

# Macro Strategy Weekly

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Your Lifelong  
**Investment Partner**

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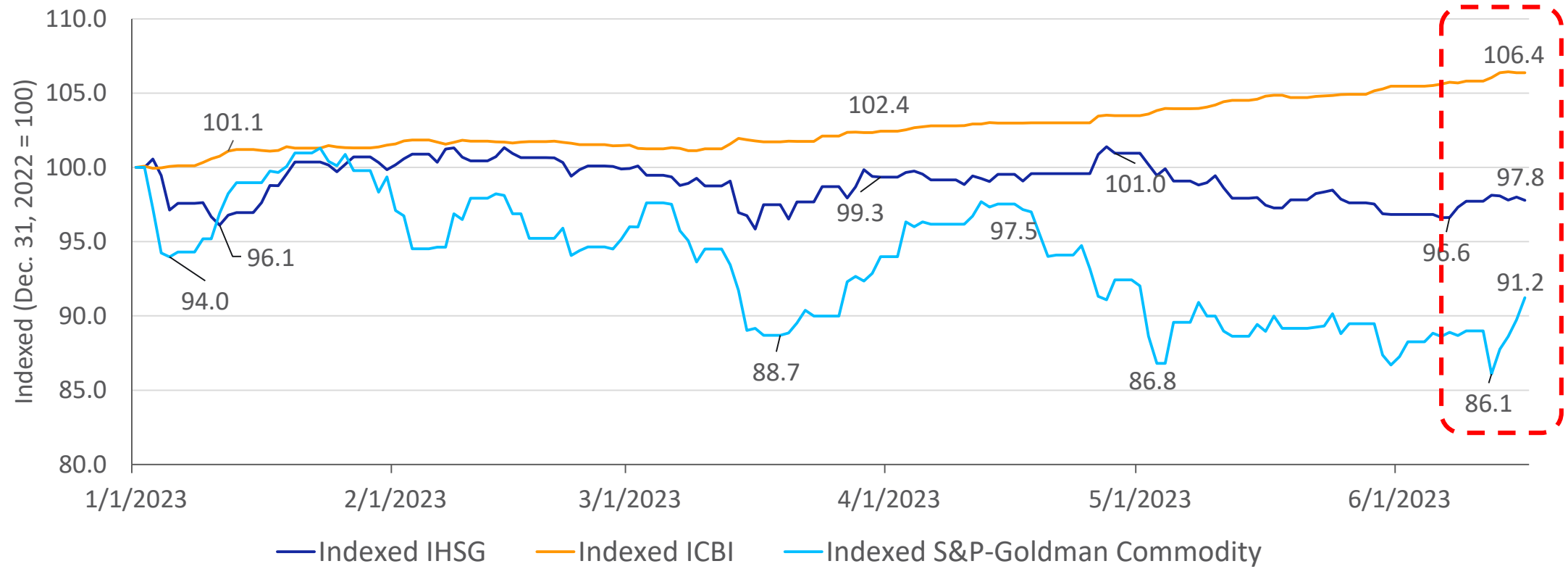


