

# Macro Strategy and Fixed Income Weekly

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Your Lifelong  
**Investment Partner**

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# Last Week's Recap

## September 4 -10, 2023

# Global Macroeconomic Fundamentals

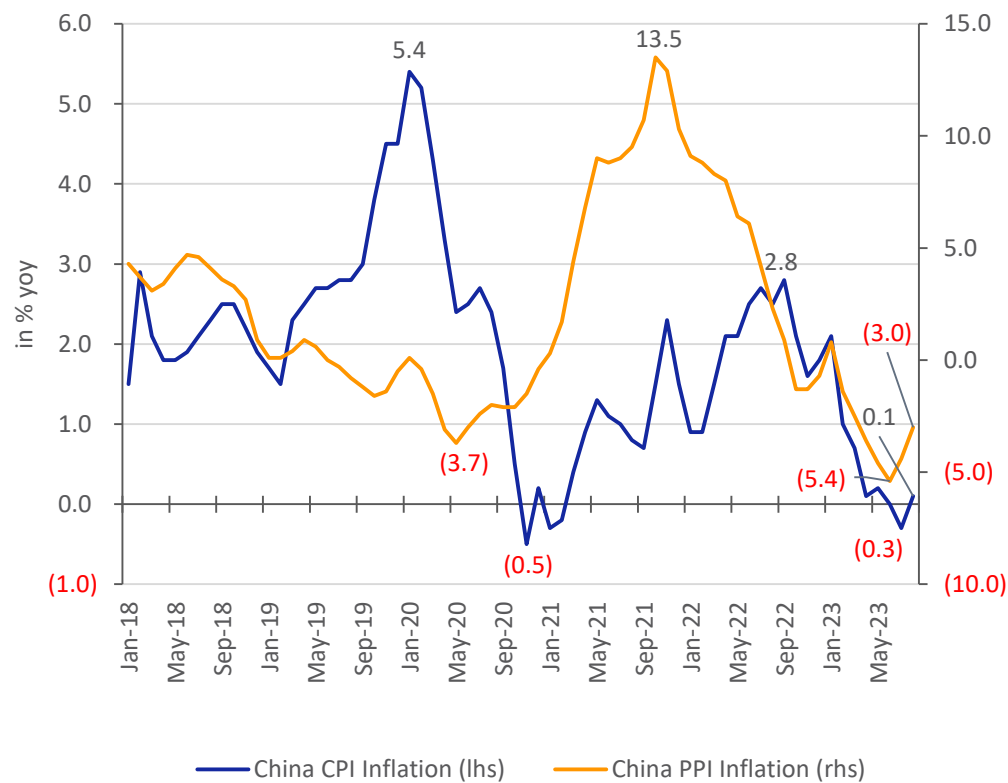
## What's Our View?

We expect global markets to remain relatively volatile this week, mainly due to the possibility of a reflation in the US in August

- The reflation might be driven by the increase in volatile goods' prices, especially energy, with m-o-m inflation rising to 0.5% mom (Jul: 0.2% mom).
- However, market players believe that the reflation will not affect core inflation, with many projecting monthly core inflation rate to remain at 0.2% mom.
- If US monthly core inflation does go up in August, we expect to see more Fed rhetorics about the importance of raising FFR by 25 bps (to 5.75%) in 4Q23.
- We suspect this to be the source of this week's global volatility, along with the possibility of further CNY depreciation.

