

# Macro Strategy and Fixed Income Weekly

Lionel Priyadi

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**Investment Partner**

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# Last Week's Recap

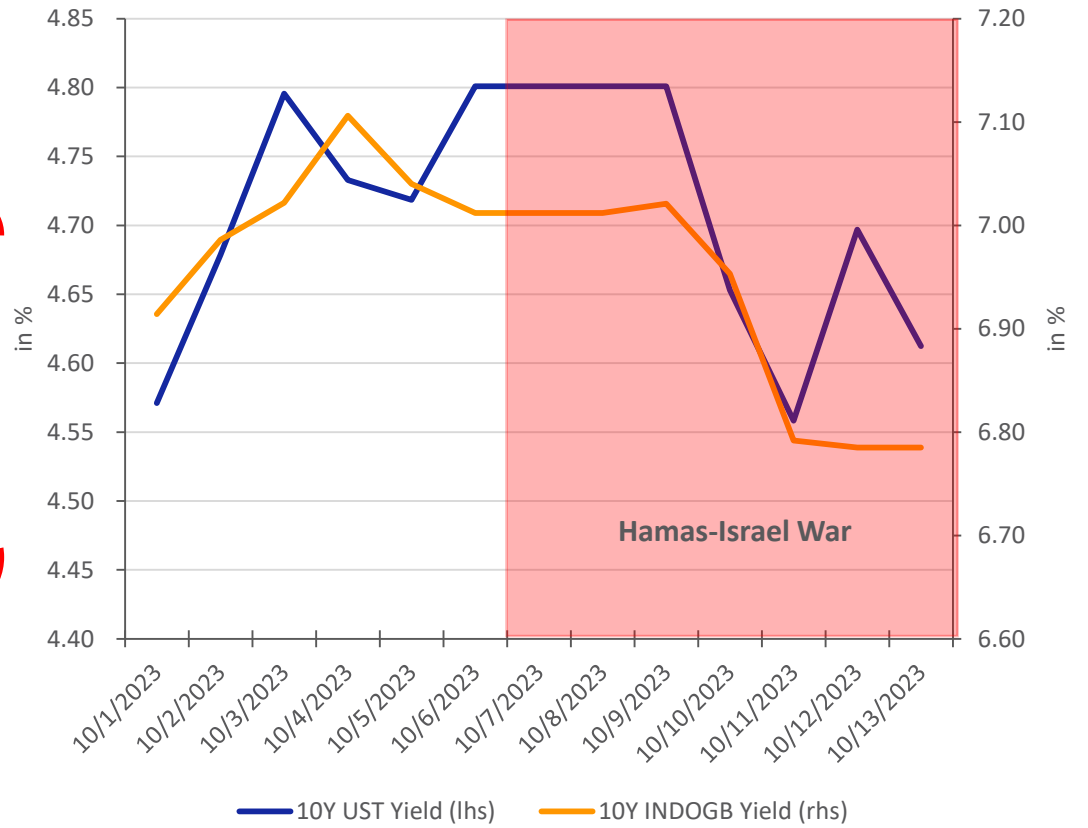
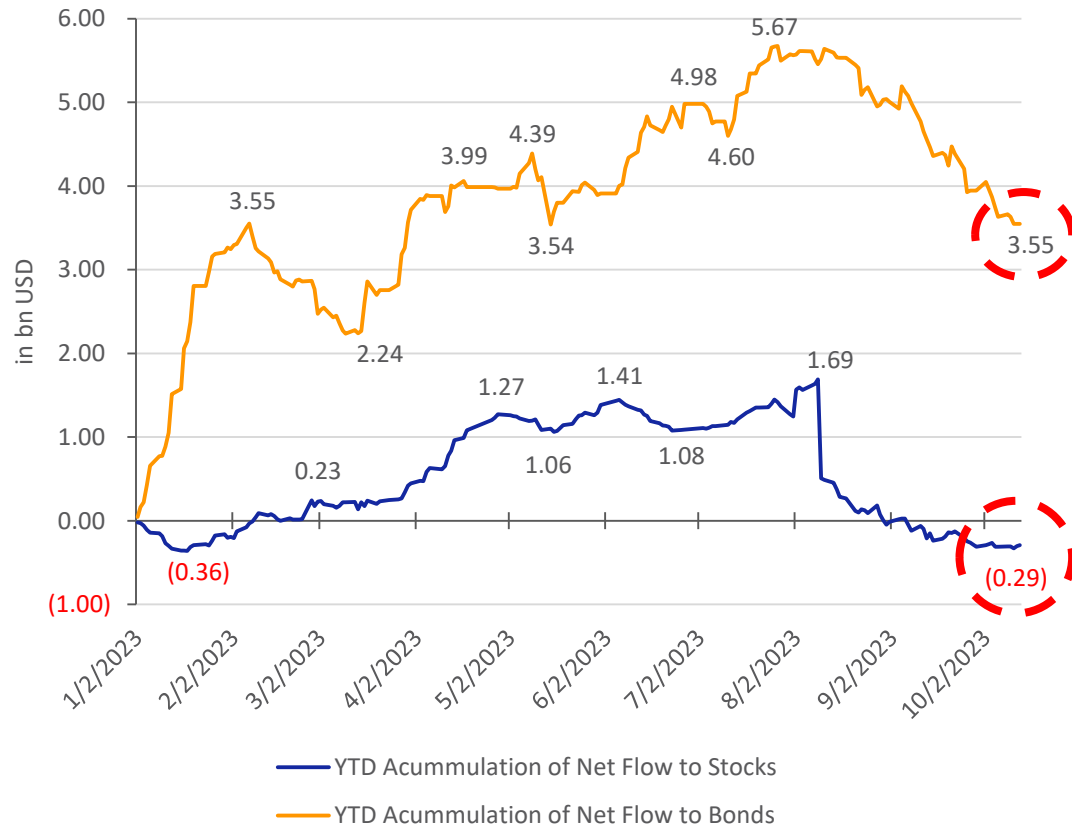
## October 7 – 13, 2023

