

Macro Strategy Weekly

Lionel Priyadi

Your Lifelong
Investment Partner

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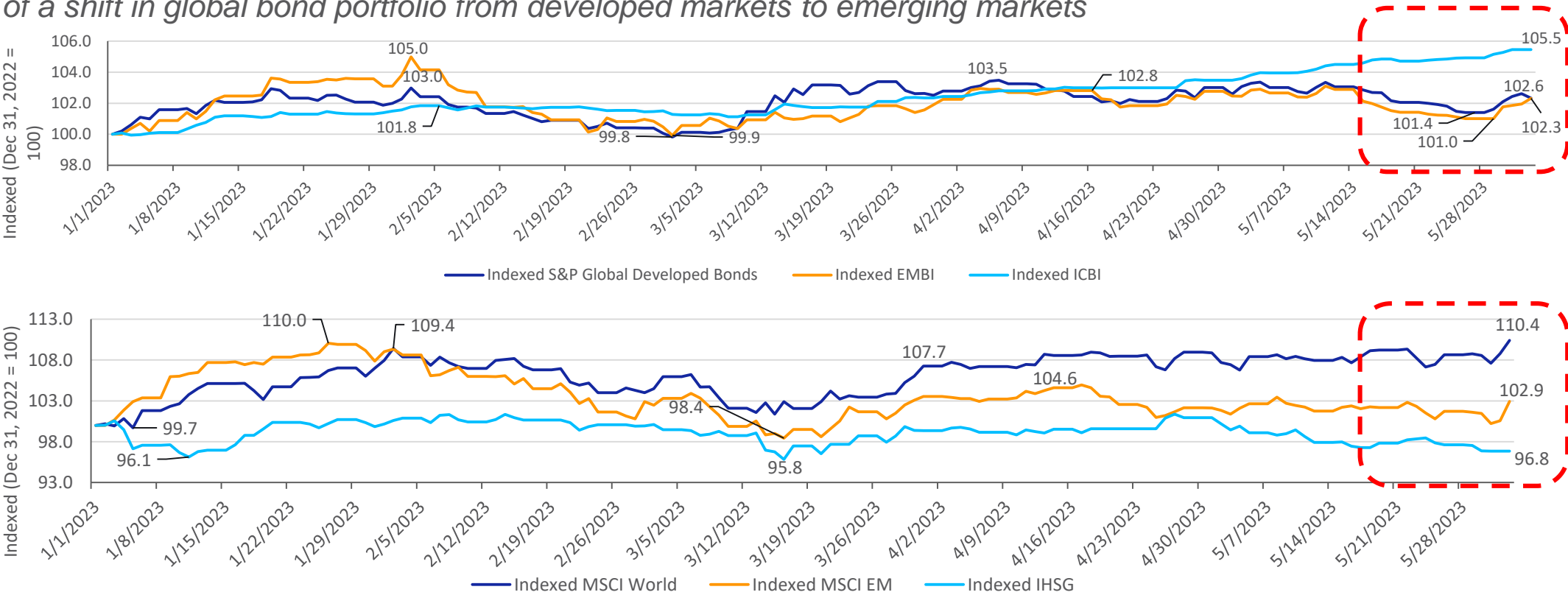