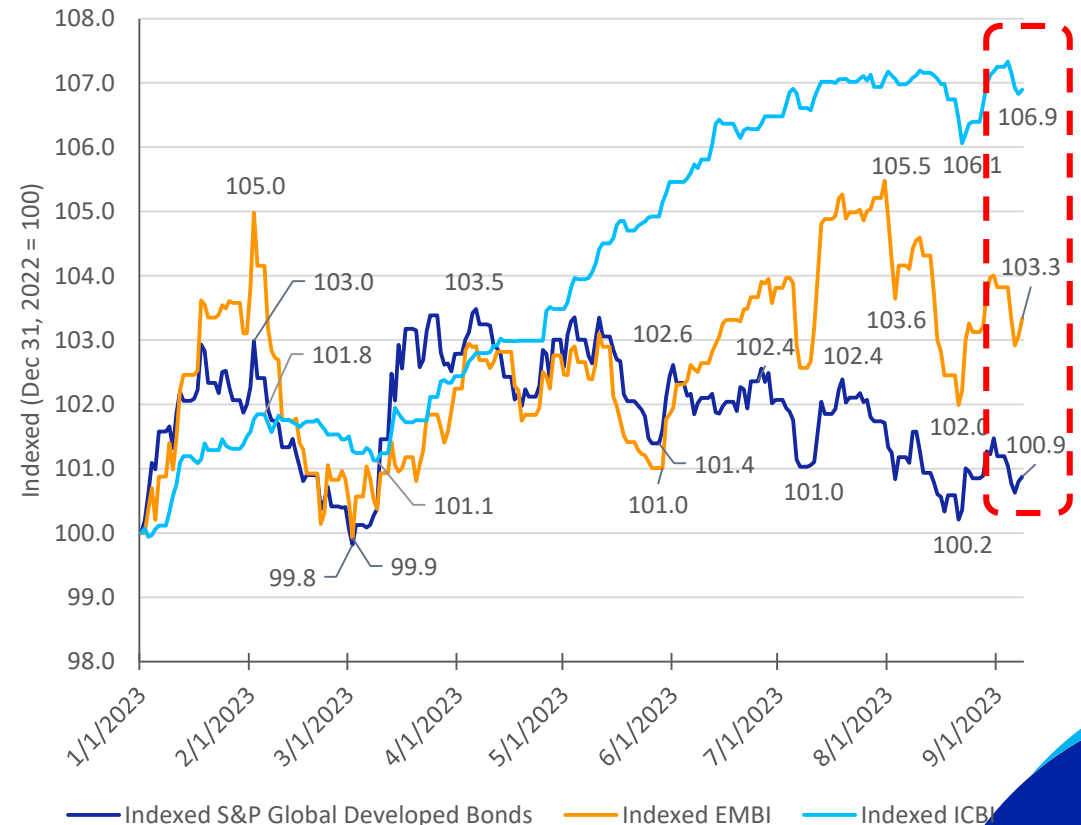
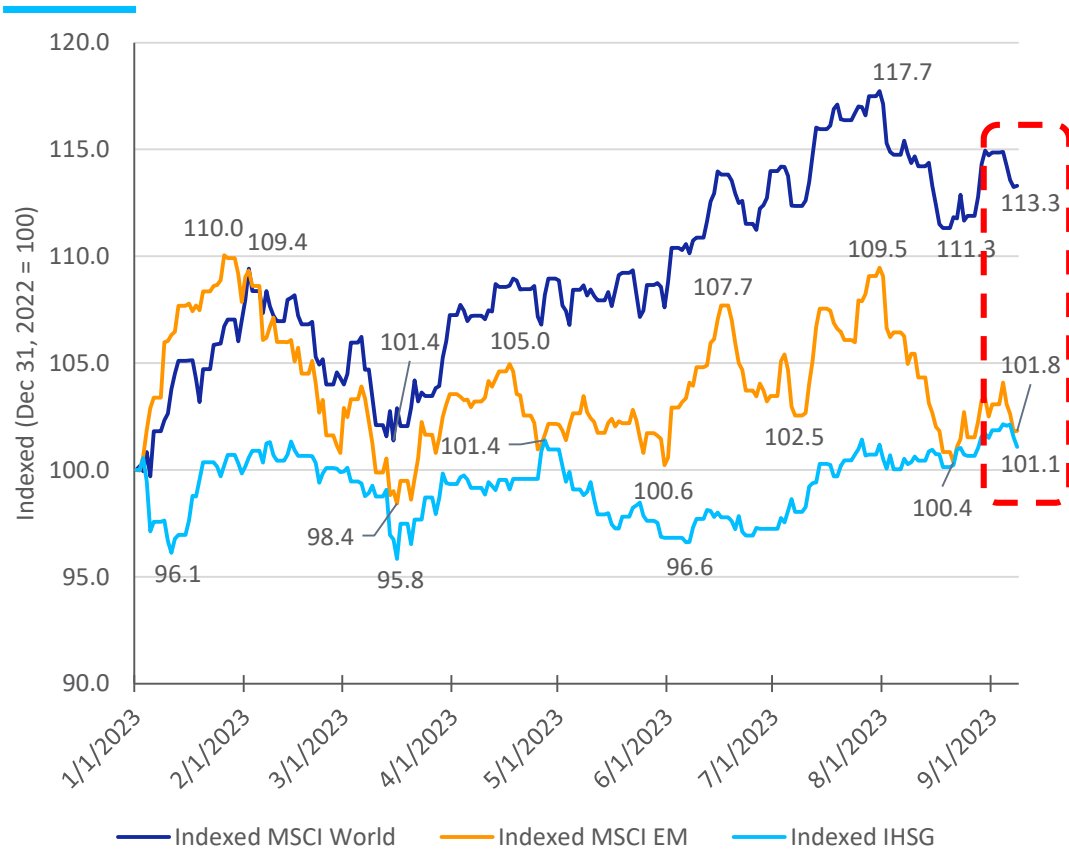
## Last week's focus: China's reflation and CNY depreciation