## What's Our View?

- We expect Bank Indonesia to keep its 7DRRR at 5.75%, considering the fact that capital outflow from both JCI and the SBN market is becoming more under control, thanks to the shift in global sentiment to 'flight to safety' following the Hamas-Israeli war.
- Even though many expect Indonesia's trade balance surplus to decline in September (Aug: USD 3.1bn; Cons: USD 2.3bn; SSI: USD 2bn), we feel confident that it could still be a positive catalyst that prevents Rupiah from breaking its technical resistance range of IDR 15,650-15,750 per USD.
- According to SSI's consumption indicator, household spending growth will slow down to 5% yoy in 3Q23 (2Q23: 5.2% yoy).
- We believe that Investors will focus their attention on the geopolitical conflict in the Middle East, which is expected to escalate next week with Israel starting its ground attack on the Gaza Strip. The conflict might lead to a spike in commodity prices (energy and vegetable oil) as well as safe-haven assets (gold and US treasuries).

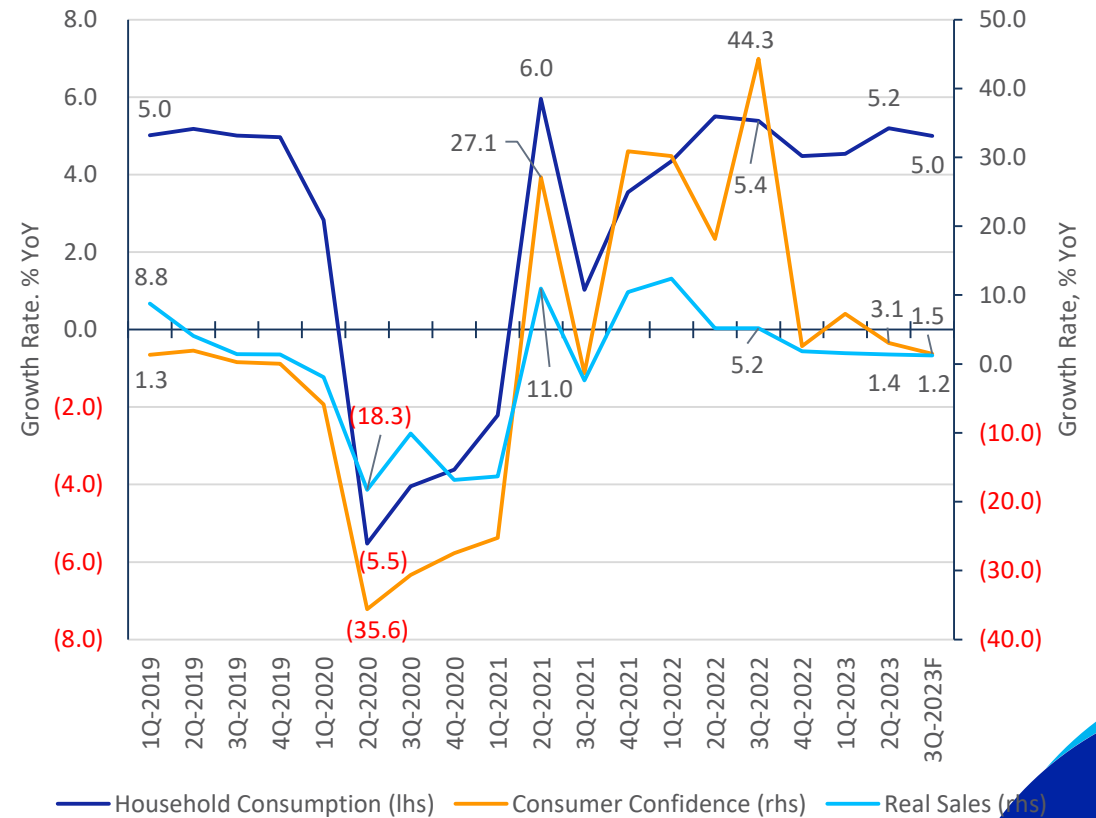
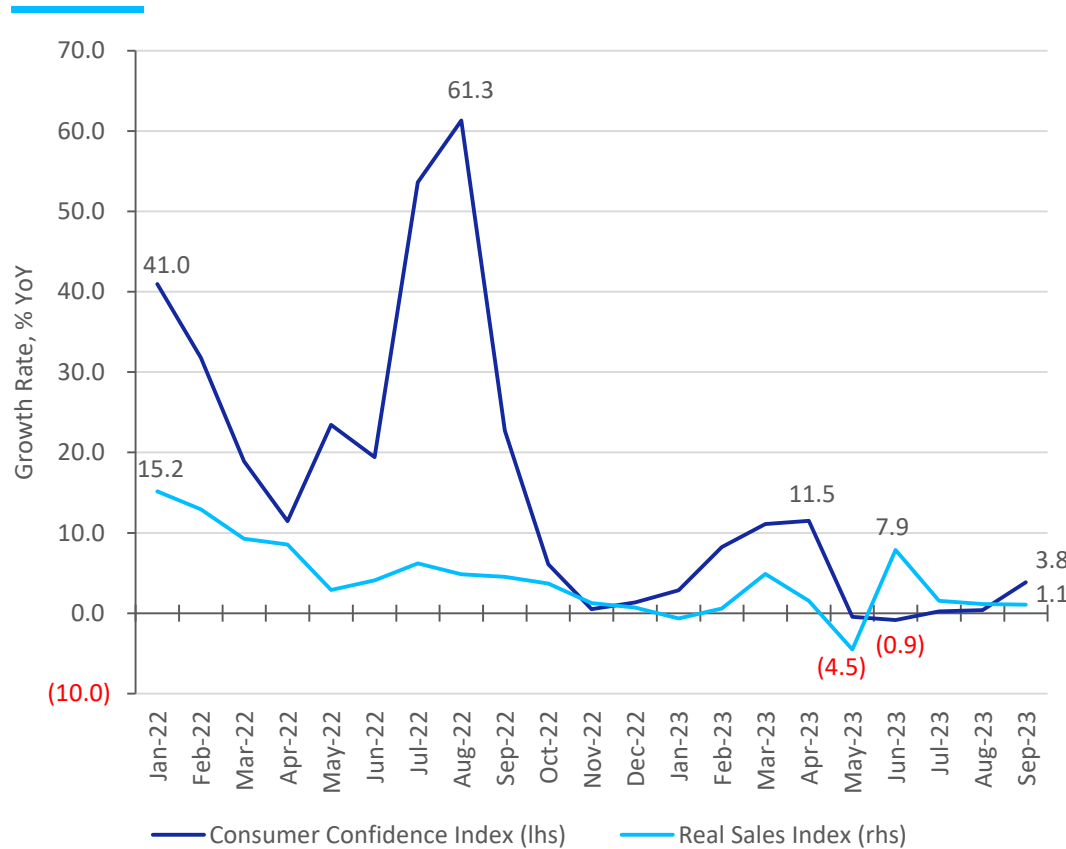
# Indonesia Update: The reversal of sentiment in global bond markets might help 'restrain' capital outflow from the JCI and the SBN market

