

Macro Strategy and Fixed Income Weekly

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Investment Partner

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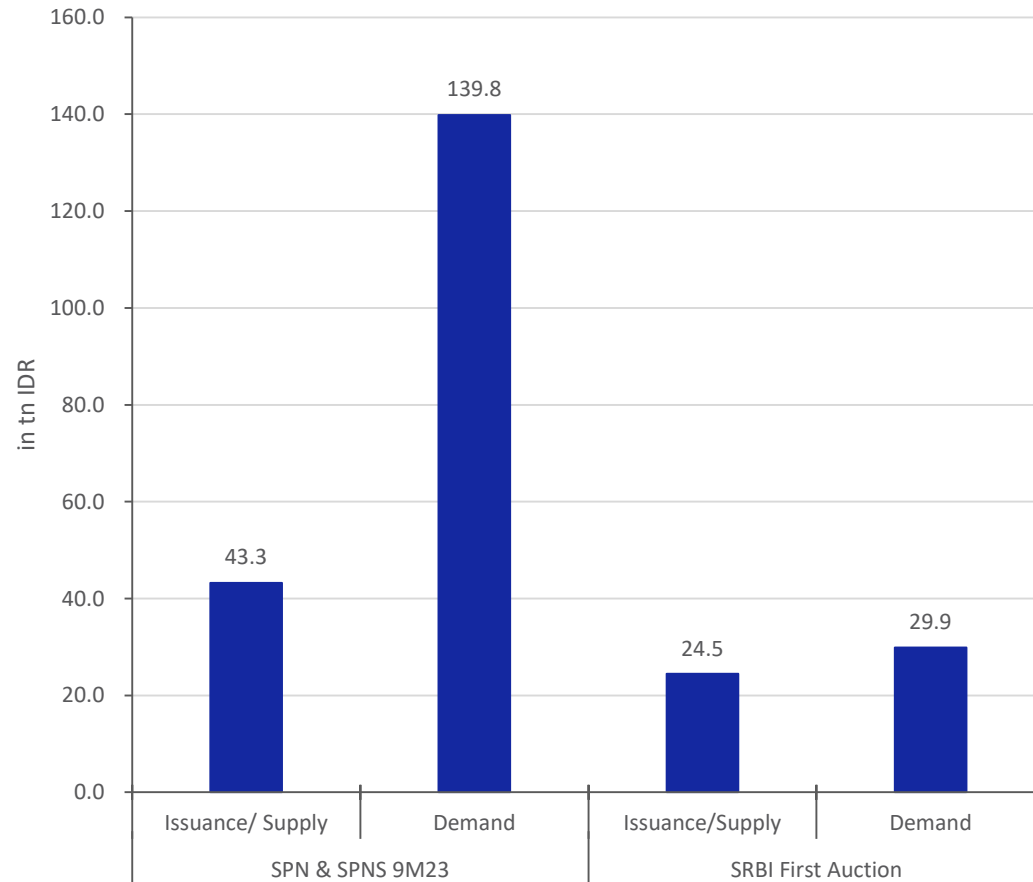
Last Week's Recap

September 8 – 15, 2023

Our View

- We expect fixed income investors to shift from long-term instruments ($\geq 10Y$) to short-term ones ($\leq 1Y$) through the SRBI auction that will be held on September 20, due to the attractive rate of return (Discount 12M: 6.4%; 10Y yield SUN: 6.7%).
- We predict that Bank Indonesia will hold its 7DRRR at 5.75% [0 bps] during next week's Board of Governors meeting (Sep. 20-21) due to the high likelihood of another stand-alone current account deficit in 3Q23, amid better-than-expected SRBI auction that may attract significant foreign capital flows.
- We noticed that global market participants ended the week with a more positive vibe, following a rebound in China's economic activity and the ongoing disinflation in the US.
- Nevertheless, consensus expects the Fed to maintain its hawkish policy stance by reducing the size of its rate cut cycle in 2024 from 100 bps (4.5%) to 75 bps (4.75%).