# Two-Week Recap

## 5 – 18 June 2023

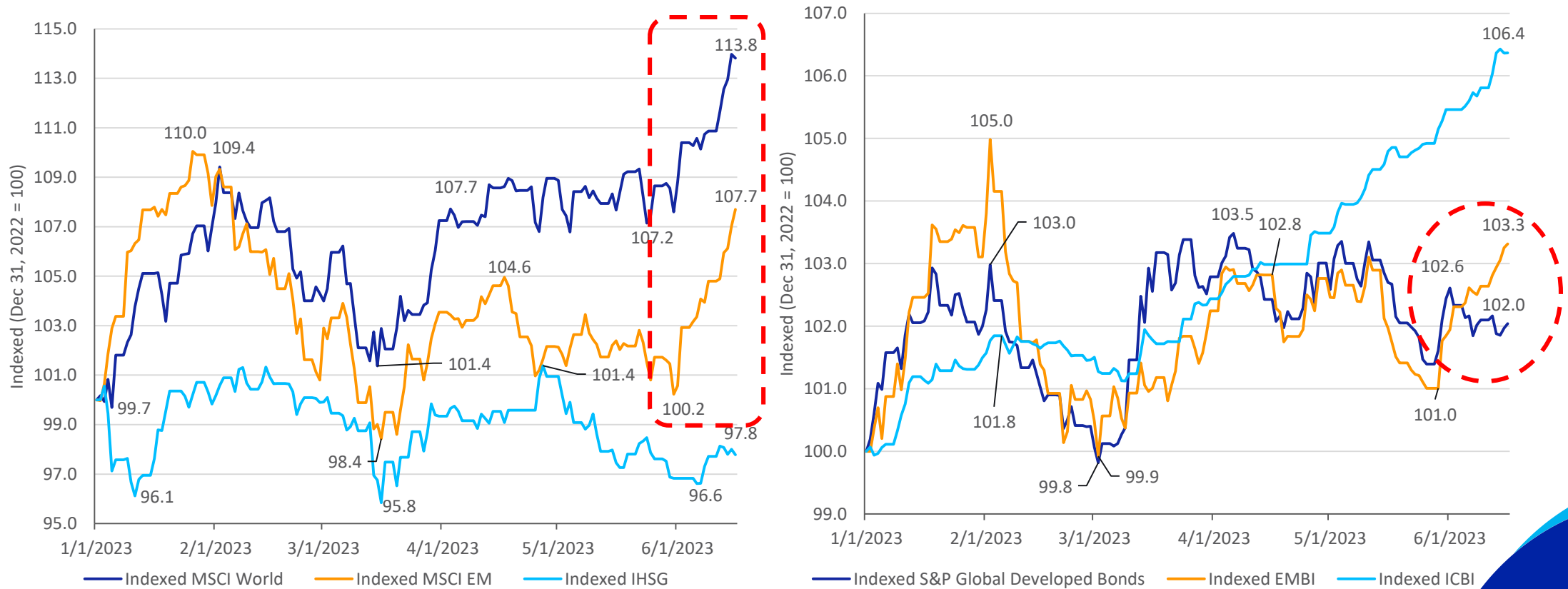
## Market optimism soared following the announcement of FOMC's projections for June

The possibility for a soft landing led to a commodity rally, though it hasn't had any impact on the JCI and the domestic bond market



Source: IDX, Bloomberg, SSI Research

# The global bond market saw a shift from developed to emerging markets, followed by bullish rallies in the DM and EM stock markets



Source: IDX, Bloomberg, SSI Research

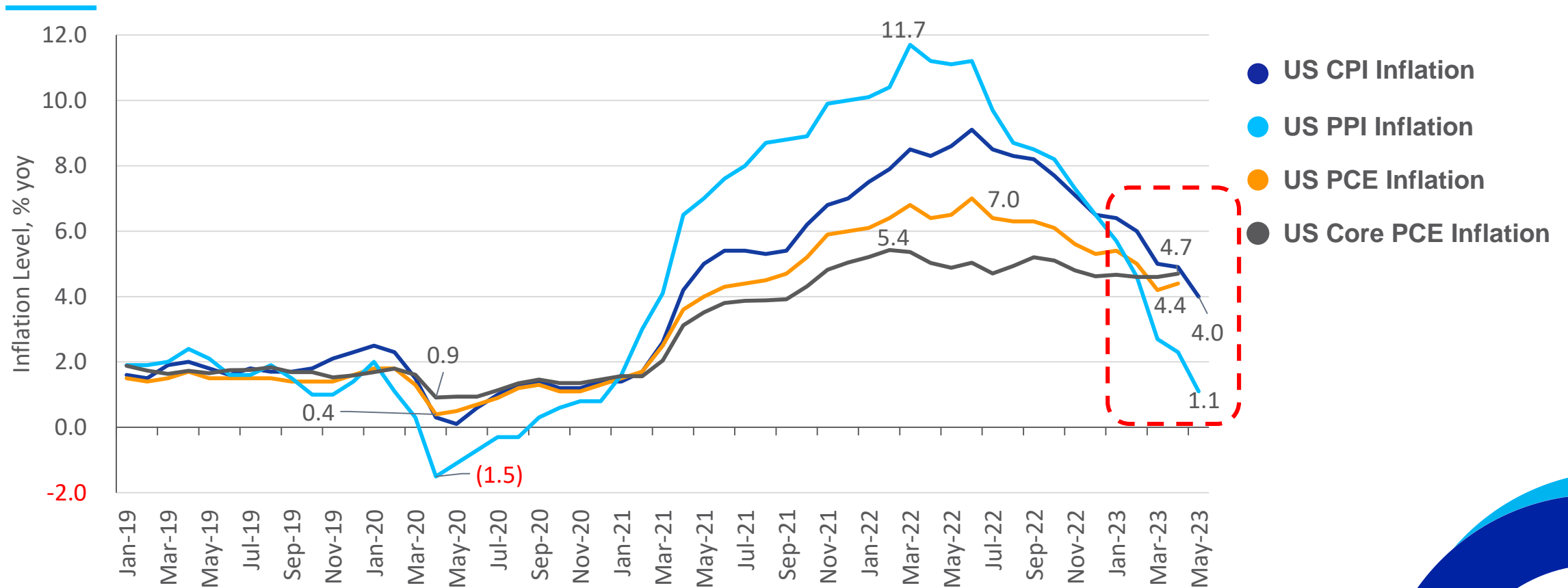
## The possibility for a soft landing is reflected in the Fed's more optimistic projection for 2023 GDP growth and the drop in unemployment rate and headline inflation estimates

