

Macro Strategy and Fixed Income Weekly

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Last Week's Recap

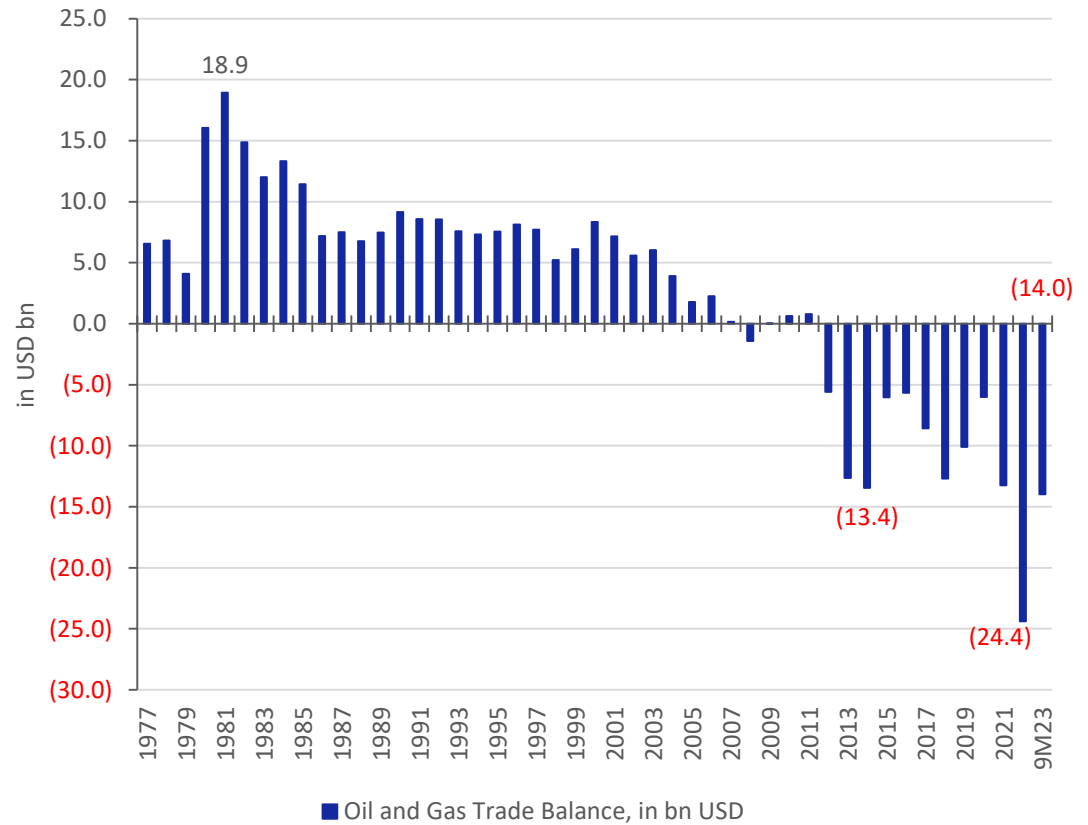
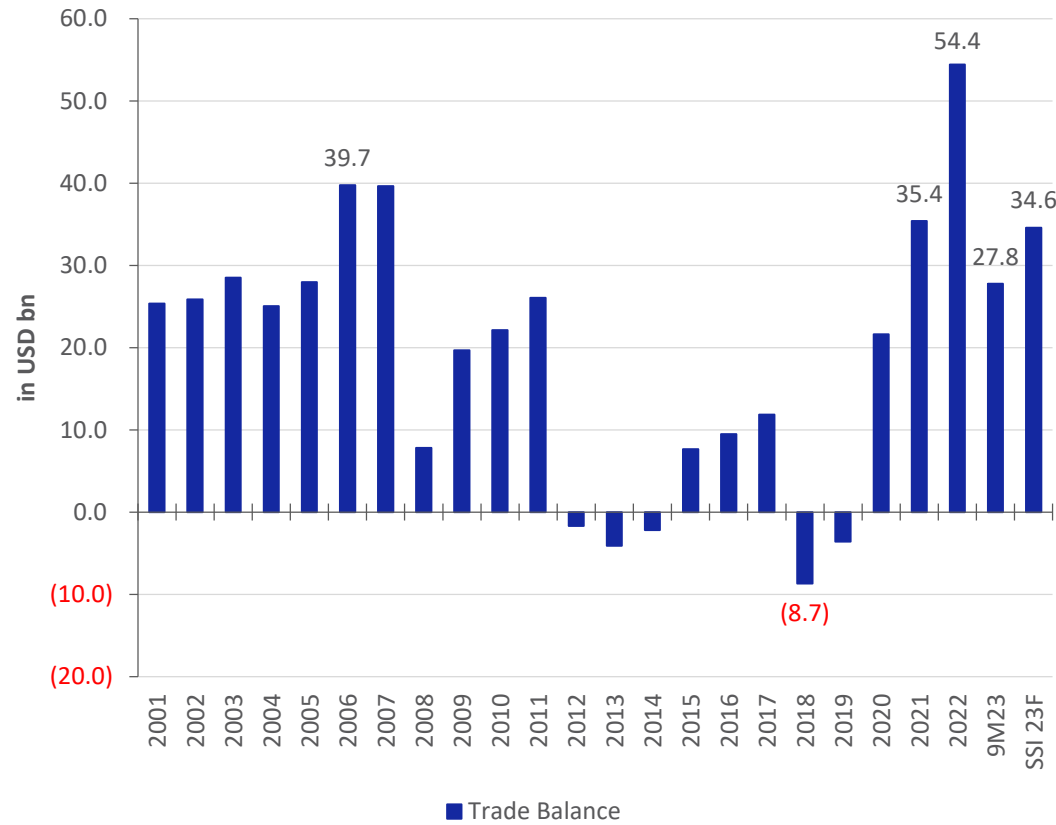
14 – 20 Oktober 2023

Pandangan Kami

- Bank Indonesia surprised market with a 7DRRR 25 bps hike to 6%; however, we expect selloff in the SBN market to continue till 10Y INDOGB yield reached 7.3-7.4% with Rupiah depreciation risk to IDR 16,000 per USD.
- 9M23 Indonesia trade surplus rose to USD 27.8bn (8M23: USD 24.4bn; 9M22: USD 39.8bn), and we observe a possibility for FY23 trade surplus to exceed our initial projection of USD 34.6bn (2022: USD 54.4bn; 2021: USD 35.4bn).
- In our view, correction in global and domestic bond markets will subside this week, as 10Y UST yield already reached 5% last week, while 10Y INDOGB yield may continue weakening to a target of 7.3-7.4%.
- Global investors will focus on the release of US core PCE inflation on Friday (27/10) with a risk of core PCE September's figure exceeding 0.3% mom (Cons: 0.2% mom) following an increase in monthly core PCE rate to 0.32% mom, caused by rising services super core inflation.