Last Week's Recap

29 May – 4 June 2023

Divergence in performance between the Indonesian bond and stock market

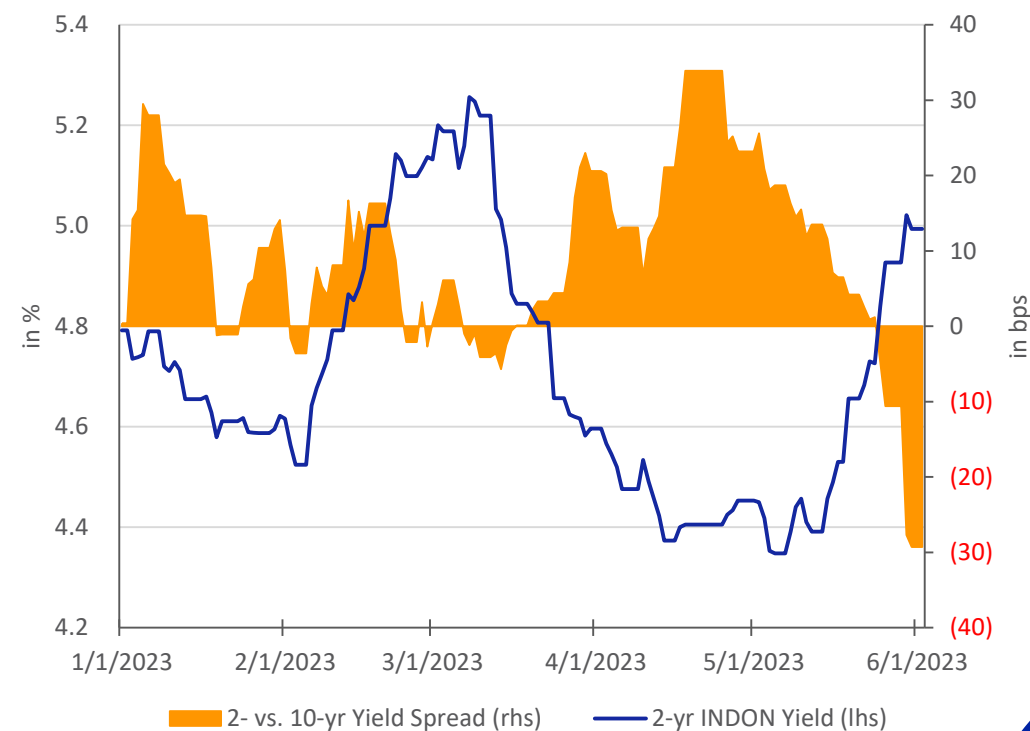
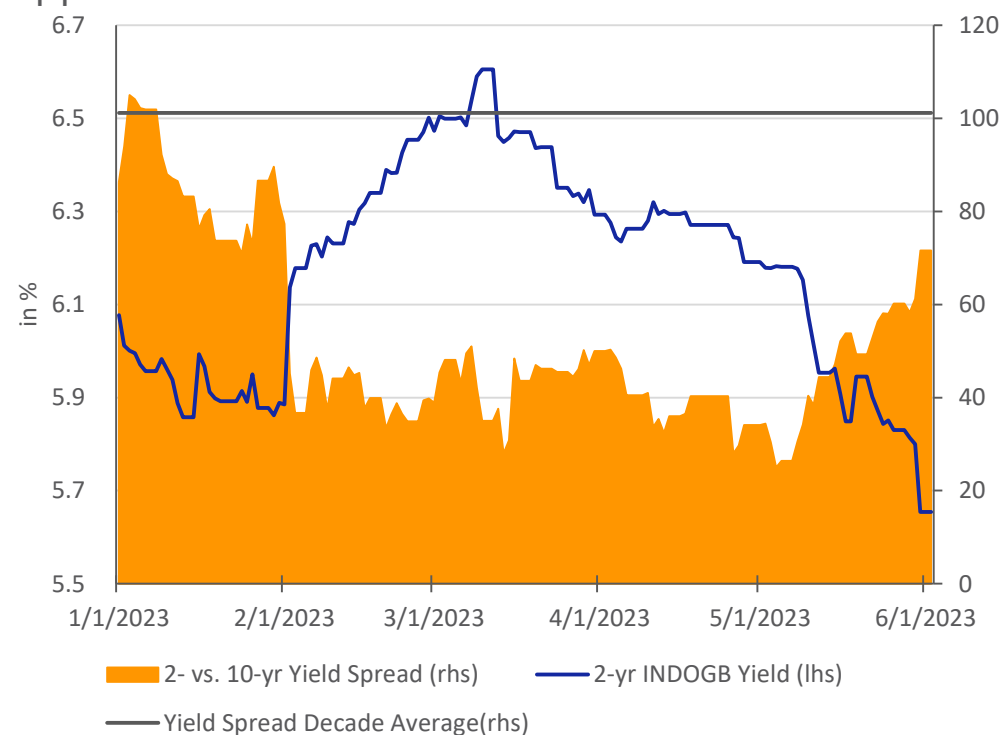
Global stock market is experiencing a bullish momentum; meanwhile, there are indications of a shift in global bond portfolio from developed markets to emerging markets



