

# Macro Strategy and Fixed Income Weekly

Lionel Priyadi

Your Lifelong  
**Investment Partner**

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



# Last Week's Recap

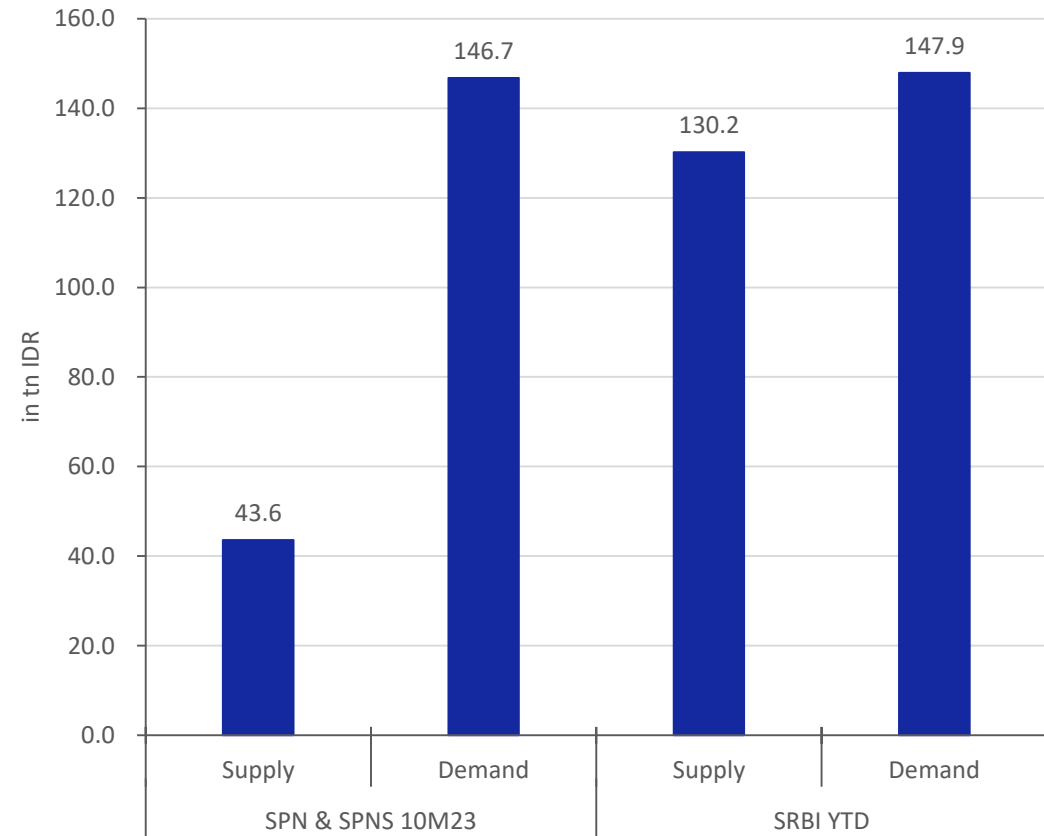
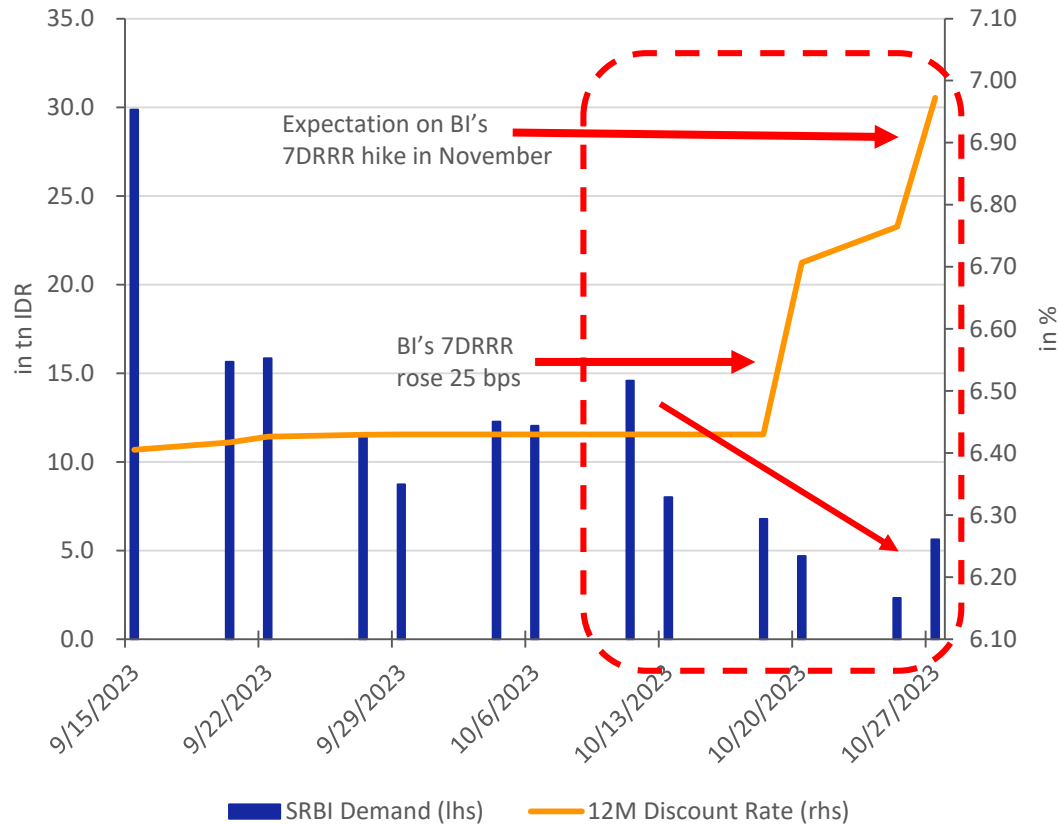
## October 21 – 27, 2023

## What's Our View?

- In our opinion, the INDOGB 10Y yield will continue to increase toward 7.3-7.5% in November, following the unexpected SRBI discount rate hike at last Friday's auction (10/27), which increases the risk of another BI 7DRRR hike in November.
- We expect Indonesia's CPI inflation rate to slightly increase in October to 2.4% yoy (Aug: 2.3% yoy; Cons: 2.6% yoy) due to the impact of El Niño on domestic food price inflation.
- We project Indonesia's 3Q23 GDP growth to fall to 4.9% yoy (2Q23: 5.2% yoy; Cons: 5% yoy), mainly due to weakening exports, although investment growth and government spending are expected to increase.
- We believe that over the next week, the JCI will be largely overshadowed by the global bearish trend and the risk of a BI 7DRRR hike in November (projected movement range: 6,650-6,850).
- Investors will focus their attention on the Fed rate announcement on Thursday (11/2) and Powell's speech, which is predicted to have a hawkish tone but with an increasingly dovish tendency, ahead of the release of US labor market data for October on Friday (3/11).