The reversal was mainly caused by the Hamas-Israeli war, which encouraged investors to change their strategy to 'flight to safety'



Source: DJPPR, Bloomberg, SSI Research

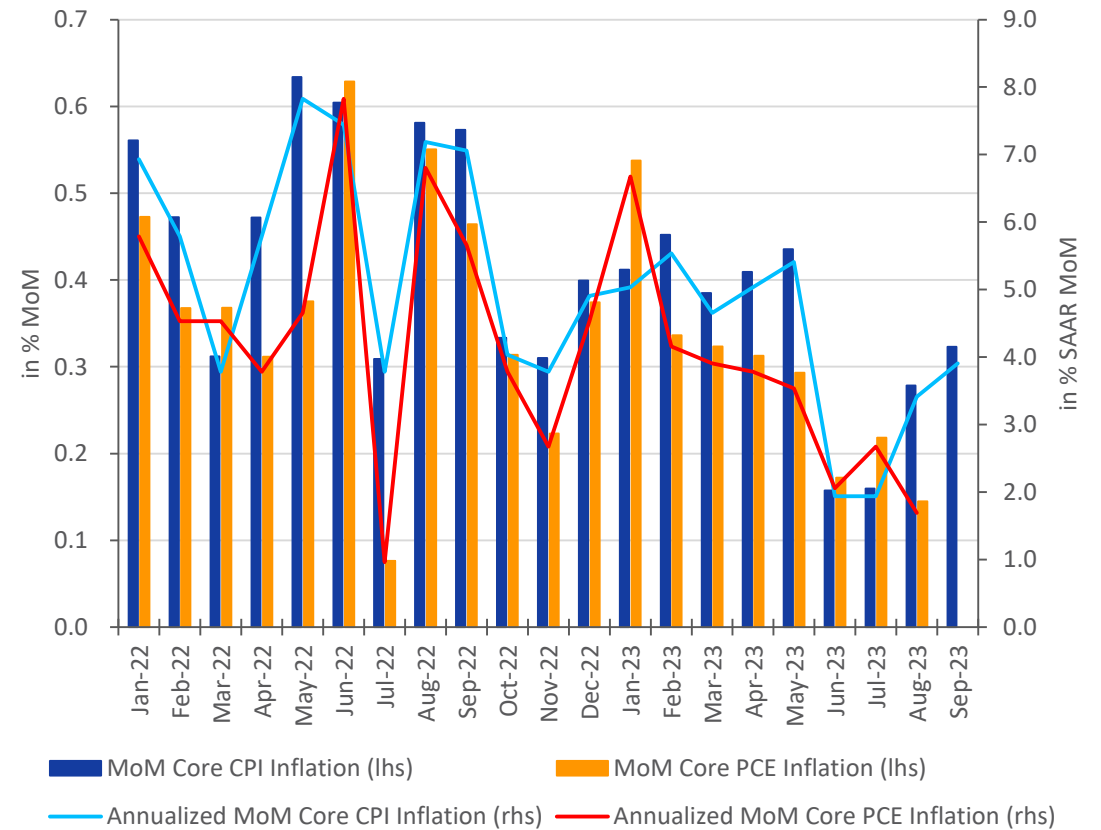
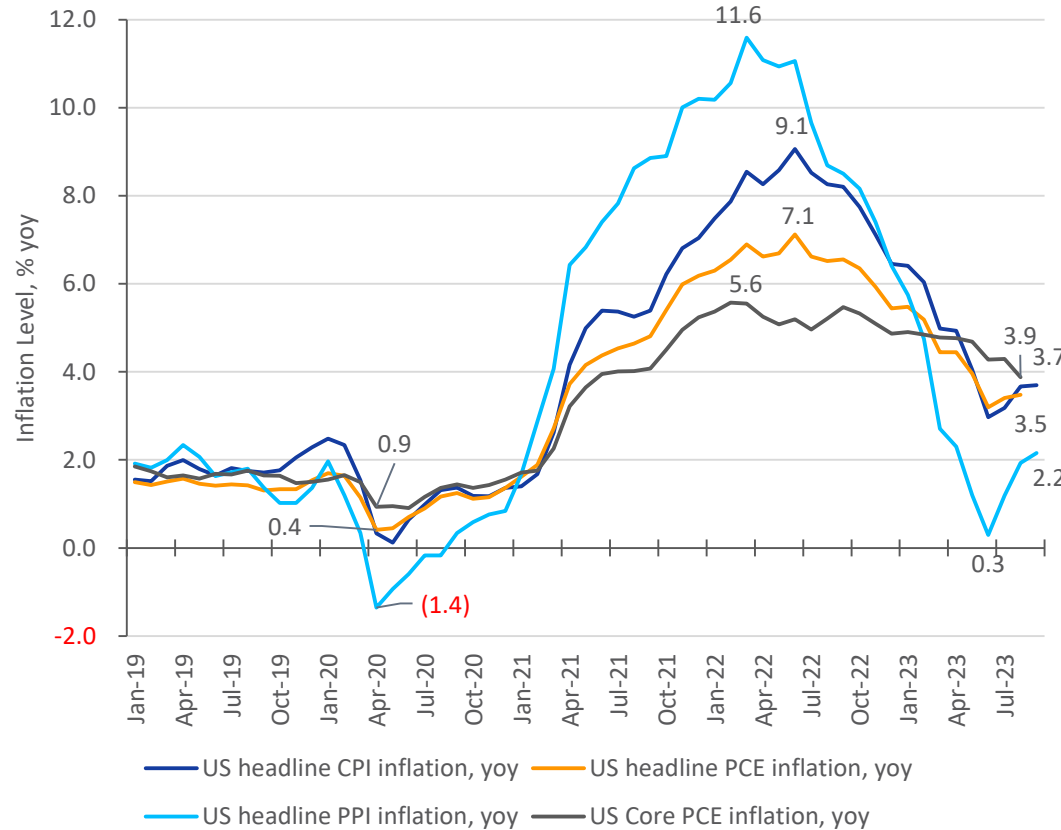
# Indonesia Update: Our consumption indicators show that household spending growth will decline to 5% yoy in 3Q23 (2Q23: 5.2% yoy)