Source: Bloomberg, SSI Research

INDOGB vs. INDON divergence

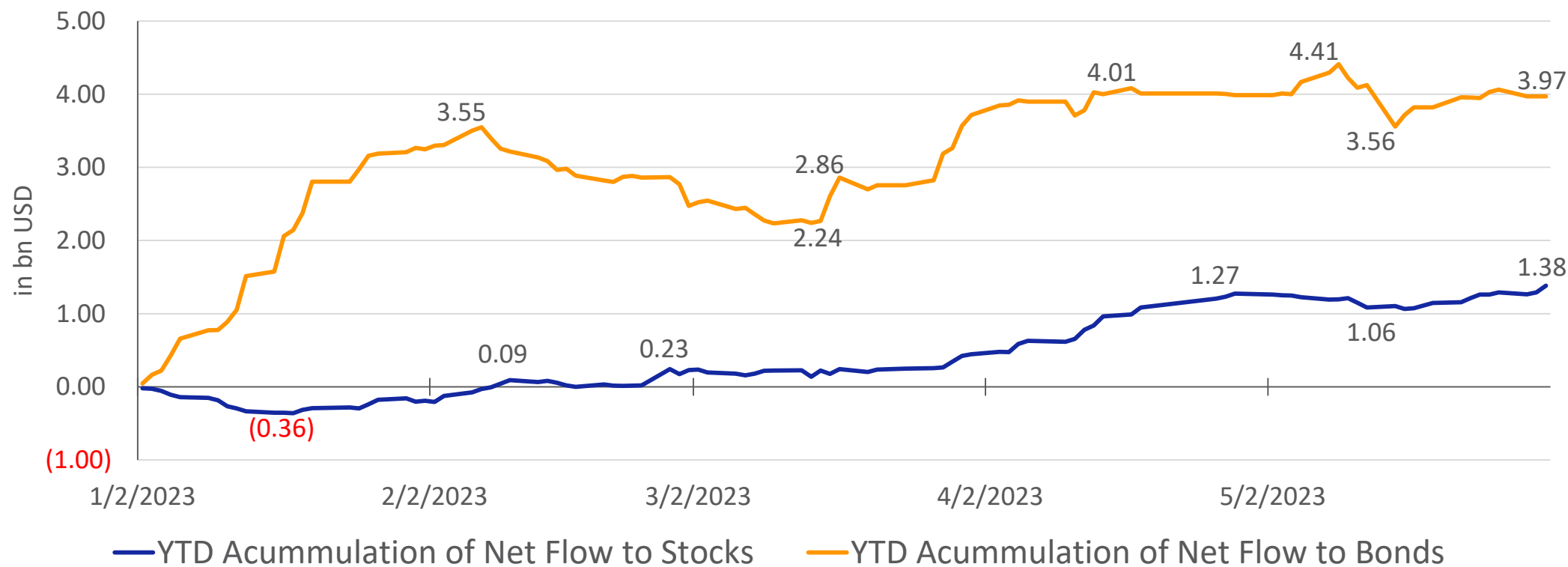
Bullish steepening of INDOGB and inverted yield curve are becoming more and more apparent



Source: IDX, Bloomberg, SSI Research

Foreign inflow into the bond market stagnated; insignificant increase in the stock market

