SAMUEL SEKURITAS INDONESIA

Macro Strategy Weekly

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Your Lifelong
Investment Partner

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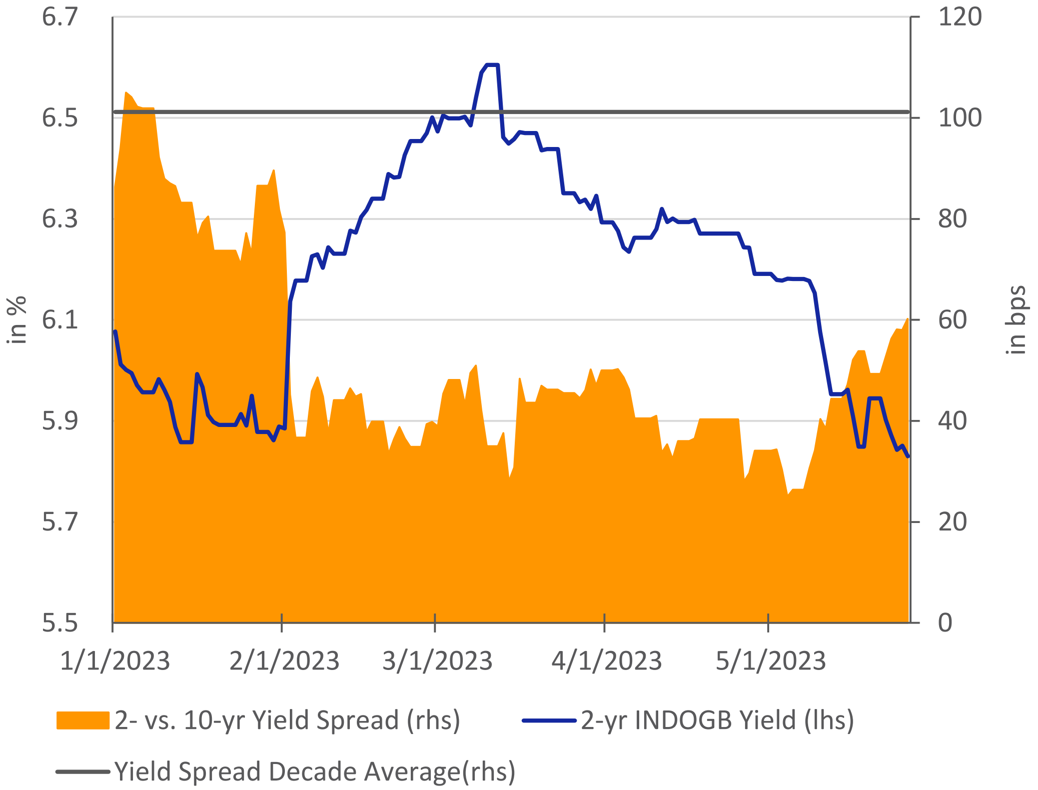
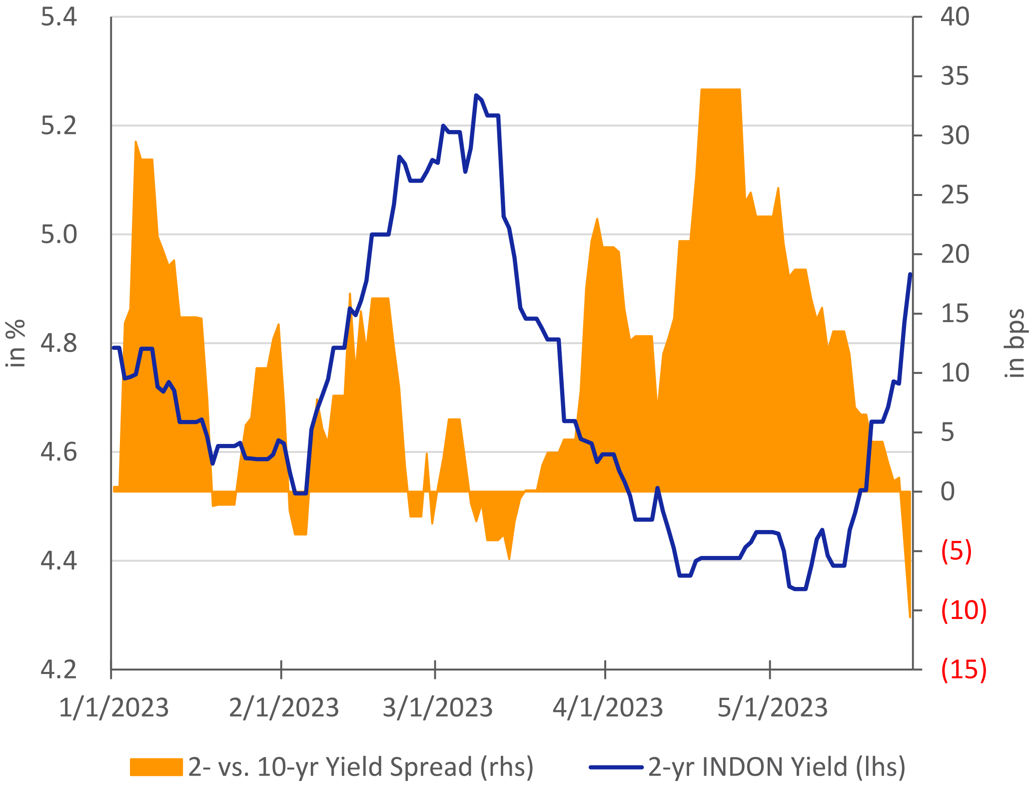
Last Week's Recap
22 – 28 May 2023

