

Macro Strategy and Fixed Income Weekly

Lionel Priyadi

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Last Week's Recap

November 25 – December 1, 2023

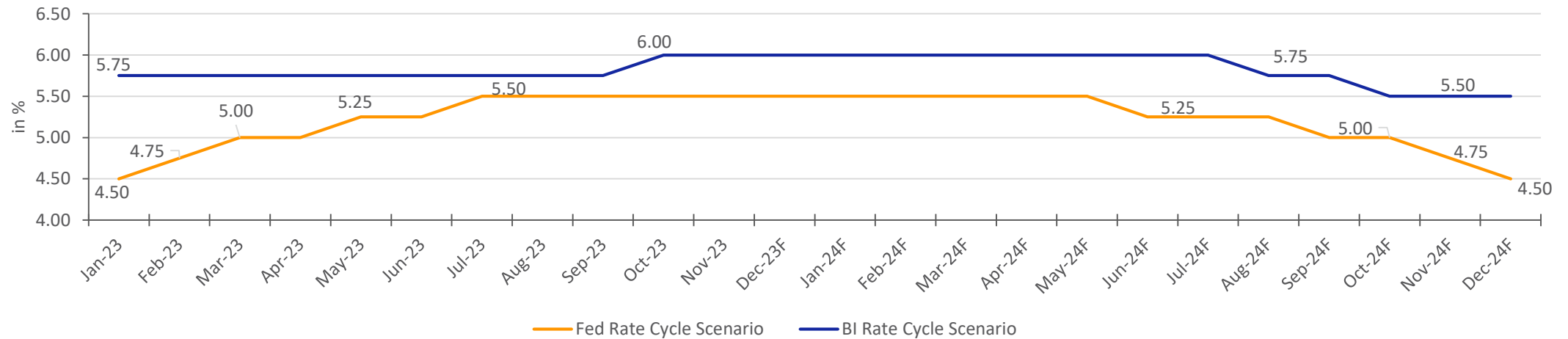
What's Our View?

- We believe the 10Y INDOGB yield will stay at the lower limit of JIBOR 1M (6.66%), and most foreign capital inflows into the SBN market will flow into INDONs or 2Y and 5Y INDOGBs, whose yields have a lower floor limit at JIBOR 1W (6.25%).
- We revised our CPI inflation projections for FY24 and FY25, mainly due to the stronger-than-expected November food inflation of 7.2% yoy (SSI: 6.3% yoy).
- We project Bank Indonesia's foreign exchange reserves to reach USD 135-137bn in November, supported by the issuance of USD 2bn global sukuk and the SVBN and SuVBI auctions, which succeeded in raising USD 392.6mn.
- Dovish pivot statements from several Fed officials are the market's hot topics this week.
- Investors will focus their attention on the release of the November US labor market on Friday (12/8), with consensus expecting non-farm payrolls to reach 180,000 (Oct: 150,000) and the unemployment rate to stay at 3.9%.

Indonesia Update: Bank Indonesia releases its 2024 and 2025 rate and macroeconomic targets

