

Macro Strategy and Fixed Income Weekly

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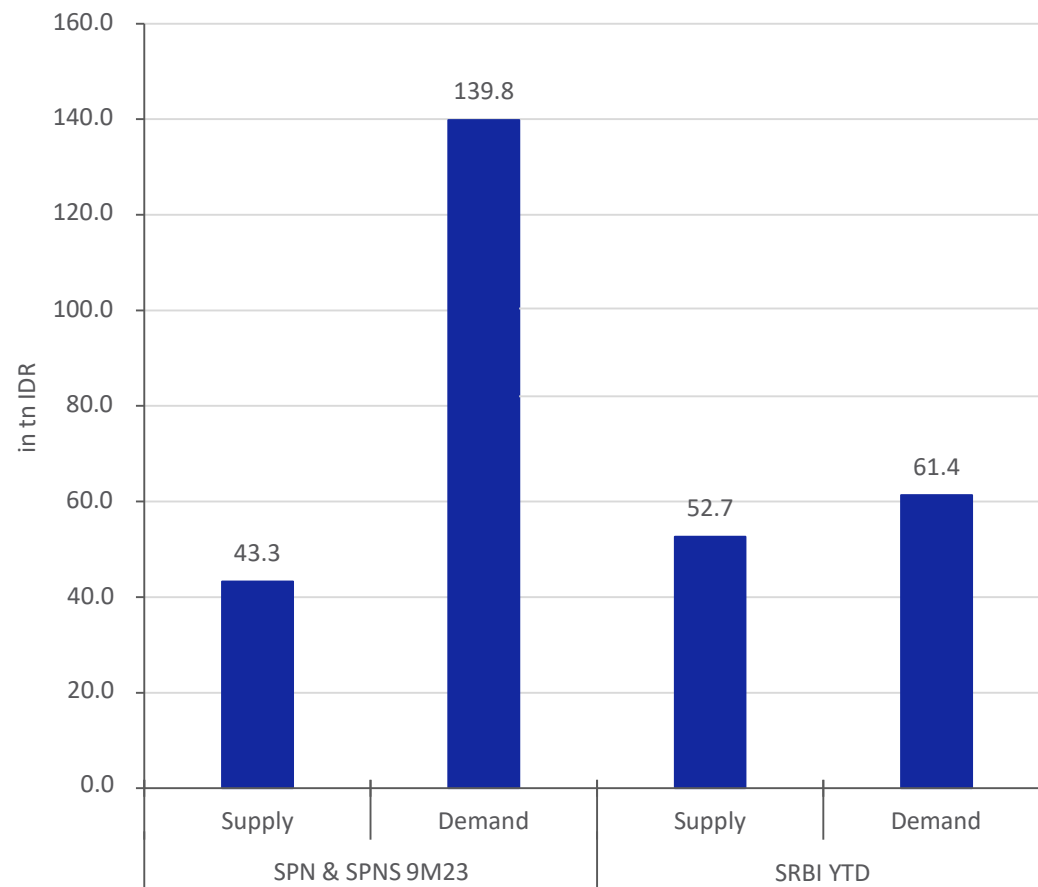
Last Week's Recap

September 16-22, 2023

What's Our View?

- We advise investors to buy and hold high-yielding SBN and corporate bonds ($\geq 7\%$) as an alternative to the strategy of shifting from long tenors (10Y) and medium (5Y) to short tenors (2Y) to face the Fed's increasingly hawkish monetary policy.
- We expect BI's rate cut cycle and INDOGB 10 yield to be quite flattish in 2024 (7DRRR: -50 bps to 5.25%, INDOGB 10Y yield range: 6.4-6.6%) due to the Fed's increasingly hawkish stance.
- We believe global bond markets will see more corrections this week, after the announcement of FOMC's latest projections (UST 10 yield target range: 4.5-4.6%).
- Global market investors will focus their attention on US PCE inflation data, which will be released on Friday (9/29), with a projected monthly core inflation rate of 0.2-0.3% mom, as well as Eurozone CPI inflation, which will help confirm the ECB's decision to stop its rate hike until 3Q24.

