

Macro Strategy Weekly

Lionel Priyadi

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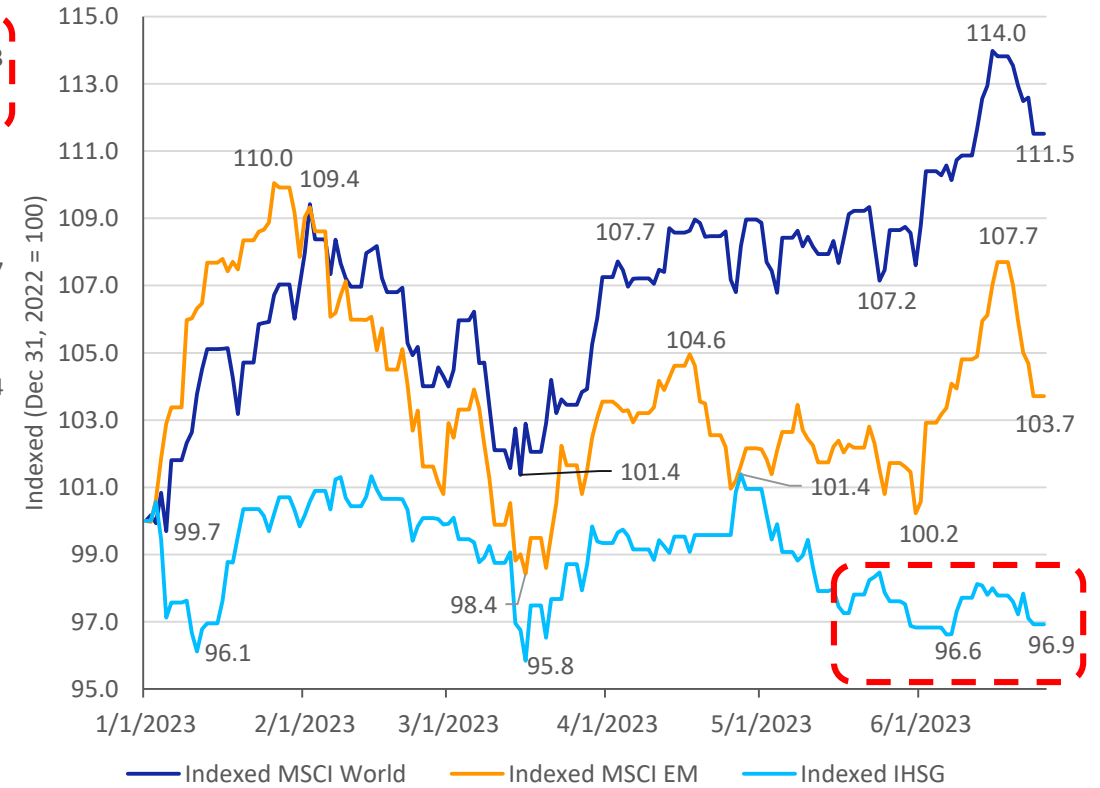
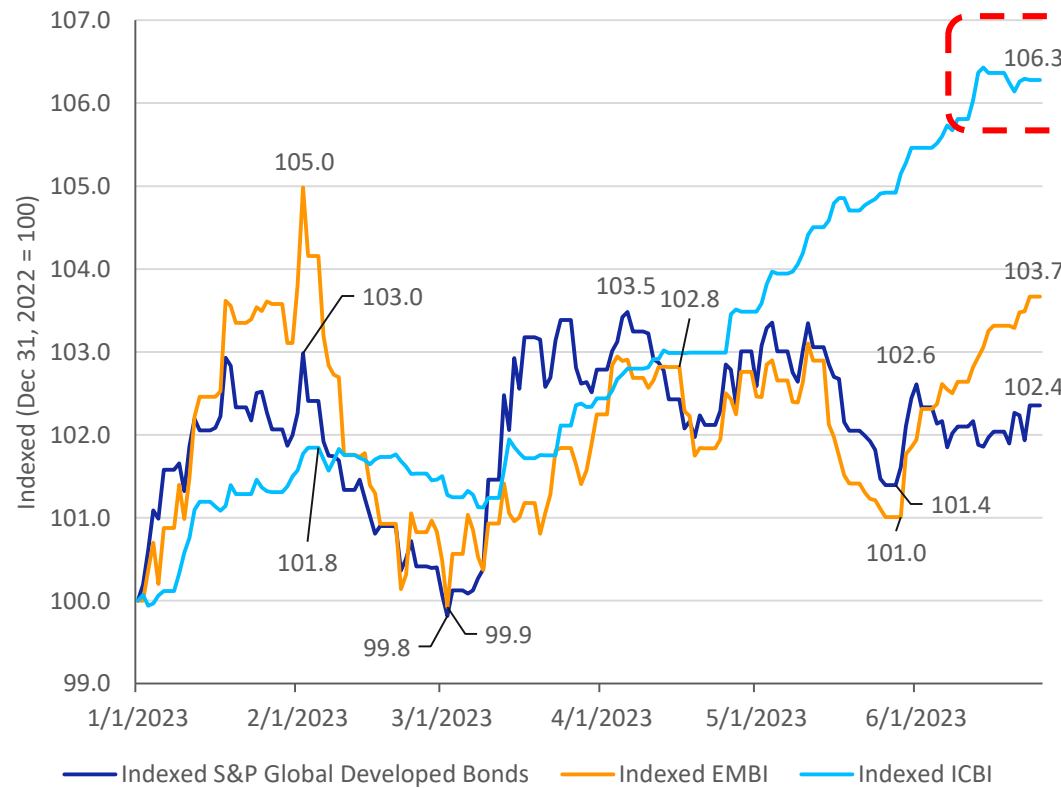
Last Week's Recap