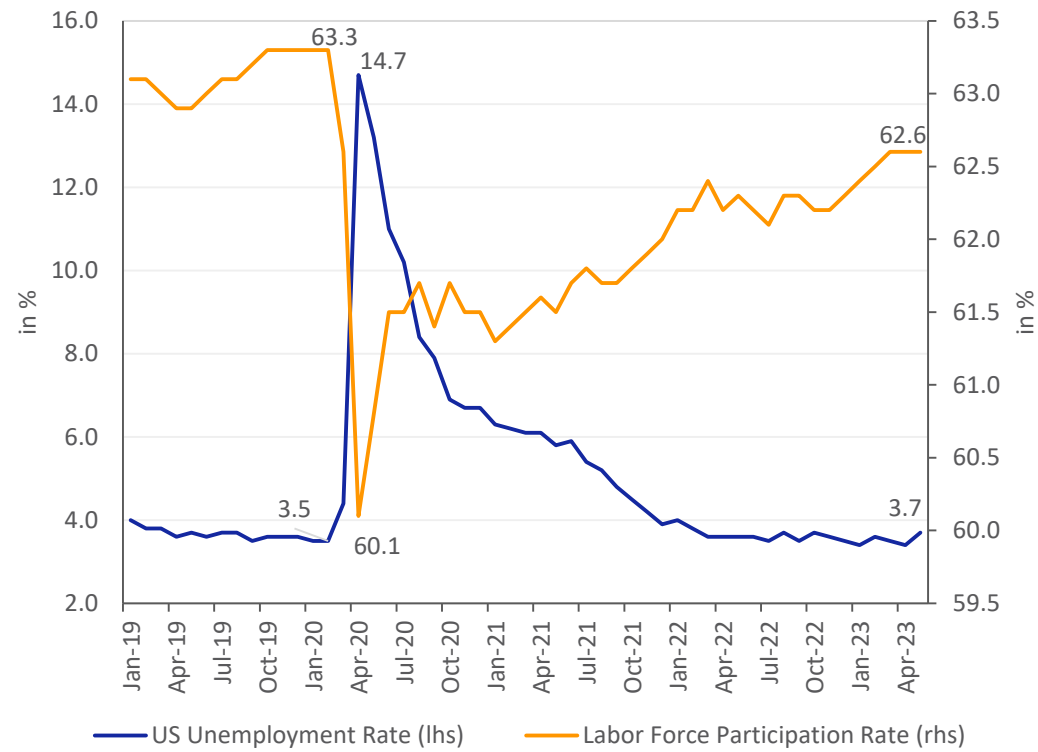
The flow was somewhat hampered by the speculation regarding the Fed's terminal rate hike