However, the projected terminal rate hike (2X25 bps to 5.75%) fuelled doubts about the soft landing

		2023	2024	2025	Longer-run
GDP Growth	June Forecast	↑1.0	↓1.1	↓1.8	1.8
	March Forecast	0.4	1.2	1.9	1.8
Unemployment Rate	June Forecast	↓4.1	↓4.5	↓4.5	4.0
	March Forecast	4.5	4.6	4.6	4.0
PCE Inflation	June Forecast	↓3.2	2.5	2.1	2.0
	March Forecast	3.3	2.5	2.1	2.0
Core PCE Inflation	June Forecast	↑3.9	2.6	↑2.2	
	March Forecast	3.6	2.6	2.1	
Fed Terminal Rate	June Forecast	↑5.6	↑4.6	↑3.4	2.5
	March Forecast	5.1	4.3	3.1	2.5

Source: Federal Research, SSI Research

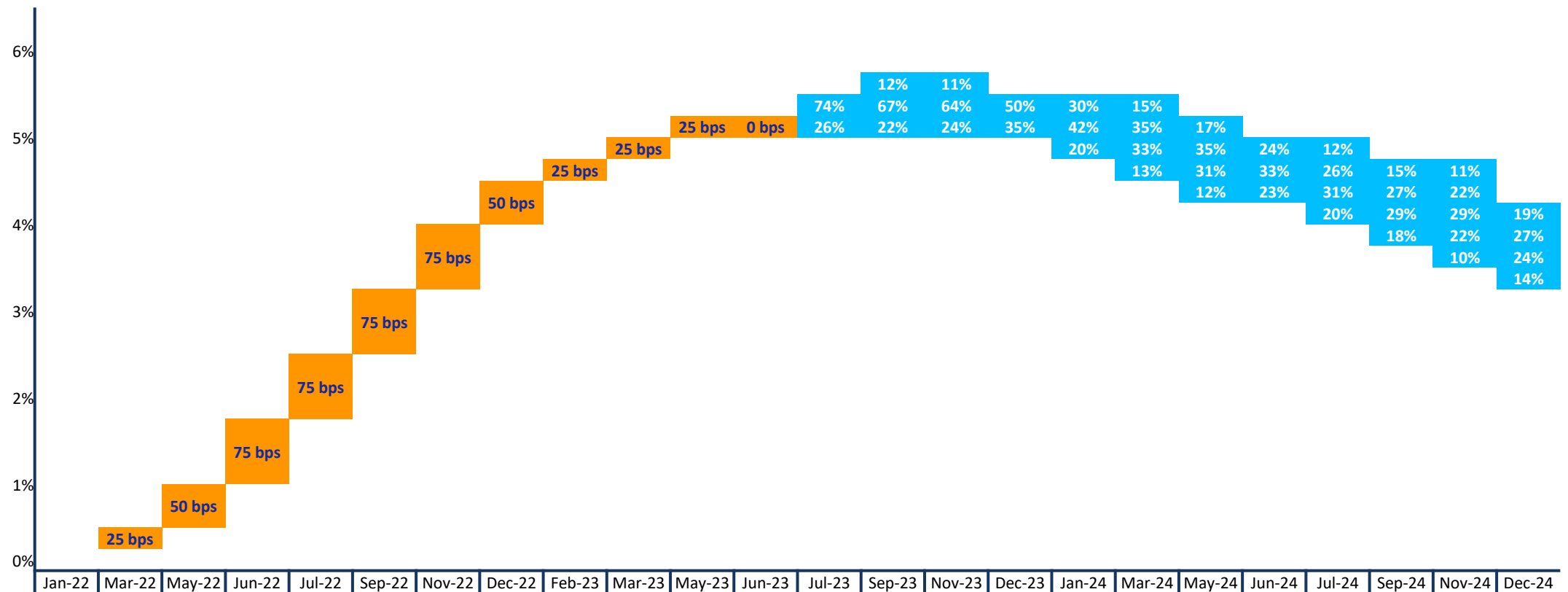
## May inflation data showed an acceleration of the disinflationary process