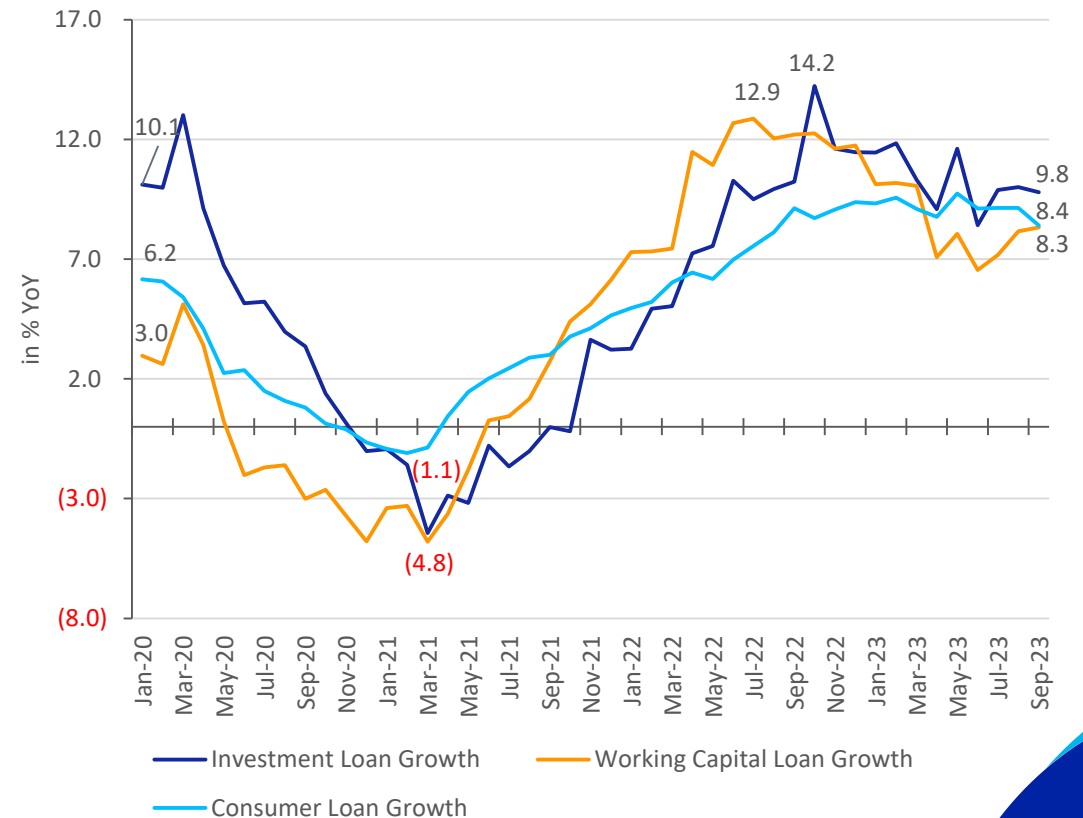
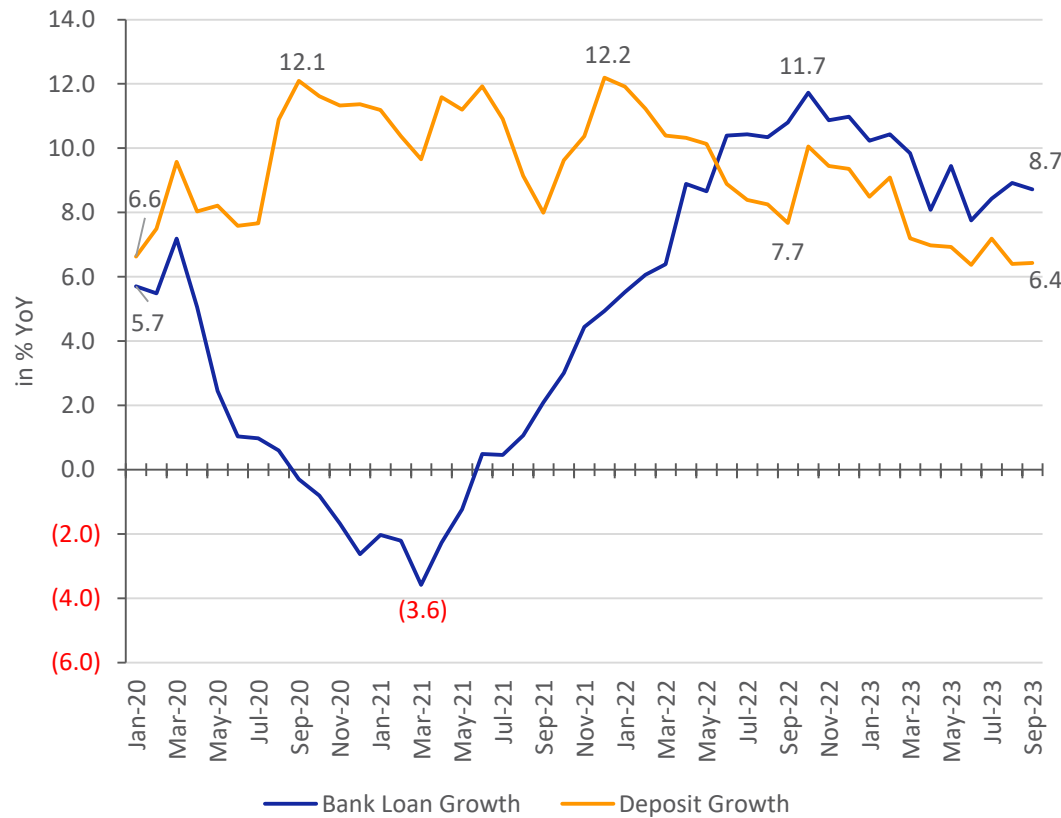
## Indonesia Update: The risk of another BI 7DRRR hike in November looms over the SBN market

The increase in the SRBI 12M discount rate to 6.97%, which was mainly caused by the drop in demand for SRBI in the primary market, is a signal of another BI 7DRRR hike in November.



Source: DJPPR, SSI Research

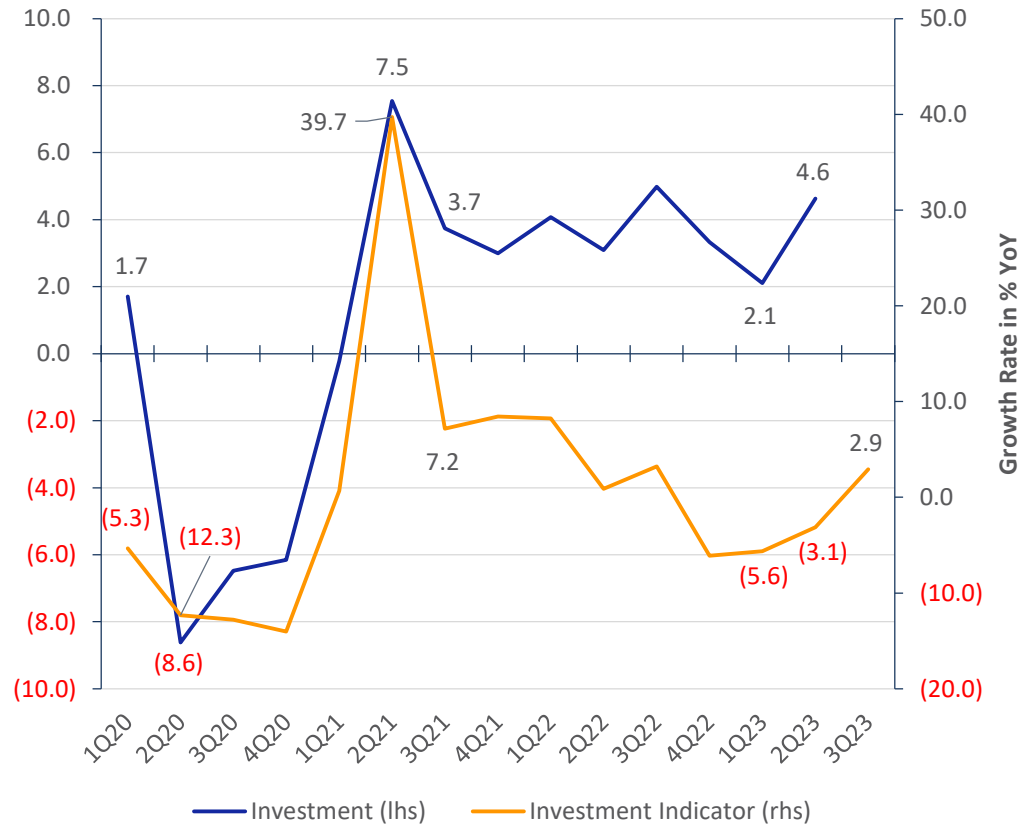
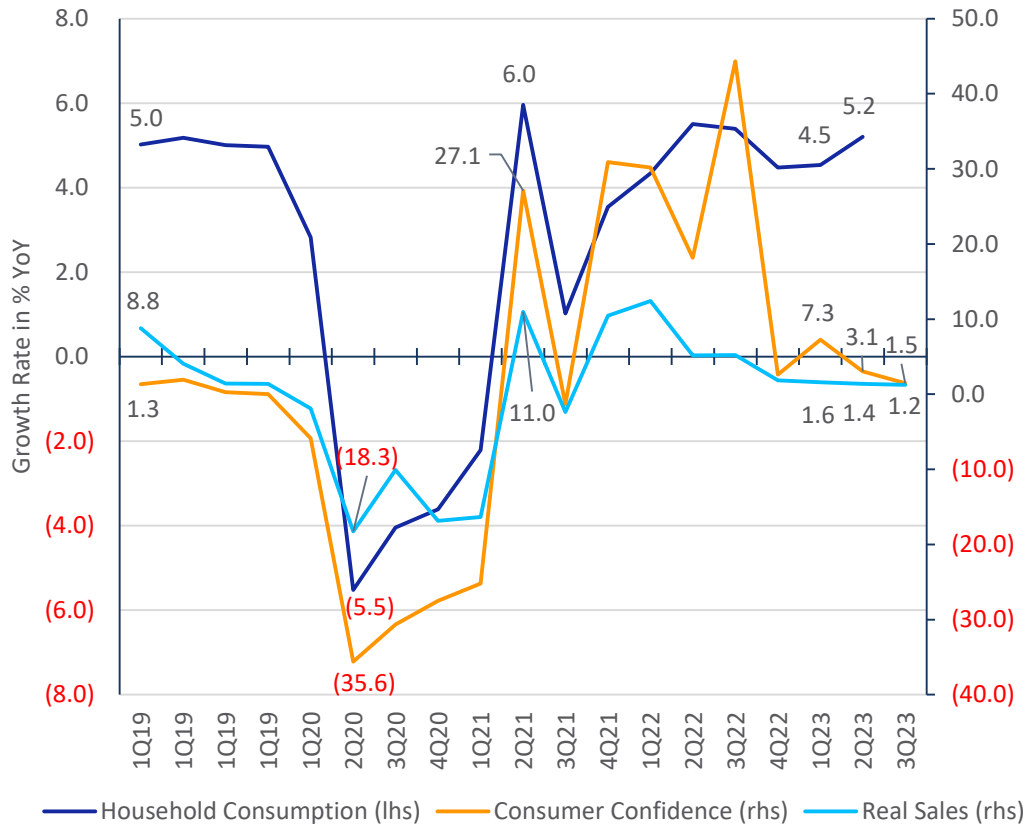
# Indonesia Update: If BI does raise its 7DRRR to 6% in November, banking credit growth might slow down.