Source: BI, SSI Research

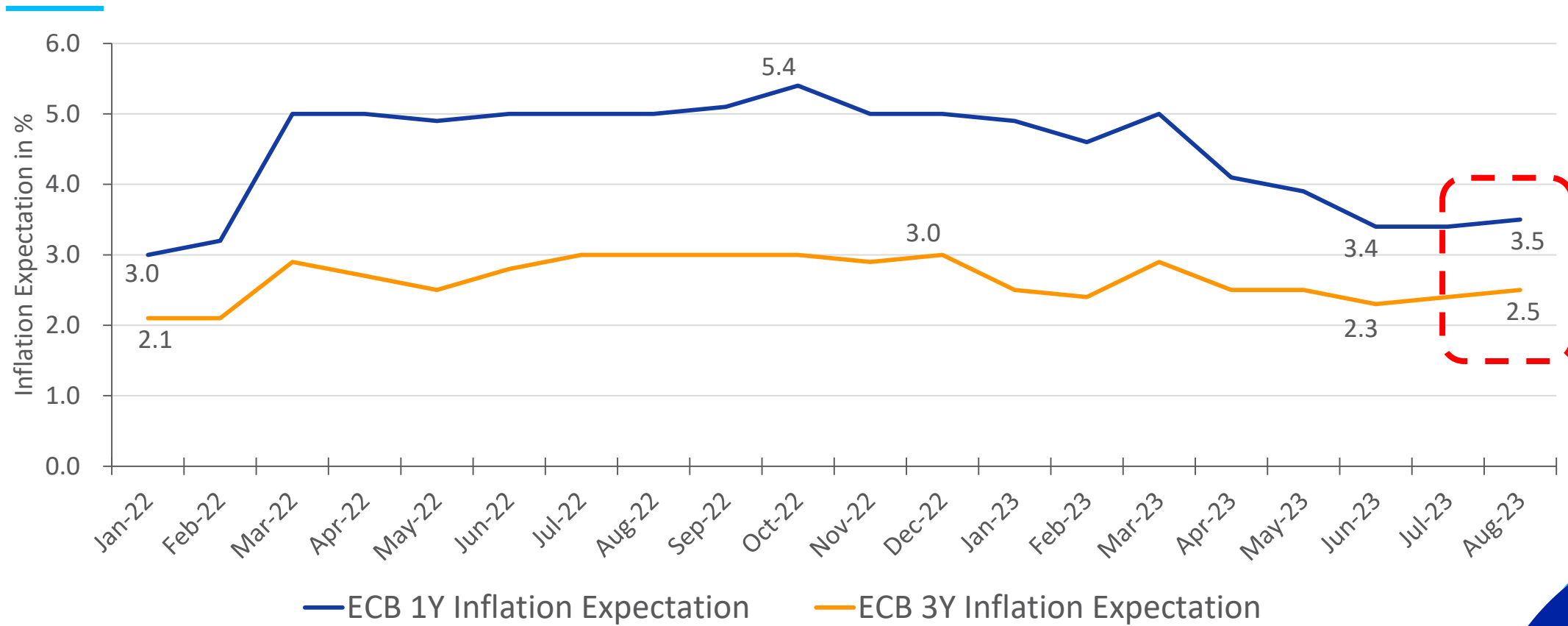
# US Update: CPI and PPI inflationary pressure gained more power in September