Market divergence: INDOGB vs. INDON

INDOGB = Bullish Steepening

INDON = Inverted

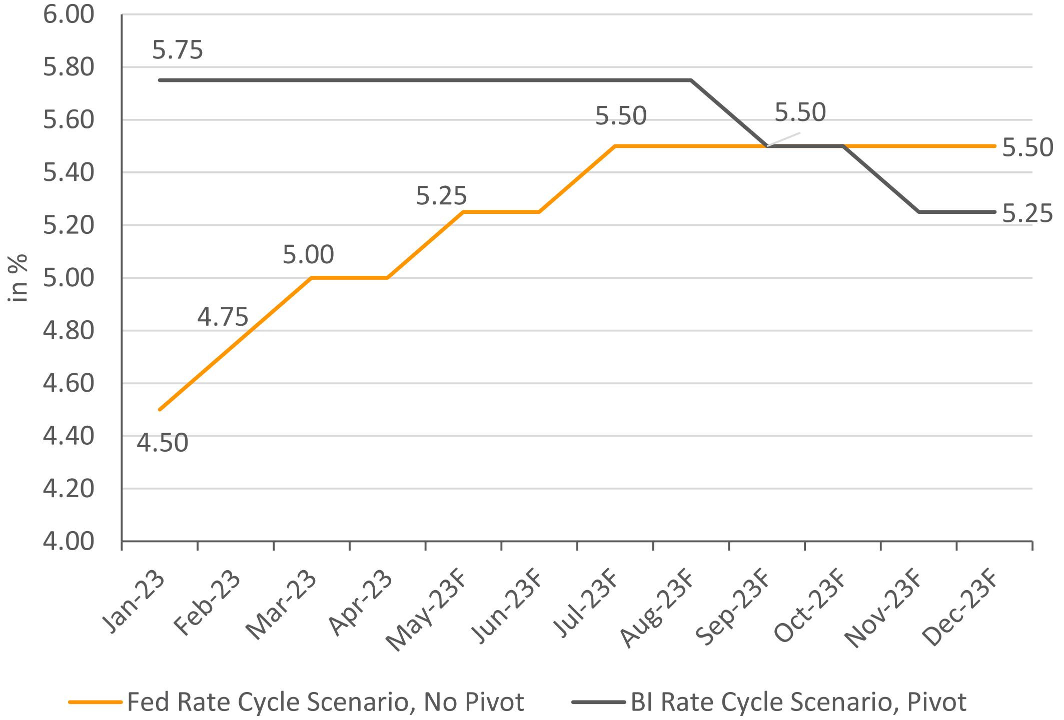


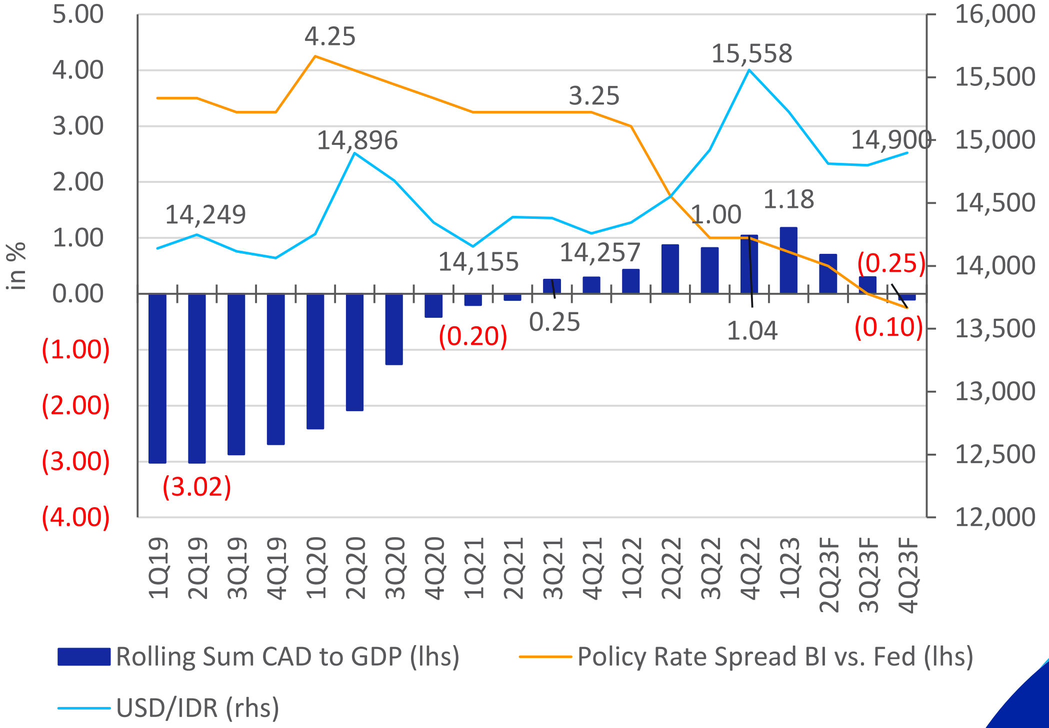


Source: Bloomberg, SSI Research

INDOGB investors are anticipating BI Pivot

Supported by solid domestic macro fundamentals, particularly the strong balance of payment data