Source: BLS, BEA, Bloomberg, SSI Research

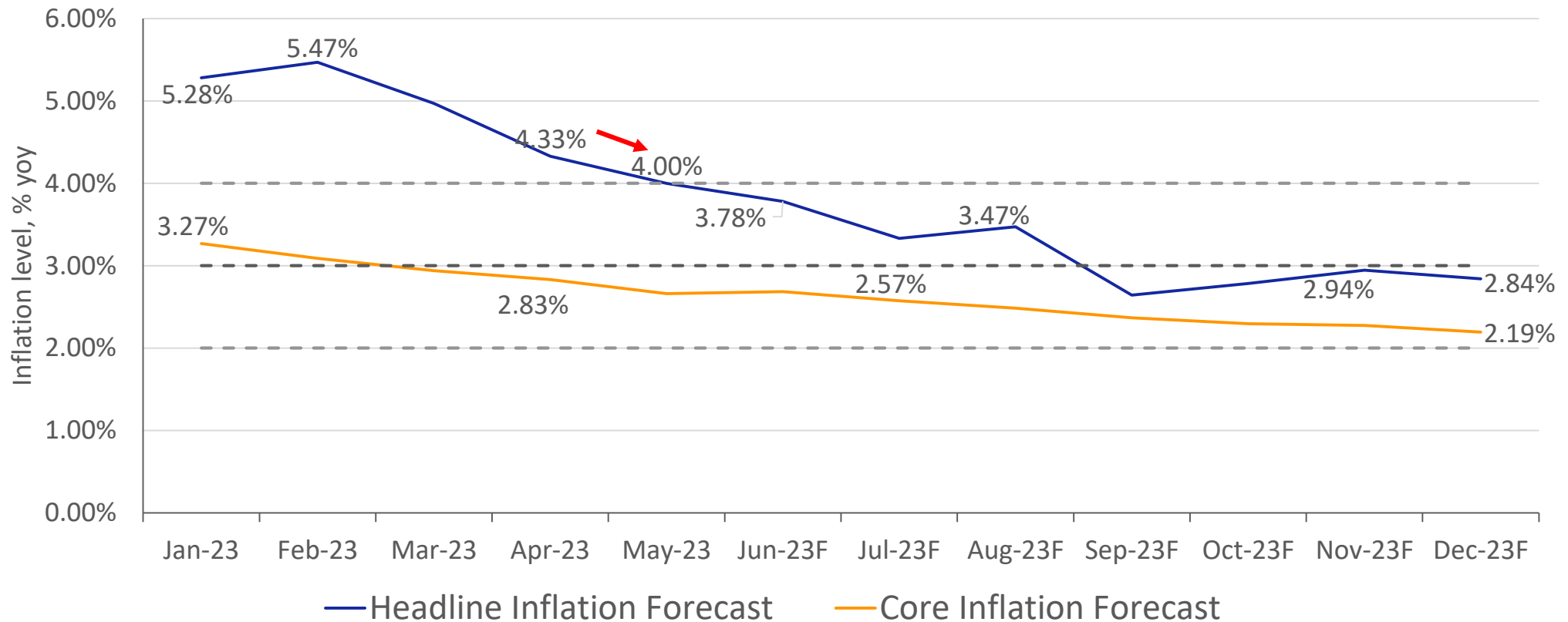
## The market noticed the unusual data

Market players now project a 1X25 bps terminal rate hike to 5.5% in 2023



Source: CME Group, Federal Research, SSI Research

## Indonesia's macroeconomy continues to improve, as indicated by the decline in inflation in May, bringing it closer to BI's target range