Source: BI, SSI Research

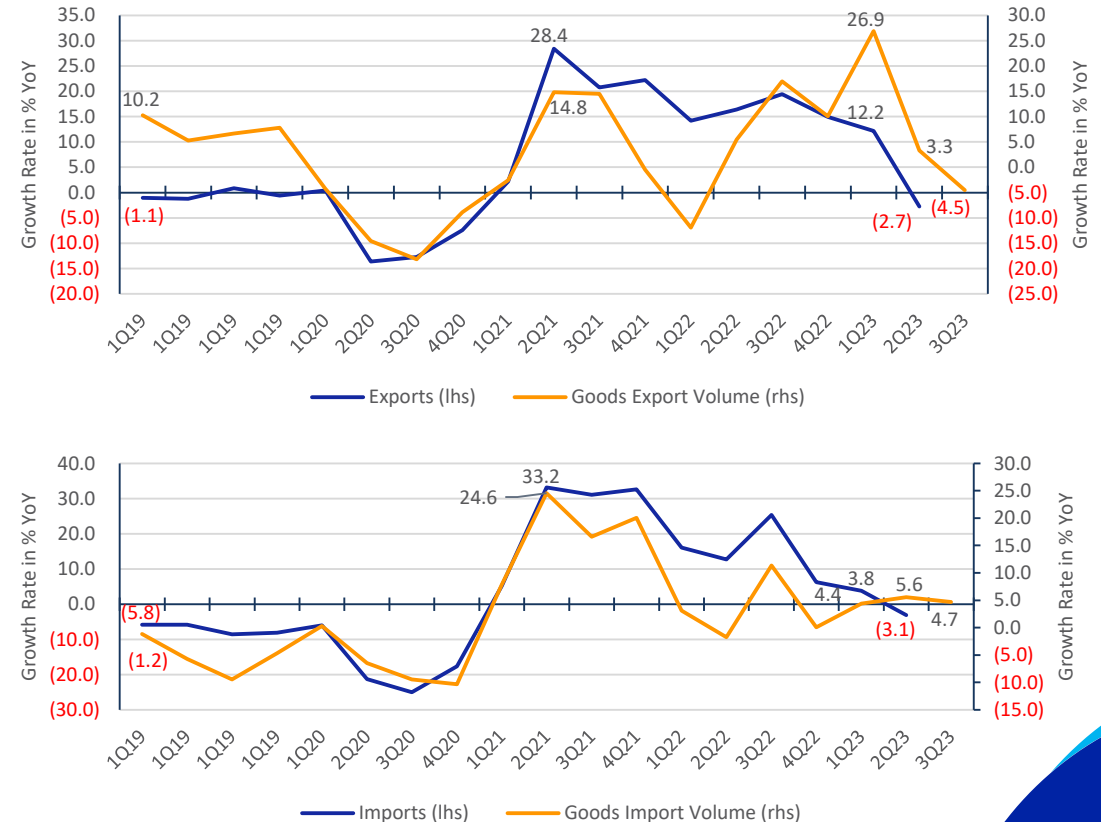
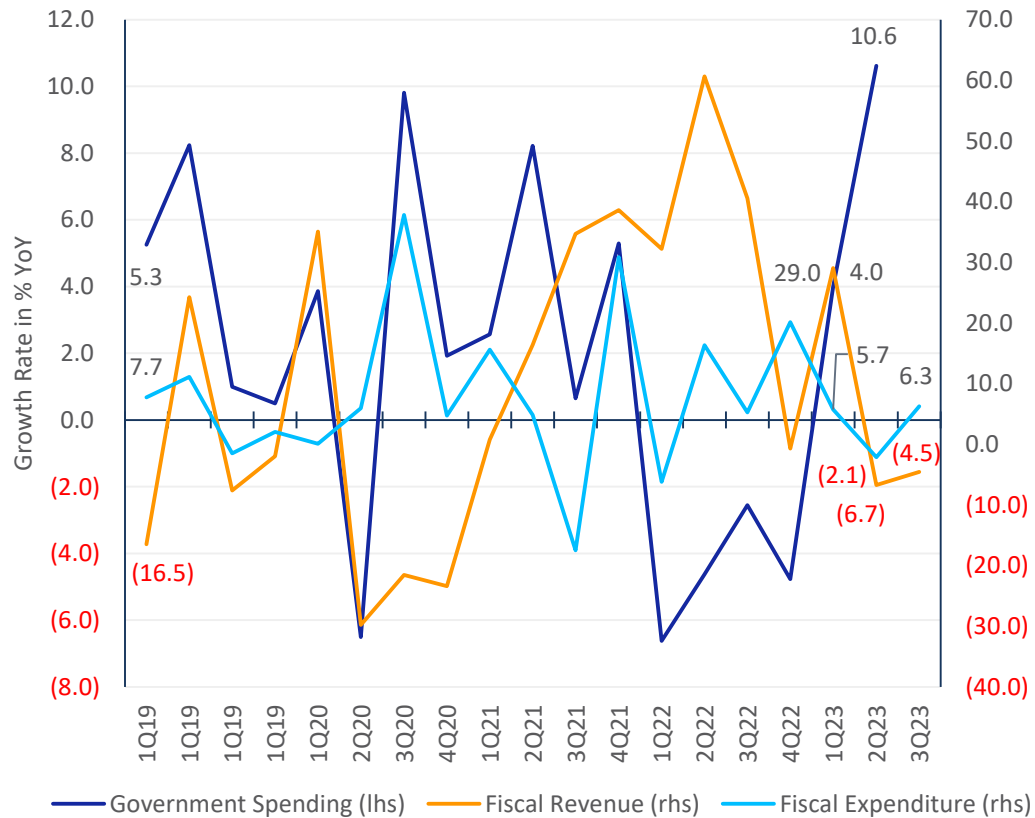
# Indonesia Update: We project 3Q23 GDP growth to reach 4.9% yoy

Supported by household consumption growth (5.2% yoy) and investment growth (6% yoy)