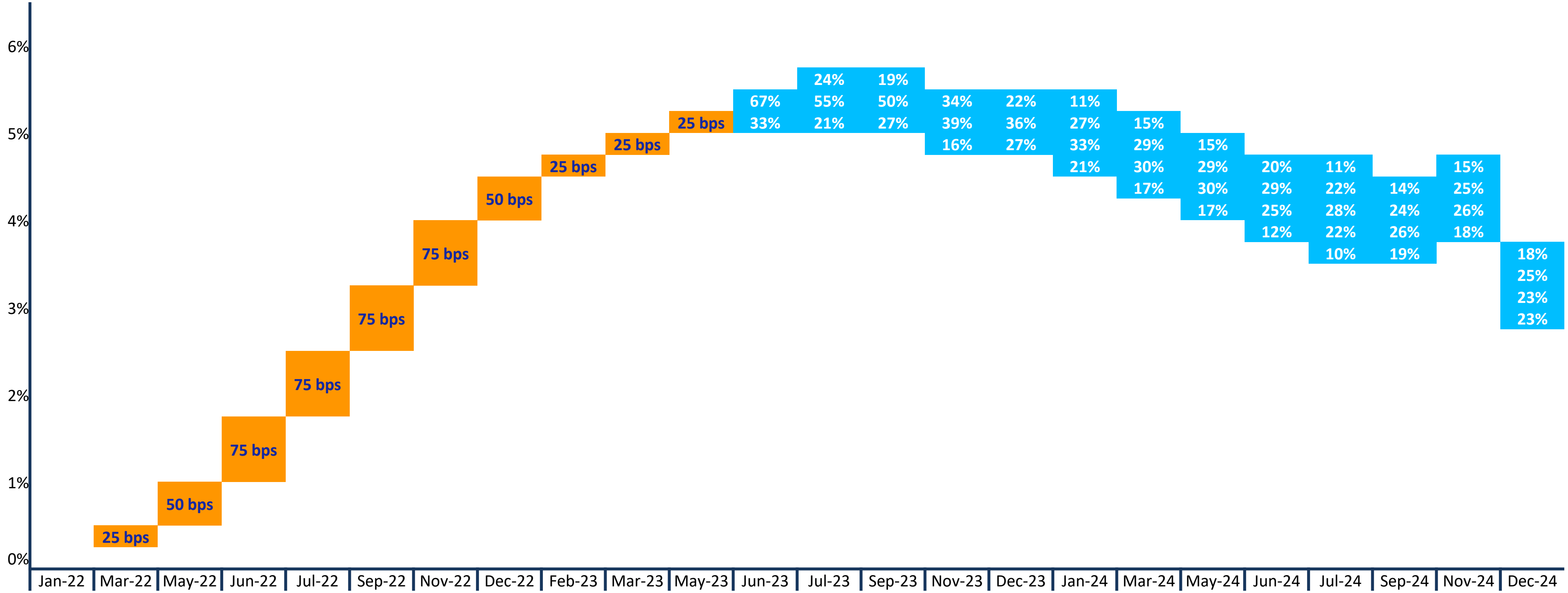




Source: Federal Reserve, CME, Bank Indonesia, Bloomberg, SSI Research

Meanwhile, INDON investors are focusing their attention on Fed terminal rate

Most market players expect the US central bank to raise its policy rate by 25 bps to 5.5% in June