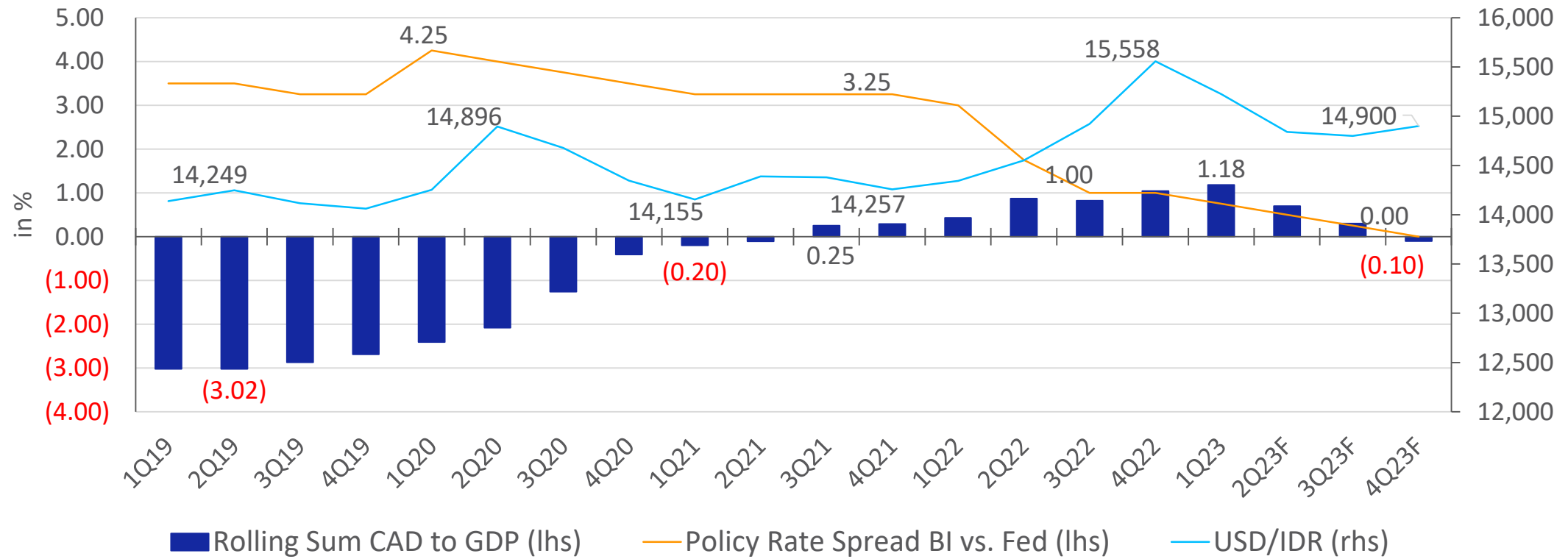


Source: BPS, SSI Research



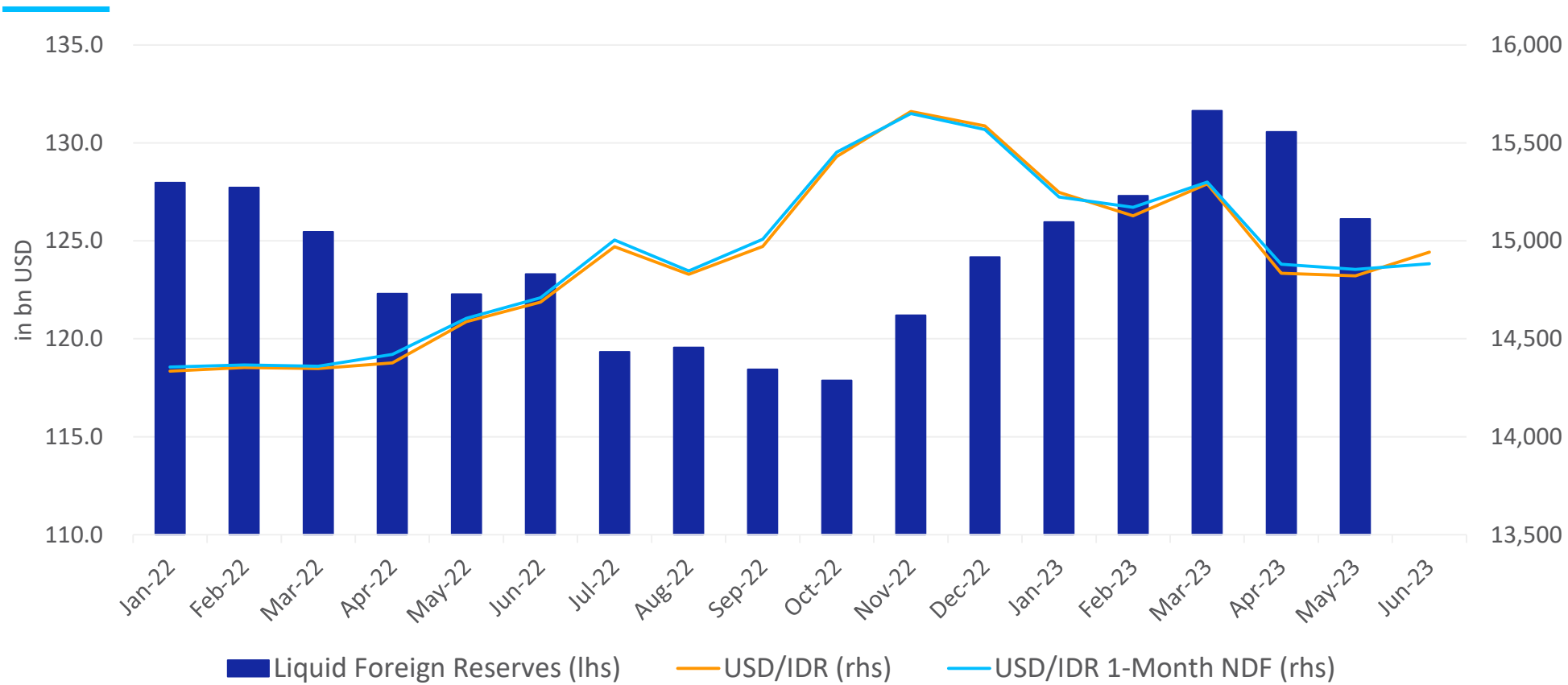
## However, the massive decline in trade balance surplus to USD 0.4bn in May (Apr: USD 3.9bn) sparked fears of a current account deficit

In our opinion, the current account deficit potential is still relatively under control at -0.1% of GDP



Source: Bank Indonesia, Bloomberg, SSI Research

## The impact of negative sentiment from the May trade balance was worsened by the fact that Bank Indonesia was having difficulty containing the pressure of rupiah depreciation



Source: Bank Indonesia, Bloomberg, SSI Research

## What's Our View?

In our opinion, now is not an ideal time for Bank Indonesia to start discussing its rate cut cycle

- We expect BI to emphasize the importance of maintaining rupiah stability in the announcement of the results of BI Board of Governors' meeting this week
- If the manufacturing and service PMI data from the developed market indicate an economic slowdown, it might persuade the Fed to hold the FFR at 5.25%
- However, we have to wait for several economic data, including the US labor market data for June and June CPI inflation, to get a better picture of the Fed's future monetary policy.