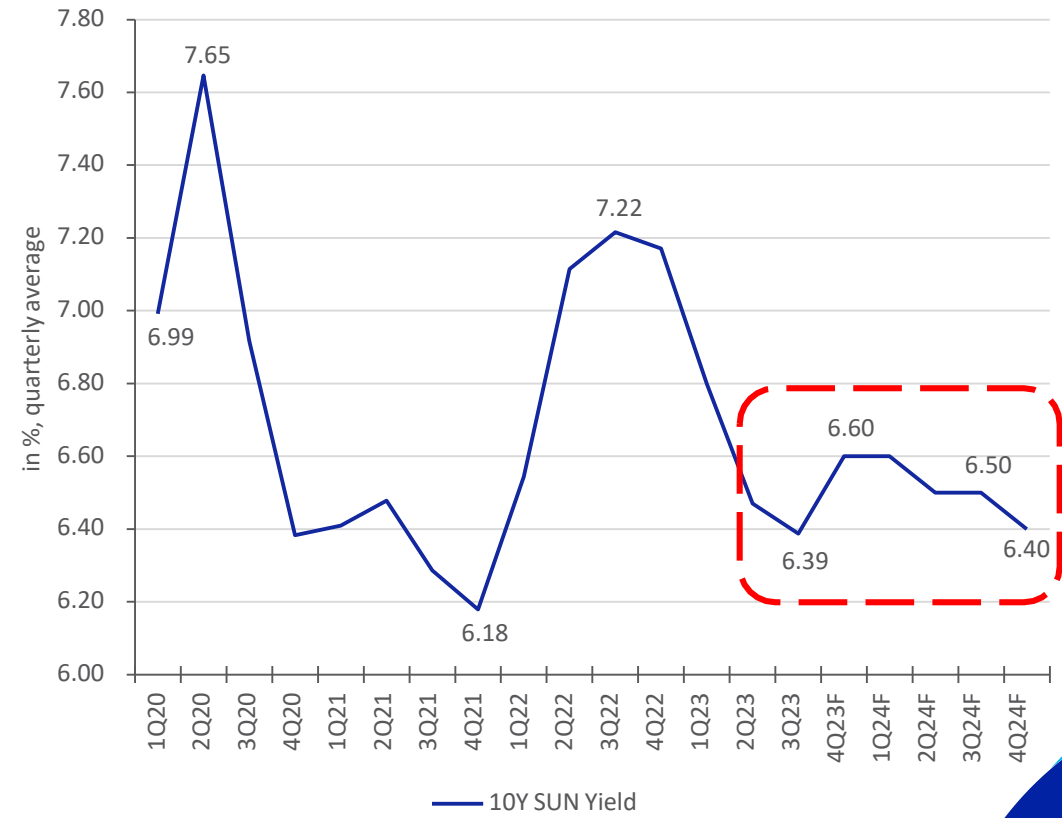
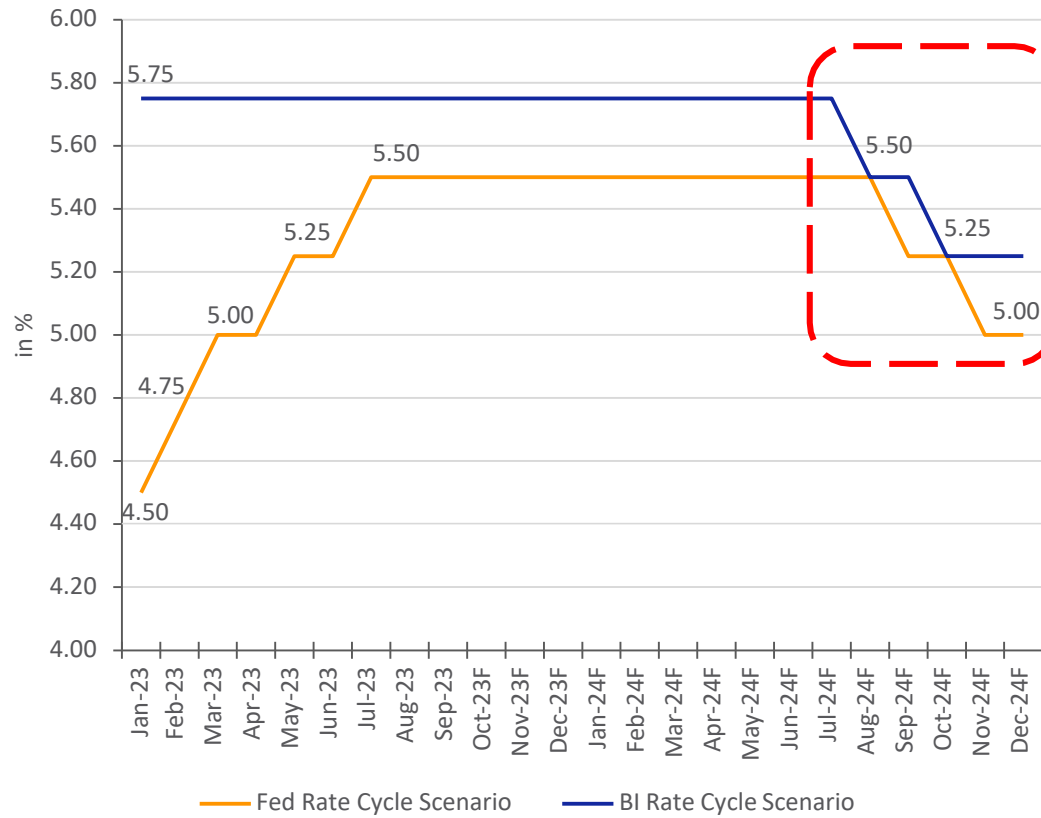
Indonesia Update: SRBI helped lift FR0100 yield to 6.73% at the latest auction (9/19), keeping long-term INDOGB instruments attractive to investors