Source: CME Group, Federal Research, SSI Research

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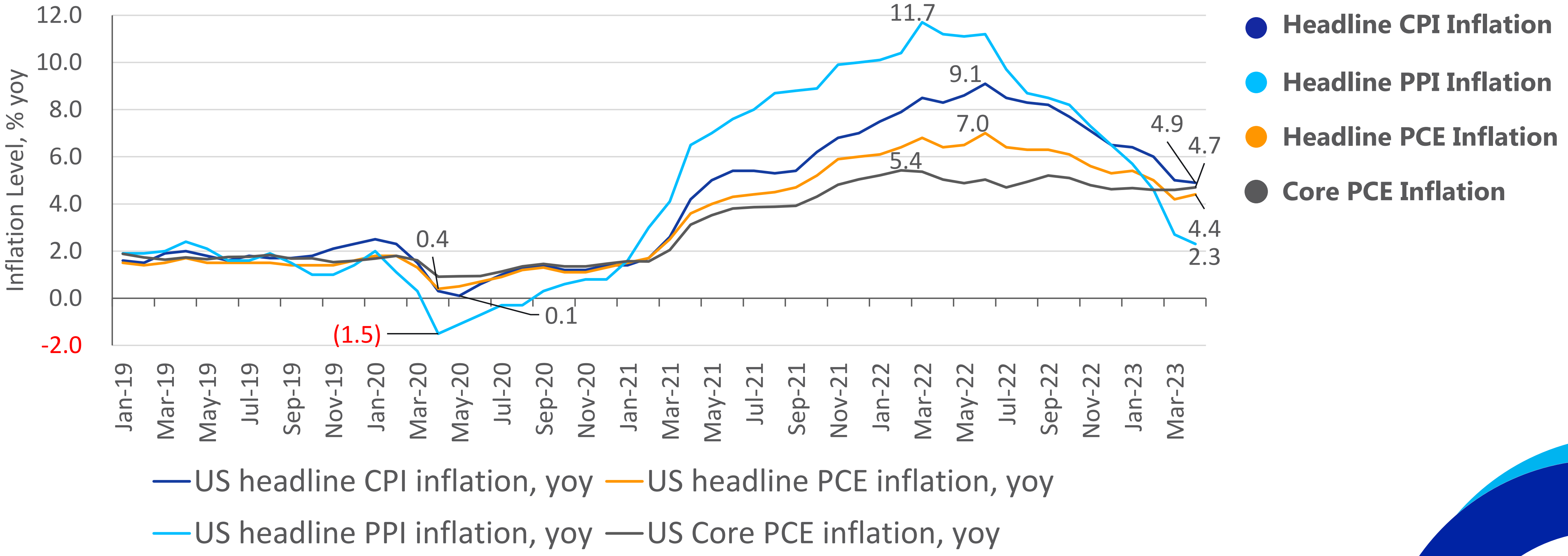
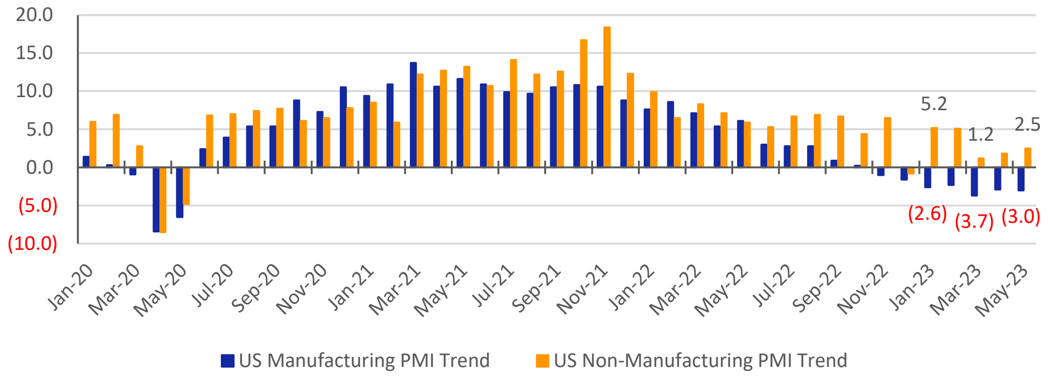
One factor boosting the possibility of Fed terminal rate hike is the slightly hotter-than-expected April PCE inflation data