Source: ASI, BI, BPS, Gaikindo, SSI Research

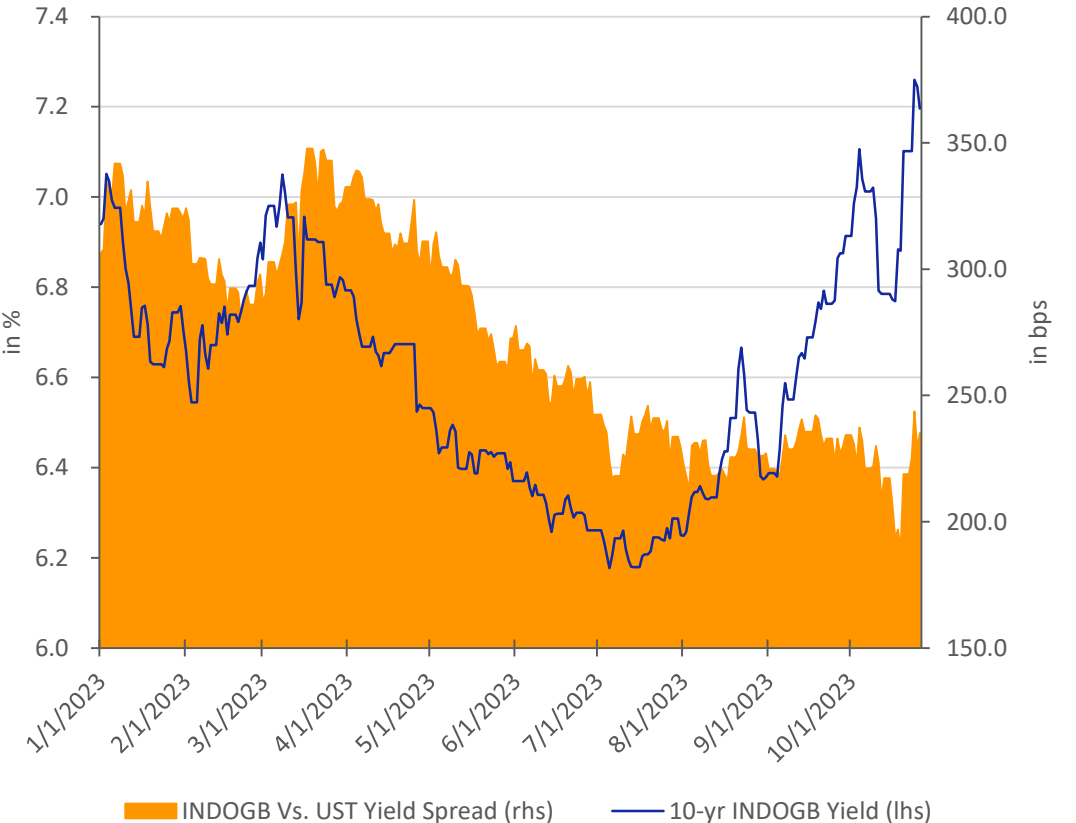
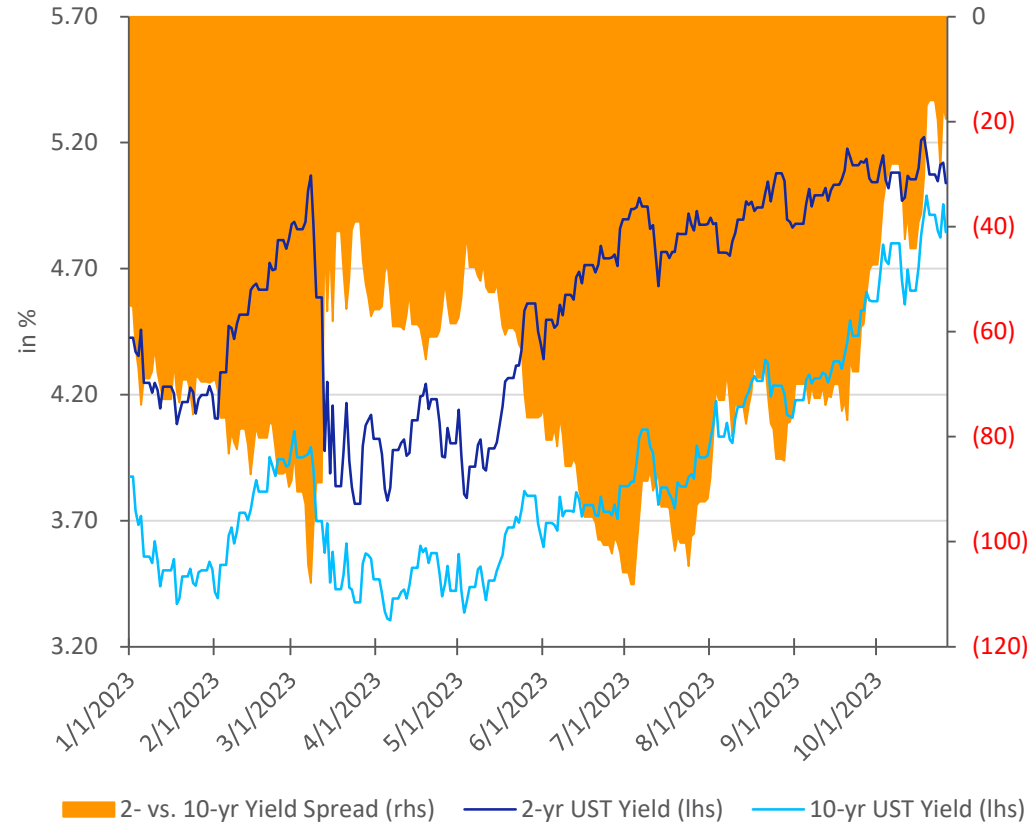
# Indonesia Update: Government spending grew 12% yoy, export fell -7% yoy, and import dropped -5% yoy



Source: BI, SSI Research

# US Update: UST 10Y yield has started to show signs of stabilizing at 4.8-5%

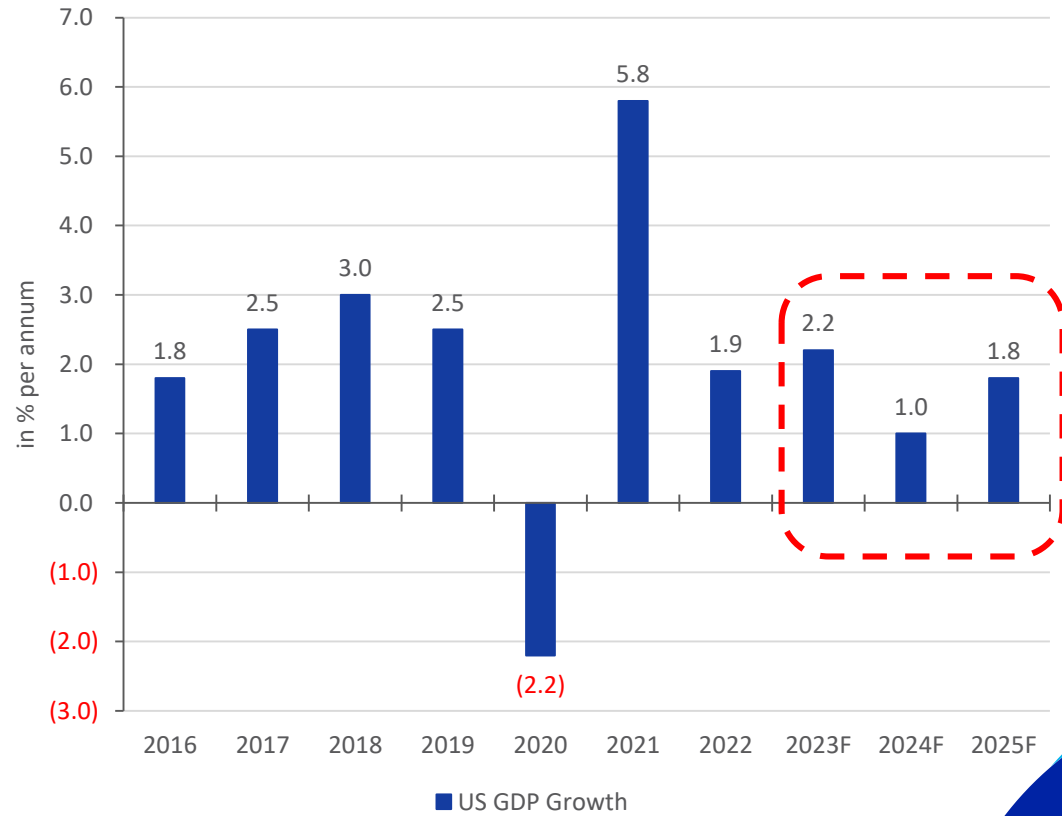
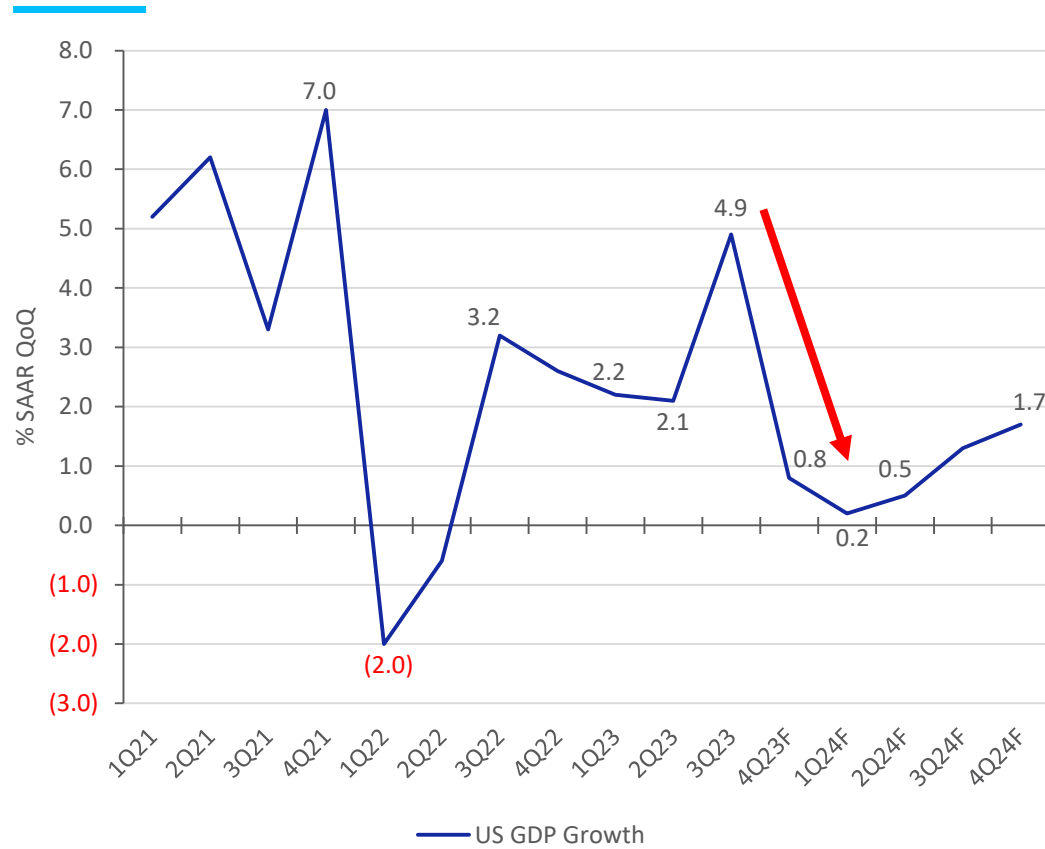
This positively impacts INDOGB 10Y yield, which has an average yield spread of 228 bps throughout 2H23