June 19 – 25, 2023

Global market momentum changed drastically due to the possibility of Fed rate hike in July and worsening situation in Europe

Domestic bond market = bullish rally → sideways

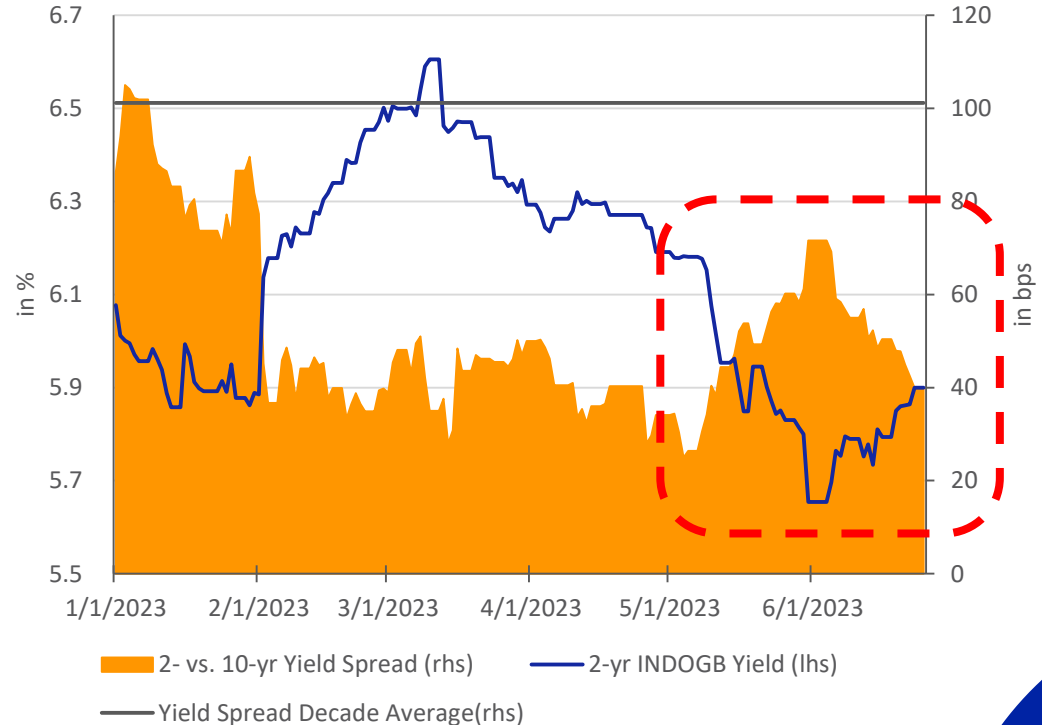
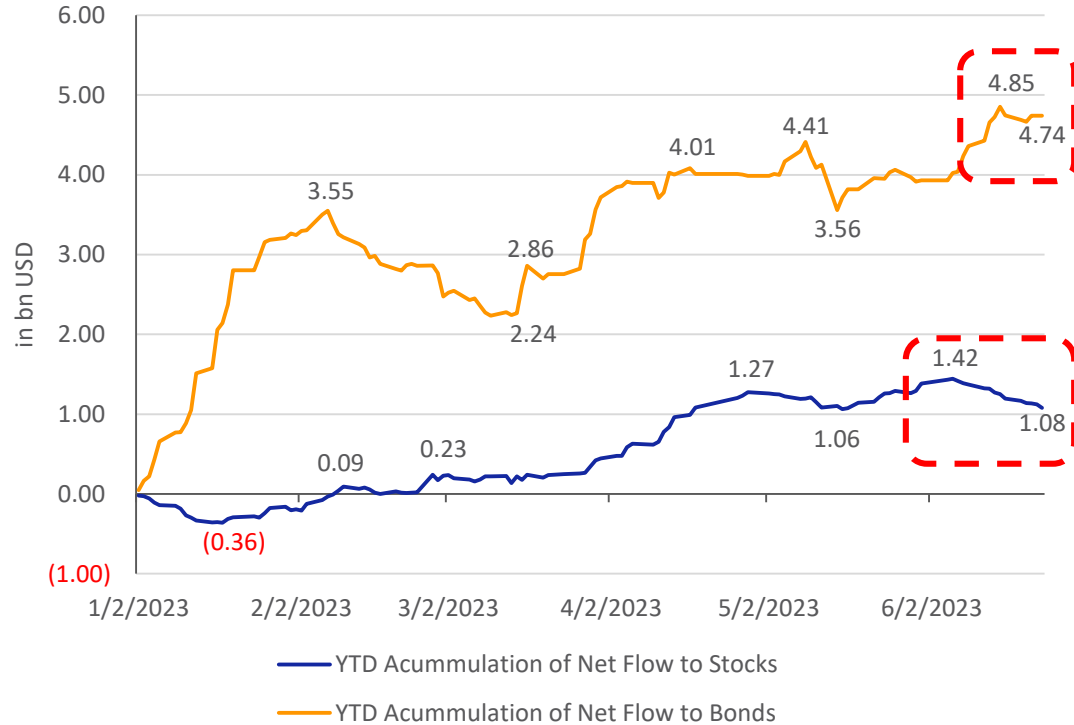
IHSG = sideways → double bottom



Source: Bloomberg, SSI Research

Foreign capital outflow from JCI continues, while market players hesitate to enter the Indonesian bond market