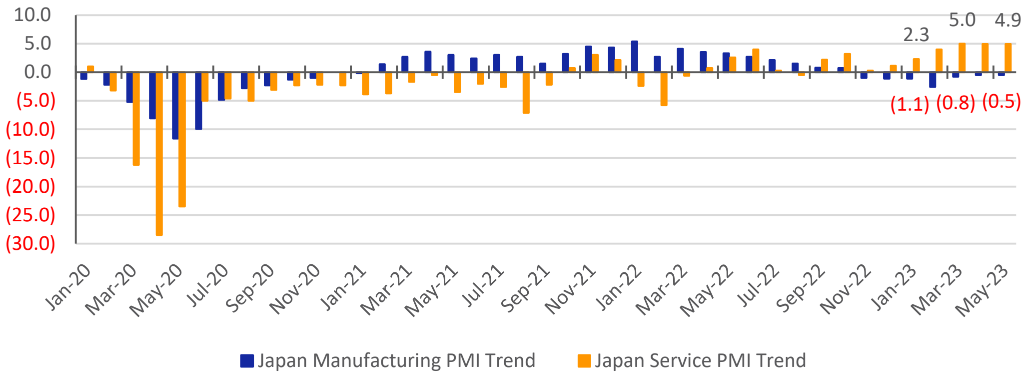


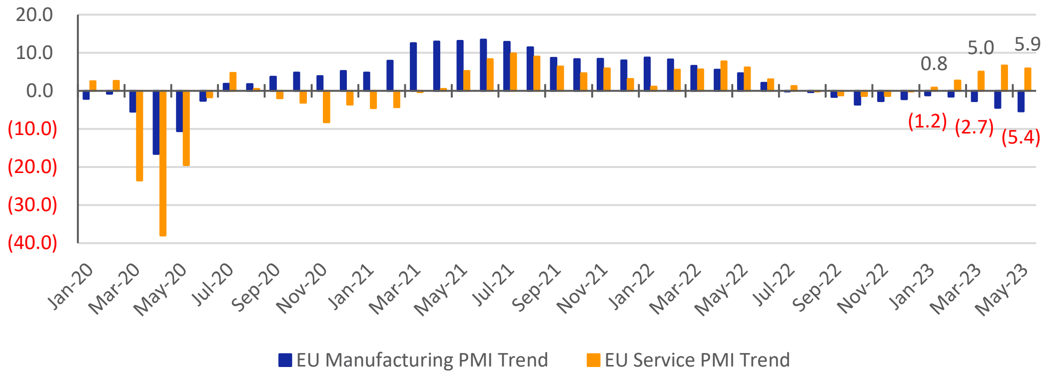
Source: CME Group, Federal Reserve, Bank Indonesia, SSI Research

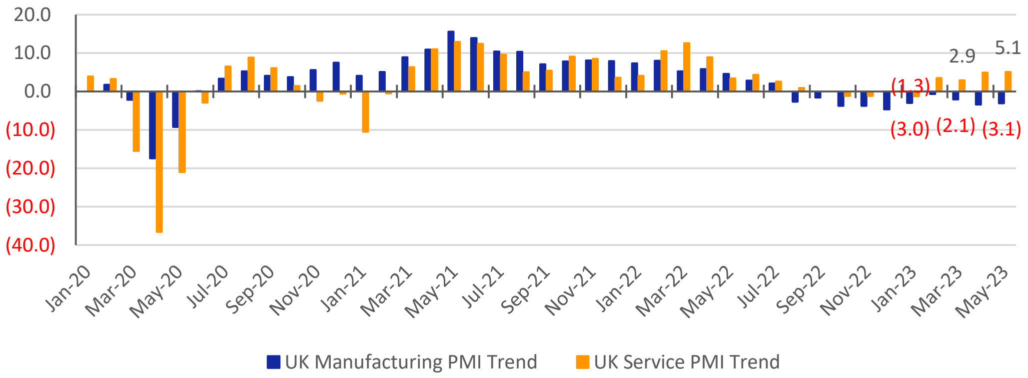
Persistent services sector expansion increased inflationary pressure in April

This, coupled with the manufacturing recession, has brought the possibility of 2H23 recession closer to reality









Source: S&P, Bloomberg, SSI Research

What's Our View?

Speculation on the Fed's terminal rate hike has become more and more rampant, with several data releases this week considered as the decider

- *ISM Manufacturing PMI data, which will be released on Thursday (6/1) and US labor market data (Friday, 6/2) might be the decider for the Fed's terminal rate hike*
- Meanwhile, the possibility for terminal rate hikes in Europe will be decided by the inflation data from the Eurozone and other European countries, including France, Germany, and others
- In our opinion, the global bond market might still feel some pressure this week due to market expectations of the Fed's terminal rate hike
- We project USD/IDR to consolidate within the range of IDR 14,900-15,100 per USD
- INDOGB 10-yr yield might also consolidate at 6.3-6.5%
- We advise investors to take advantage of the momentum and shift from INDON to INDOGB instruments, particularly the short-term (2-year) and long-term ones (15-year)

This Week
29 May – 4 June 2023

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Ones to Watch

31 May 2023

China's NBSC manufacturing PMI (Apr: 49.2; Cons May: 49.5) and services PMI (Apr: 56.4; Cons May: 55.2)

31 May 2023

Germany's headline inflation (Apr: 7.2% yoy; Cons May: 6.5% yoy) and harmonized headline inflation (Apr: 7.6% yoy; Cons May: 6.9% yoy)

1 June 2023

China's Caixin manufacturing PMI (Apr & Cons May: 49.5)

1 June 2023

Eurozone headline (Apr: 7% yoy; Cons May: 6.4% yoy) and core inflation (Apr: 5.6% yoy; Cons May: 5.5% yoy)

1 June 2023

US ISM manufacturing PMI (Apr: 47.1; Cons May: 47)

2 June 2023

US Non-farm payrolls (Apr: 253,000; Cons May: 190,000), unemployment rate (Apr: 3.4%; Cons May: 3.5%); and workforce participation rate (Apr & Cons May: 62.6%)

Thank You

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