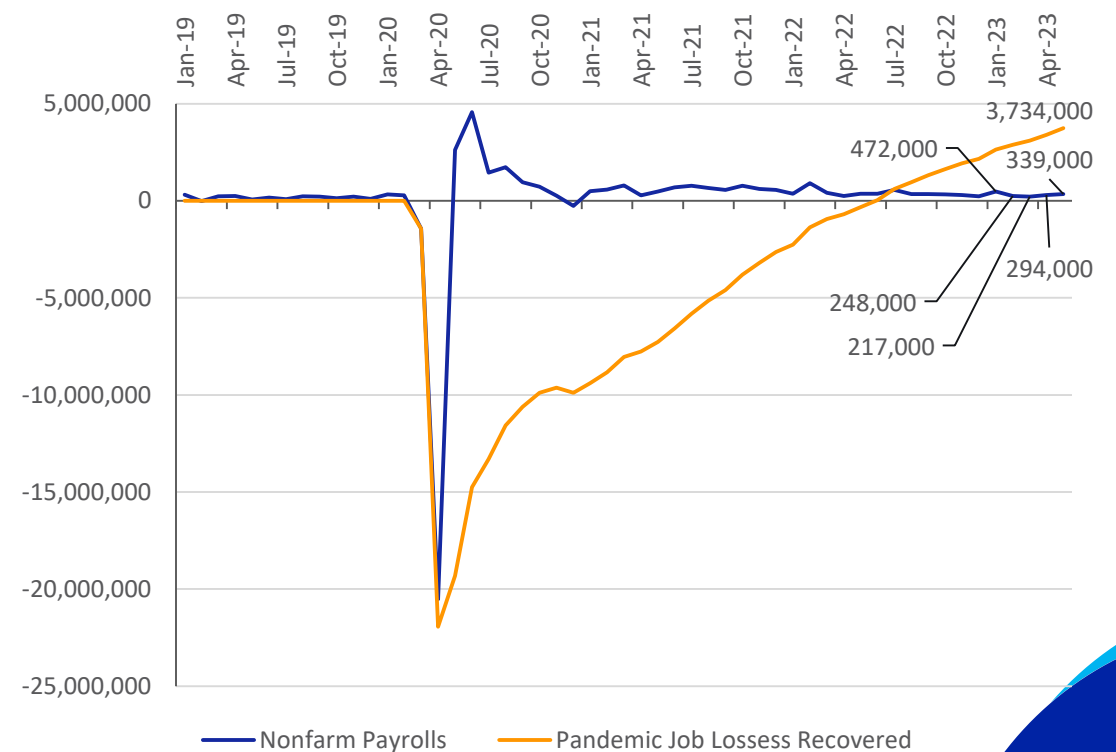
Source: IDX, Bloomberg, SSI Research

US labor market expansion has started to slowdown

The slowdown is more apparent in self employment, while employee recruitment remains strong