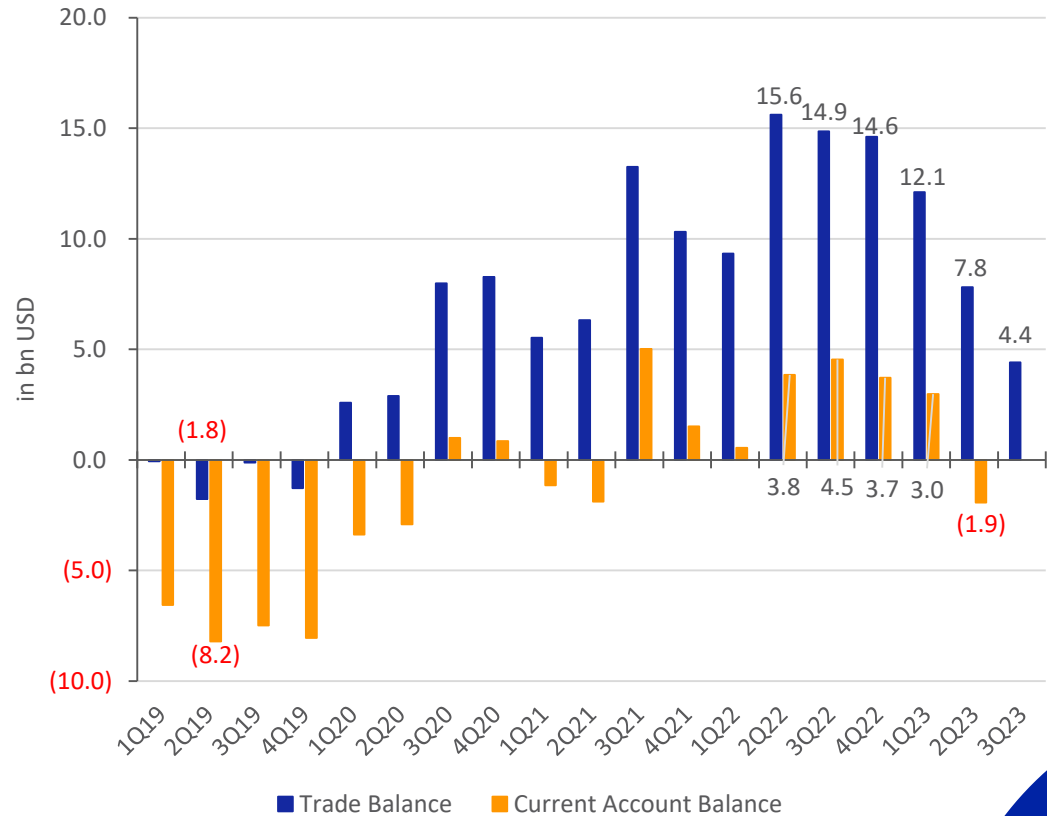
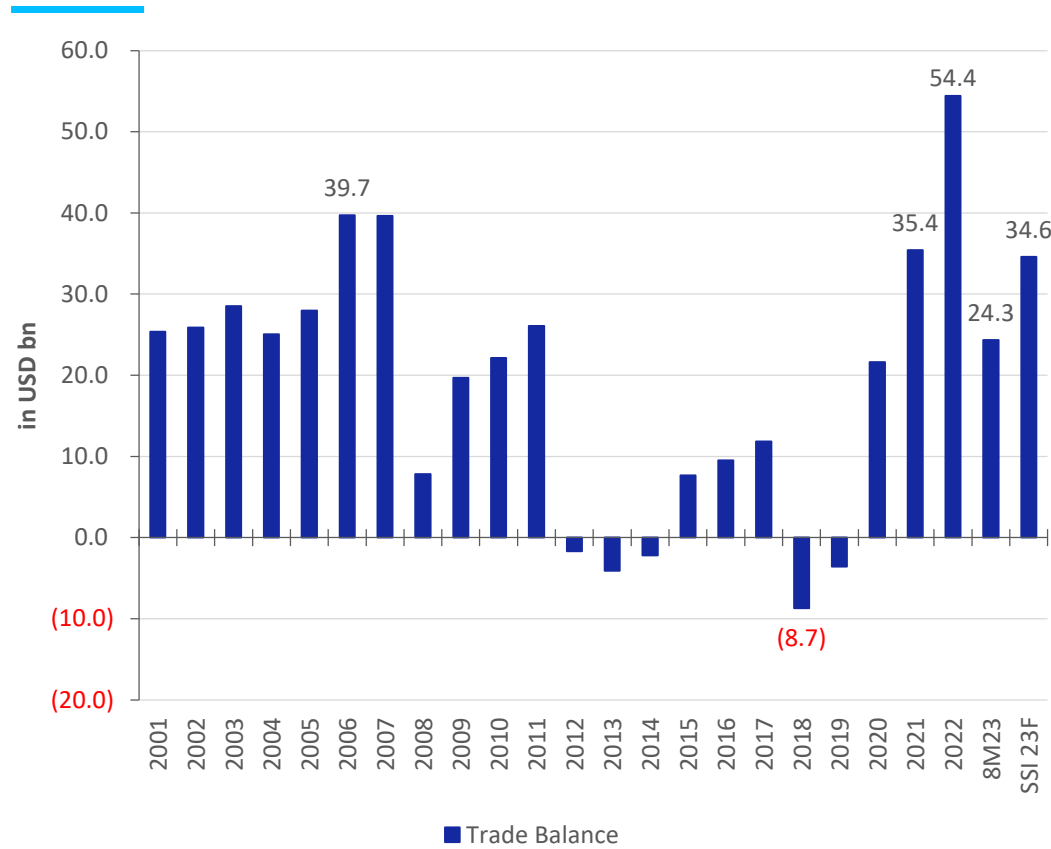
Indonesia Update: Liquidity flows to SRBI due to the attractive rate of return



