

Macro Strategy and Fixed Income Weekly

Lionel Priyadi

Your Lifelong
Investment Partner

www.samuel.co.id



Last Week's Recap

August 7 – 13, 2023

Global Macroeconomic Fundamentals

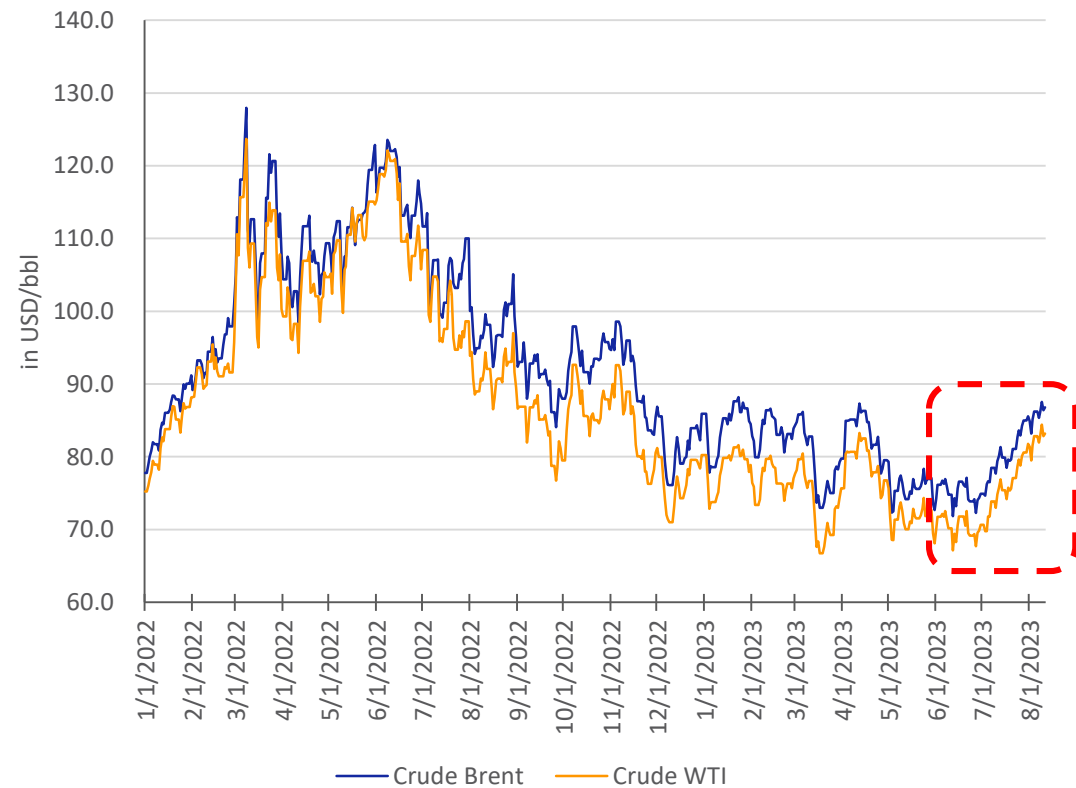
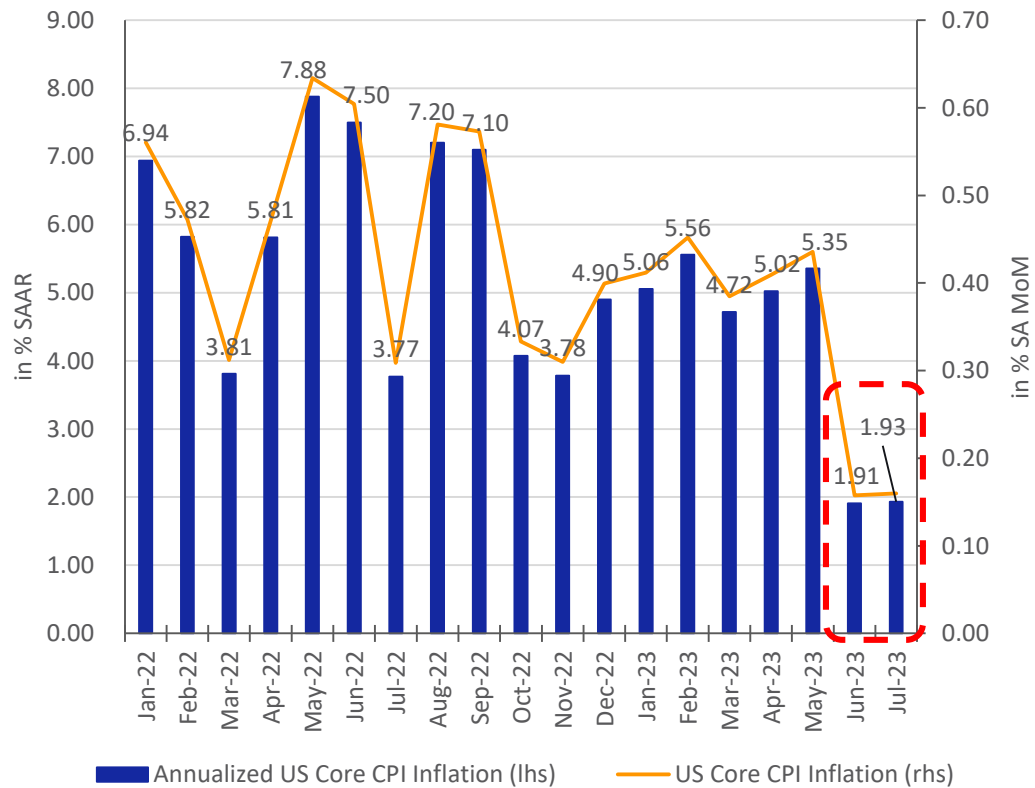
What's Our View?