Source: Bloomberg, SSI Research



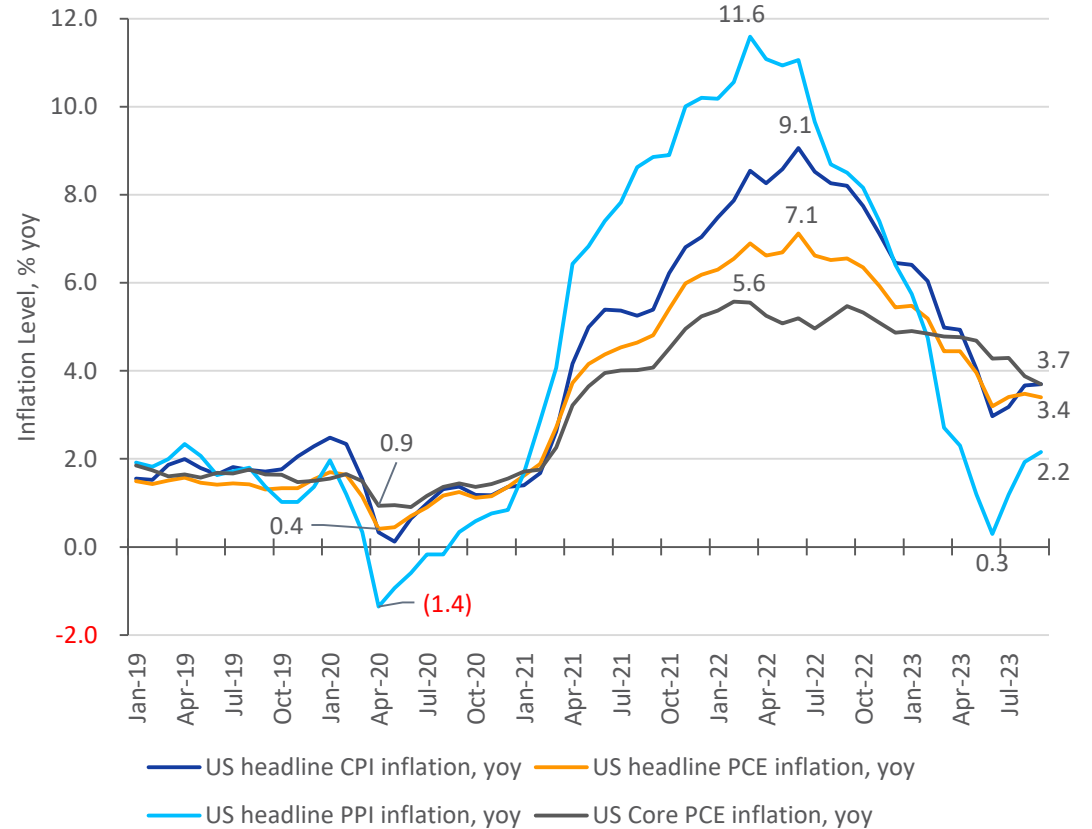
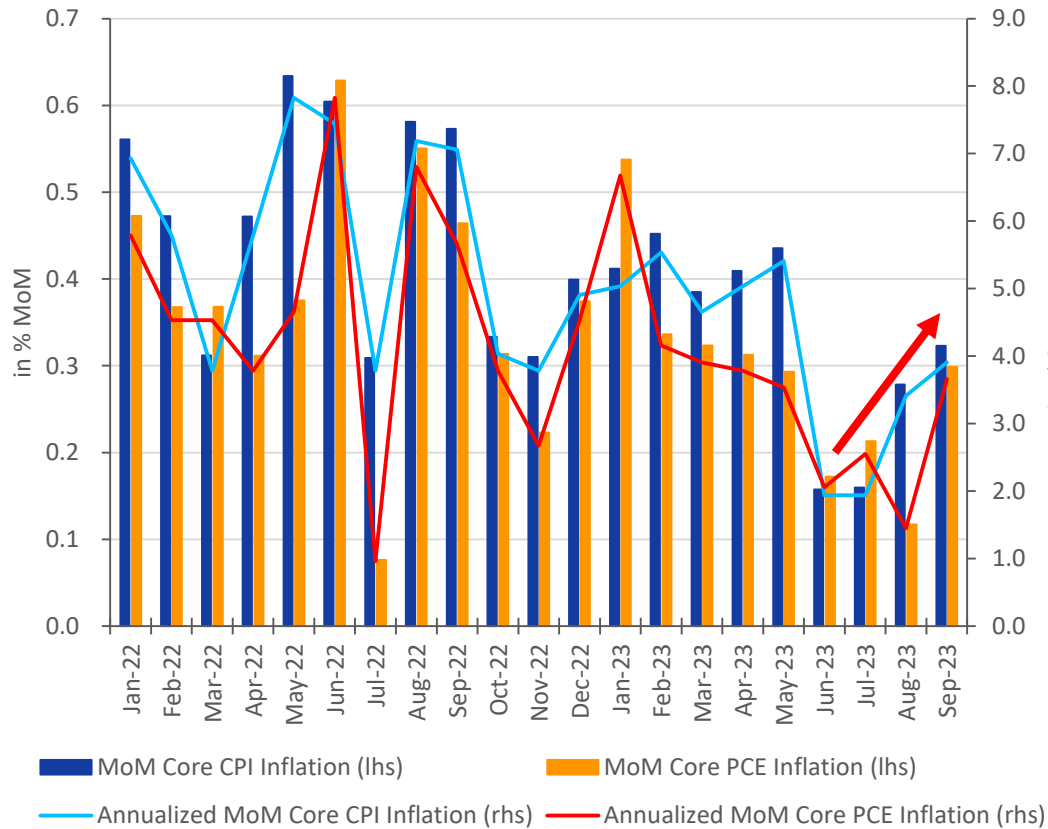
US Update: US GDP grew 4.9% in 3Q23, exceeding expectations (4.5%); however, market players remain confident that the US economy will slow down starting from this quarter (4Q23) until 1H24