Source: BI, DJPPR, SSI Research

Asset Type	Incoming Bid, in tn IDR	Awarded Bid, in tn IDR	Discount/Yield
SRBI 6M	8.1	6.8	6.31
SRBI 9M	3.4	2.7	6.39
SRBI 12M	18.4	15.0	6.42
SPN (22/8)	1.0	0.7	5.59
SPNS (15/8)	3.1	1.8	4.91
FR0096 (10Y - 8/8)	9.6	2.3	6.35
FR0100 (New 10Y - 22/8)	19.5	6.9	6.72
FR0100 (New 10Y - 5/9)	9.0	5.8	6.45

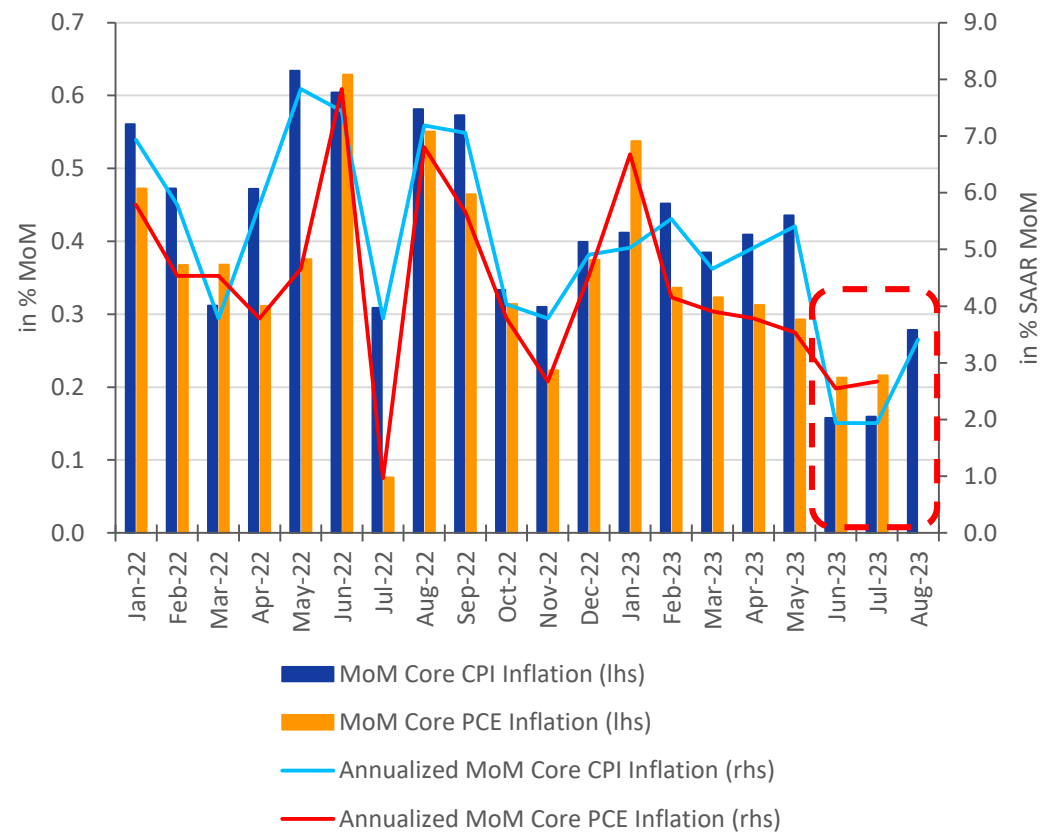
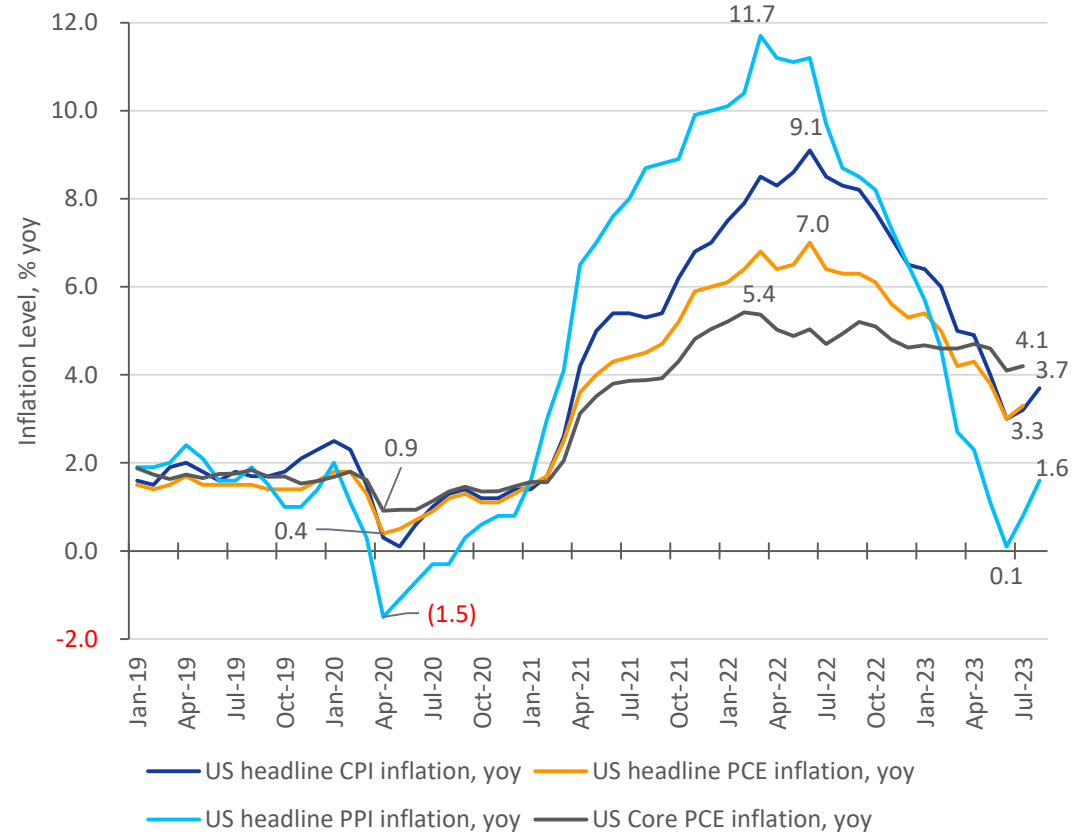
Indonesia Update: Stand alone current account deficit to persist in 3Q23 (Est: USD -1.6bn)