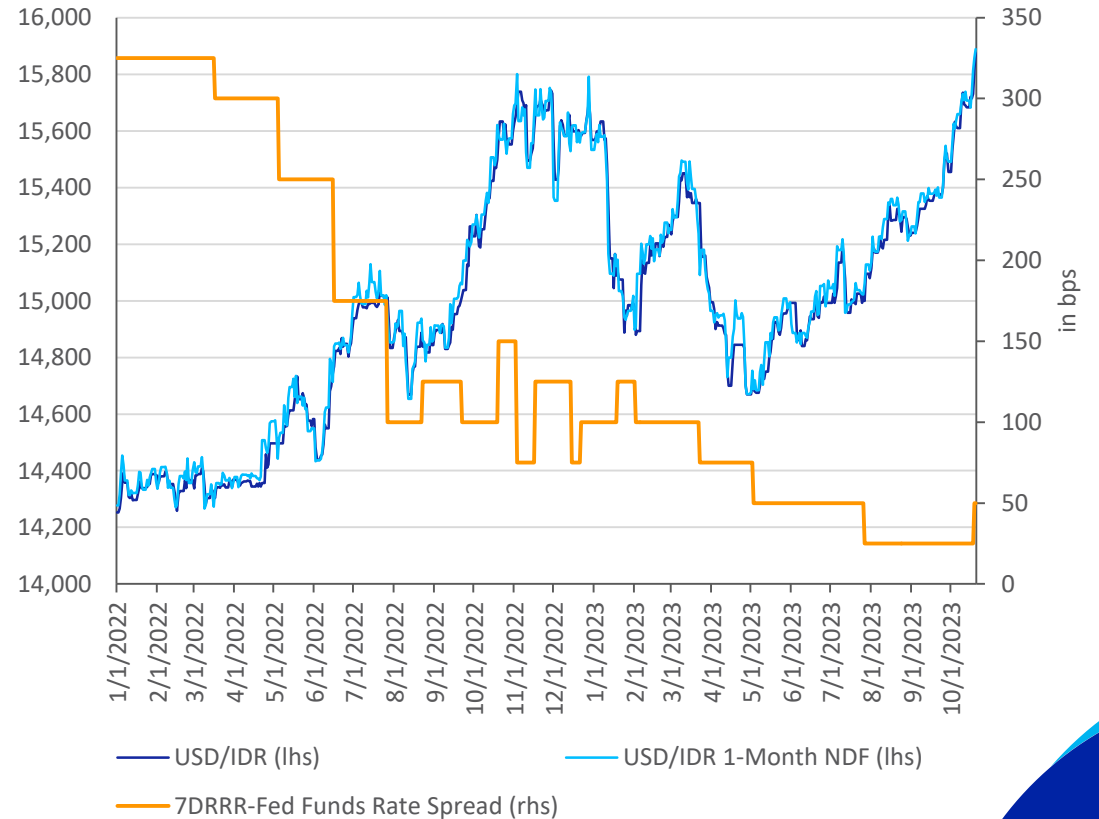
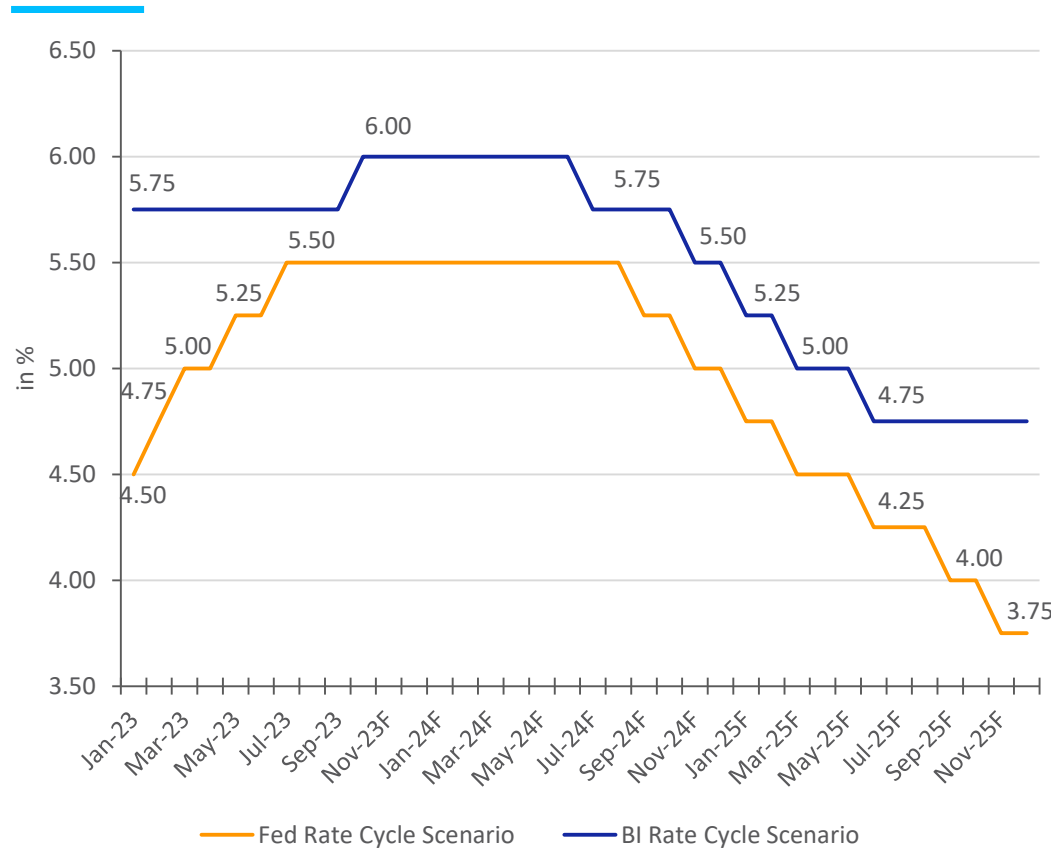
Indonesia Update: 9M23 trade surplus reached USD 27.8 bn (9M22: USD 39.8 bn; 9M21: USD 25.1bn)