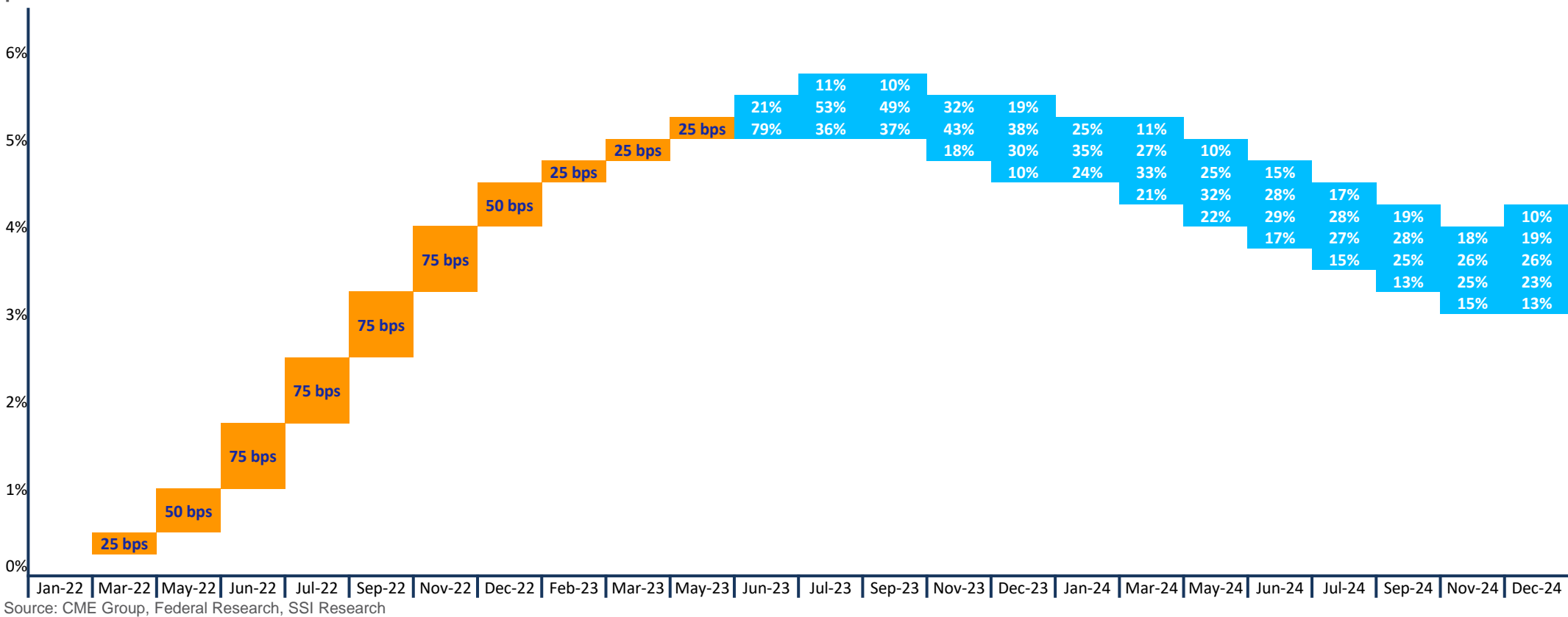


Source: BLS, Bloomberg, SSI Research



US labor market slowdown supports the Fed rate hike pause scenario

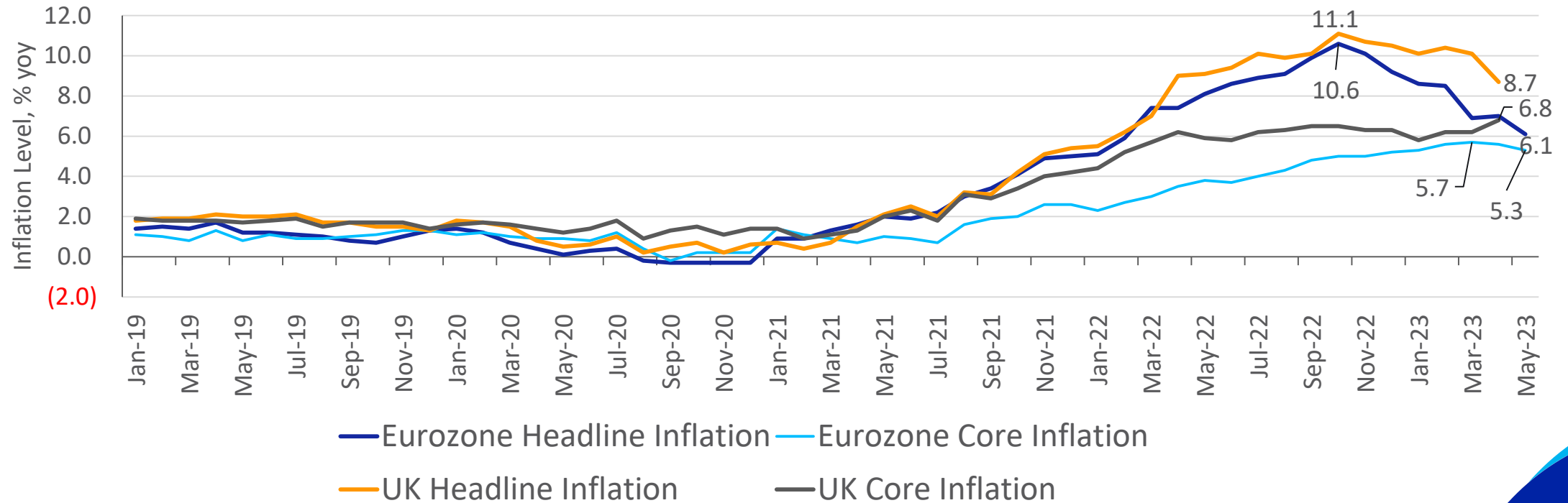
The market continue to expects terminal Fed rate hike in July to 5.25% and Fed pivot in 4Q23 to 5.25%