Monthly core CPI inflation rate went up to 0.32% mom (Aug: 0.28% mom; Cons: 0.3% mom), mainly due to the increase in 'super core inflation' categories, including house/apartment rental rate, healthcare expenses, and airfare.



Source: BEA, BLS, Bloomberg, SSI Research

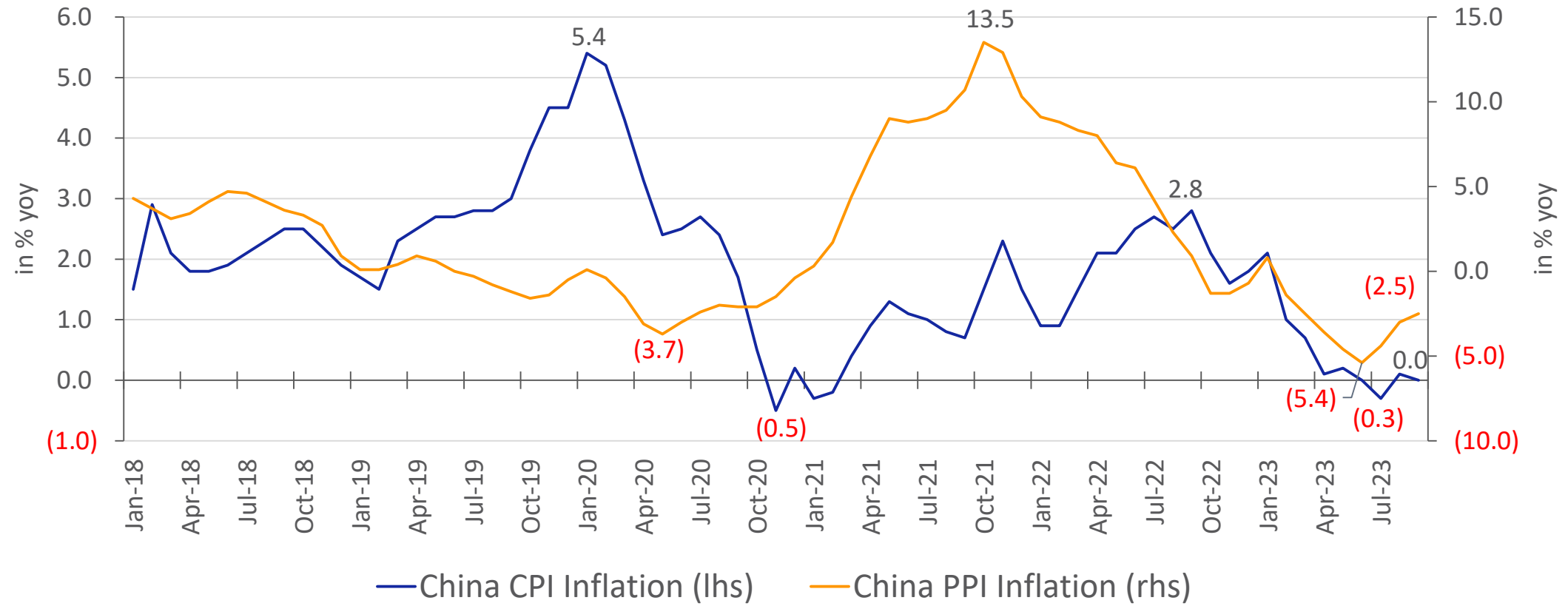
## Europe Update: ECB survey showed a slight increase in consumer inflation expectations in August, possibly due to oil surge