However, 9M23 oil and gas trade deficit reached USD 14bn (9M22: USD 19.1bn; 9M21: USD 8.5bn)



Source: DJPPR, Bloomberg, SSI Research

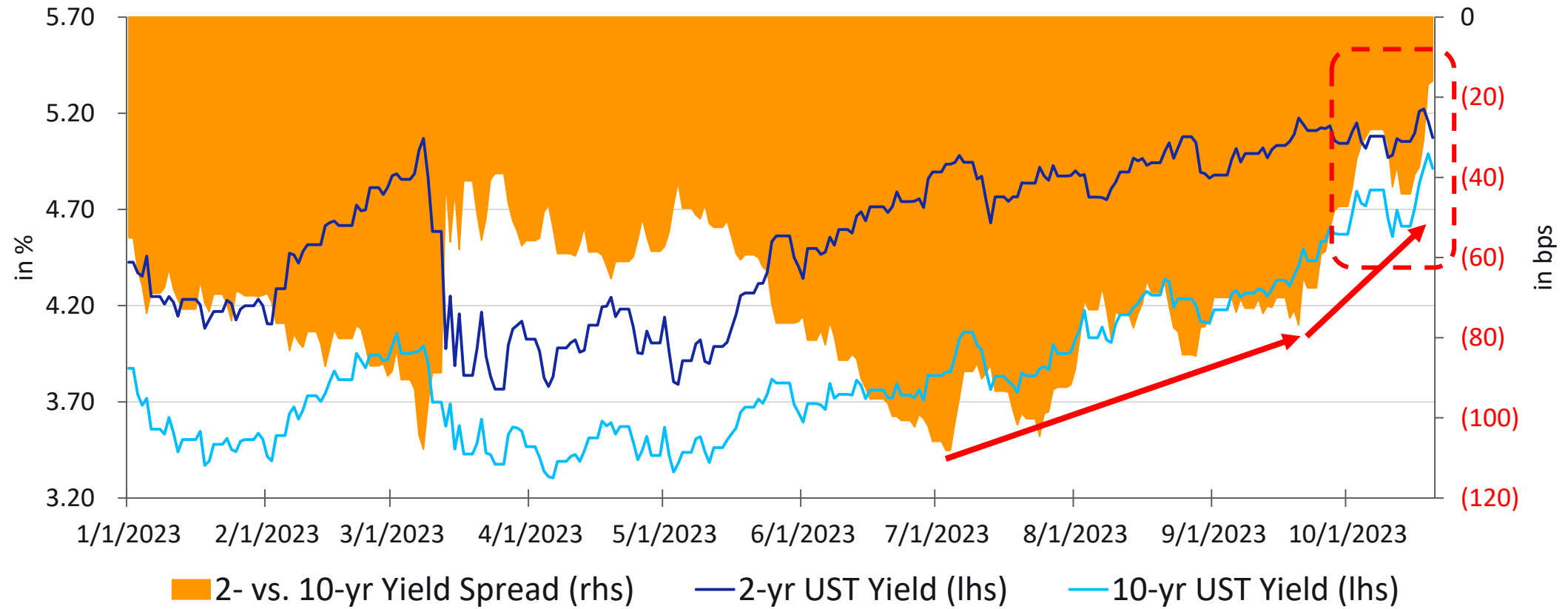
Indonesia Update: BI surprised market with 7DRRR hike of 25 bps to 6%; however, Rupiah depreciation continued on the next day to IDR 15,875 per USD as of (20/10)