Source: BI, DJPPR, SSI Research

Asset Type	Incoming Bid, in tn IDR	Awarded Bid, in tn IDR	Discount/Yield
SRBI 6M (20/9)	3.8	2.2	6.31
SRBI 9M (20/9)	1.5	1.3	6.39
SRBI 12M (20/9)	10.4	9.8	6.42
SRBI 6M (22/9)	6.4	6.2	6.31
SRBI 9M (22/9)	1.3	1.3	6.40
SRBI 12M (22/9)	8.2	7.5	6.43
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 - 5/9)	9.0	5.8	6.45
FR0100 (New 10Y - 19/9)	11.8	7.9	6.73

Indonesia Update: As widely expected, BI decided to keep its 7DRRR at 5.75%; however, the Fed's hawkish stance might lead to flattish BI rate cuts cycle and INDOGB 10Y yield



Source: BI, Bloomberg, CME Group, Federal Reserve, SSI Research

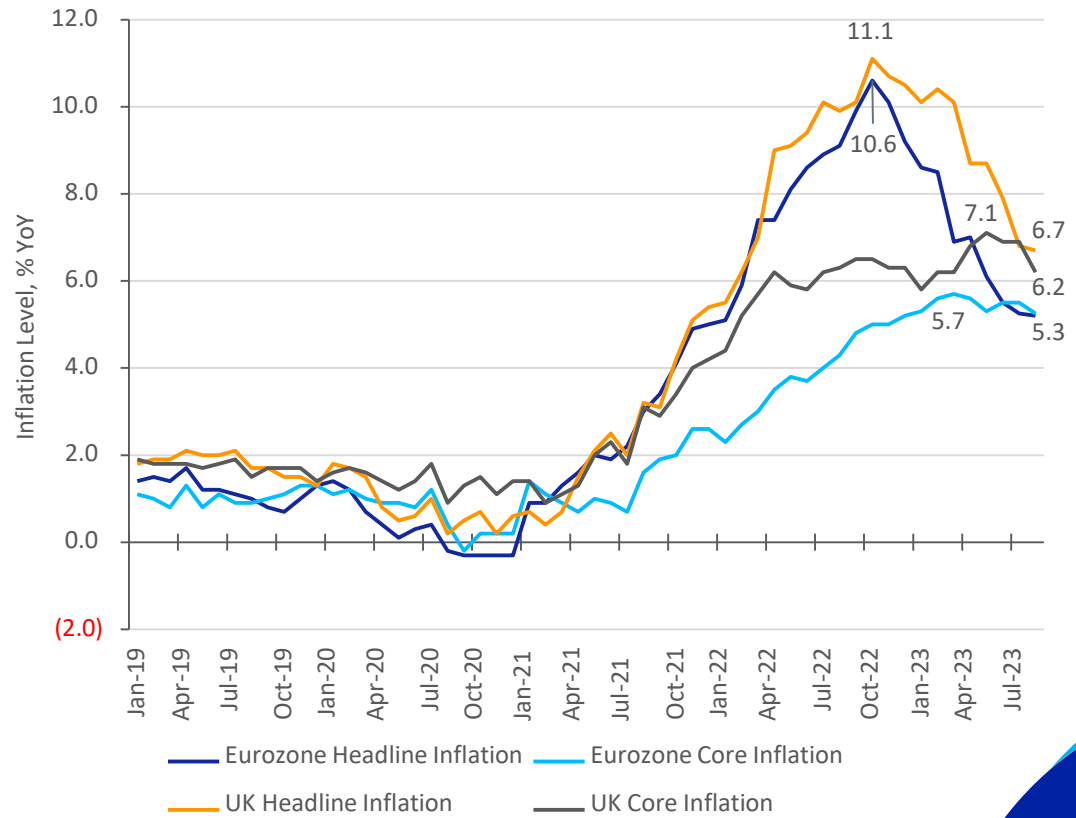
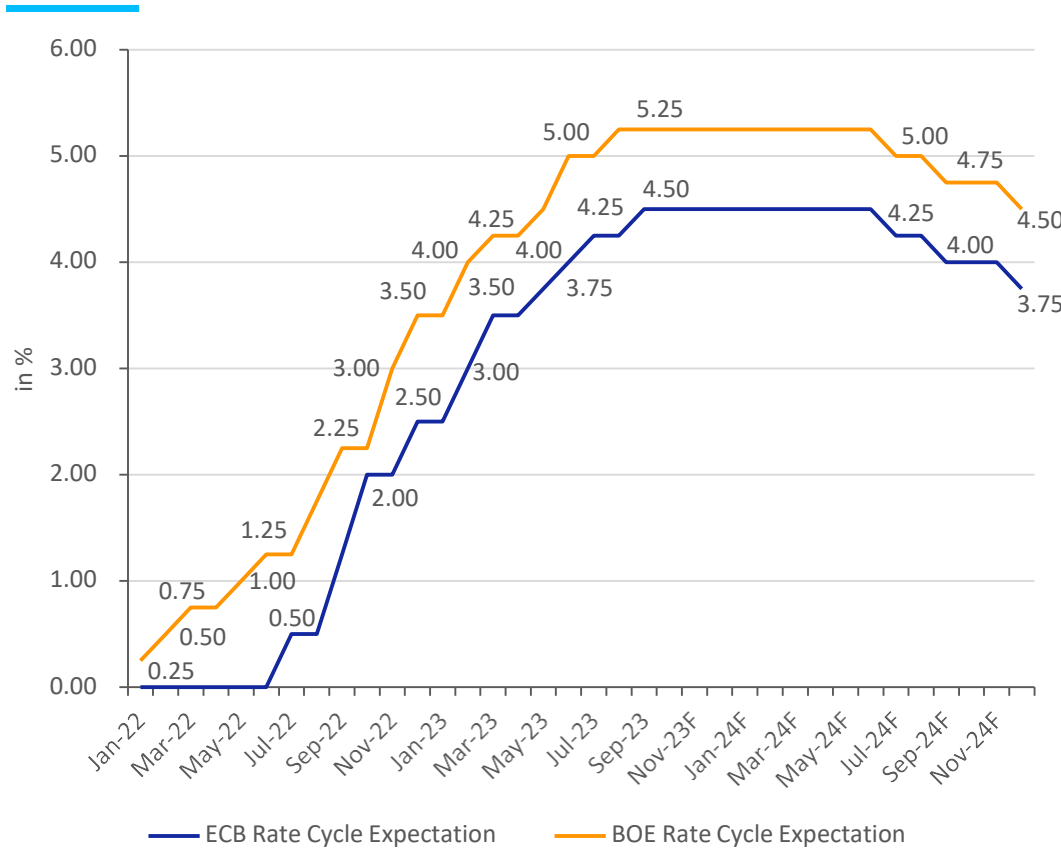
US Update: The Fed's increasingly hawkish stance

