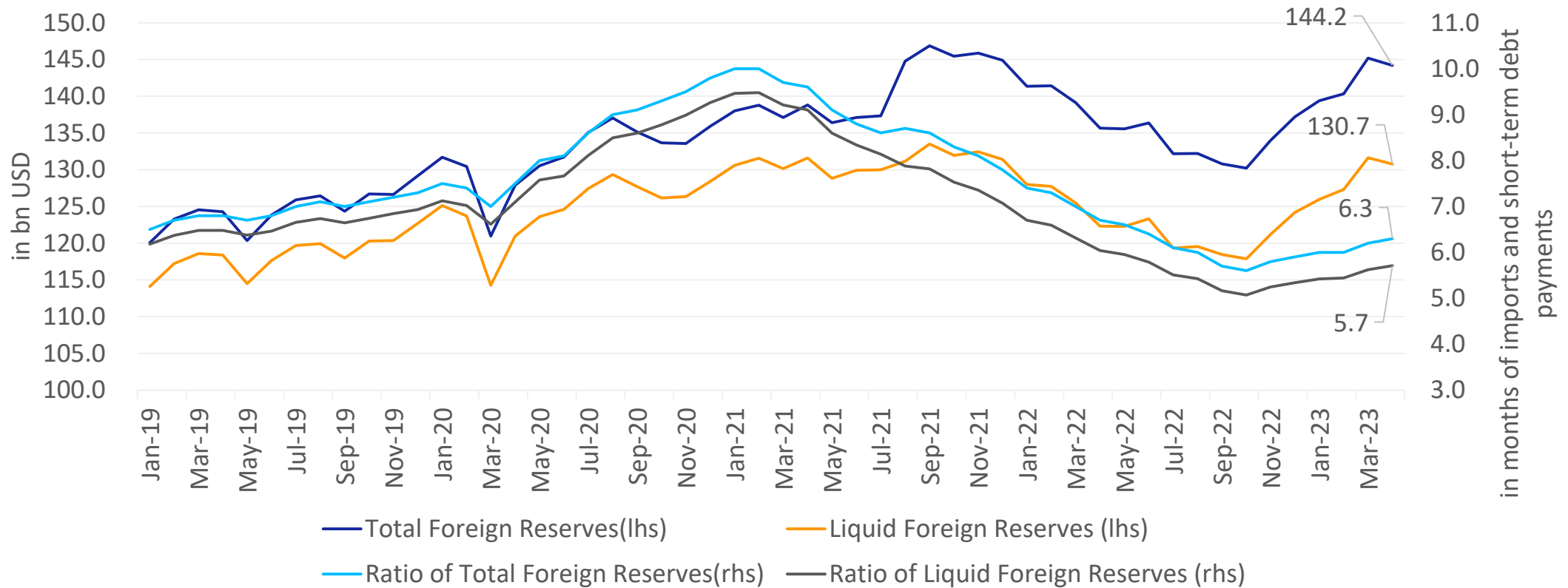
Though it's still need to be confirmed by May and June data



Source: BPS, Bank Indonesia, SSI Research

Our foreign exchange reserves are adequate to maintain exchange rate stability amid massive foreign capital outflow

The decline in foreign exchange reserves in April was mainly caused by the repayment of USD-denominated bonds (USD 1.26bn)



Source: Bank Indonesia, SSI Research

What's Our View?

Bullish rally in the Indonesian bond market might continue, while JCI felt some pressure from negative global sentiments and unfavorable domestic situation

- Bullish rally in the bond market was mainly driven by Fed rate expectations, which is projected to remain stable until the last week of May, ahead of the release of US PCE inflation data
- Meanwhile, JCI felt some pressure from the rather disappointing projection for 2Q23 consumption growth
- The grim economic situation in Europe (mainly due to the possibility for more rate hikes) added more pressure on the stock market
- We expect USD/IDR to consolidate within the range of IDR 14,700-14,900 per USD next week
- INDOGB 10-yr yield might also consolidate within the range of 6.3-6.5%
- We advise investors to accumulate bond instruments, especially the short (2-year) and long-term ones (15-year) as an alternative to the 10-year INDOGB.

This Week

15 – 21 May 2023

Ones to Watch



15 May 2023

Indonesia's export (Mar: -11.6% yoy & Cons Apr: -19.3% yoy), import (Mar: -6.3% yoy & Cons Apr: -6% yoy) and trade surplus (Mar: USD 2.8bn & Cons Apr: USD 3.3bn)



15 May 2023

PBOC's loan prime rate (1-year) (Mar & Cons Apr: 2.75% [unchanged])



16 May 2023

China's economic data: Industrial production (Mar: 3% yoy & Cons Apr: 4.9% yoy), retail sales (Mar: 5.8% yoy & Cons Apr: 8.2% yoy) and investments (Mar: 5.1% yoy & Cons Apr: 5.7% yoy)



16 May 2023

Eurozone GDP growth (4Q22 & Cons 1Q23: 1.3% yoy SA or 0.1% qoq SA)



17 May 2023

Japan's GDP growth (4Q22: 0.1% ASA or 0% qoq SA & Cons 1Q23: 0.8% ASA or 0.2% qoq SA)



19 May 2023

Japan's headline (Mar: 3.2% yoy & Cons Apr: 3.5% yoy) and core CPI inflation (Mar: 3.8% yoy & Cons Apr: 4.2% yoy)



Thank You

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