Source: BI, SSI Research

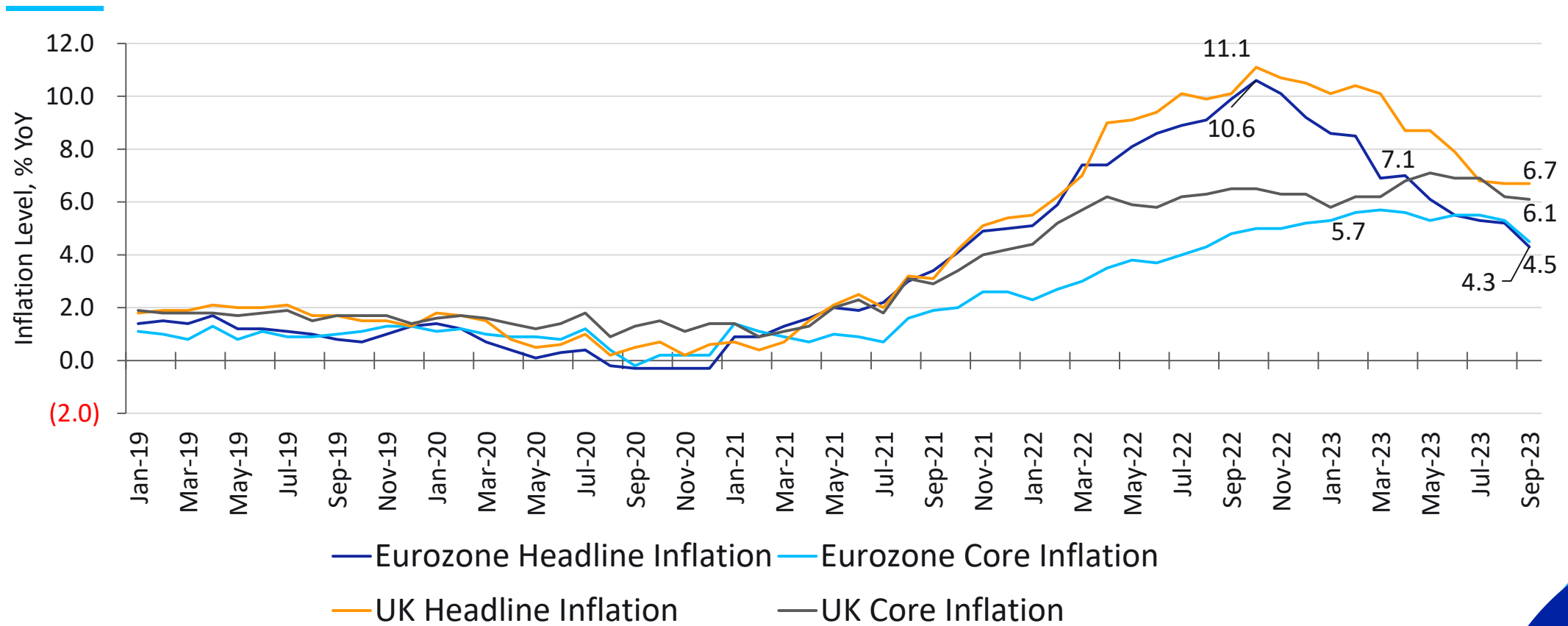
US Update: 10Y UST yield finally hit 5%

There is a possibility for a shift from inverted bear steepening trend (narrowing yield spread due to rising 10Y yield) toward inverted bull steepening trend (narrowing yield spread due to increasing 2Y yield)



Source: BEA, BLS, Bloomberg, SSI Research

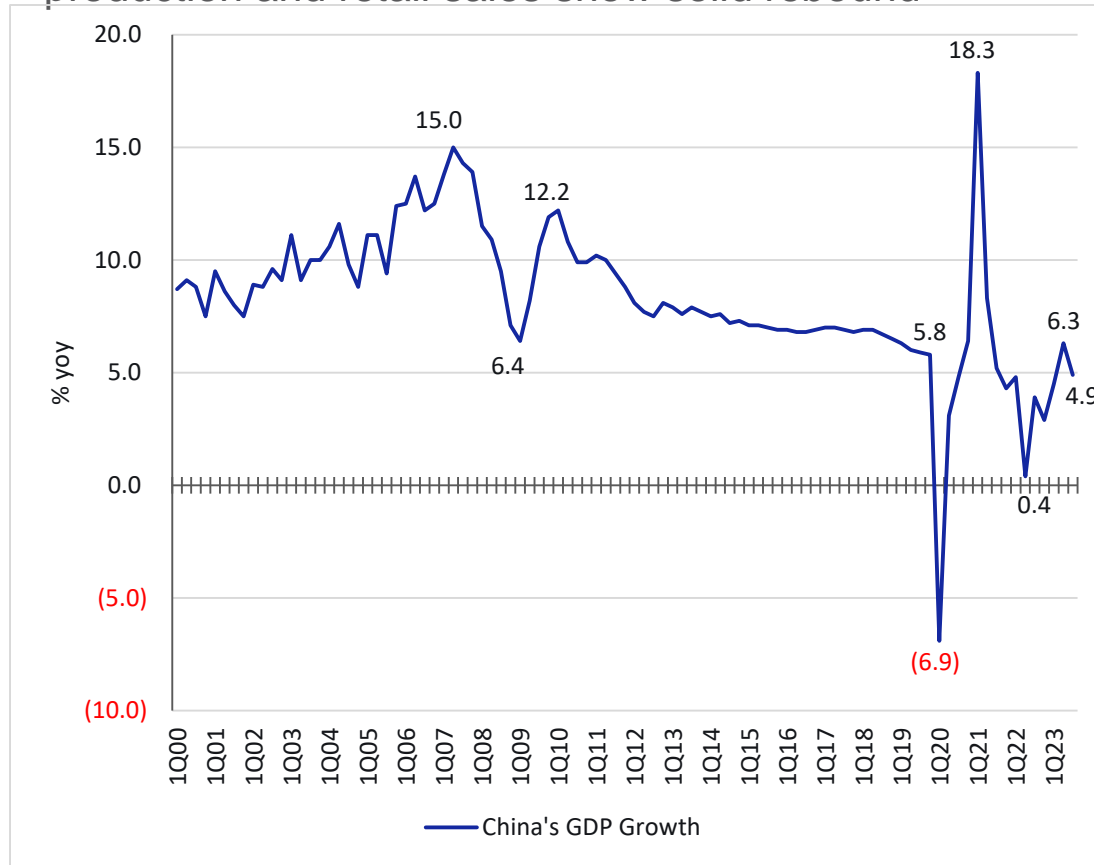
Europe Update: United Kingdom (UK) disinflation process came to a halt in September; however, the Bank of England (BOE) has not considered another rate hike yet