The Fed's rate cut projection for 2024 was lowered to 50 bps (Prev: 100 bps; Cons: 50 bps), and the Fed will only do aggressive rate cuts in 2025 (100 bps) and 2026 (100 bps)

		2023	2024	2025	2026	Longer-run
GDP Growth	September Forecast	↑2.1	↑1.5	1.8	1.8	1.8
	June Forecast	1.0	1.1	1.8		1.8
Unemployment Rate	September Forecast	↓3.8	↓4.1	↓4.1	4.0	4.0
	June Forecast	4.1	4.5	4.5		4.0
PCE Inflation	September Forecast	↑3.3	2.5	↑2.2	2.0	2.0
	June Forecast	3.2	2.5	2.1		2.0
Core PCE Inflation	September Forecast	↓3.7	2.6	↑2.3	2.0	
	June Forecast	3.9	2.6	2.2		
Fed Terminal Rate	September Forecast	5.6	↑5.1	↑3.9	2.9	2.5
	June Forecast	5.6	4.6	3.4		2.5

Source: Federal Reserve, SSI Research

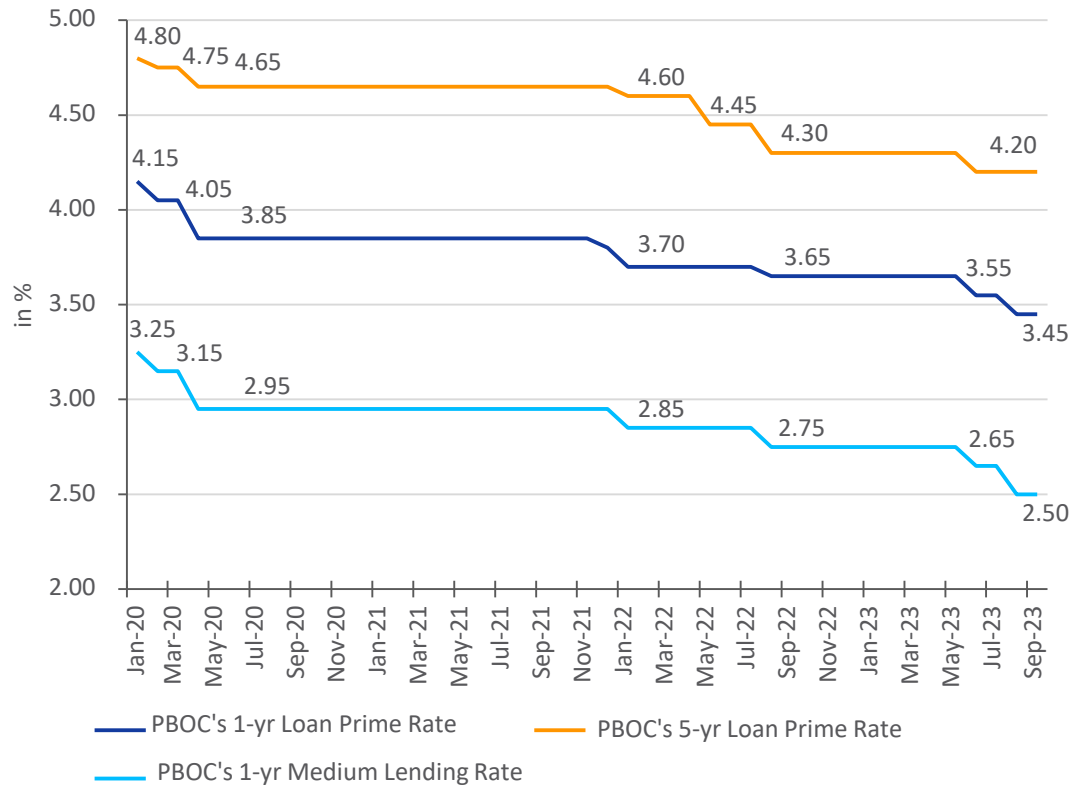
Eurozone Update: The BOE followed in the ECB's footsteps by halting its rate hike, following a surprise drop in inflation in August