Despite the reflation in August, market players expect that China's inflation will remain around 0% for the next few months, leading to strong depreciation pressure on CNY



Source: BLS, Bloomberg, SSI Research

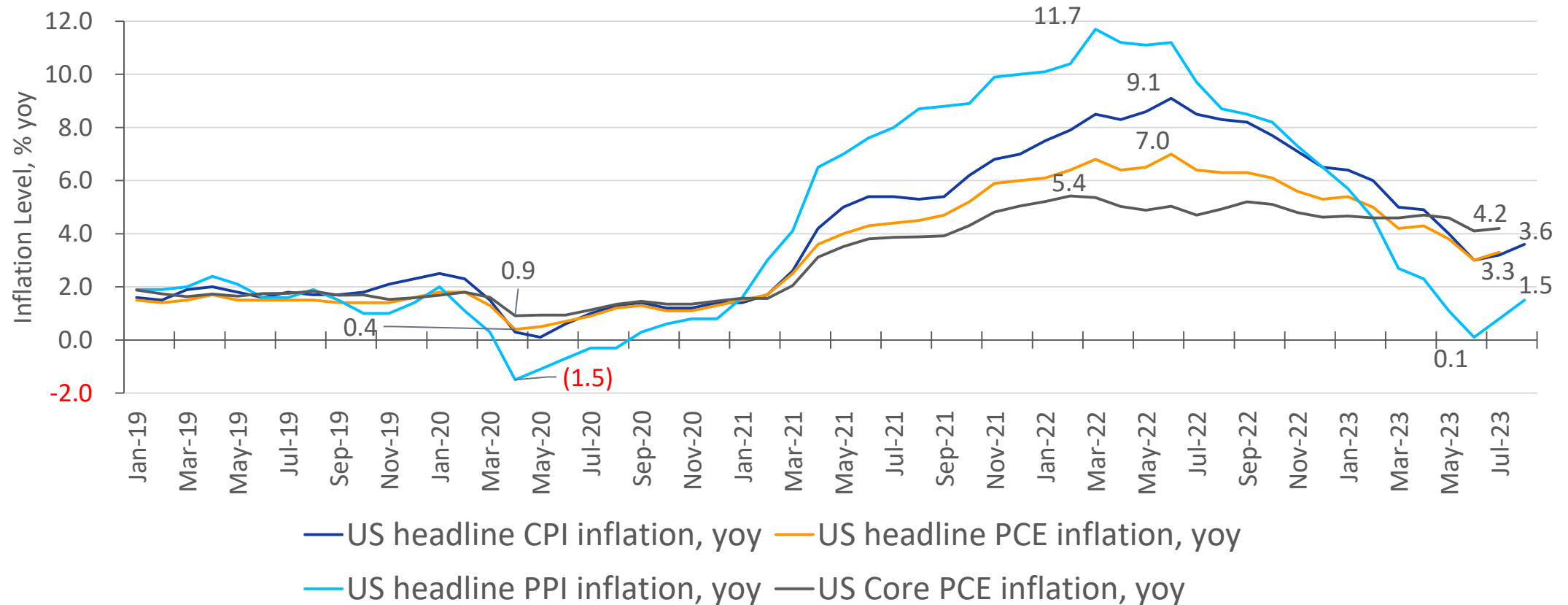
As a result, global bond and stocks markets, especially emerging markets, felt strong bearish sentiment