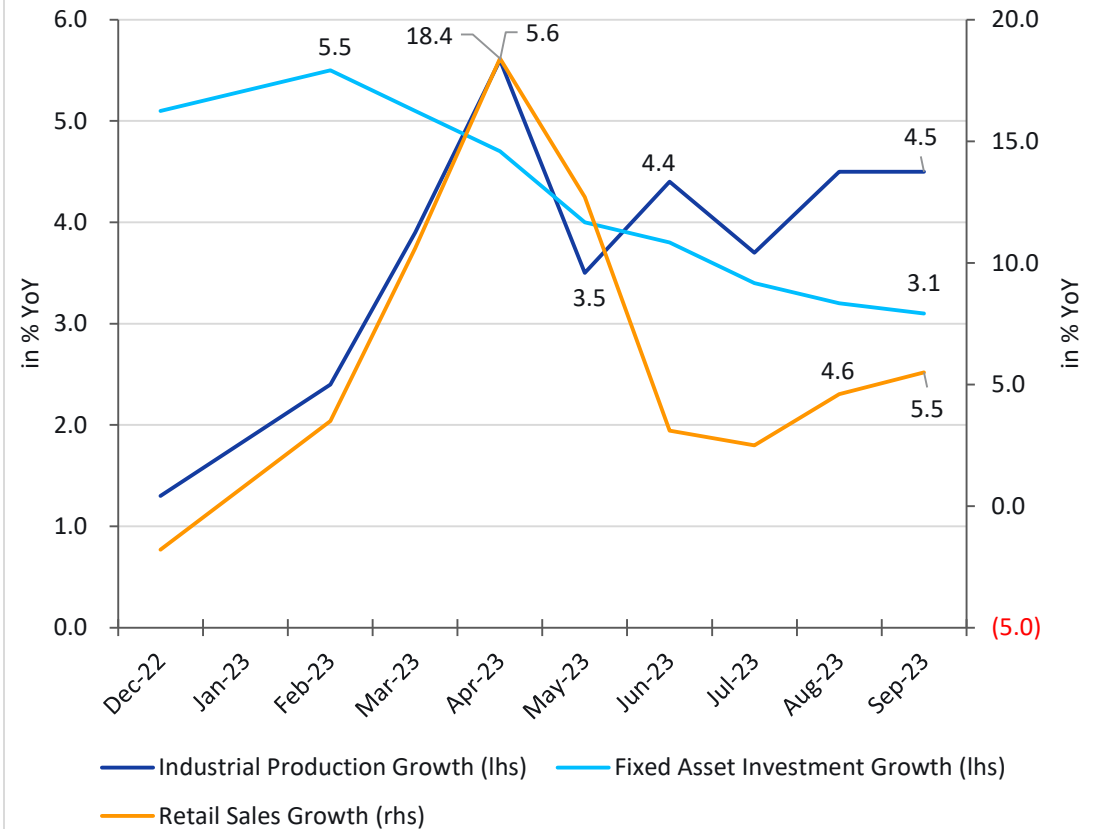
Source: ECB, Bloomberg, SSI Research

China Update: GDP growth slowed in 3Q23, albeit still better than consensus (Cons: 4.5% yoy)

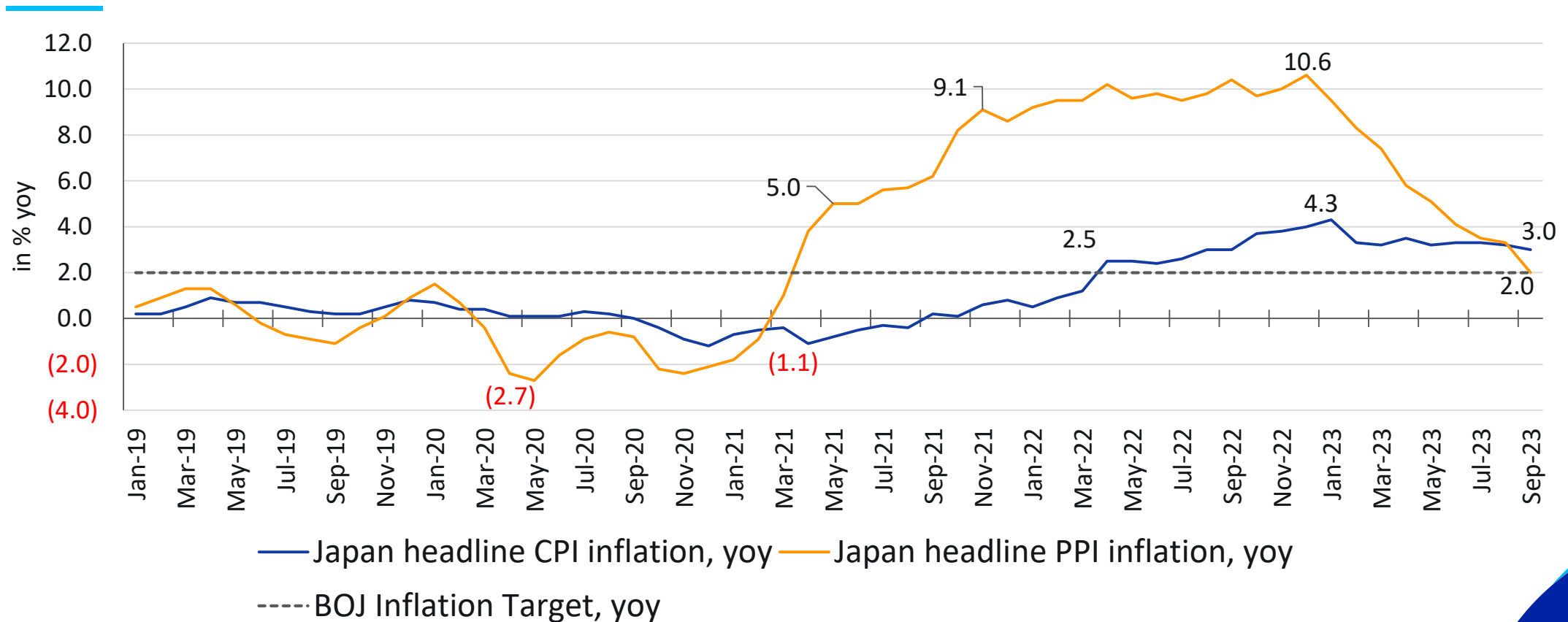
Investment continues to slow, but manufacturing production and retail sales show solid rebound