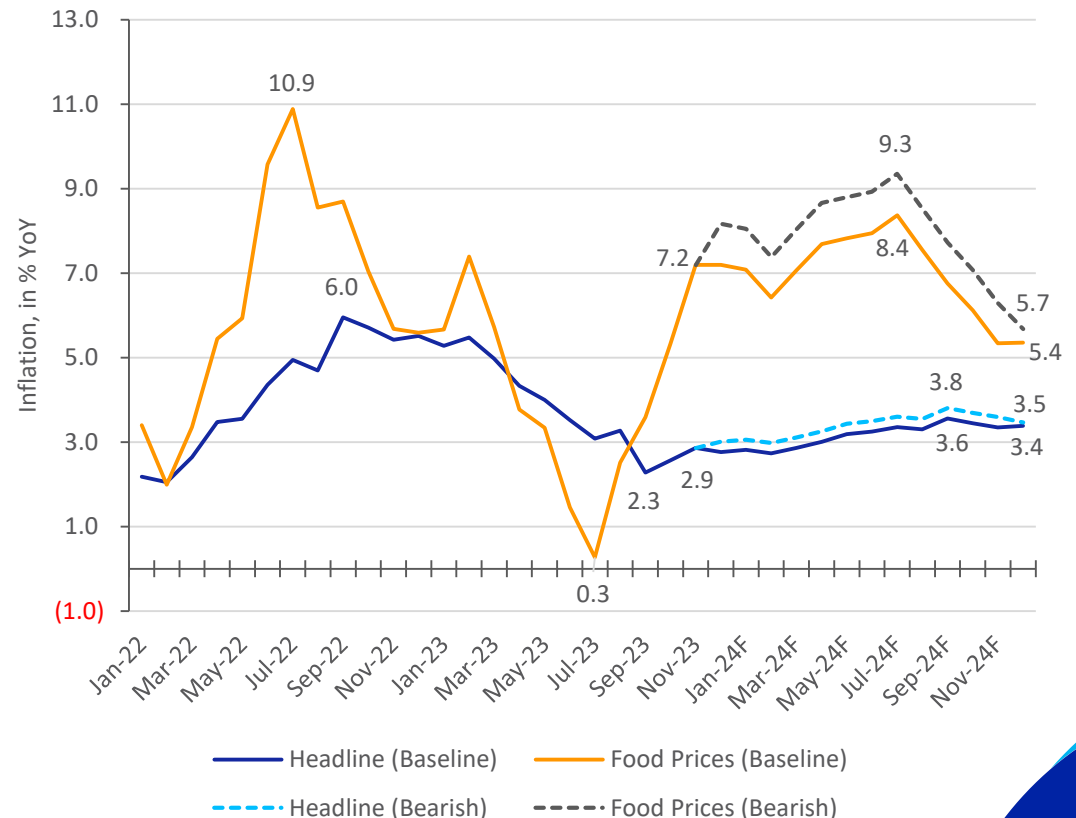
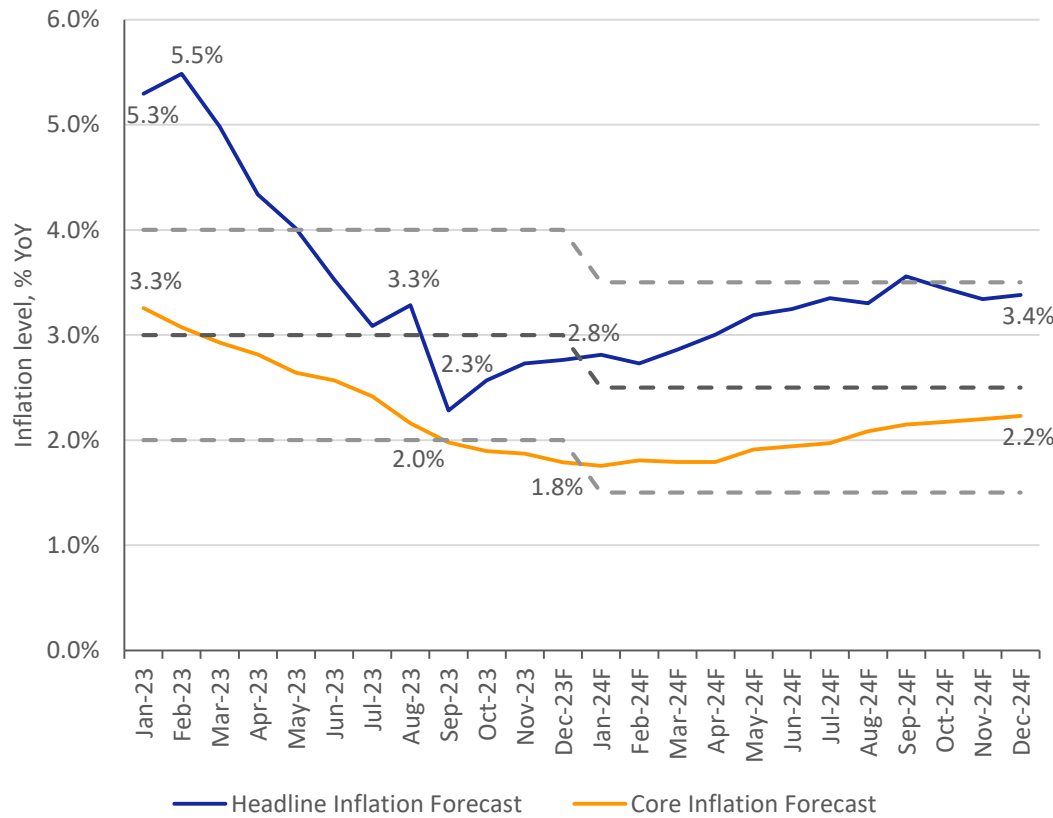
BI also stated that there would be no further rate hikes in the future, even amidst the possibility of a spike in current account deficit