Source: Bloomberg, SSI Research

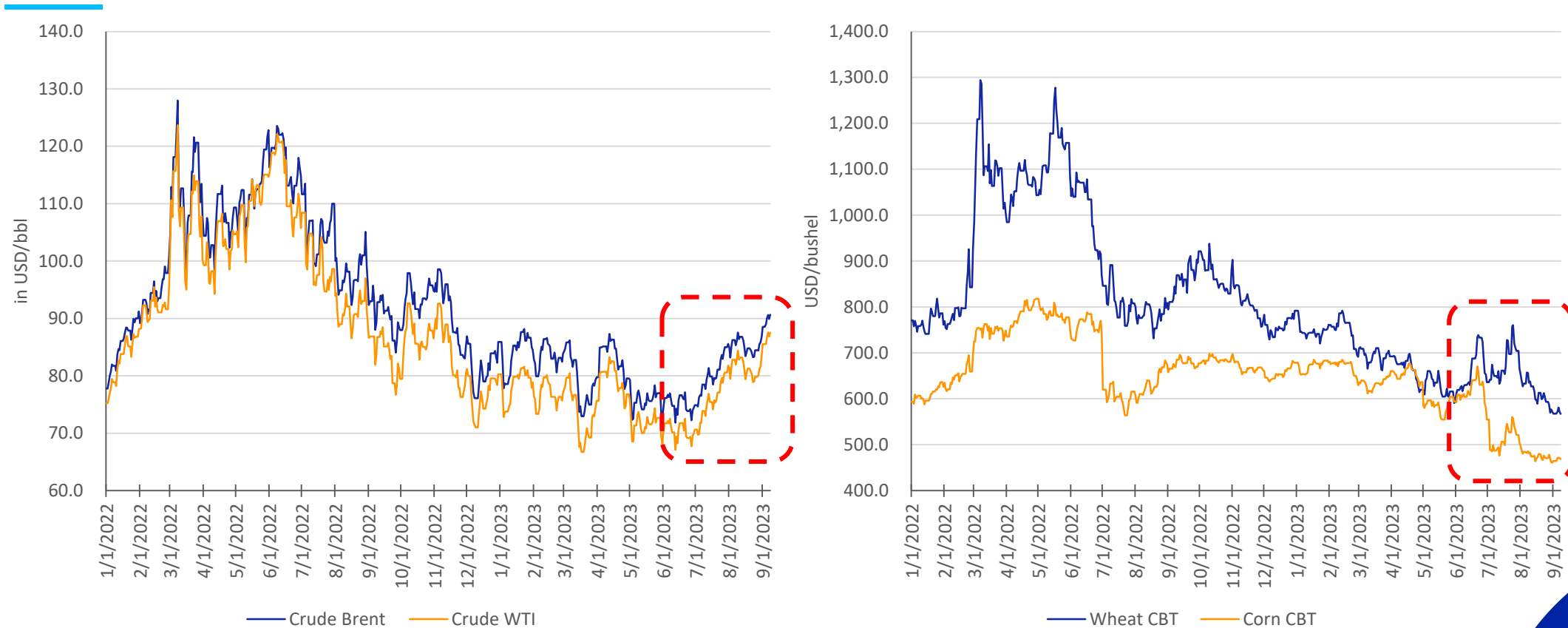
## This week focus: US CPI reflation

The (possible) reflation was mainly caused by the increase in volatile goods prices, with projected monthly inflation rate of 0.5% mom (3.6% yoy)