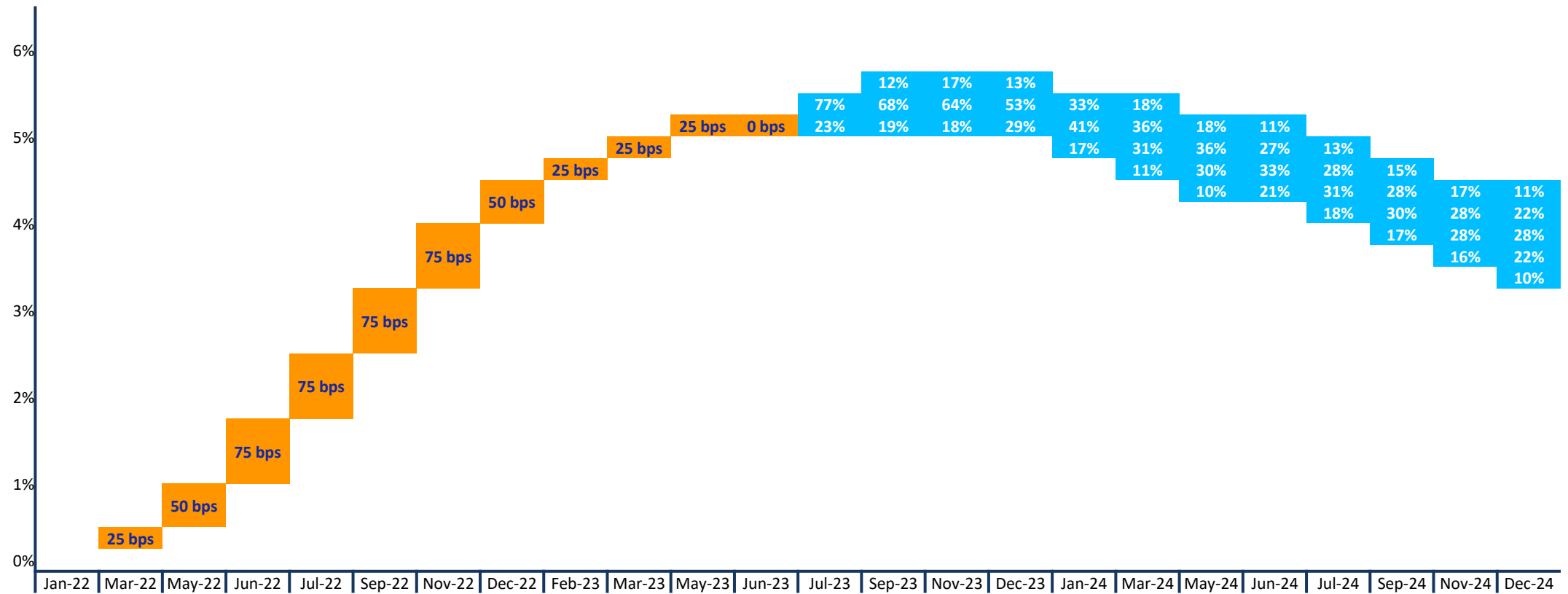
Bullish steepening has been somewhat halted, stuck at the support area of INDOGB 2Y: 5.9%; 10Y: 3.35%