Source: BI, SSI Research

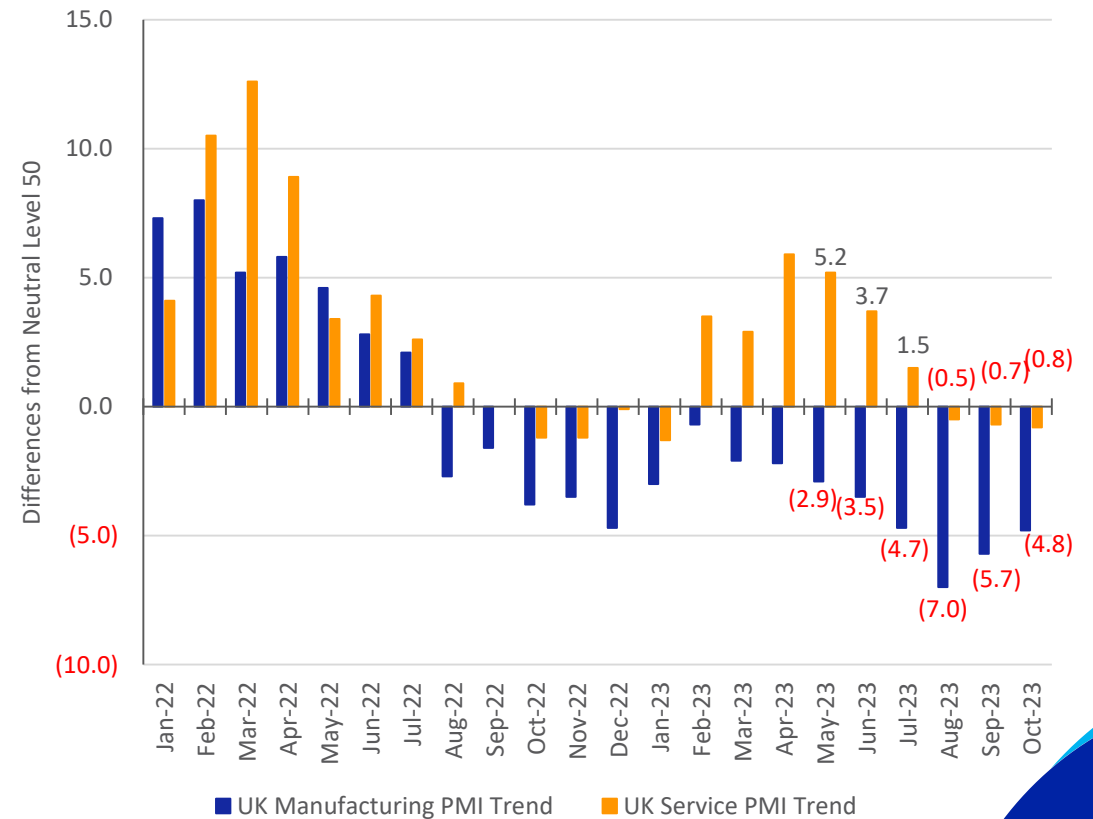
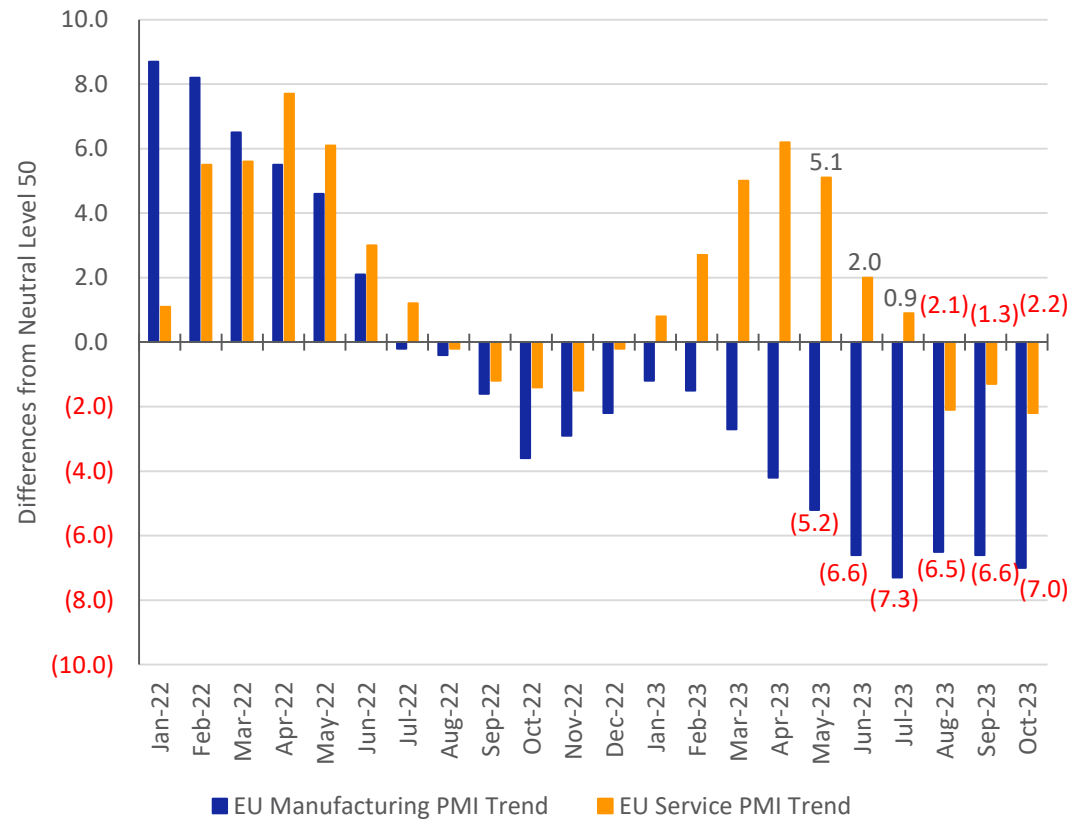
## US Update: US core PCE inflation rate rose to 0.3% mom in September (Aug: 0.12% mom), still within the Fed's tolerance limits

With an inflation rate of 0.3% mom until the end of the year, the projected core PCE inflation rate (3.6% yoy) will still be lower than the Fed's September projection (3.7% yoy)