Source: Bloomberg, SSI Research

# The impact of rising energy prices is more dominant than food prices



Source: Bloomberg, SSI Research



# Domestic Macroeconomic Fundamentals

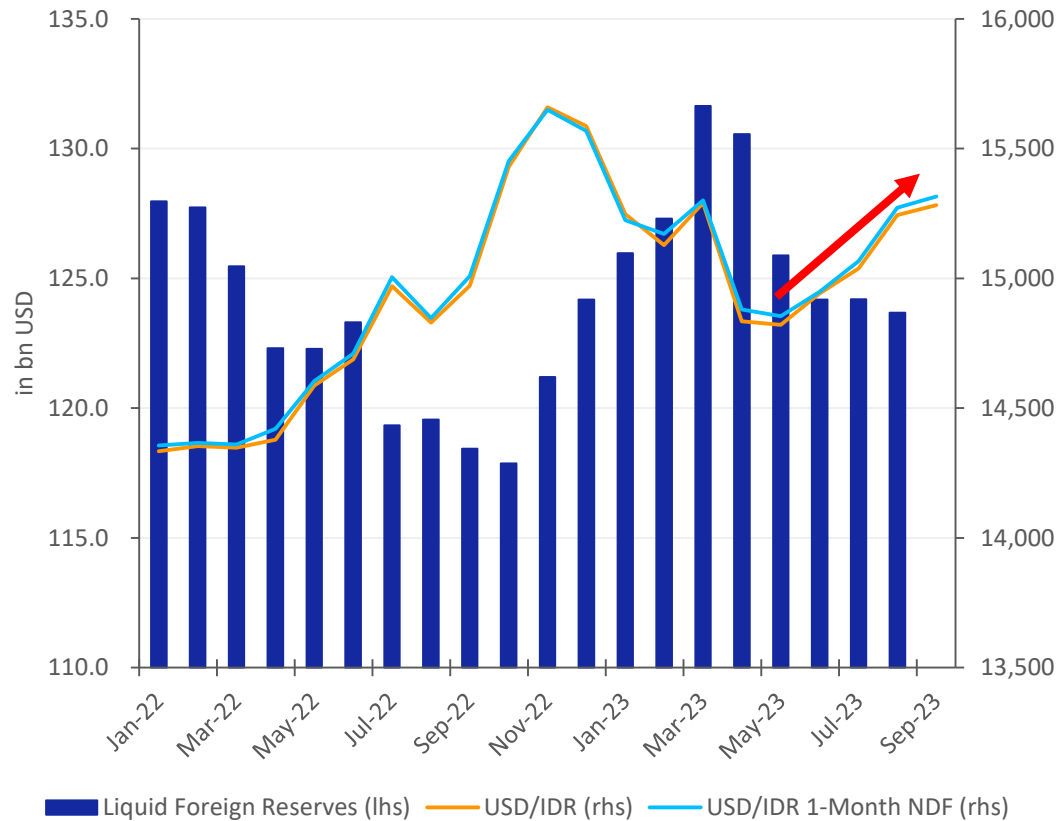
## What's Our View?

We reiterate our recommendation to overweight on INDOGB 2Y as a strategy to face global volatility