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

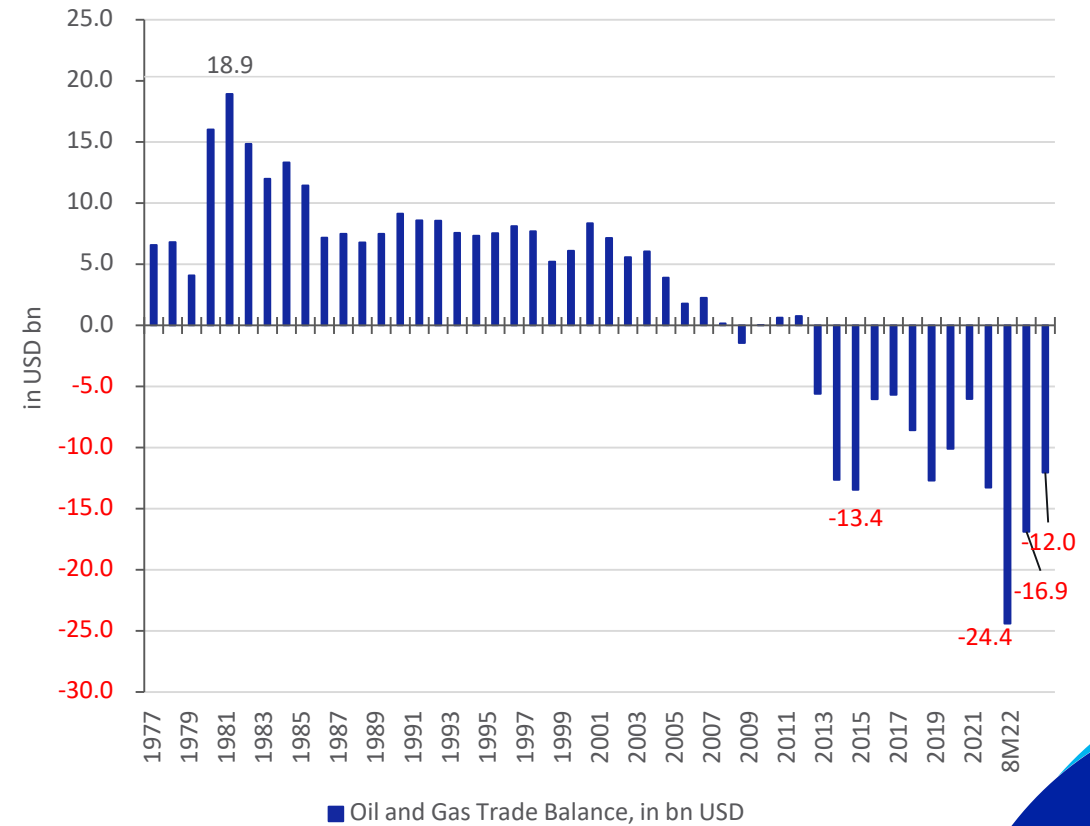
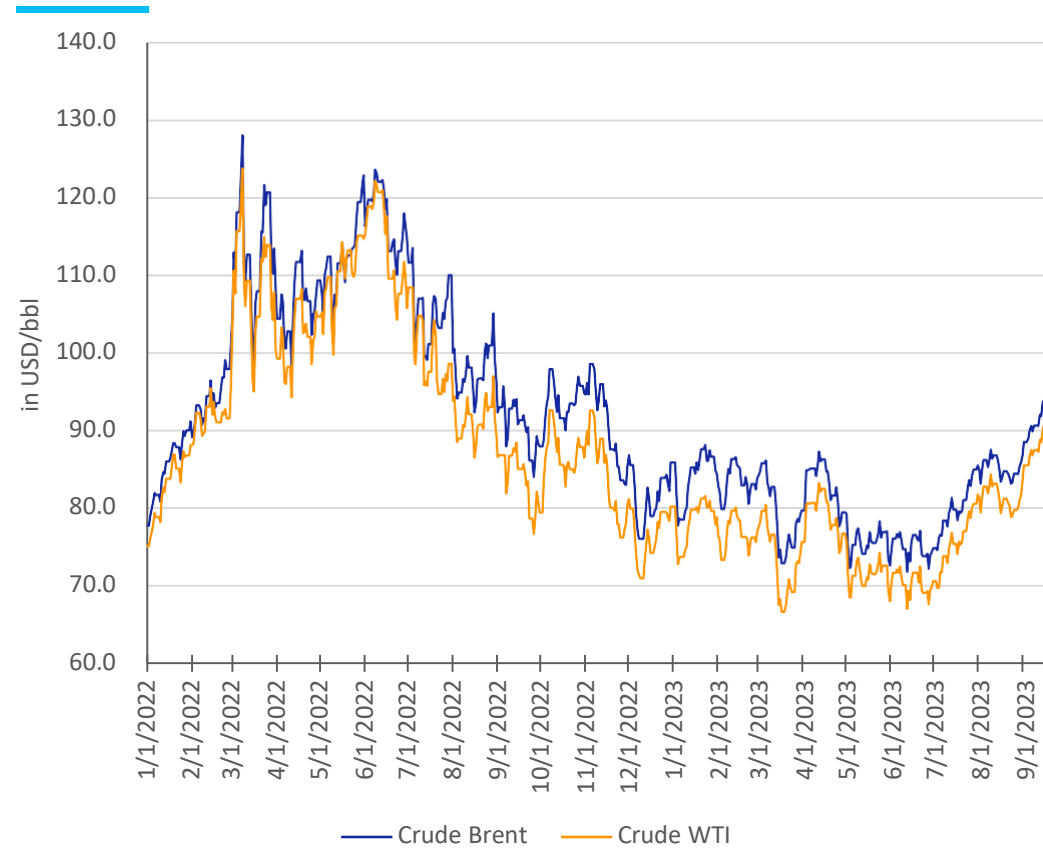
China Update: PBOC decides to 'pause' its monetary stimulus by keeping its benchmark interest rate unchanged