Even with the better-than-expected US inflation data, we believe that global market will remain under pressure due to negative sentiments from oil price rises, the threat of El Nino, and China's economic slowdown

- We noticed that market players' concerns regarding inflation were driven mainly by supply side factors, especially in energy (following production cuts made by OPEC+ countries) and food (which is facing the threat of crop failure due to El Niño) sectors.
- The El Niño threat has started to show, although the exact impact of this year's El Niño is still difficult to predict.
- We also see the possibility of more negative sentiments from China this week, mainly due to a) the risk of a further slowdown in China's economic activity and b) the default case of Country's Garden (one of China's largest developers).

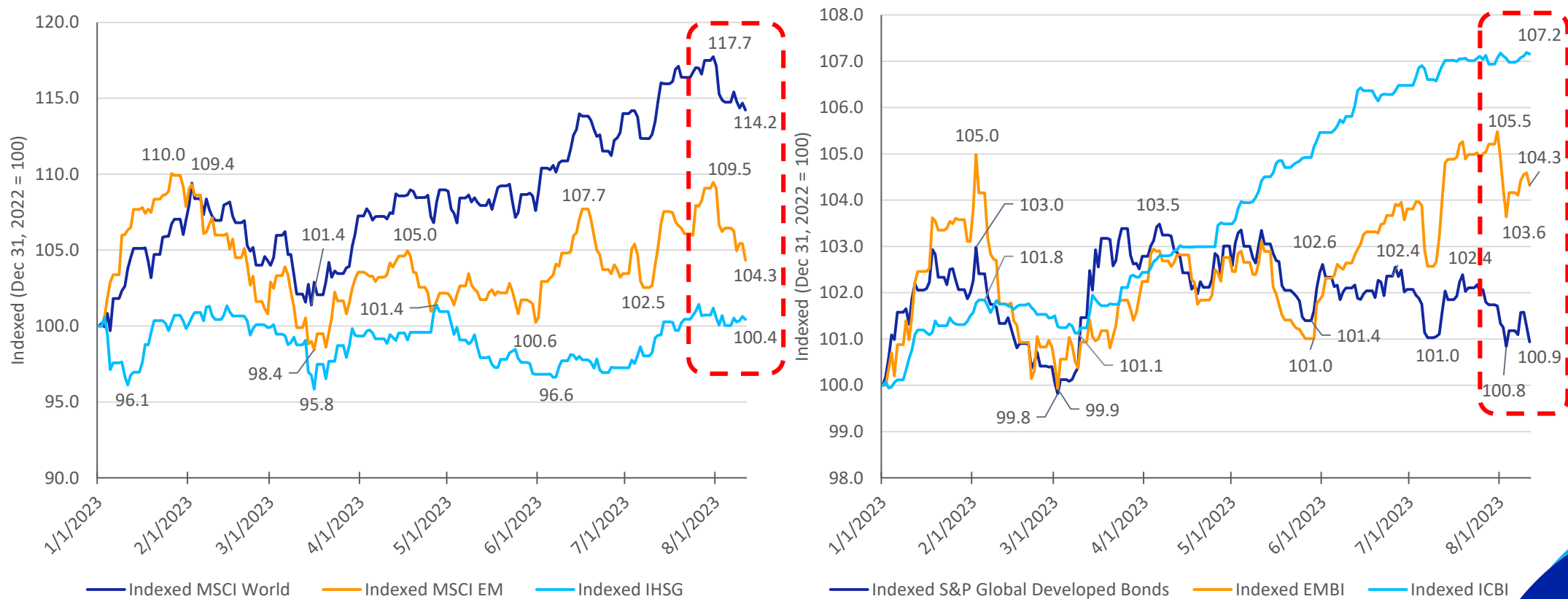
Last week's focus: The threat of energy prices reflation

Even though the July CPI inflation data showed solid disinflationary momentum in the US, global oil prices rise (since early July) has raised concerns over the potential for global reflation