Source: IDX, Bloomberg, SSI Research

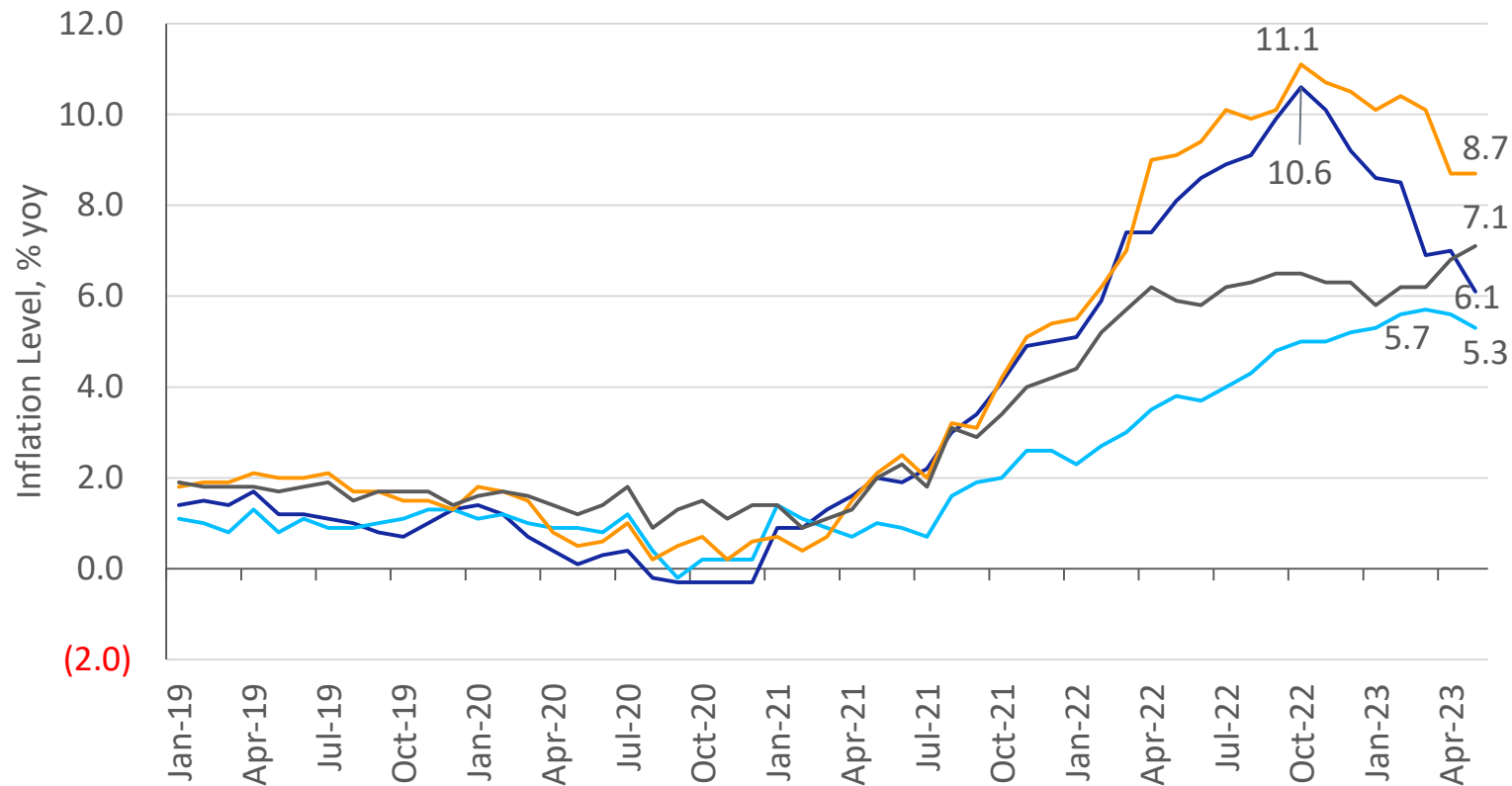
Market expectations of Fed rate hike remain unchanged (1x25bps in 2H23)