Source: BI, BPS, SSI Research

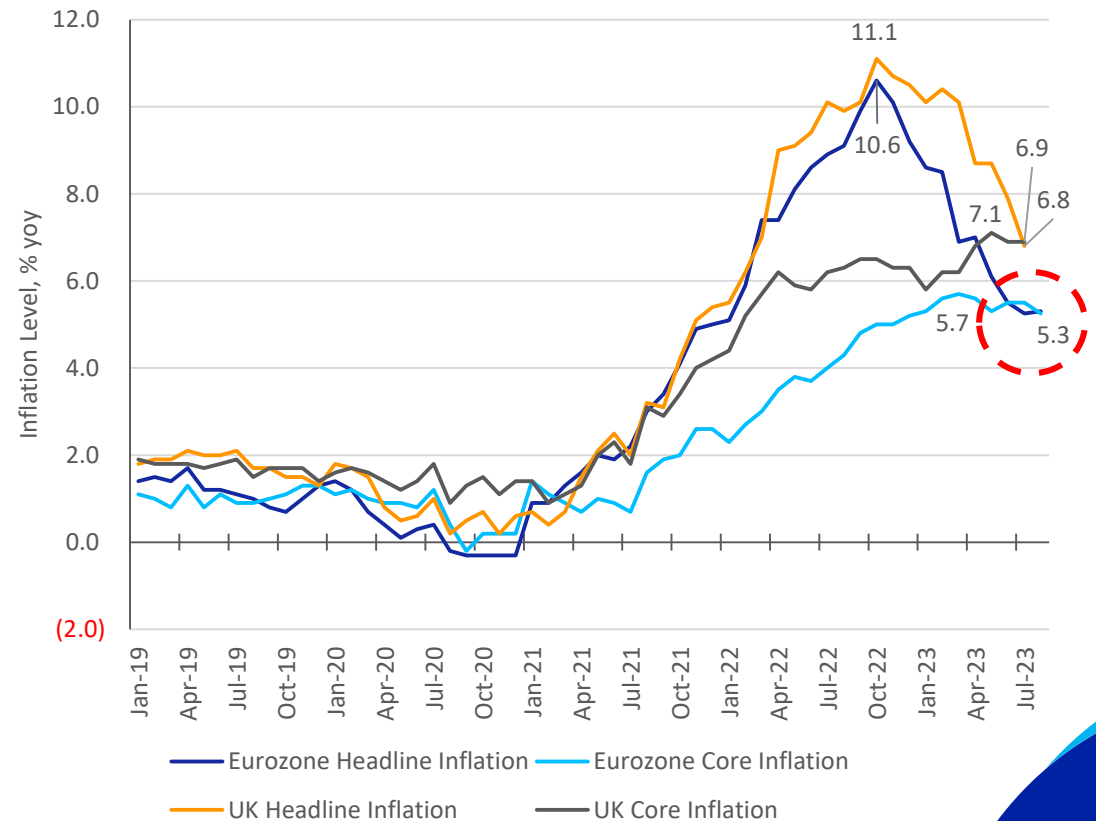
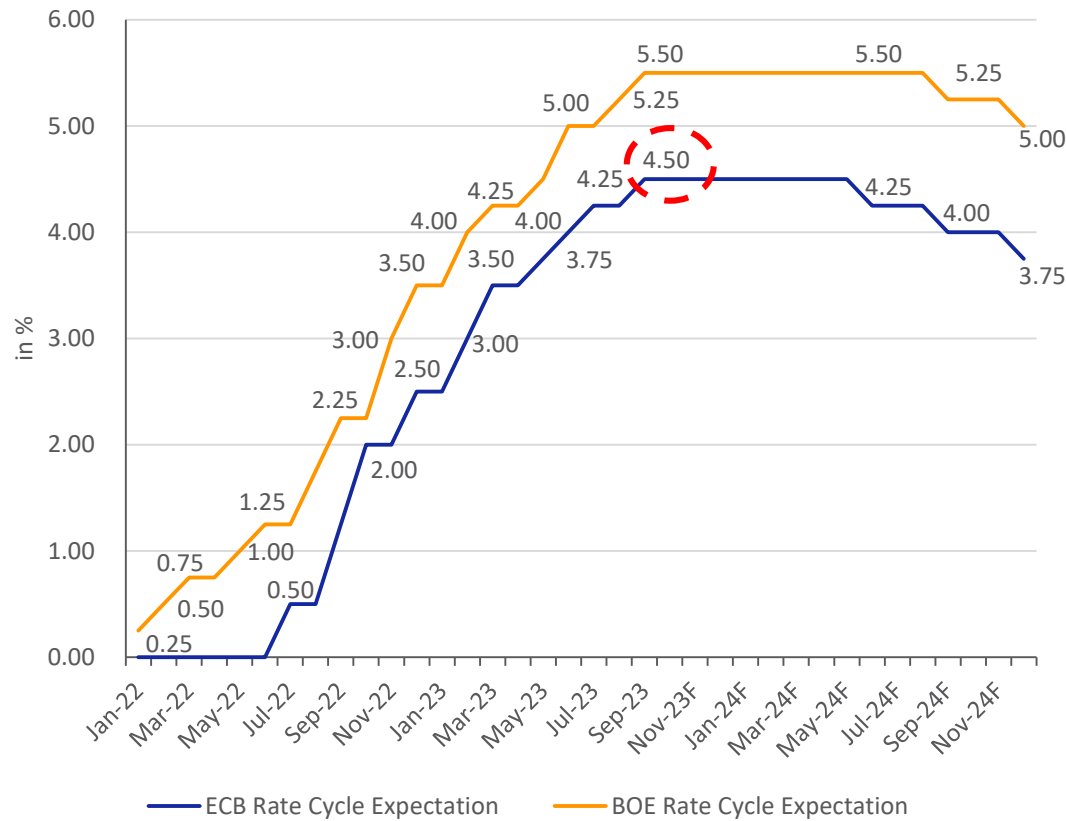
US Update: Inflationary pressure increased in August due to rising global crude prices

An increase in August core CPI inflation to 0.28% mom (Jul: 0.16% mom) led to an increase in annualized inflation rate to 3.41% SAAR (Jul: 1.94% SAAR; Aug. core CPI: 4.3% yoy)