Source: BLS, Bloomberg, SSI Research

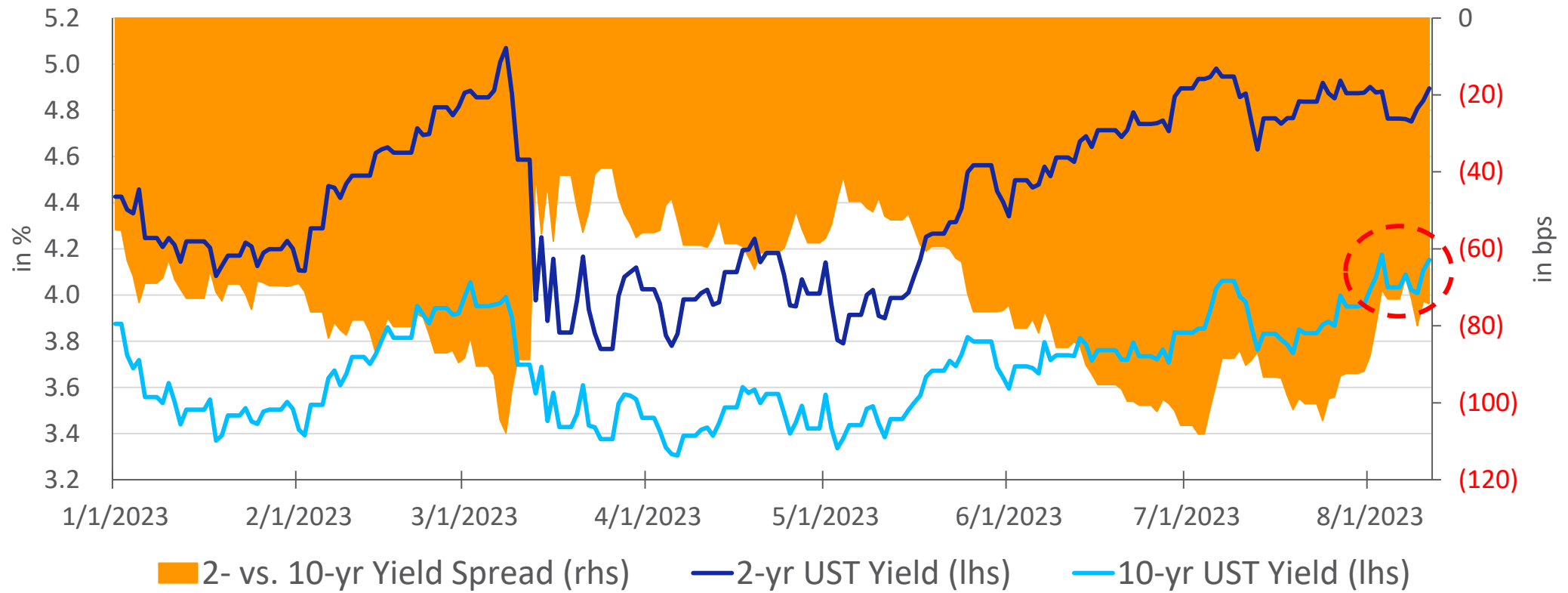
This led to stronger risk aversions in the stock market (which tends to become bearish sentiment) and a slowdown in bond market rebound.



Source: Bloomberg, SSI Research

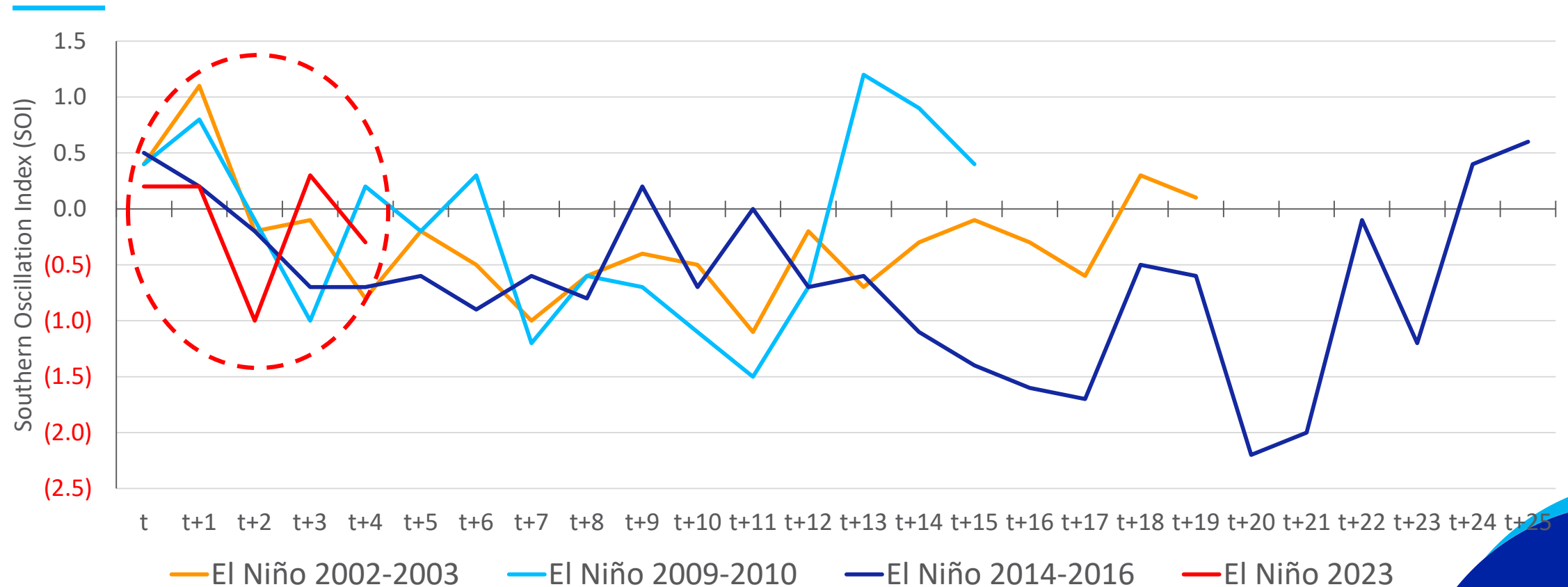
UST 10Y yield spiked to its year-high

The risk of UST 10Y yield reaching 4.3% cannot be ignored, especially if the threat of food prices reflation (due to El Niño) gets even stronger