Source: CME Group, Federal Research, SSI Research

Inflation in Europe is getting more conducive

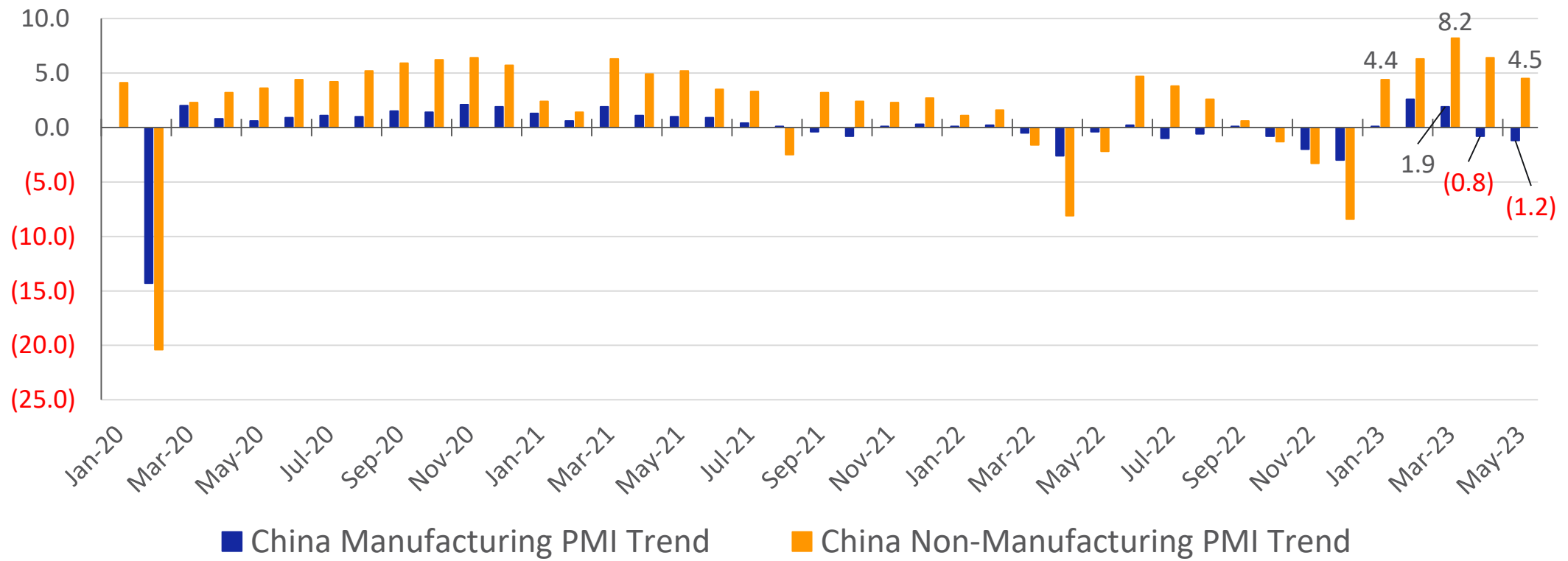
The expectation of Eurozone inflation reaching 3.3% yoy at the end of 2023 is achievable



Source: BLS, Bloomberg, SSI Research

China's economic activity slowed down further in 2Q23

Without monetary and fiscal stimuli, it's very difficult for the Chinese economy to expand



Source: NBSC, Bloomberg, SSI Research

What's Our View?

In our opinion, the resilience of non-farm payrolls shows the strength of the corporate sector and MSMEs in the US, which opened a scenario of cooling down inflation without triggering a recession in

2H23

In our opinion, the no-recession scenario in 2H23 in the United States still needs further confirmation through the Fed's interest rate policy in June and July, as well as the ISM's PMI manufacturing and services sector data.

- We expect the Fed to pause its rate hike in June
- Meanwhile, the possibility of a Fed rate hike in July is mere speculation, and it will be determined by the US inflation data for May and June and US labor market data for June due in early July.
- We expect the bond market to strengthen this week, with the 10-yr INDOGB yield moving down to 6.3-6.5%
- We expect USD/IDR to consolidate within the range of IDR 14,700-14,900 per USD

This Week

5 – 11 June 2023

Ones to Watch



5 June 2023

Indonesia's manufacturing PMI (Apr: 52.7)



5 June 2023

US ISM Services PMI (Apr: 51.9; Cons May: 52.4)



5 June 2023

Indonesia's headline (Apr: 4.3% yoy; Cons May & SSI Forc.: 4.2% yoy) and core inflation (Apr: & Cons May: & SSI Forc: 2.8% yoy)



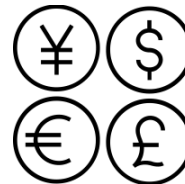
9 June 2023

China's headline CPI (Apr: 0.1% yoy; Cons May: 0.2% yoy) and PPI inflation (Apr: -3.6% yoy; Cons May: -4.2% yoy)



5 June 2023

China's Caixin Services PMI (Apr: 56.4; Cons May: 55.2)



9 June 2023

Indonesia's foreign exchange reserves (Apr: USD 144.2bn), liquid reserves (Apr: USD 130.6bn) and Bank Indonesia's net foreign asset value (Apr: IDR 1,977.9tn)



Thank You

Your Lifelong **Investment Partner**

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