BI Macro Targets	2023	2024	2025
Global GDP Growth	2.9%	2.8%	3.0%
Indonesia GDP Growth	4.5-5.3%	4.7-5.5%	4.8-5.6%
Inflation	3±1%	2.5±1%	2.5±1%
Current Account Deficit to GDP	0.4 - (-0.4)%	(-0.1) - (-0.9)%	(-0.5) - (-1.3)%
Bank Loan Growth	9-11%	10-12%	11-13%



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

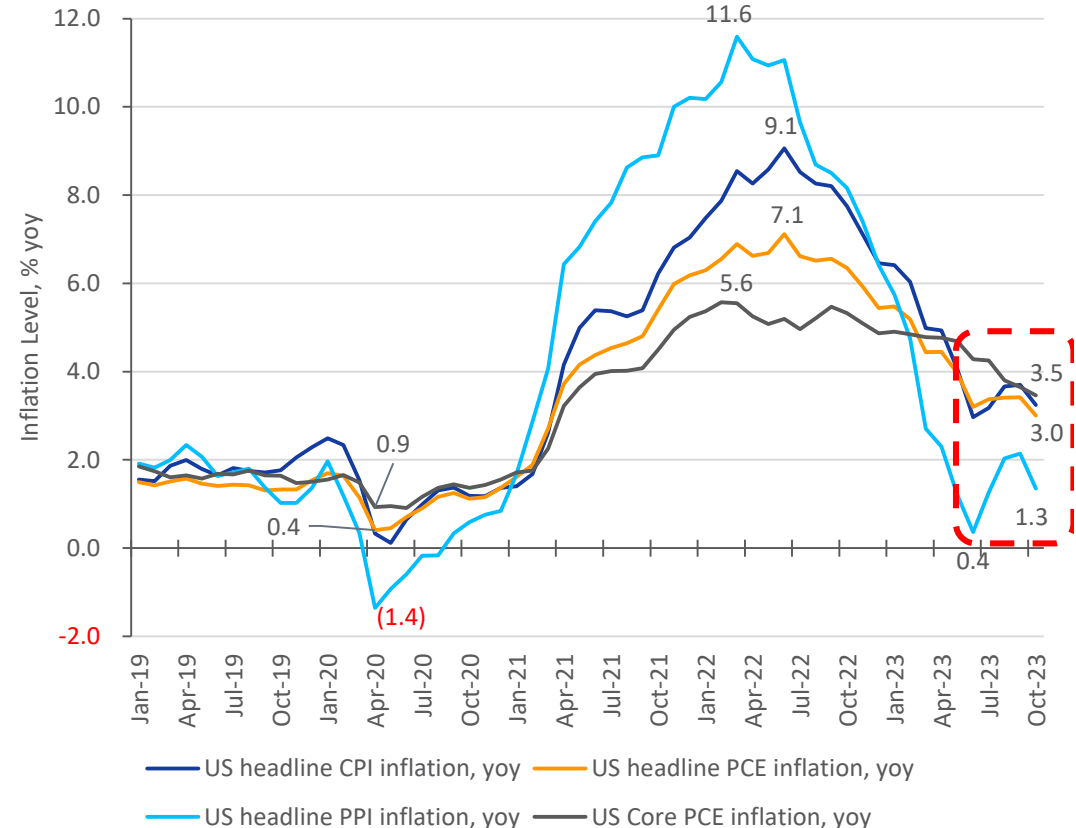
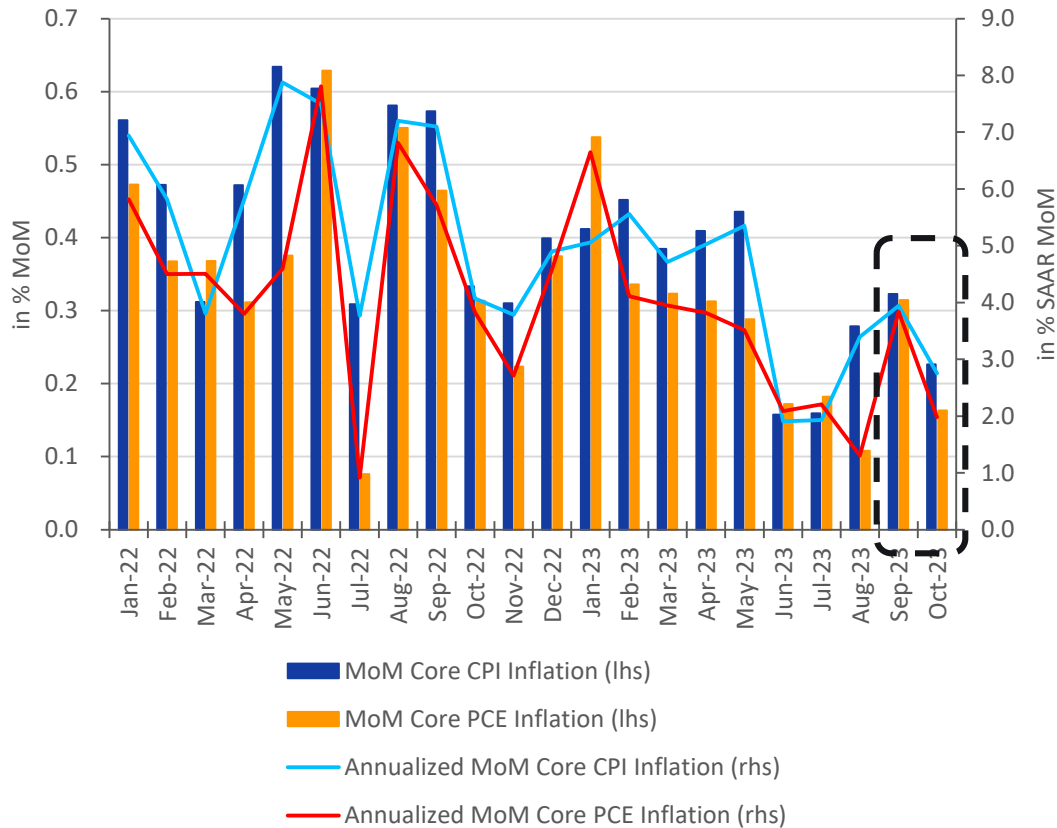
Indonesia Update: We raised our CPI inflation projections for 2024 and 2025, mainly due to the stronger-than-consensus food inflation in November, with a bearish scenario based on the 2014-2015 El Niño