Source: NBOSC, Bloomberg, SSI Research



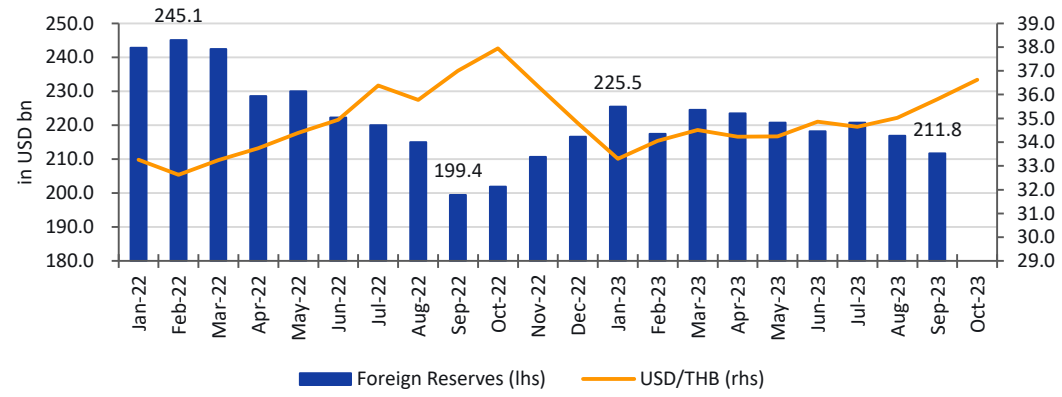
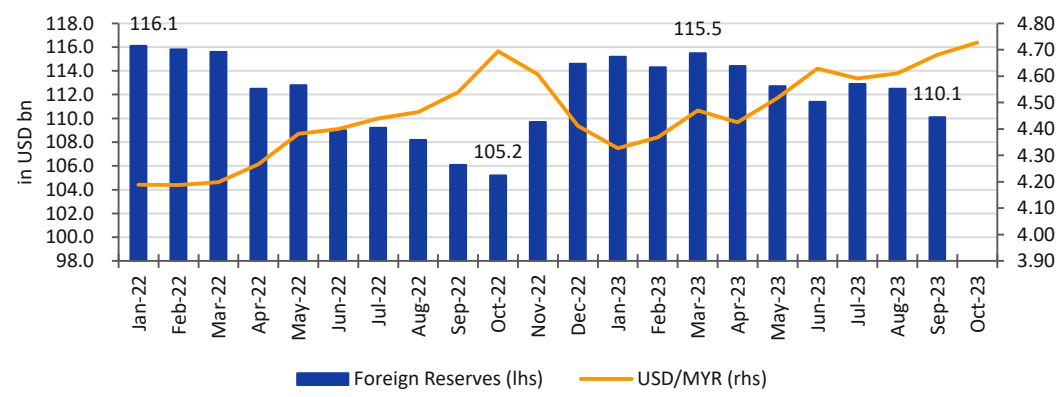
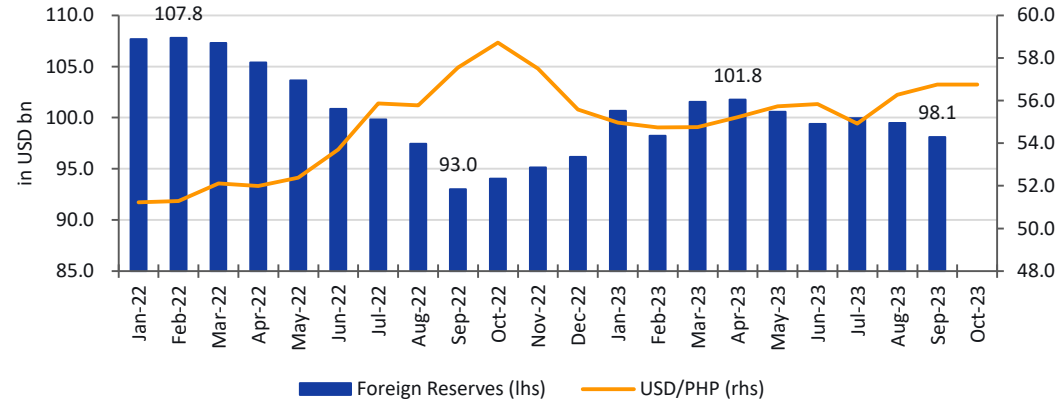
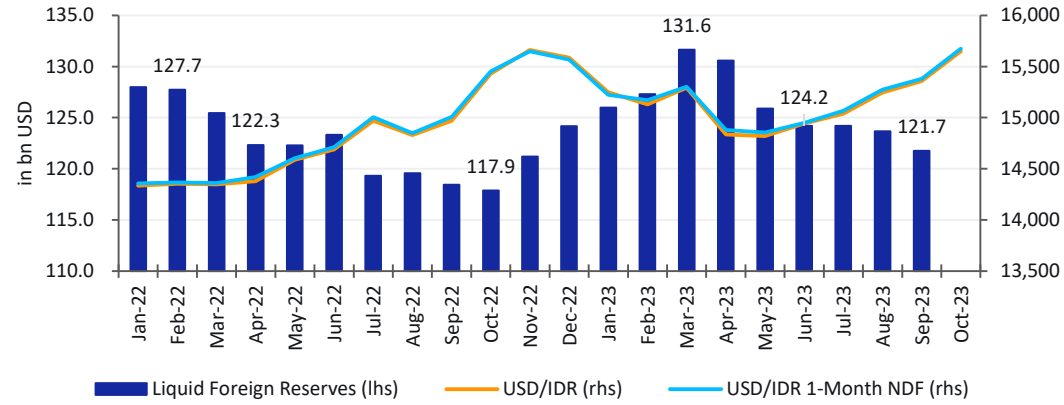
Japan Update: Inflationary pressure slows to 3% yoy in September (Aug: 3.2% yoy), and Bank of Japan (BOJ) signals a plan to end negative interest rate policy in 4Q23