Source: BEA, BLS, Bloomberg, SSI Research

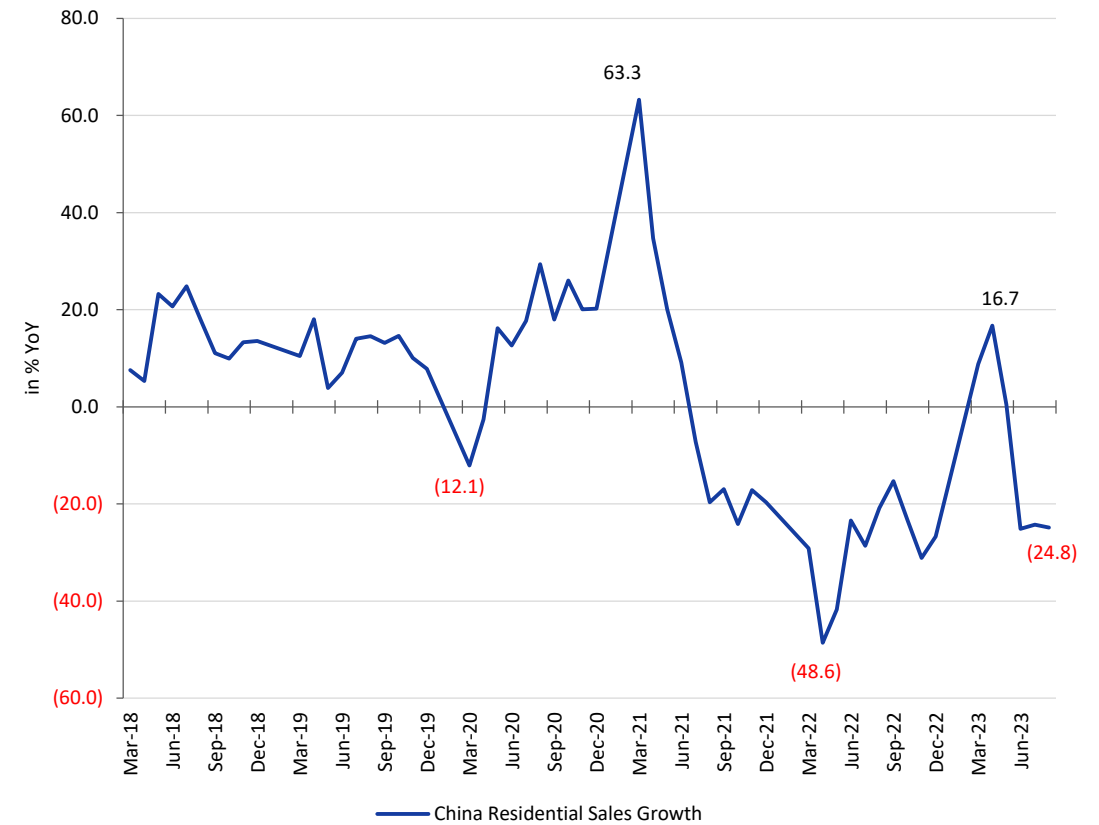
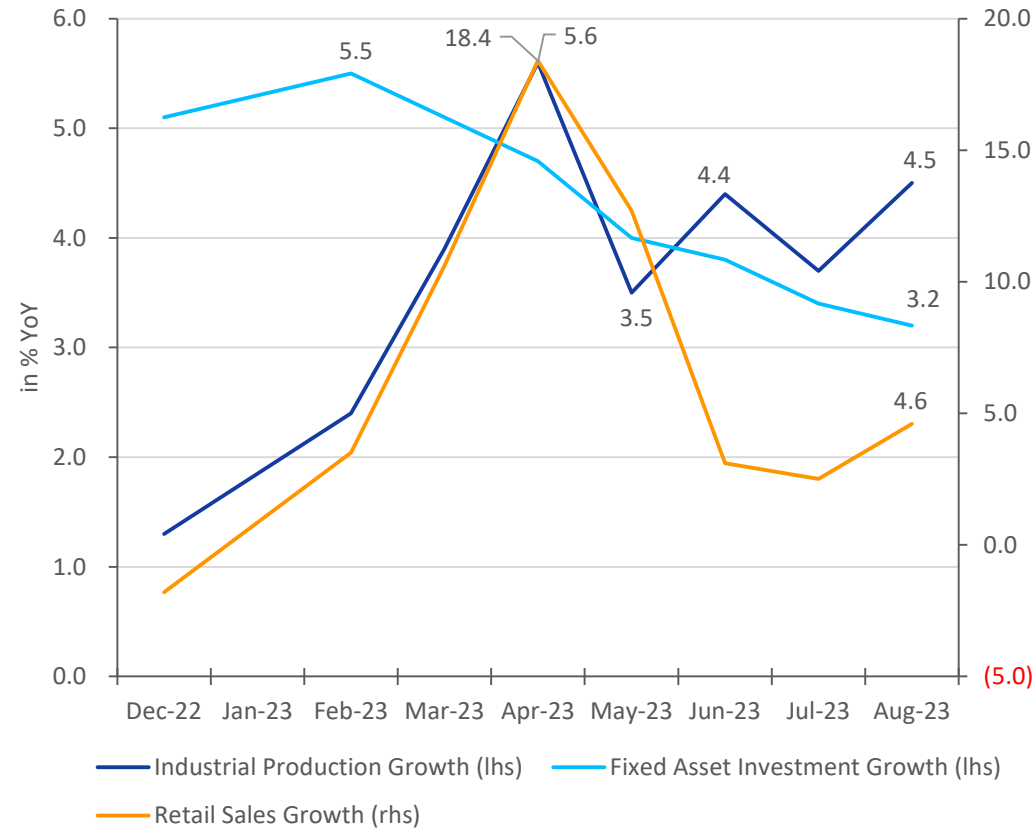
Eurozone Update: ECB hikes its policy rate by 25 bps to 4.5% (MRO); it is claimed to be the last hike for this cycle as long as inflation does not exceeds the central bank's projections at 5.6% (*headline*) and 5.1% (*core*)