Source: Bloomberg, SSI Research

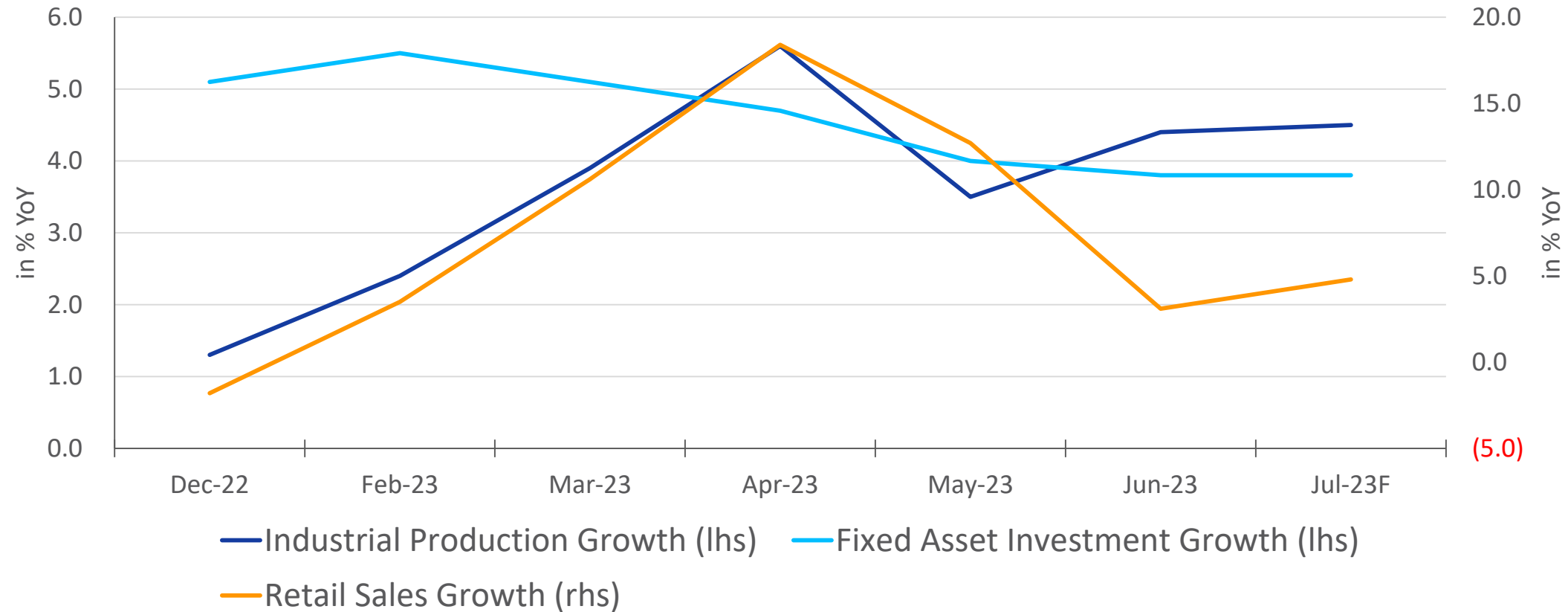
With signs of El Niño starting to show, the announcement by the Australian Bureau of Meteorology on August 15 will undoubtedly influence future market sentiments



Source: NOAA, SSI Research

This week's focus: China's economic concerns

Market players hope that China's economic slowdown stopped in July 2023. In addition, China's capital market is also facing the default case of property company Country Garden.



Source: NBSC, Bloomberg, SSI Research

Domestic Macroeconomic Fundamentals

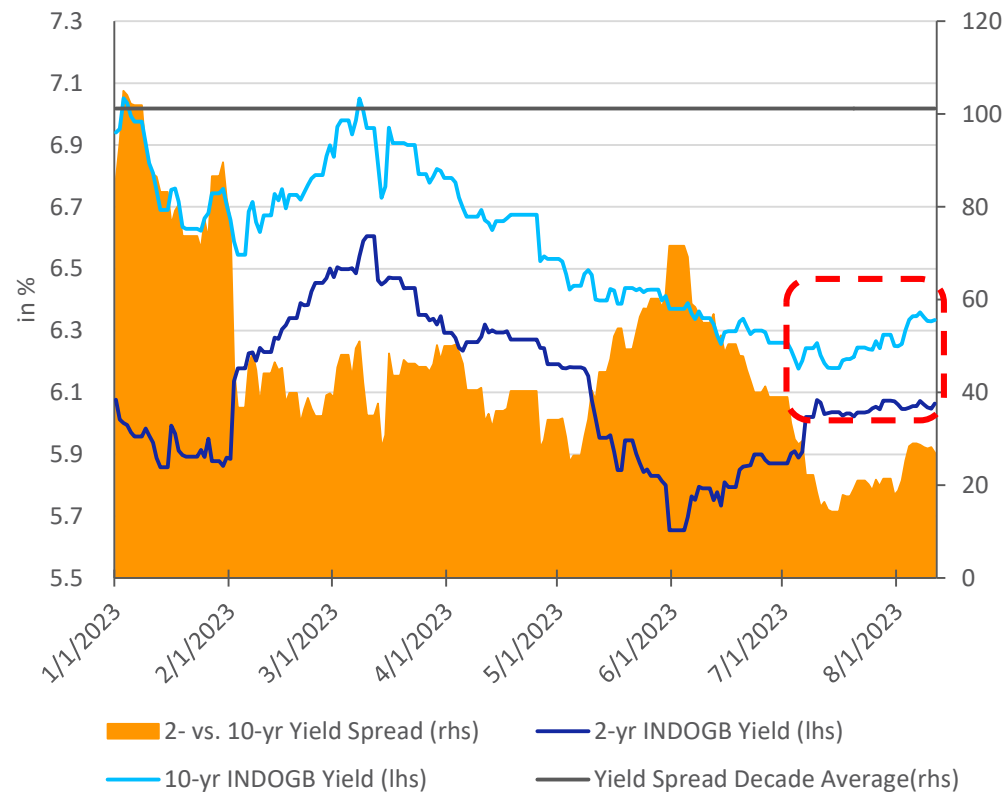
What's Our View?