Source: BEA, BLS, Bloomberg, SSI Research

# Eurozone Update: Recession in Europe will continue in 4Q23



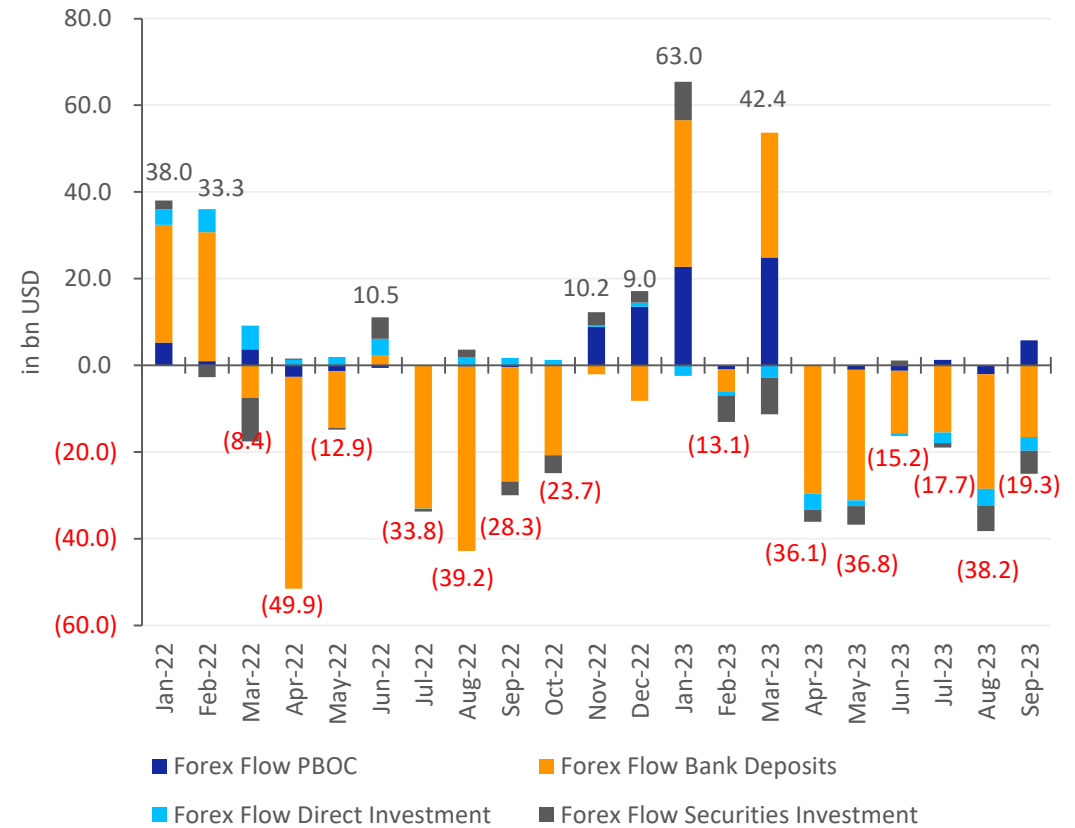
Source: S&P, Bloomberg, SSI Research

# China Update: CNY remains stuck at 7.3-7.33/USD

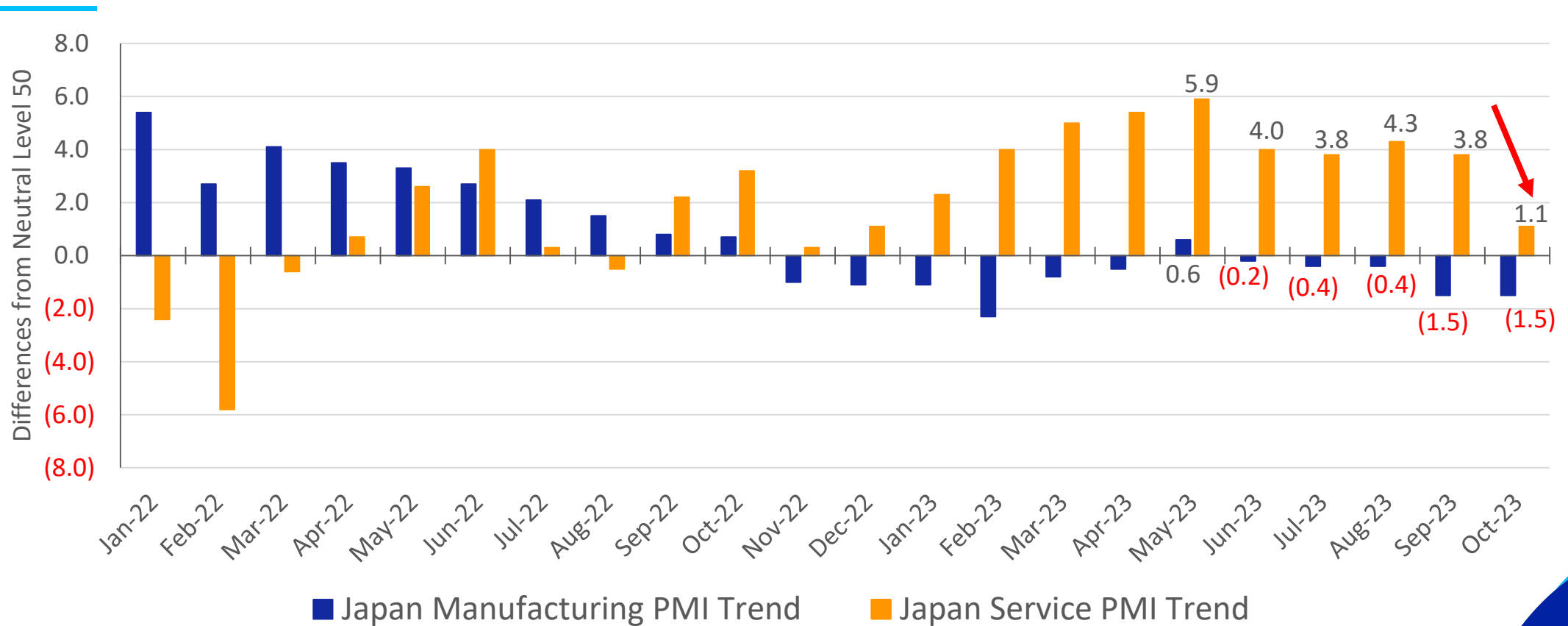
Due to continuous capital outflow, although it slowed down in September to USD 19.3bn



Source: PBOC, Bloomberg, SSI Research



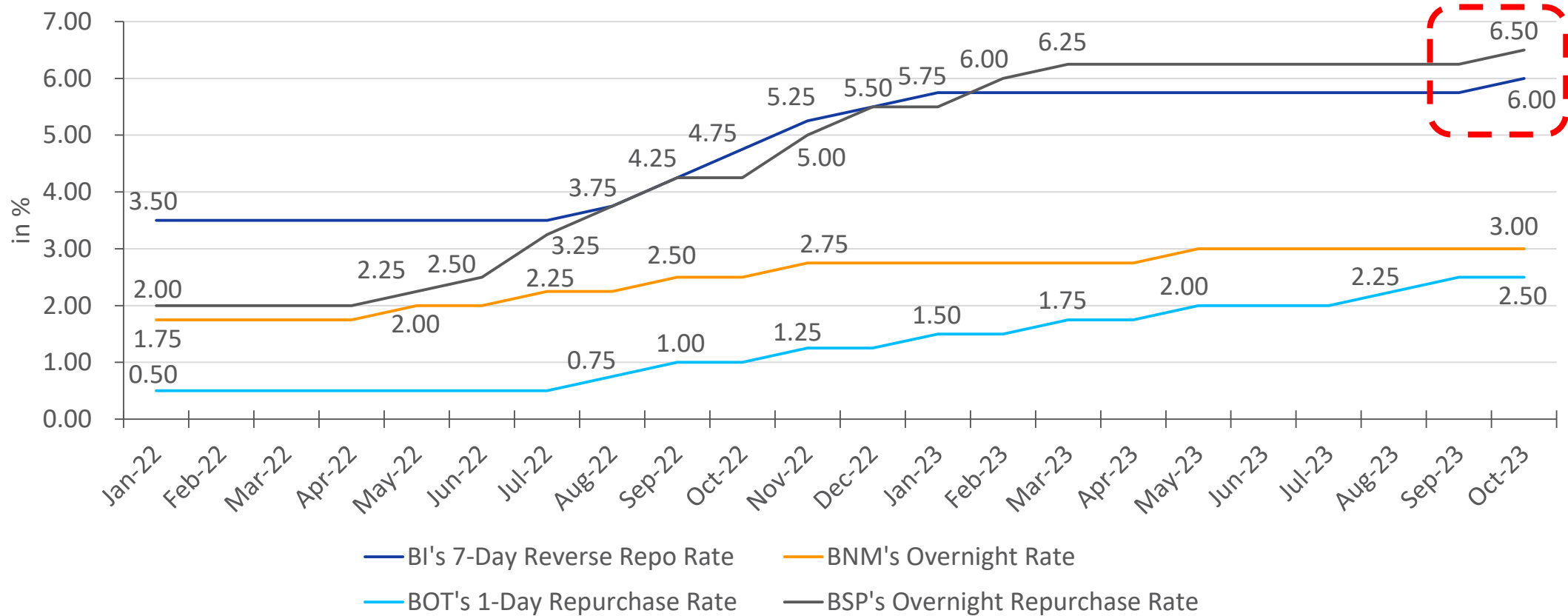
## Japan Update: Japan's economic activity showed signs of slowdown in October