Source: BOJ, MIC, Bloomberg, SSI Research

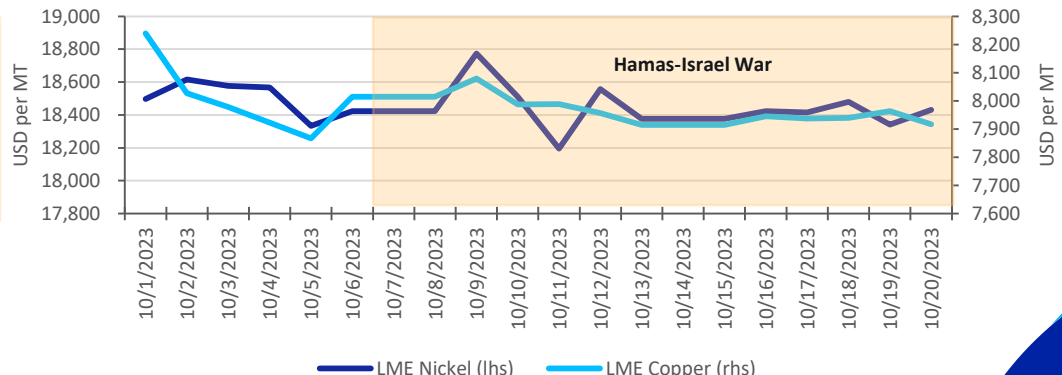
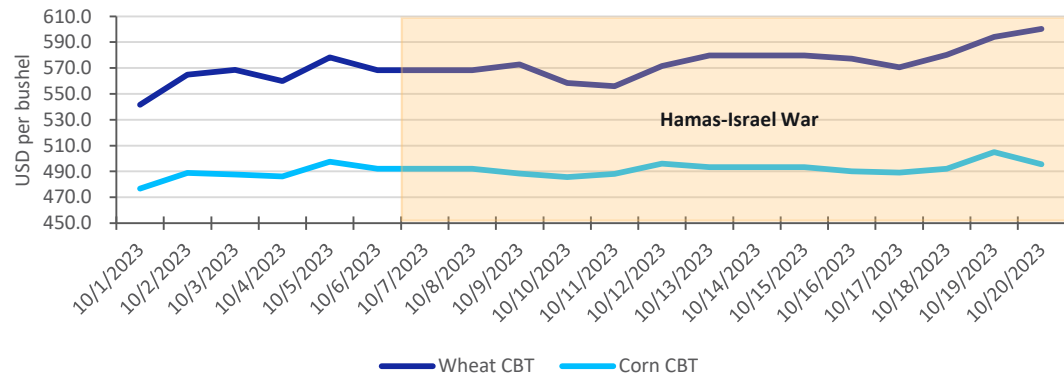
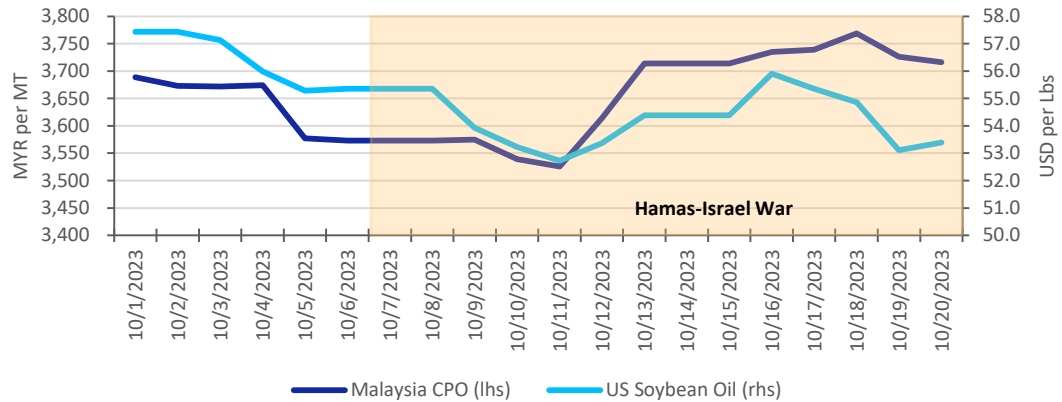
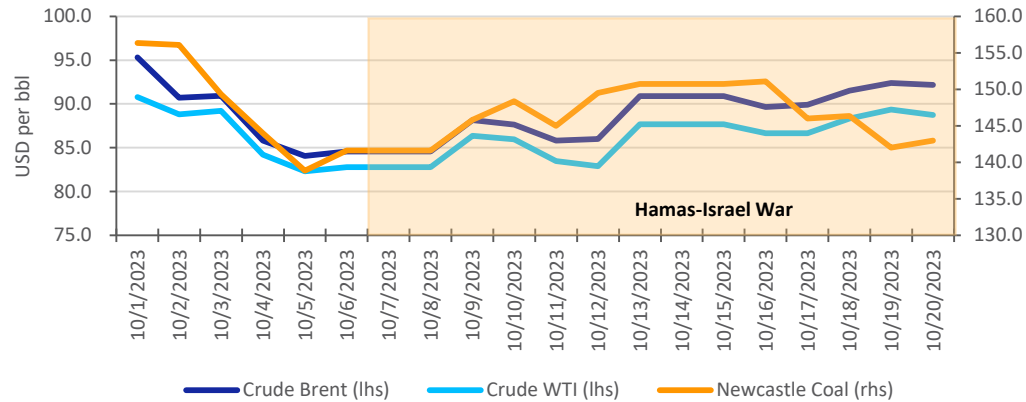
ASEAN Update: Central banks in Southeast Asia intensifies direct intervention in the foreign exchange market

Thailand (USD 13.7bn) and Indonesia (USD 9.9bn) recorded the largest FX intervention; meanwhile, the Philippines has pursued minimal intervention, as BSP keeps increasing rate