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

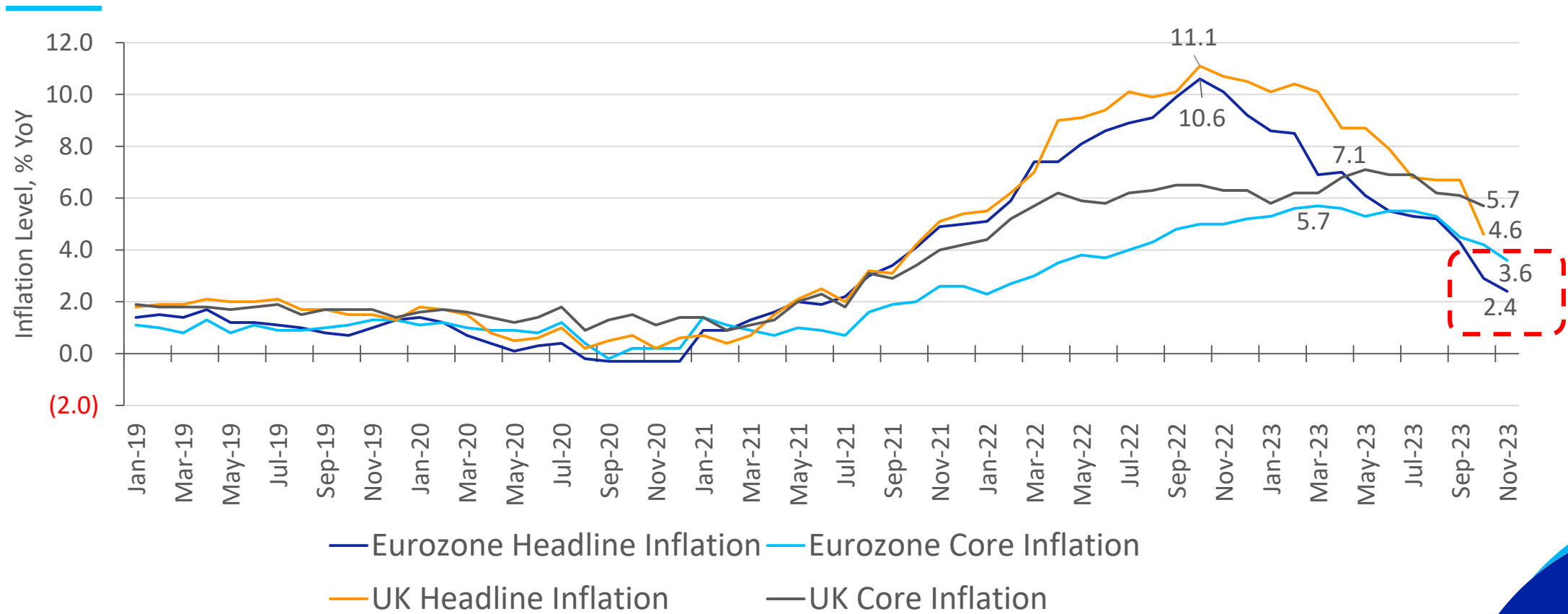
US Update: Monthly PCE inflation rate falls further to 0.16% mom (Sep: 0.31% mom)