Source: ECB, Bloomberg, SSI Research

## China Update: Deflationary pressure remains strong

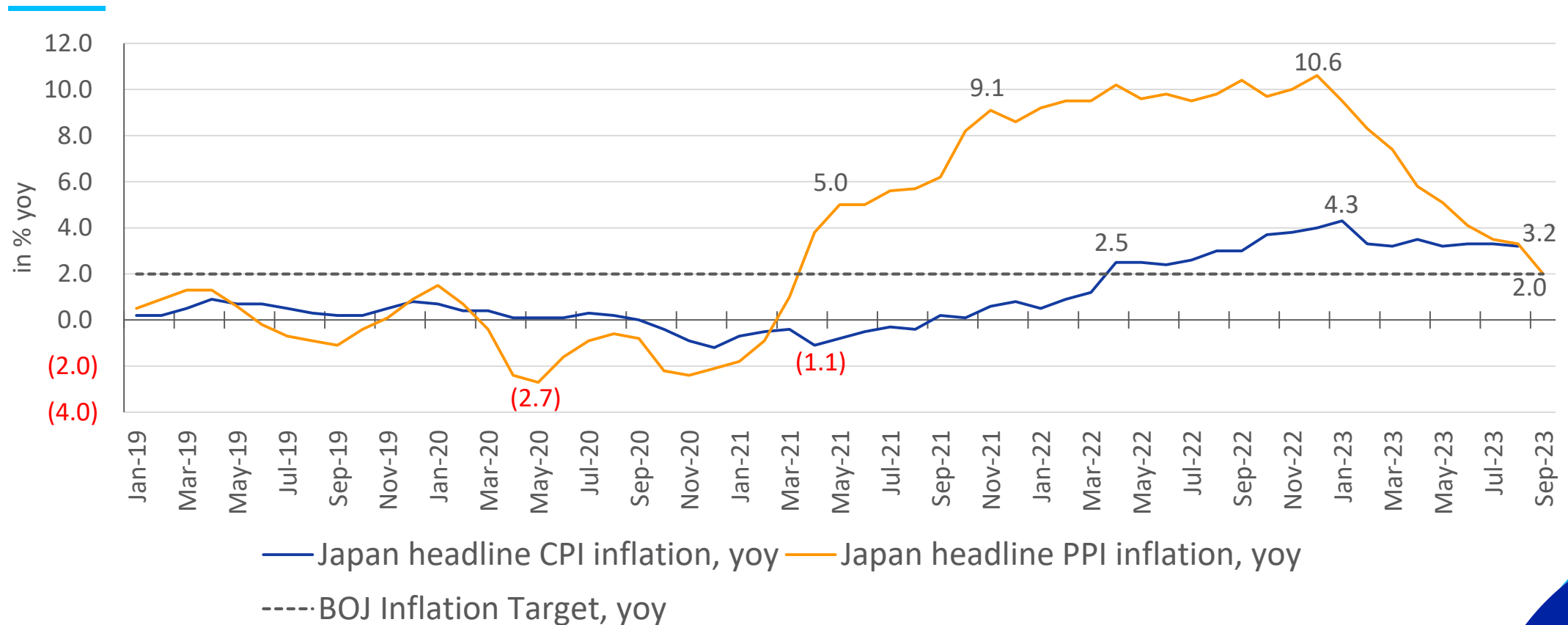
To solve the problem, the Chinese government plans to raise the local government debt ceiling, the effects of which will only be felt in 1Q24



Source: NBOSC, Bloomberg, SSI Research



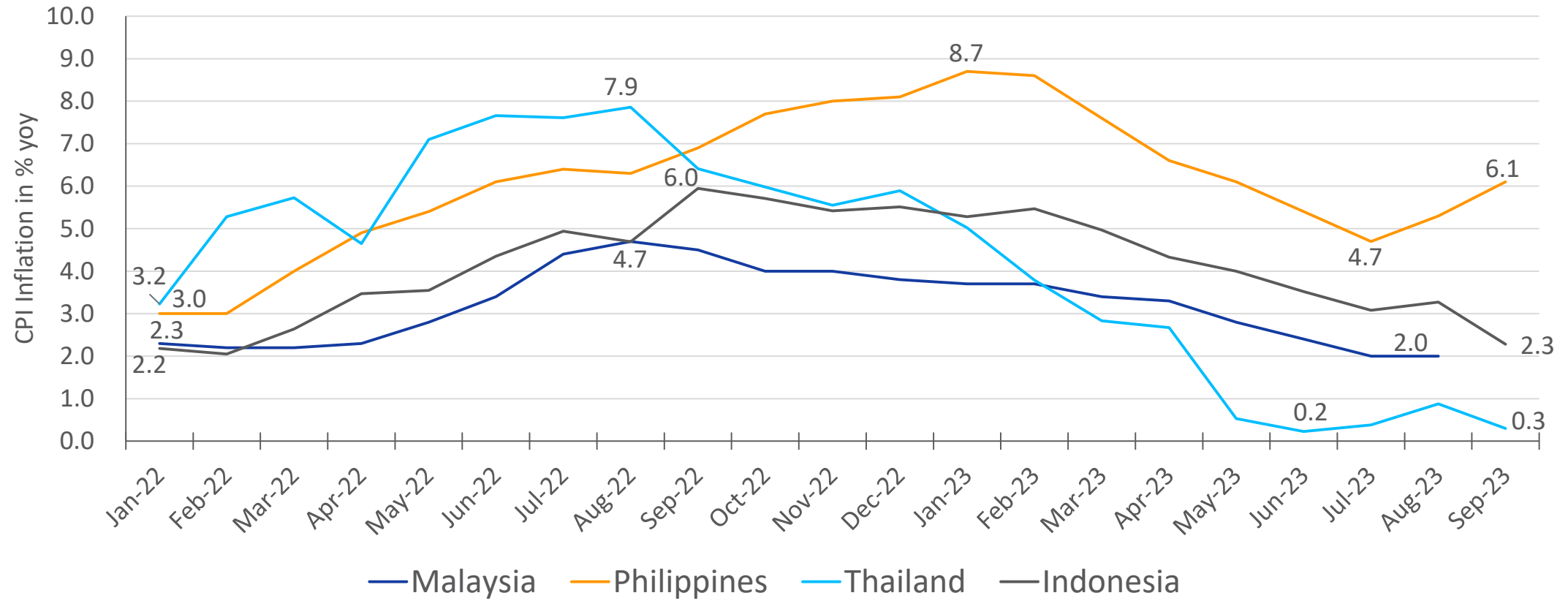
# Japan Update: PPI inflationary pressure continues to weaken despite oil price surge, with Brent peaking at USD 96.6 per bbl in September