In our opinion, domestic bond and stock market players will be more defensive this week to stem negative global sentiments, though the market will be further supported by a) 2Q23 GDP growth and b) 7M23 budget surplus

- We advise investors to switch from long-term INDOGB (10Y) to short-term (2Y), which has more limited upside risk and whose yield is already above the JIBOR 1W floor limit.
- Meanwhile, the yield on 10Y INDOGB has not exceeded the JIBOR 1M floor limit of 6.4%.
- We expect GDP growth to hold above 5% through 1Q24, supported by the government's election-related spending spike.
- Better-than-expected GDP growth will support JCI to survive negative global sentiment, keeping it in the range of 6,800-7,000.

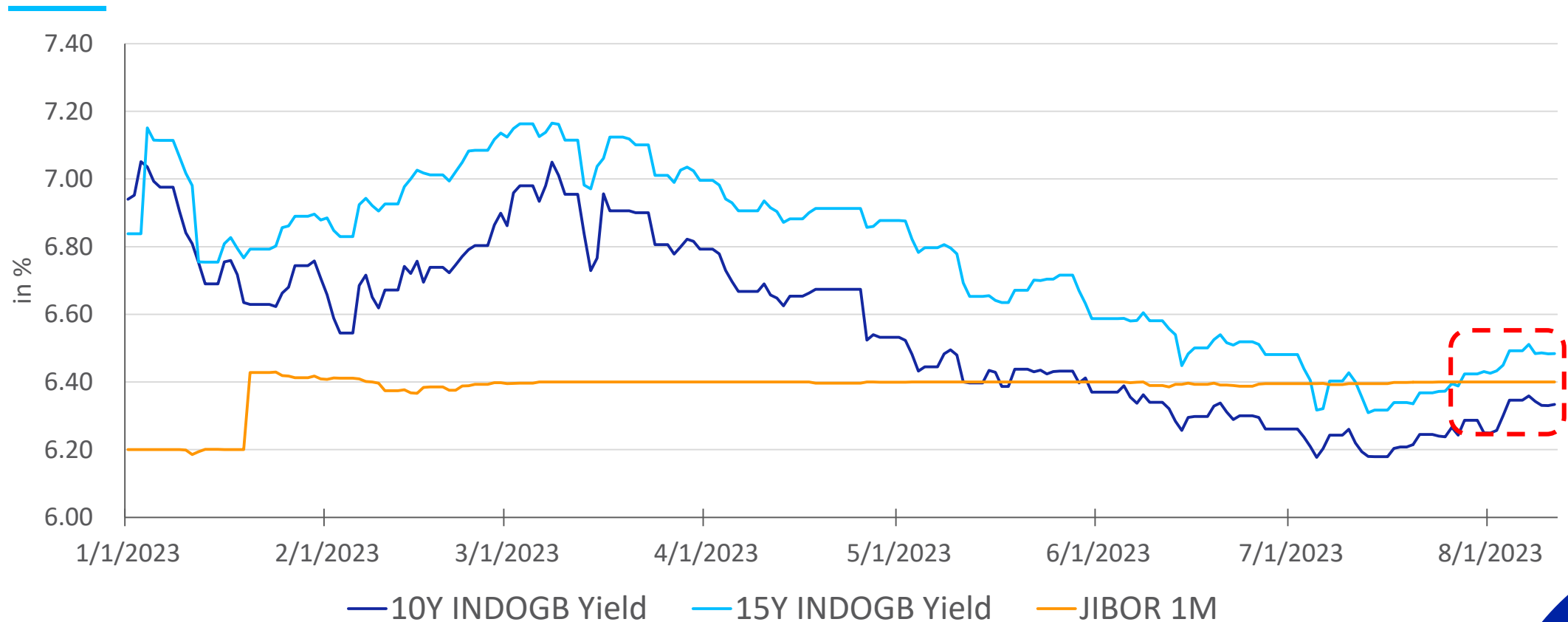
Switch from INDOGB 10Y to 2Y

INDOGB 2Y yield has more limited upside risk than 10Y and is already exceeded the JIBOR 1W floor limit