This causes capital outflows from China to intensify and put more pressure on the CNY (CNY/USD: CNY 7.3 per USD)



Source: NBS, Bloomberg, SSI Research

Global Commodity Update: Indonesia might book its second-largest oil and gas trade balance deficit in history due to the ongoing oil price hike (Est.: USD 20-22bn)



Source: BPS, Bloomberg, SSI Research

This Week

September 23 – 29, 2023

Ones to Watch



September 25, 2023

ifo Business Climate Index for Germany (Aug: 85.7; Cons: 85)



September 26, 2023

Conference Board's US Consumer Confidence Index (Aug: 106.1; Cons: 105.9)



September 28, 2023

Germany's headline CPI (Aug: 6.1% yoy; Cons: 4.5% yoy) and headline HICP inflation (Aug: 6.4% yoy; Cons: 4.8% yoy)



September 29, 2023

Japan's unemployment rate (Jul: 2.7%; Cons: 2.6%)



September 29, 2023

US headline (Aug: 3.3% yoy; Cons: 3.5% yoy) and core PCE inflation (Aug: 4.2% yoy; Cons: 3.9% yoy)



September 29, 2023

Eurozone's headline (Aug: 5.2% yoy; Cons: 4.6% yoy) and core CPI inflation (Aug: 5.3% yoy; Cons: 4.9% yoy)



Thank You

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