Meaning that the US CPI, PCE, dan core PCE inflation experienced convergence at 3-3.5% yoy



Source: BEA, BLS, Bloomberg, SSI Research

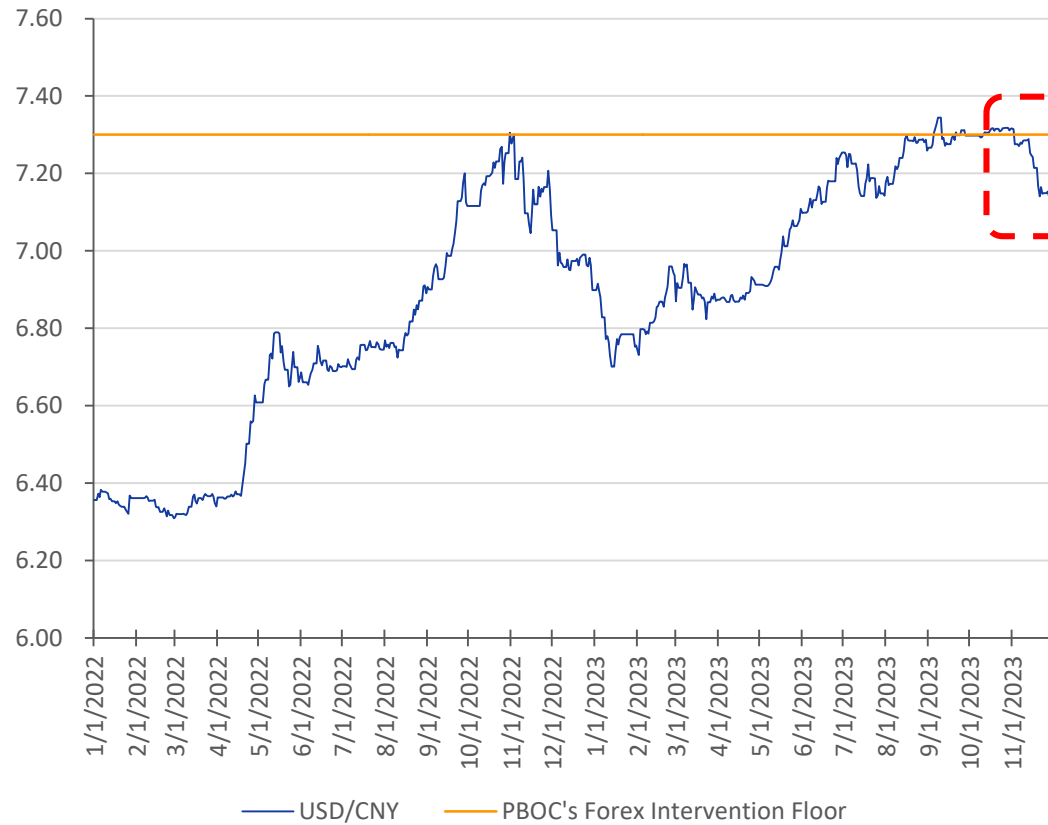
Eurozone Update: The strong disinflation momentum in the Eurozone raises the possibility of a dovish pivot from the ECB