- We believe that USD/IDR will remain under pressure this week, with a target range of IDR 14,900-15,100 per USD
- The 10-yr INDOGB yield might also feel some pressure and decline to 6.25-6.55%

# This Week

## 19 – 25 June 2023

## Ones to Watch



20 June 2023

People's Bank of China's 1Y loan prime rate (May: 3.65%; Cons Jun: 3.55%[-10 bps]) and 5Y loan prime rate (May: 4.3%; Cons Jun: 4.2%[-10 bps])



21 June 2023

UK's headline (Apr: 8.7% yoy; Cons May: 8.5% yoy) and core CPI inflation (Apr: & Cons May: 6.8% yoy)



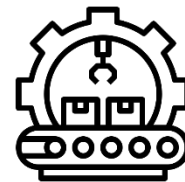
22 June 2023

BI's 7DRRR (May: & Cons Jun: 5.75% [0 bps])



22 June 2023

Bank of England's bank rate (May: 4.5%; Cons Jun: 4.75% [0 bps])



23 June 2023

US manufacturing PMI (May: 48.4; Cons Jun: 48.5), Eurozone (May: 44.8; Cons Jun: 45); and the UK (May: 47.1; Cons Jun: 46.8)



23 June 2023

US services sector PMI (May: 54.9; Cons Jun: 53.8), Eurozone (May: 55.1; Cons Jun: 54.4); and the UK (May: 55.2; Cons Jun: 54.8)



# Thank You

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