Source: BOJ, MIC, Bloomberg, SSI Research

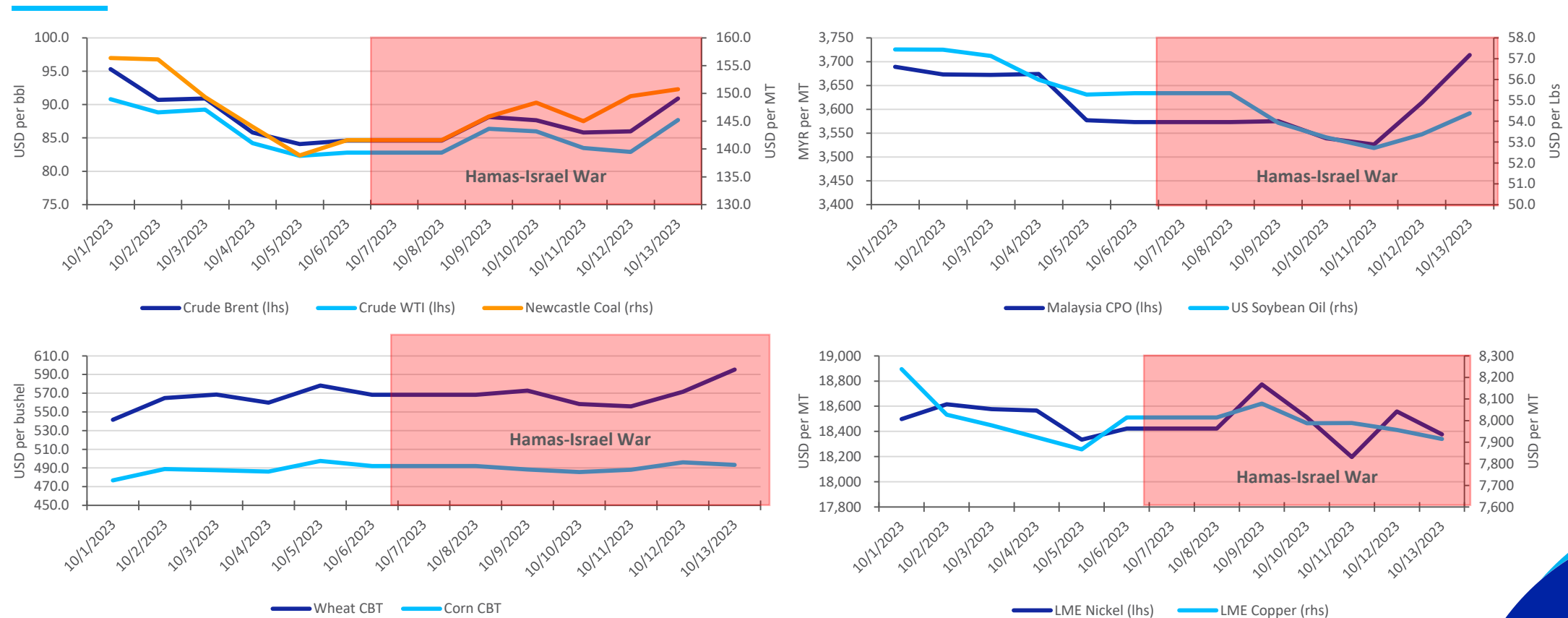
## ASEAN Update: Deflationary pressure is still haunting Thailand, while a 're'inflation' is occurring in the Philippines due to oil price surge

Compared to other ASEAN countries, the Philippine government has been less successful in controlling food price and energy inflation and their derivative effects on the transportation and electricity sectors.