Source: BOE, ECB, Eurostat, ONS Bloomberg, SSI Research

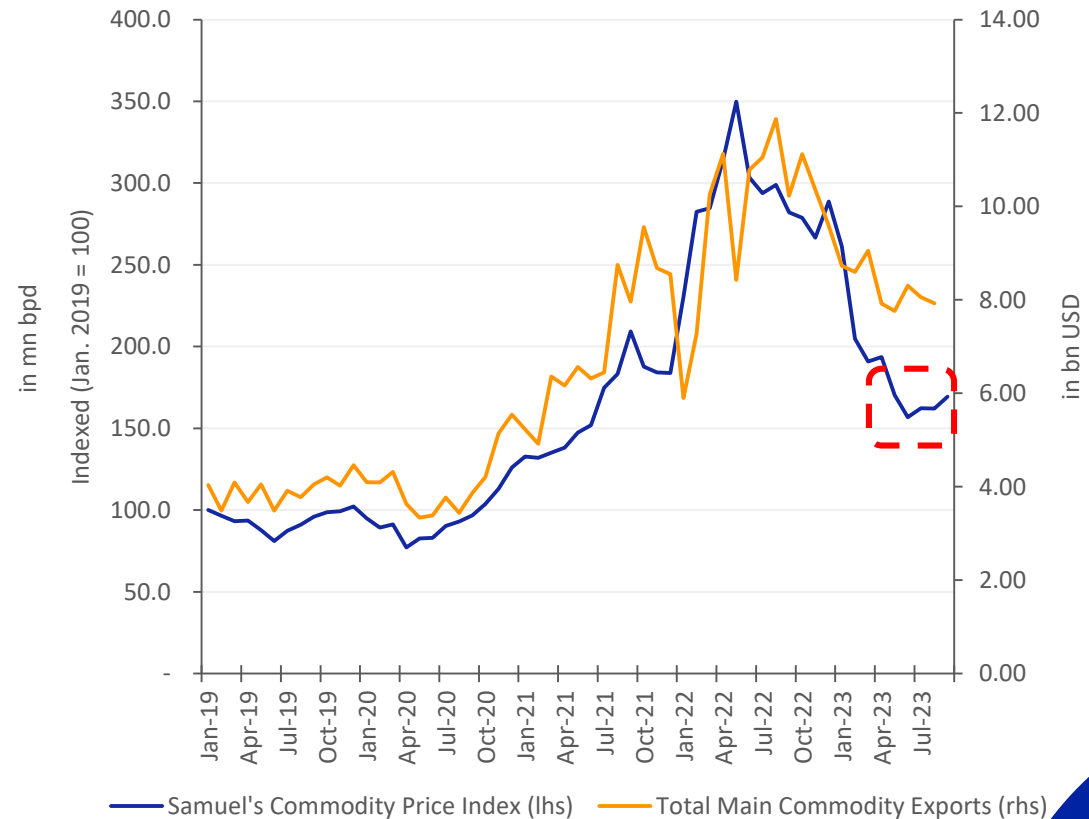
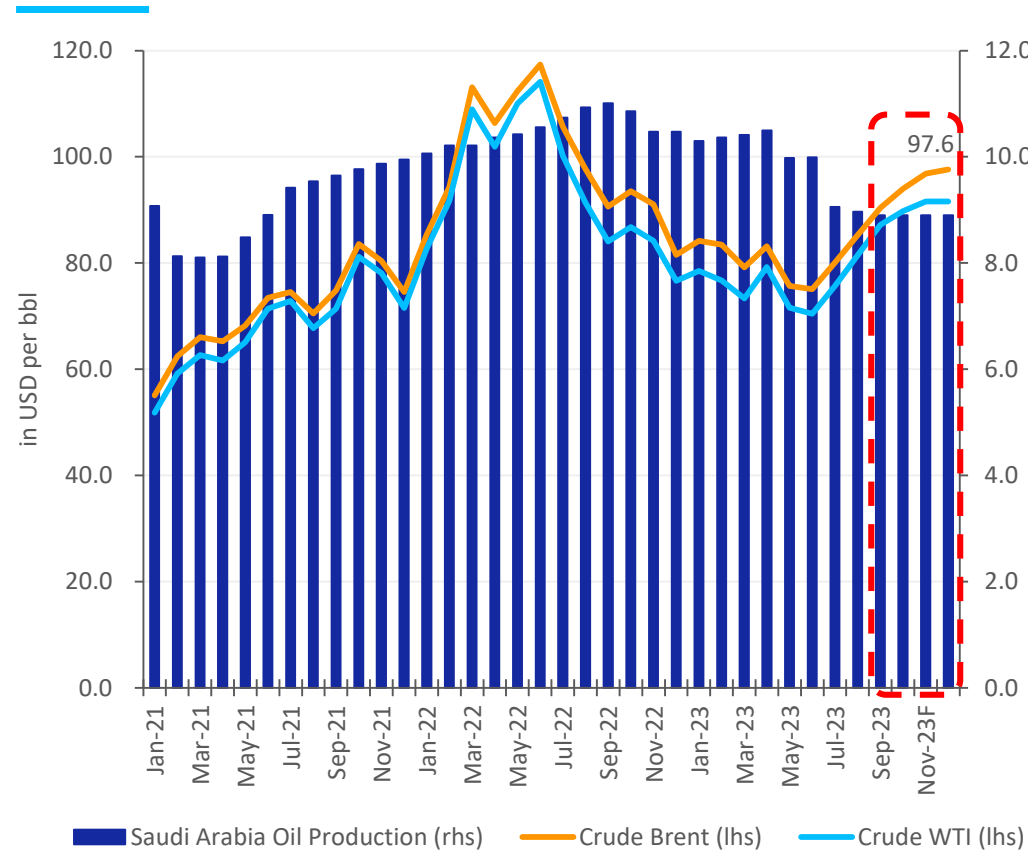
China Update: Production and consumption growth rebound, but investment growth, particularly in property sector, remains relatively anemic