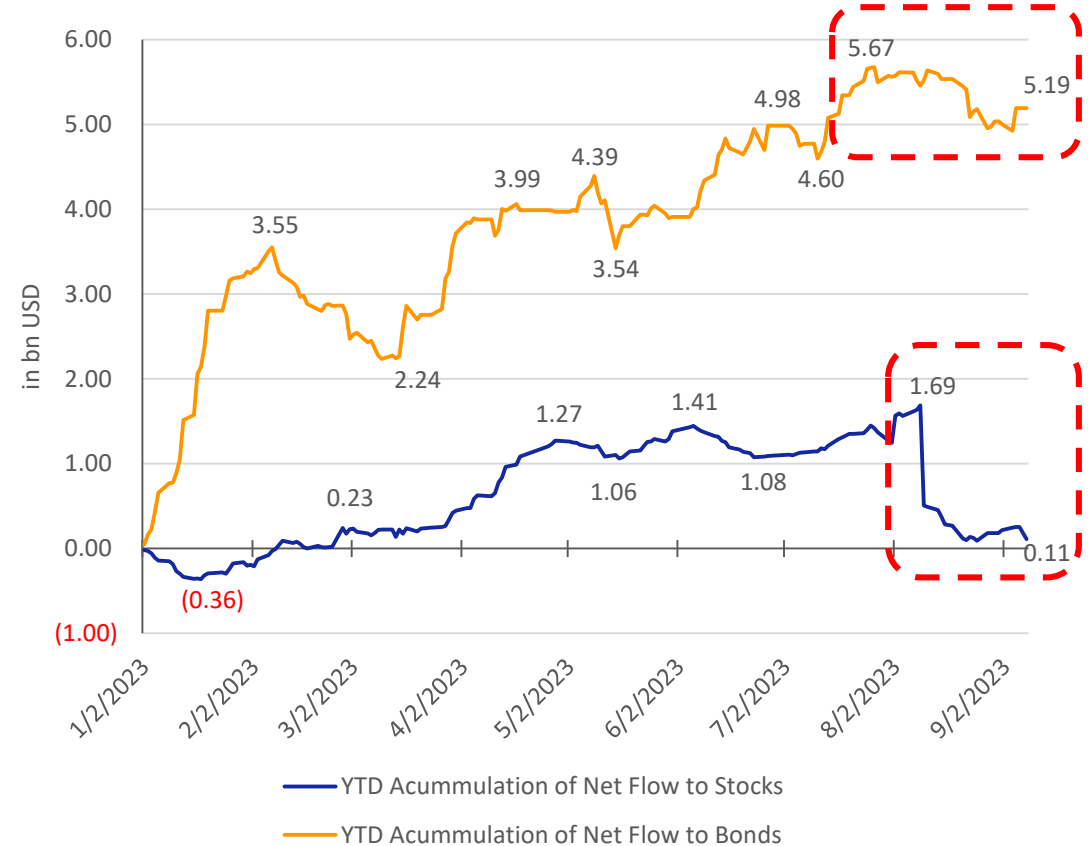
- In our opinion, Rupiah might see more depreciation pressure this week, due to global volatility (trading range: IDR 15,250-15,450 per USD)
- Strong depreciation pressure on Rupiah might trigger foreign capital outflow from the stock market, putting JCI around its technical support area of 6,885 – 6,930
- We believe that the issuance of SRBI on Friday (9/15) will positively impact short-term SBN, since it will put an end to Bank Indonesia's operation twist.
- We expect SRBI to be offered at a discount rate of 6.3-6.5%, roughly the same as INDOGB 10Y yield.

## Rupiah depreciation is slowing down, but it still continues

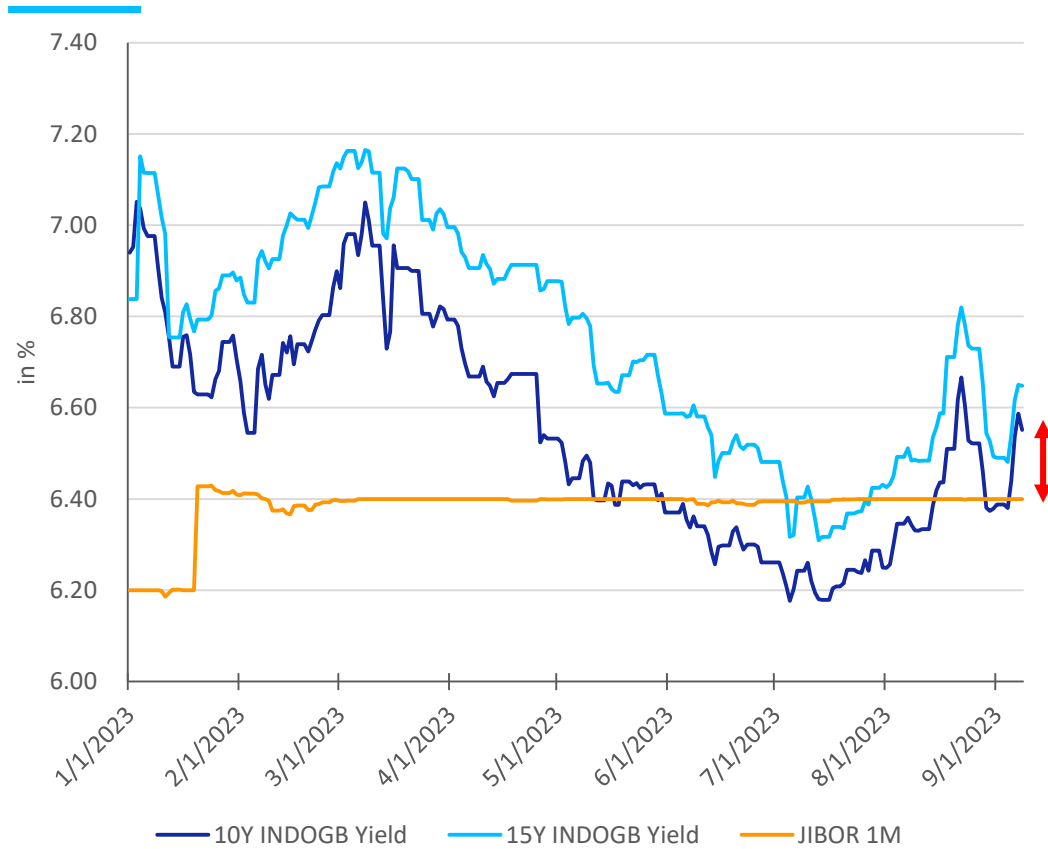
This might affect foreign capital inflow to the Indonesian financial markets, especially to JCI.