Market players will now look forward to the release of May PCE inflation data this week, as well as June CPI inflation and labor market data in the first two weeks of July



Source: CME Group, Federal Research, SSI Research

Persistent inflationary pressure forces the BOE to raise its policy rate by 50bps, with the possibility for more rate hikes of at least 2X25 bps

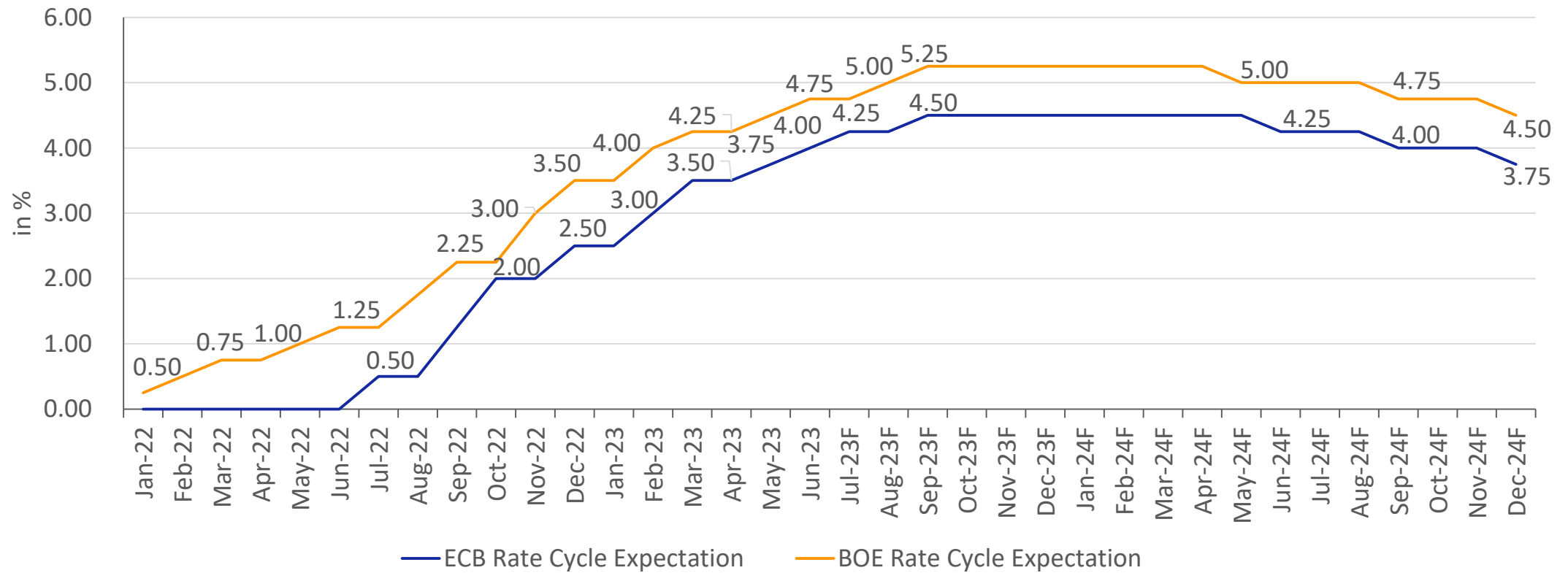


- Eurozone headline inflation
- Eurozone core inflation
- UK headline inflation
- UK core inflation

Source: ONS, Eurostat, Bloomberg, SSI Research