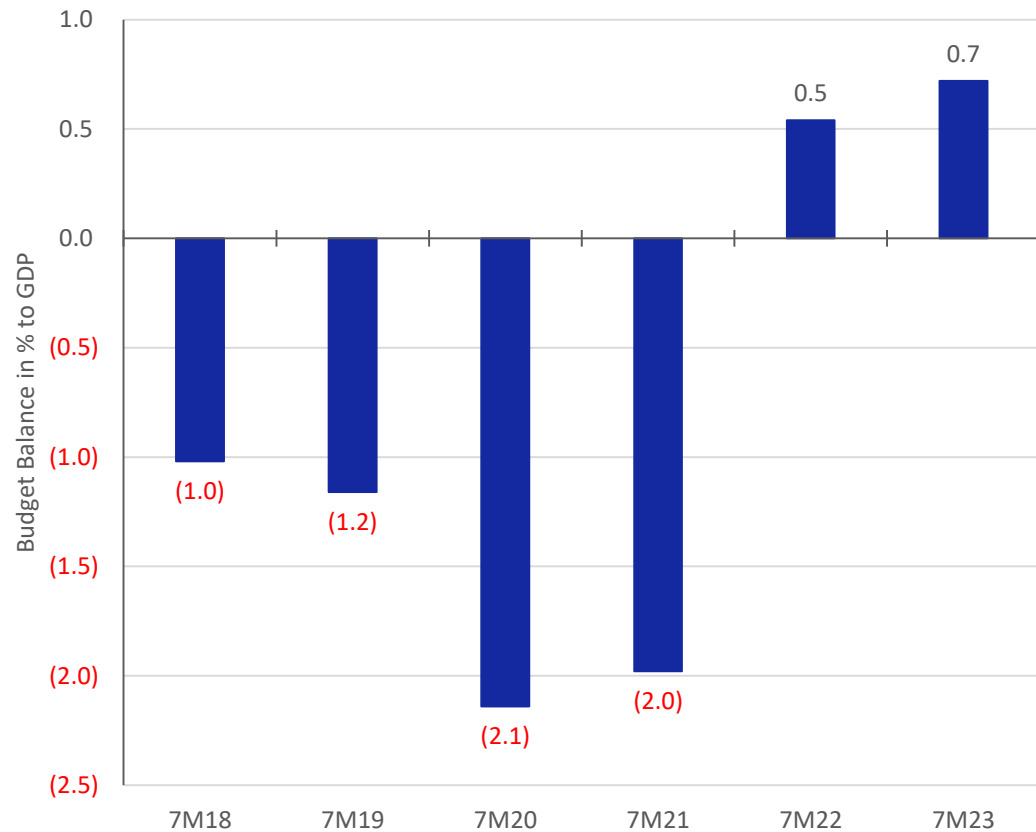
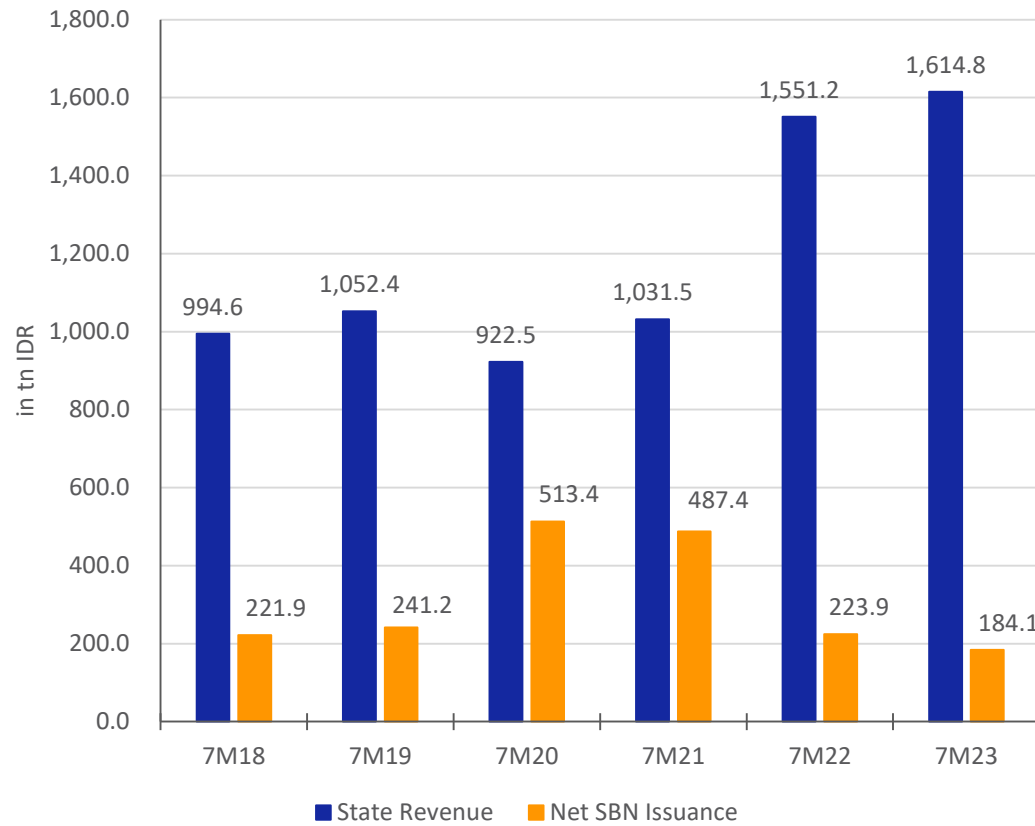
Source: BI, IDX, MOF, Bloomberg, SSI Research

Meanwhile, the yield on 10Y INDOGB has not exceeded the JIBOR 1M floor limit of 6.4%, yet.