Source: BI, IDX, Bloomberg, SSI Research



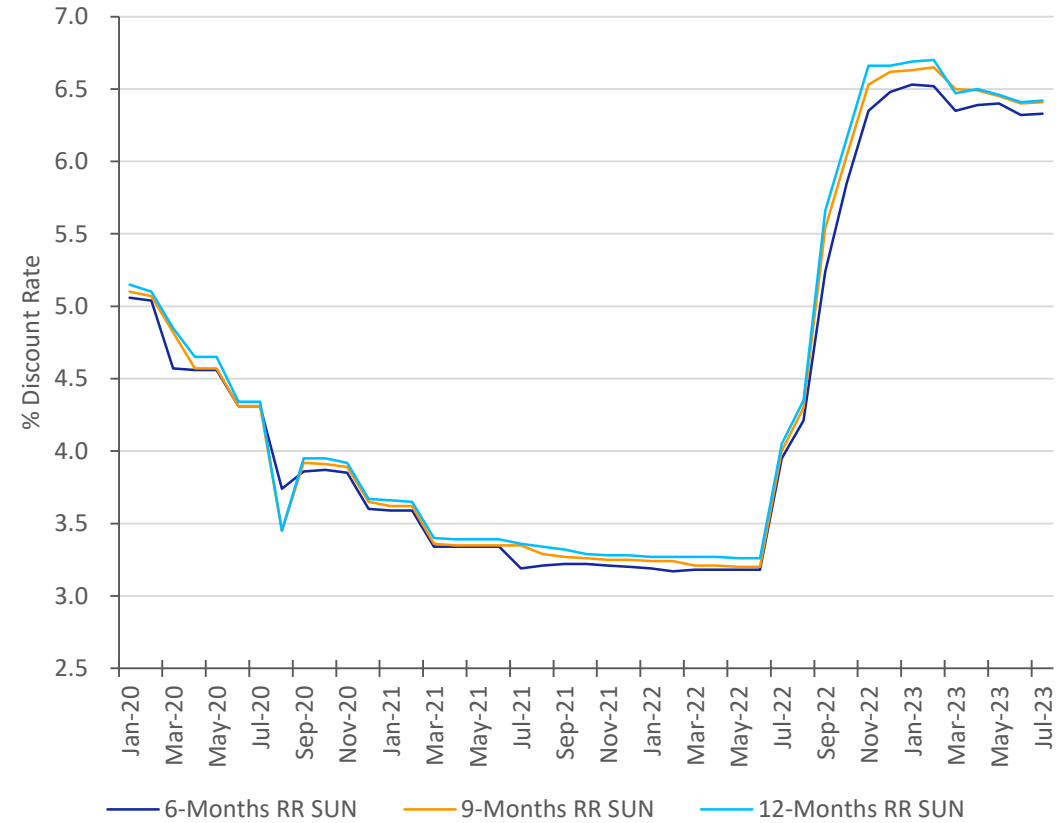
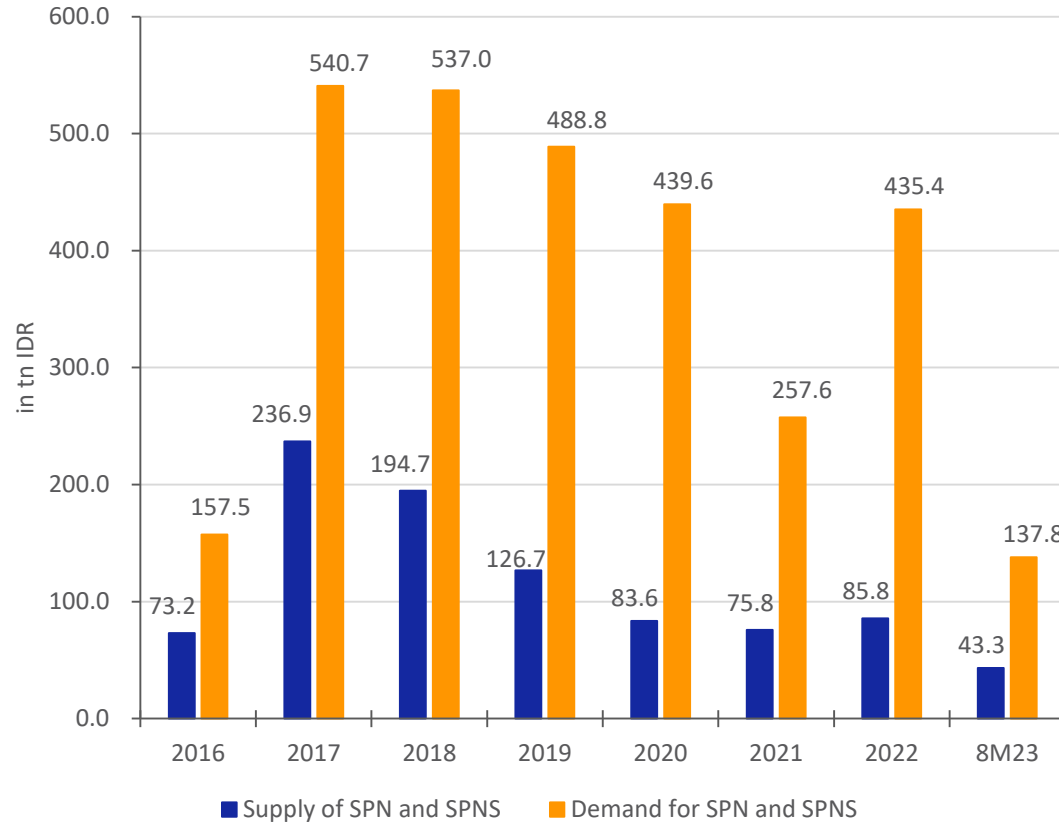
## Overweight on INDOGB 2Y to deal with global market turbulence (potential benefit: 30 bps)