The possibility of BOE and ECB's terminal rate hikes (+75 bps and +25 bps respectively) might push Europe deeper into recession

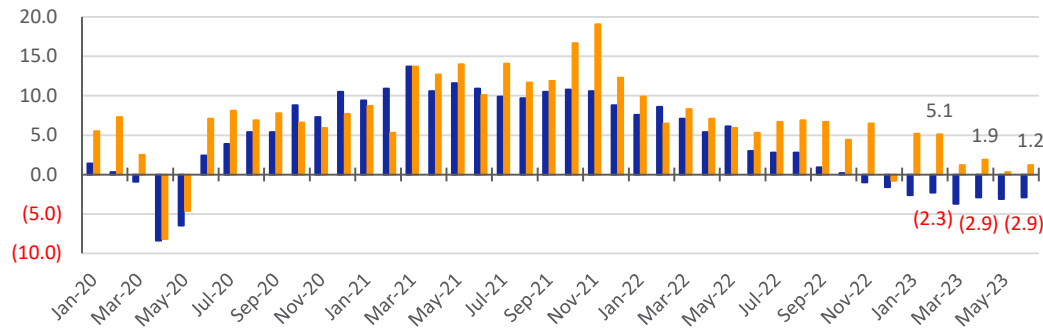
There's still no certainty regarding ECB rate hike in September, even though ECB Governor Lagarde has confirmed a July hike



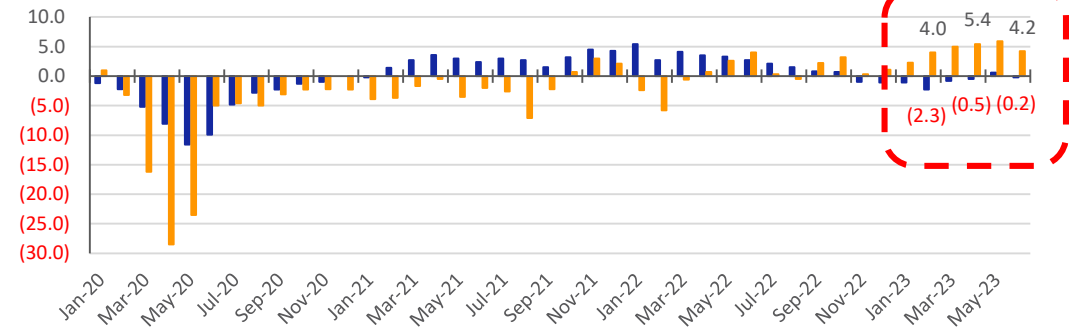
Source: S&P, Bloomberg, SSI Research

Signs of a recession in the US and Europe are getting stronger, and a hard landing in 2H23 is 'unavoidable' due to the possibility of terminal rate hike