China's residential property sales experienced another contraction in August, indicating inadequate policy stimulus from the government



Source: NBS, Bloomberg, SSI Research

Global Commodity Update: Production cuts by OPEC+ is expected to drive up global crude prices to USD 95-98 per bbl, benefitting both coal prices and Indonesia's commodity term-of-trade



Source: NOAA, SSI Research

This Week

September 16 – 22, 2023

Ones to Watch



20 September 2023

People's Bank of China's loan prime rate 1Y (Aug: & Cons: 3.45% [0 bps]) and 5Y (Aug: & Cons: 4.2% [0 bps])



22 September 2023

Bank of Japan's policy balance rate (Aug: & Cons: -0.1% [0 bps])



21 September 2023

Bank Indonesia's Seven-day reverse repo rate (7DRRR) (Aug: & Cons: 5.75% [0 bps]), Bank of England's Bank Rate (Aug: 5.25%; Cons: 5.5% [25 bps]), and Federal Reserve's FFR (Aug: & Cons: 5.5% [0 bps])



22 September 2023

S&P's manufacturing PMI for United States (Aug: & Cons: 47.9), Euro zone (Aug: 43.5; Cons: 44), and United Kingdom (Aug: 43; Cons: 43.6)



22 September 2023

Japan's headline (Jul: 3.3% yoy; Cons: 3% yoy) and core CPI inflation (Jul: & Cons: 4.3% yoy)



22 September 2023

S&P's services PMI for United States (Aug: & Cons: 50.5), Euro zone (Aug: & Cons: 47.9), and United Kingdom (Aug: 49.5; Cons: 49.2)



Thank You

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