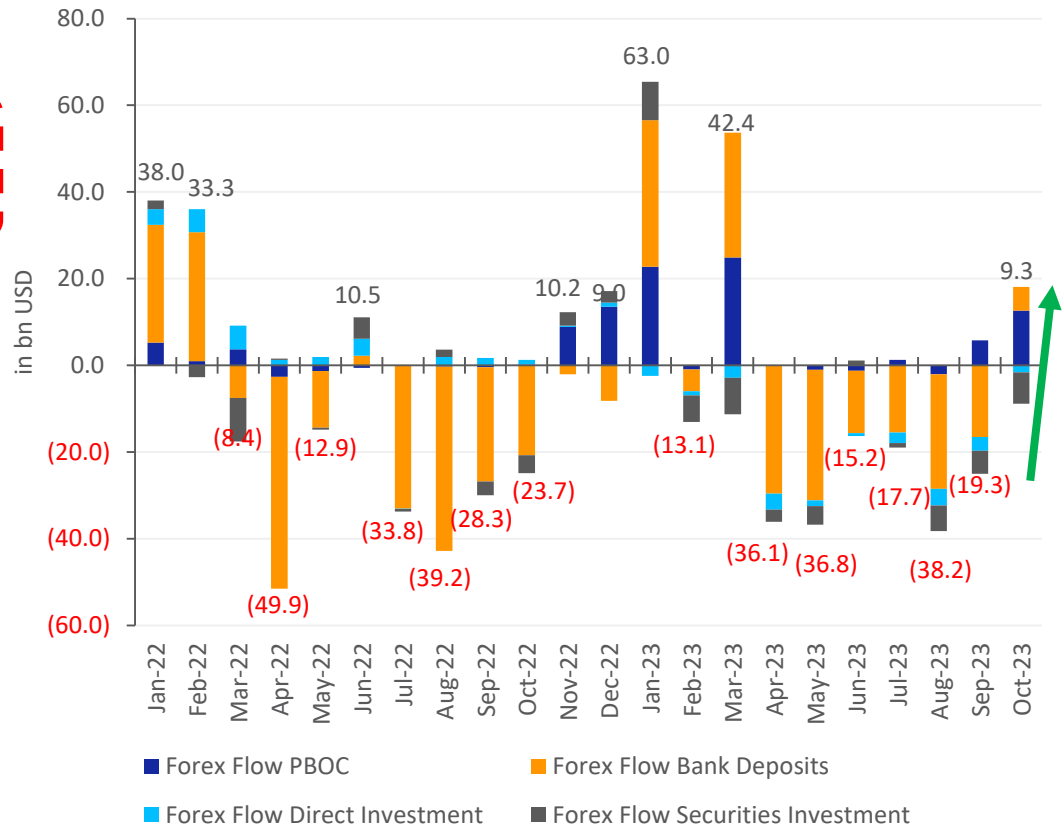
Source: Eurostat, ONS, Bloomberg, SSI Research