Source: S&P, Bloomberg, SSI Research

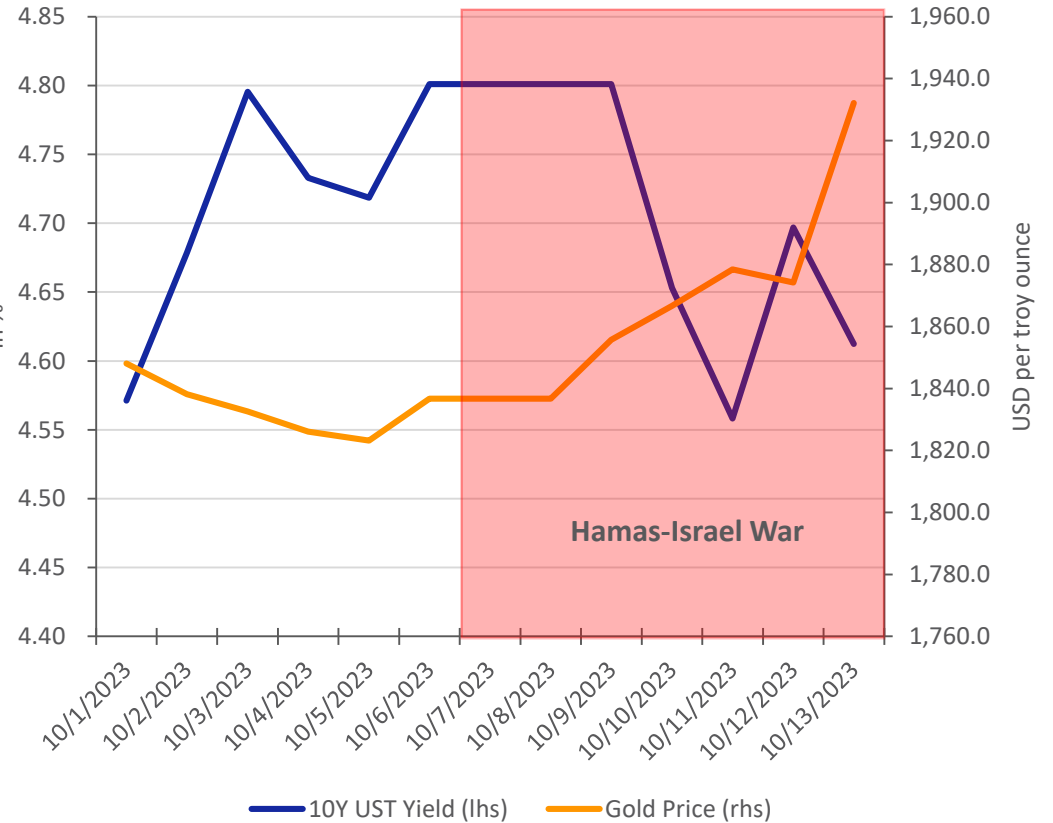
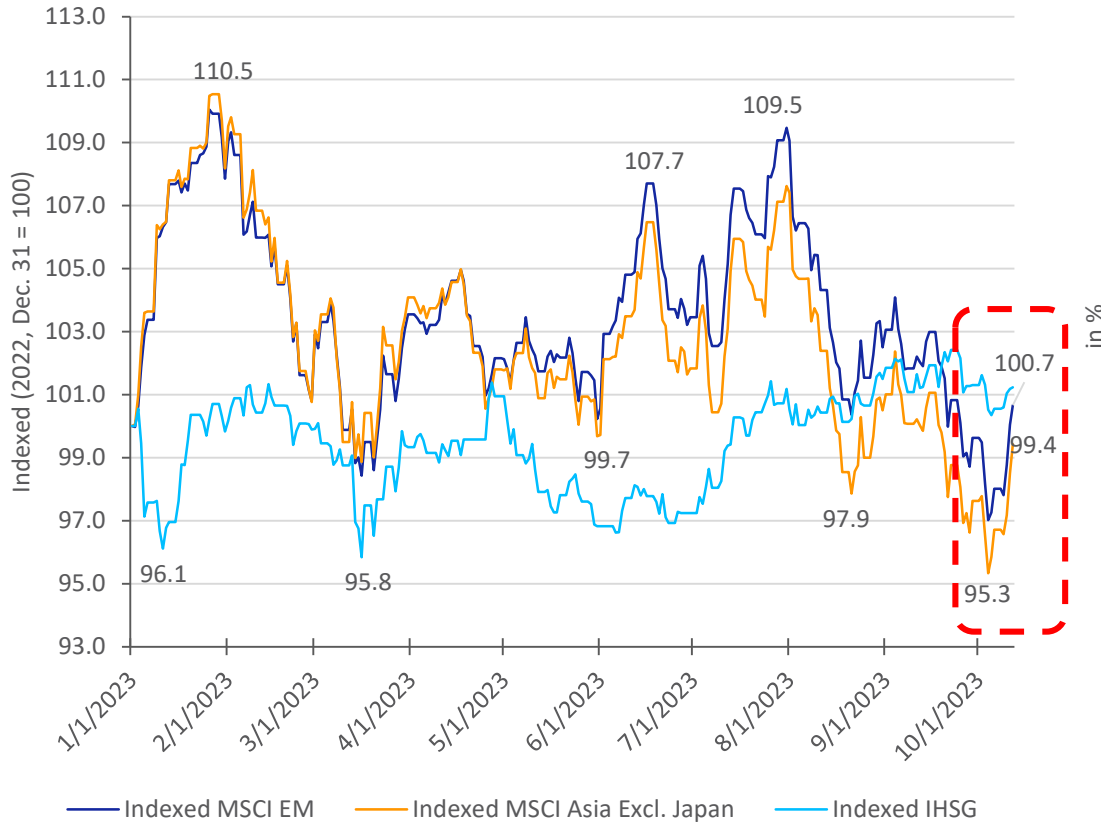
# Global Commodity Update: Energy and vegetable oil prices spiked as Israel started to mobilize more military personnel to carry out ground attacks on the Gaza strip



Source: Bloomberg, SSI Research

# Global Stock Market Update: Asian stock markets experienced a strong rebound due to a shift in sentiment to 'flight to safety'

Global investors have started buying safe-haven assets, including gold and US Treasuries, in anticipation of the start of Israel's retaliatory attack on the Gaza Strip



Source: MSCI, IDX, Bloomberg, SSI Research

# This Week

## October 14 – 20, 2023

## Ones to Watch



October 16, 2023

Indonesia's export (Aug: -21.2% yoy; Cons: -13.8% yoy; SSI: -9.1% yoy), import (Aug: -14.8% yoy; Cons: -5.5% yoy; SSI: 3.3% yoy), and trade balance surplus (Aug: USD 3.1bn; Cons: USD 2.3bn; SSI: USD 2bn)



October 18, 2023

China's 3Q23 GDP growth (2Q23: 6.3% yoy; Cons: 4.5% yoy)



October 18, 2023

US headline PPI inflation (Aug: 1.6% yoy; Cons: 1.7% yoy)



October 19, 2023

Bank Indonesia's 7DRRR (Sep: & Cons: 5.75% [unchanged])



October 20, 2023

PBOC's 1-year (Sep: & Cons: 3.45% [unchanged]) and 5-year loan prime rate (Sep: & Cons: 4.2% [unchanged])



October 20, 2023

Japan's headline (Aug: 3.2% yoy; Cons: 3% yoy) and core CPI inflation (Aug: 3.1% yoy; Cons: 2.7% yoy)



# Thank You

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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](http://www.samuel.co.id)

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

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

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