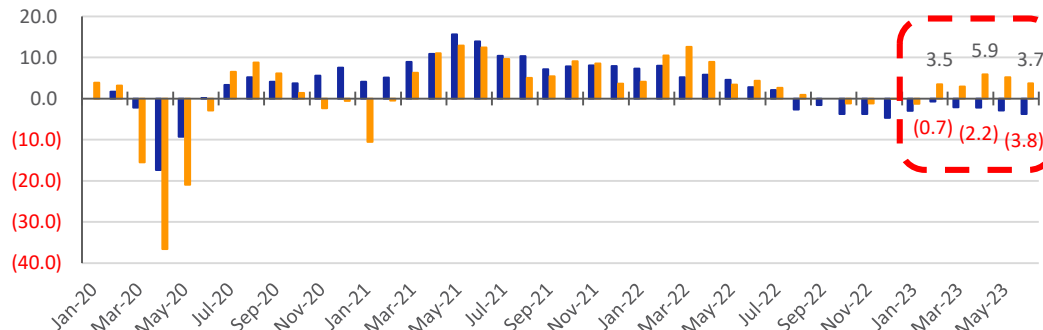
Meanwhile, Japan might experience an economic expansion in 2H23



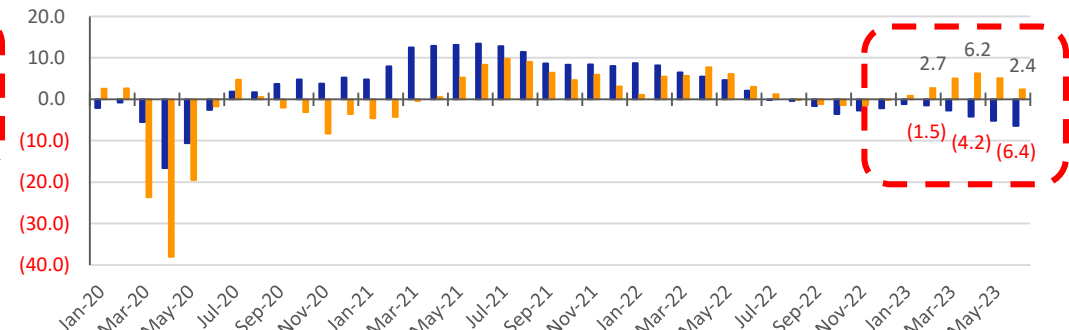
■ US Manufacturing PMI Trend ■ US Non-Manufacturing PMI Trend



■ Japan Manufacturing PMI Trend ■ Japan Service PMI Trend



■ UK Manufacturing PMI Trend ■ UK Service PMI Trend



■ EU Manufacturing PMI Trend ■ EU Service PMI Trend

Source: S&P, Bloomberg, SSI Research

What's Our View?

We expect global economic conditions to remain volatile for the next three weeks, prompting foreign investors to rationalize their portfolios in Indonesia

- Foreign investors are anticipating the possibility of a Fed rate hike in July, which will be determined by the headline and core PCE inflation data released on Friday (6/30)
- We believe that the probability of a Fed rate hike will decrease if core PCE inflation falls below 4.5% yoy and headline PCE inflation drops below 3.6% yoy
- We estimate that USD/IDR will suffer this week and mid-July, with the possibility for depreciation towards IDR 15,000-15,200 per USD
- The 10-yr INDOGB yield is projected to decline to 6.3-6.5%
- We advise investors to remain cautious until mid-July

This Week

June 26 – July 2, 2023

Ones to Watch



June 27, 2023

The Conference Board's US consumer confidence index (May: 102.3; Cons Jun: 104)



June 29, 2023

Eurozone economic (May: 96.5; Cons Jun: 95.7), industrial (May: -5.2; Cons Jun: -5.6) and services confidence index (May: 7; Cons Jun: 5.1)



June 30, 2023

China's official manufacturing PMI (May: 48.8; Cons Jun: 49)



June 30, 2023

China's official services PMI (May: 54.5; Cons Jun: 53.7)



June 30, 2023

Eurozone headline (May: 6.1% yoy; Cons Jun: 5.6% yoy) and core inflation (May: 5.3% yoy; Cons Jun: 5.5% yoy)



June 30, 2023

US headline (Apr: 4.4% yoy; Cons May: 3.8% yoy) and core PCE inflation (Apr: & Cons Jun: 4.7% yoy)



Thank You

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