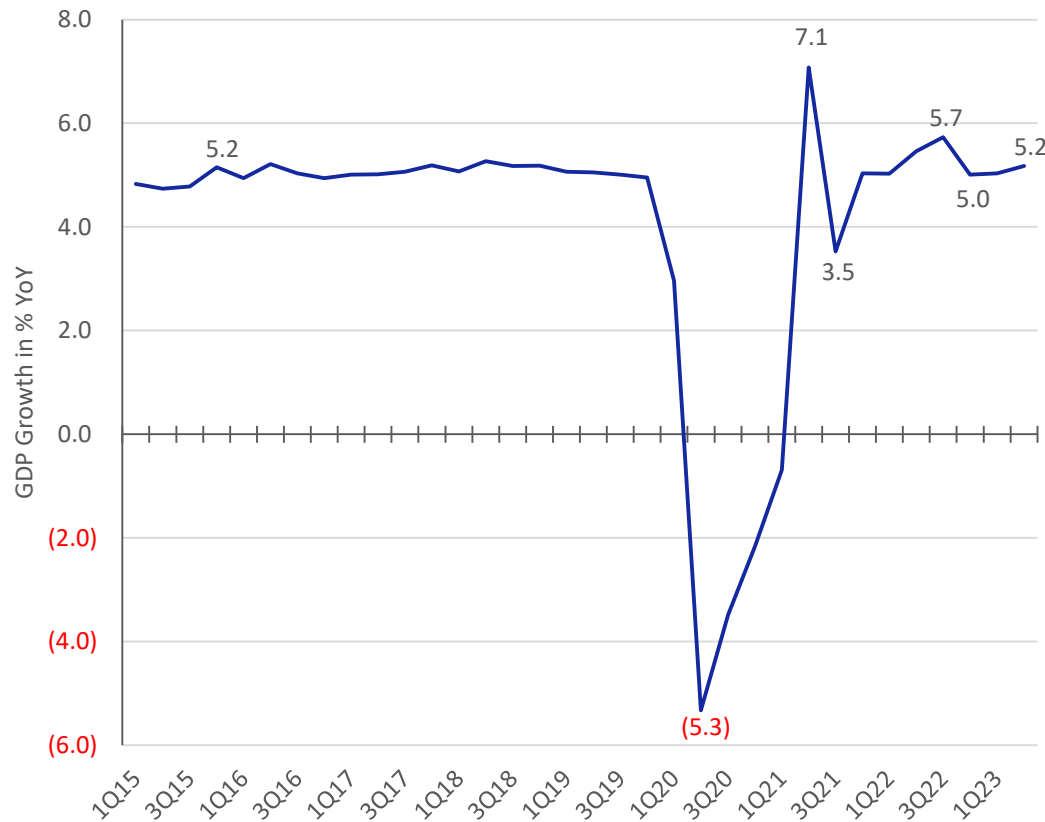
Source: BPS, Bloomberg, SSI Research

Domestic bond market resilience is supported by a) state revenues, b) budget surplus, and c) lower-than-expected SBN financing needs.