Source: S&P, Bloomberg, SSI Research

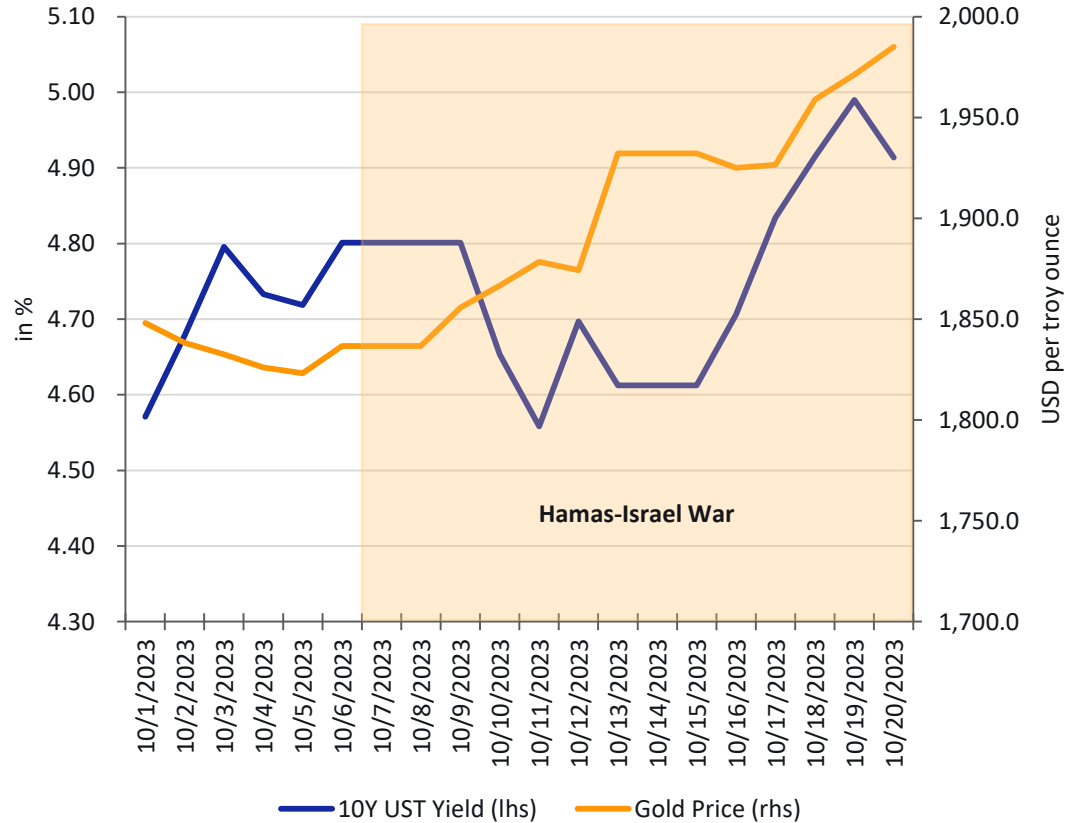
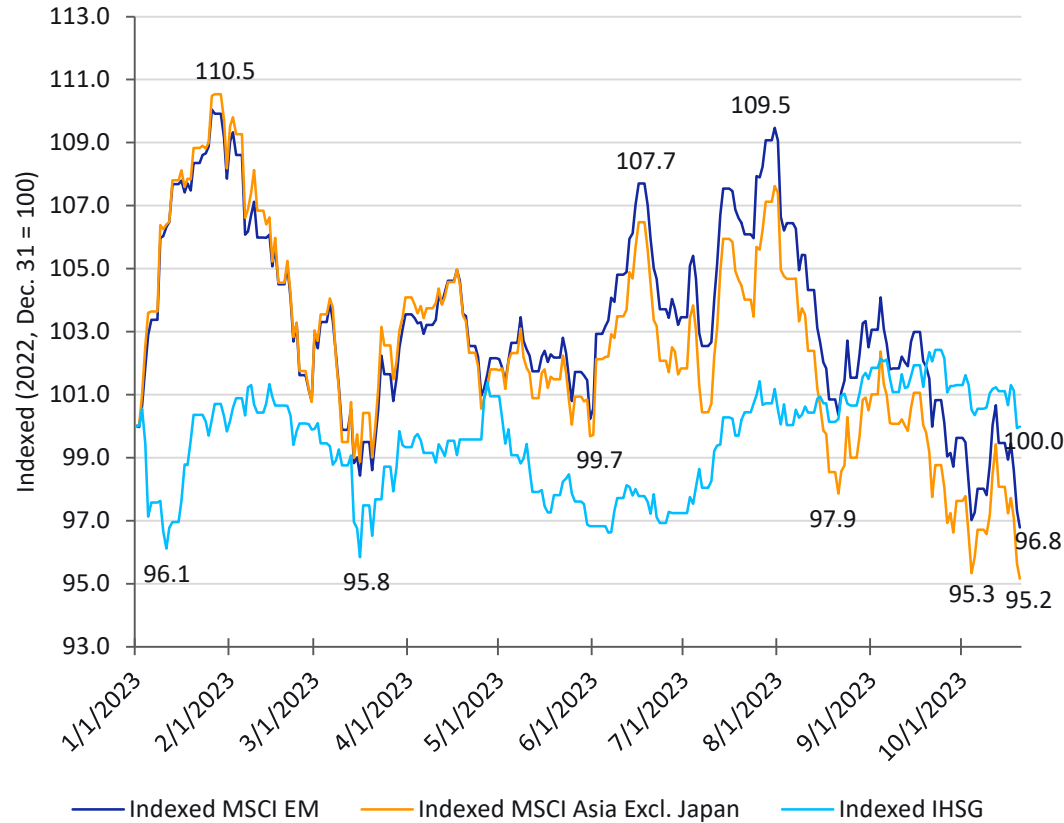
Global Commodity Update: The momentum of oil price increase intensifies as fighting widens to a second front with Hezbollah in Lebanon, but coal and vegetable oil prices weaken



Source: Bloomberg, SSI Research

Global Stock Market Update: Asia and emerging market stocks resumed bearish trend due to selloff in US treasury market

Nevertheless, flight to safety continues as investors shift their portfolio from stocks and bonds to gold



Source: MSCI, IDX, Bloomberg, SSI Research

This Week

21 – 27 Oktober 2023

Ones to Watch



24 October 2023

Manufacturing PMI United States (Aug: 49.8; Cons: 49.5), Eurozone (Aug: 43.4; Cons: 43.6), and United Kingdom (Aug: 44.3; Cons: 44.6)



24 October 2023

Services PMI United States (Aug: 50.1; Cons: 49.4), Eurozone (Aug: & Cons: 48.7), and United Kingdom (Aug: & Cons: 49.3)



24 October 2023

M2 money supply growth Bank Indonesia (Aug: 5.9% yoy), bank loans growth (Aug: 8.9% yoy), and third-party deposits growth Indonesia (Aug: 6.4% yoy)



26 October 2023

ECB main refinancing rate (Sep: & Cons: 4.5% [0 bps]), marginal lending facility rate (Sep: & Cons: 4.75% [0 bps]), and deposit facility rate (Sep: & Cons: 4% [0 bps])



26 October 2023

GDP growth 3Q23 United States (2Q23: 2.1% qoq SAAR; Cons: 4.3% qoq SAAR)



27 October 2023

Headline inflation (Aug: 3.5% yoy; Cons: 3.4% yoy) and core PCE United States (Aug: 3.9% yoy; Cons: 3.7% yoy)



Thank You

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