Source: BI, IDX, Bloomberg, SSI Research

# The issuance of SRBI will be one of the most awaited moments this week

With discount rate estimates of 6.3-6.5%, roughly the same as INDOGB 10Y yield



Source: BI, MOF, Bloomberg, SSI Research

# This Week

## September 11-17, 2023

## Ones to Watch



September 11, 2023

Bank Indonesia's real sales index (Jun: 222.9 & BI Forc Jun: 212.7)



September 15, 2023

PBOC's 1-year medium term lending facility (Aug: & Cons: 2.5%, unchanged)



September 13, 2023

US headline (Jul: 3.2% yoy; Cons: 3.6% yoy) and core CPI inflation (Jul: 4.7% yoy; Cons: 4.3% yoy)



September 15, 2023

China's economic data: industrial production (Jul: 3.7% yoy; Cons: 3.9% yoy), retail sales (Jul: 2.5% yoy; Cons: 3% yoy) and investments (Jul: 3.4% yoy & Cons: 3.3% yoy)



September 14, 2023

US headline PPI inflation (Jul: 0.8% yoy; Cons: 1.5% yoy)



September 15, 2023

Indonesia's export (Jul: -18% yoy; Cons: -23.4% yoy; SSI: -32.3% yoy), import (Jul: -8.3% yoy; Cons: -9.7% yoy; SSI: -9.9% yoy), and trade balance (Jul: USD 1.3bn; Cons: USD 1.5bn; SSI: USD -1.1bn)



# Thank You

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