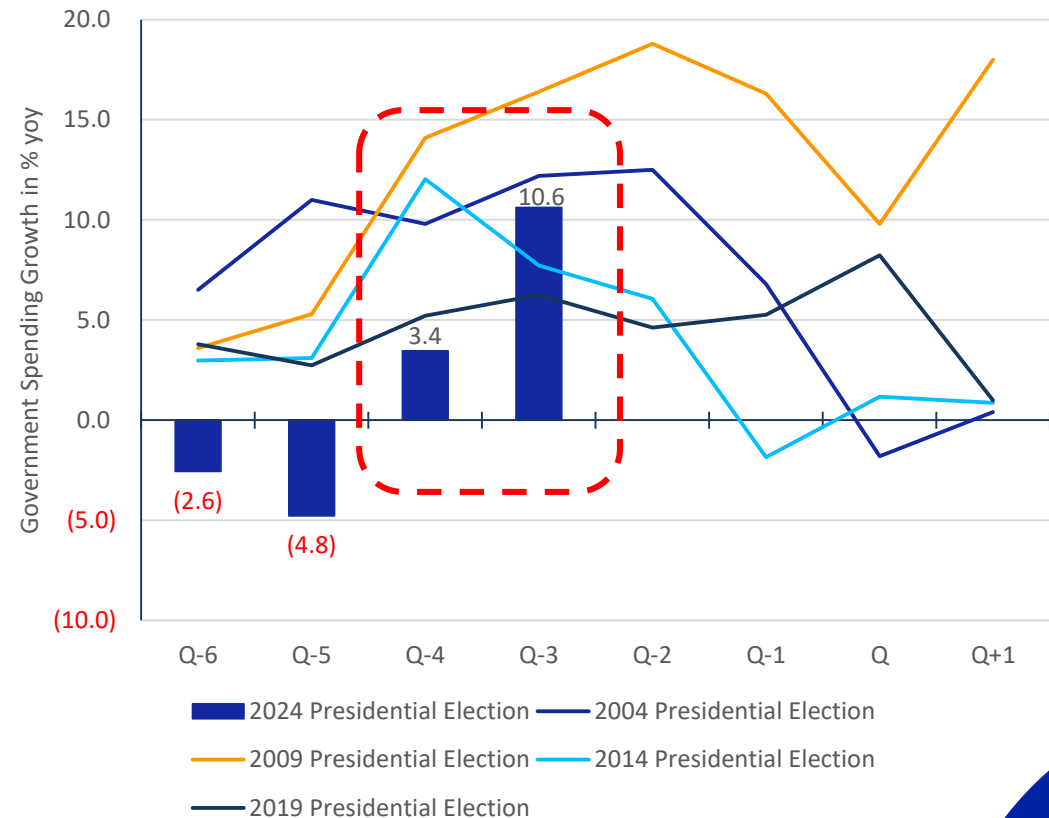


Source: MOF, Bloomberg, SSI Research

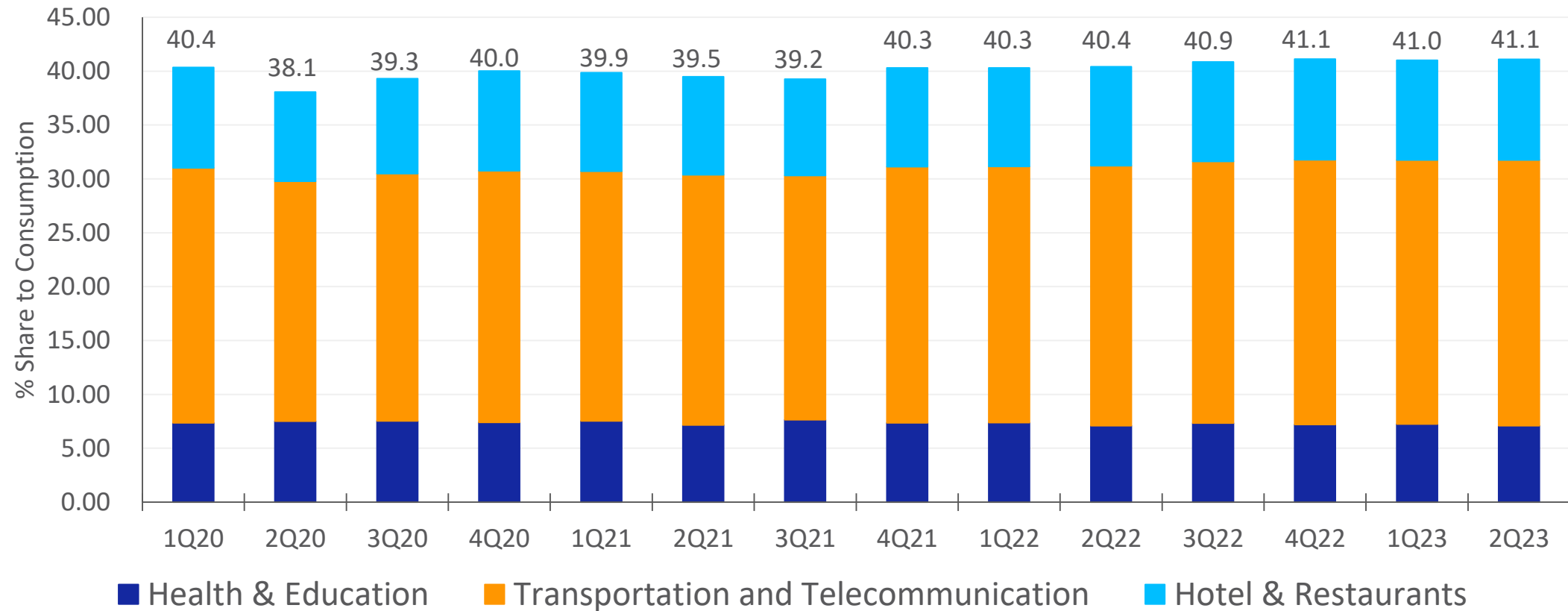
We project GDP growth from 2Q23 to 1Q24 (election) to exceed 5%, supported by the government's election-related spending spike.



Source: BPS, Bloomberg, SSI Research



Indonesia's future economic growth will also be supported by the recovery in the proportion of service consumption to 41.3% of total domestic household consumption.



Source: BPS, Bloomberg, SSI Research

This Week

August 14 – 20, 2023

Ones to Watch



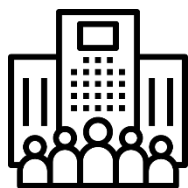
August 15, 2023

Indonesia's export (Jun: -21.2% yoy; Cons: -20.5% yoy; SSI: -15% yoy), import (Jun: -18.4% yoy; Cons: -15.7% yoy; SSI: -14.3% yoy) and trade balance (Jun: USD 3.5bn; Cons: USD 2.5bn; SSI: USD 3.5bn)



August 15, 2023

PBOC's one-year medium-term lending facility rate (Jun: & Cons: 2.65% or unchanged)



August 15, 2023

China's economic data, industrial production (Jun: 4.4% yoy; Cons: 4.3% yoy), retail sales (Jun: 3.1% yoy; Cons: 4.2% yoy) and investment (Jun: & Cons: 3.8% yoy)



August 15, 2023

Japan's 2Q23 GDP growth (1Q23: 0.7% qoq or 2.7% SAAR; Cons: 0.7% qoq or 2.9% SAAR)



August 16, 2023

UK's headline (Jun: 7.9% yoy; Cons: 6.7% yoy) and core CPI inflation (Jun: 6.9% yoy; Cons: 6.8% yoy)



August 18, 2023

Japan's headline (Jun: & Cons: 3.3% yoy) and core CPI inflation (Jun: 4.2% yoy; Cons: 4.3% yoy)



Thank You

Your Lifelong **Investment Partner**

Lionel Priyadi

PT Samuel Sekuritas Indonesia

Menara Imperium, 21st Floor, Jl. HR. Rasuna Said Kav. 1

Jakarta 12980, Indonesia

Tel. +62 21 2854 8100 | www.samuel.co.id

 [samuelsekurasindonesia](https://www.instagram.com/samuelsekurasindonesia)

 [samuelsekuras](https://twitter.com/samuelsekuras)

 [SamuelSekuritasIndonesia](https://www.youtube.com/SamuelSekuritasIndonesia)