Source: S&P, Bloomberg, SSI Research

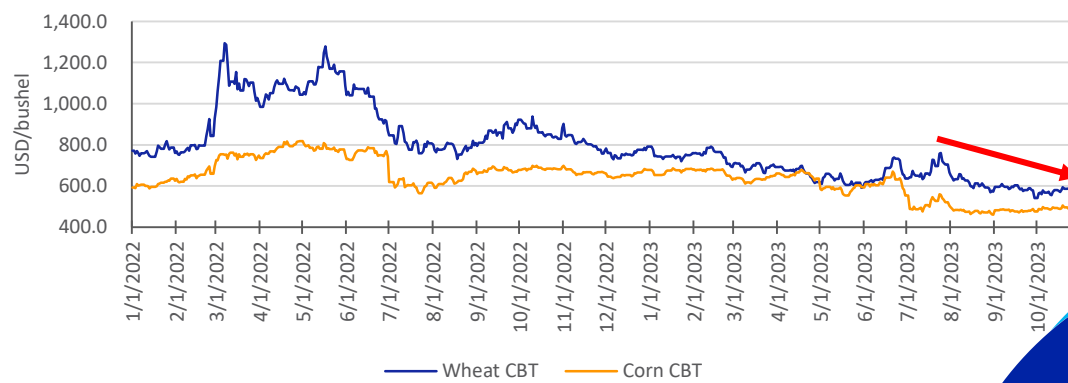
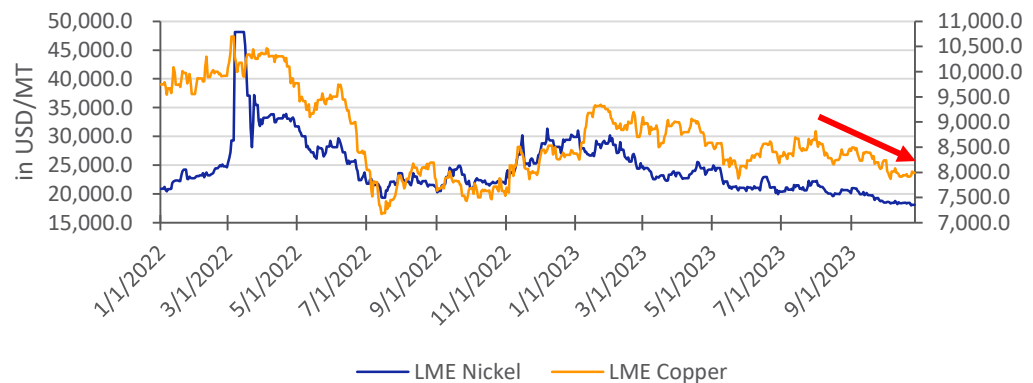
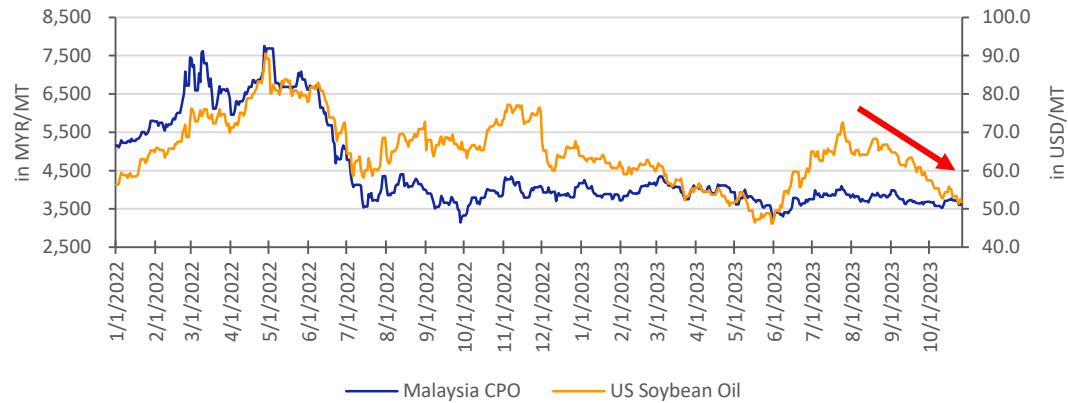
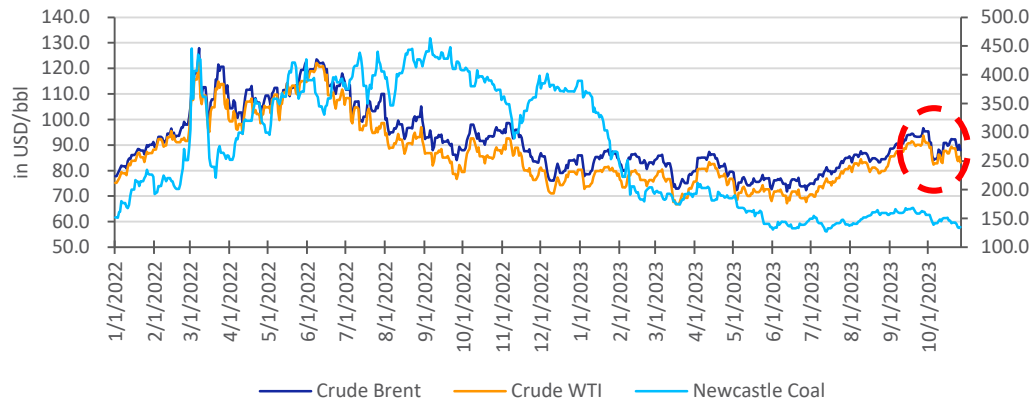
## ASEAN Update: BSP raises its benchmark interest rate outside the monetary policy council meeting to 6.5%

The decision was made mainly due to strong inflationary pressures in the Philippines, in contrast to Bank Indonesia's decision, which was motivated by concerns about Rupiah depreciation.



Source: BI, BNM, BOT, BSP, Bloomberg, SSI Research

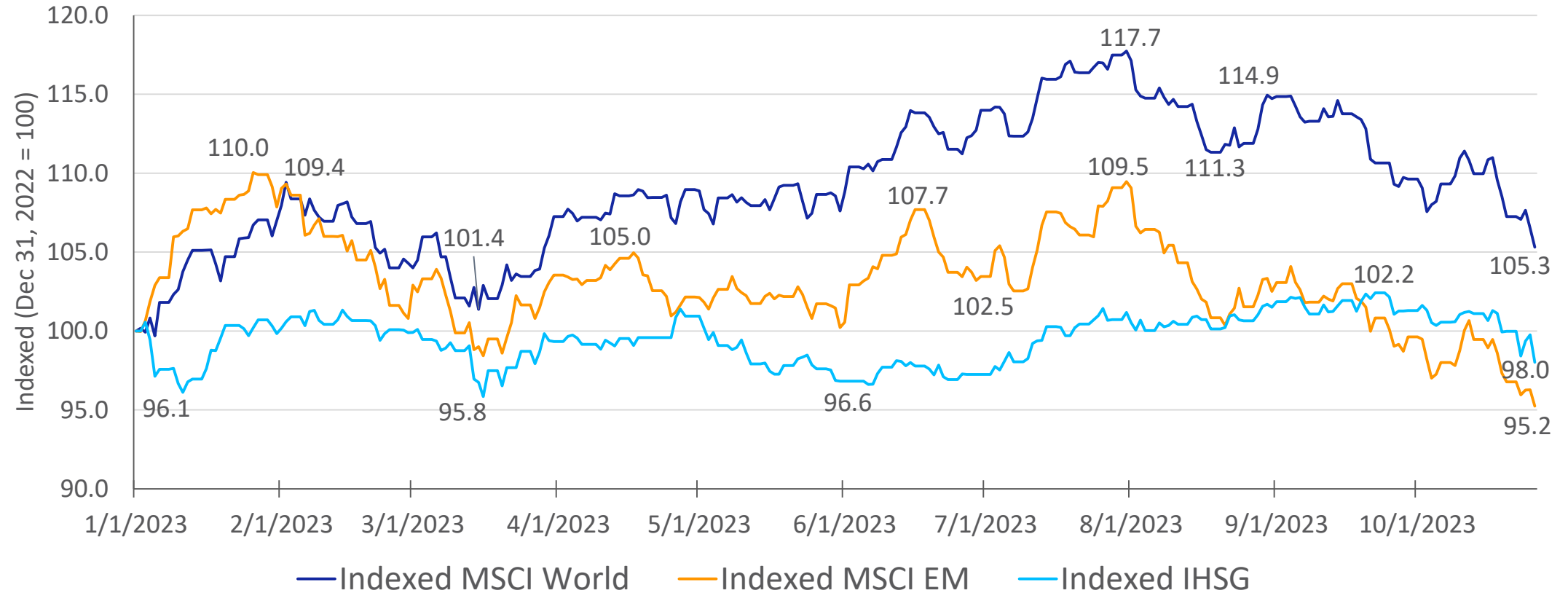
# Global Commodity Update: Commodity prices, including energy, lost momentum due to the US government's pressure on Israel to refrain from carrying out military counterattacks



Source: Bloomberg, SSI Research

## Global Stock Market Update: Global stock markets are still in a bearish trend

Aside from the bearish trend, the JCI is also overshadowed by the risk of another BI 7DRRR hike in November



Source: MSCI, IDX, Bloomberg, SSI Research



# This Week

## October 28 – November 3, 2023

## Ones to Watch



October 31, 2023

China's official manufacturing (Sep: 50.2; Cons: 50.2) and services PMI (Sep: 51.7; Cons: 51.8)



October 31, 2023

Eurozone's headline (Sep: 4.3% yoy; Cons: 3.1% yoy) and core CPI inflation (Sep: 4.5% yoy; Cons: 4.2% yoy)



October 31, 2023

Eurozone's 3Q23 GDP growth (2Q23: 0.5% yoy or 0.1% qoq; Cons: 0.2% yoy or 0% qoq)



November 1, 2023

Indonesia's headline (Sep: 2.3% yoy; Cons: 2.6% yoy; SSI: 2.4% yoy) and core CPI inflation (Sep: 2% yoy; Cons: 2% yoy; SSI: 1.9% yoy)



November 1, 2023

Indonesia's manufacturing PMI (Sep: 52.3)



November 1, 2023

China's Caixin manufacturing PMI (Sep: 50.6; Cons: 50.8)

## Ones to Watch



November 1, 2023

US ISM manufacturing PMI (Sep: 49; Cons: 49)



November 2, 2023

Fed FFR (Sep: & Cons: 5.5% yoy [0 bps])



November 2, 2023

Bank of England's benchmark interest rate (Sep: & Cons: 5.25% yoy [0 bps])



November 3, 2023

China's Caixin manufacturing PMI (Sep: 50.2; Cons: 51.2)



November 3, 2023

US ISM services PMI (Sep: 53.6; Cons: 53)



November 3, 2023

US nonfarm payrolls (Sep: 336,000; Cons: 175,000), unemployment rate (Sep: & Cons: 3.8%), and workforce participation rate (Sep: & Cons: 62.8%)



# Thank You

## Your Lifelong **Investment Partner**

---

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)

 [SamuelSekuritasIndonesia](https://www.youtube.com/SamuelSekuritasIndonesia)