China Update: CNY appreciation momentum continues thanks to PBOC's intervention

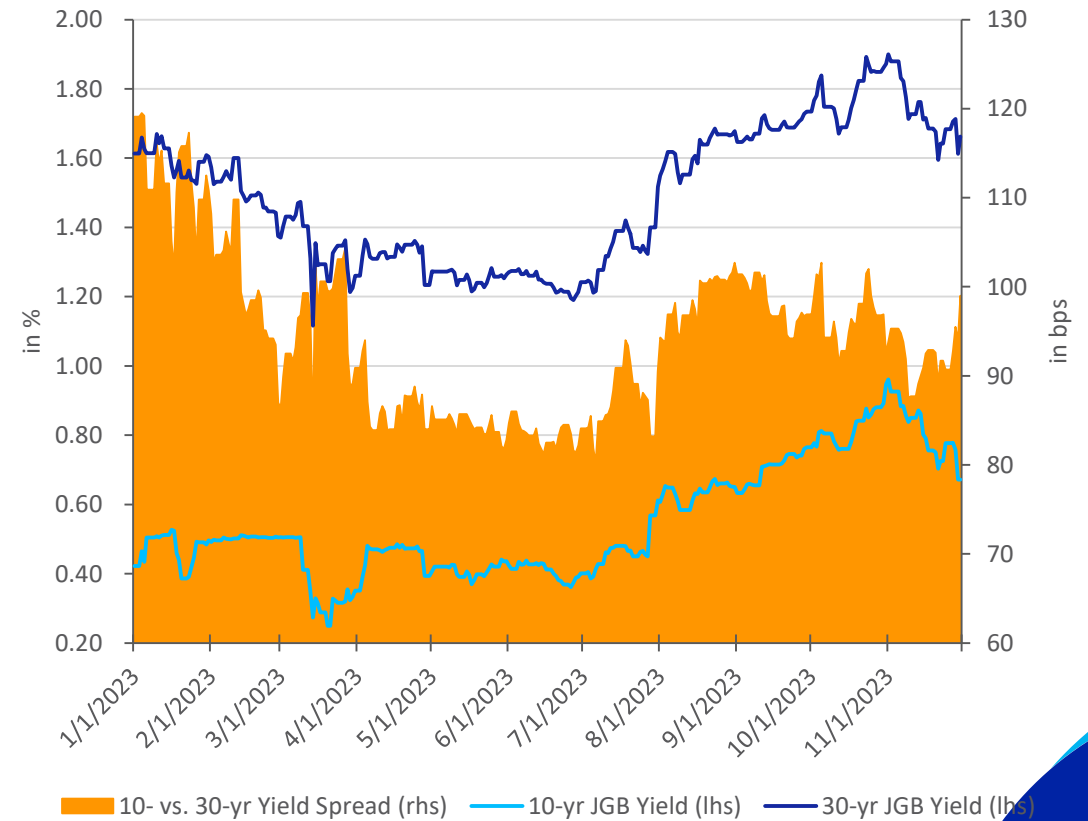
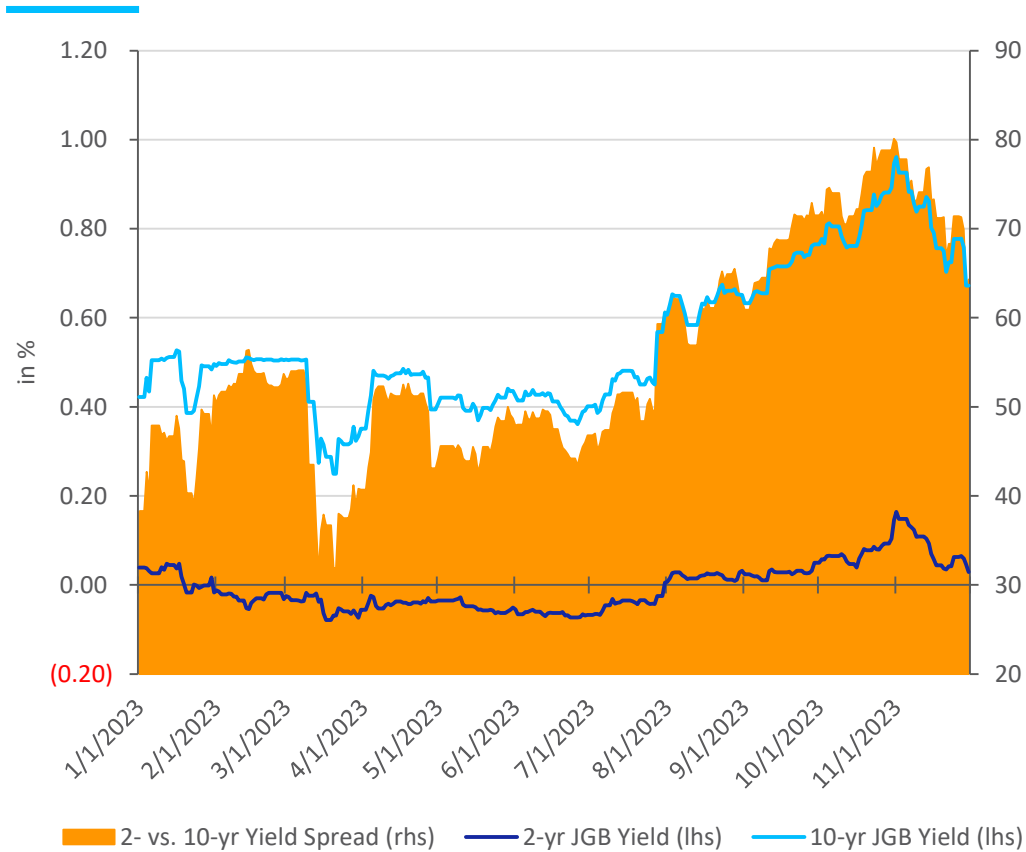
Meanwhile, foreign capital in direct investment and portfolio investment is still flowing out of the country



Source: PBOC, Bloomberg, SSI Research



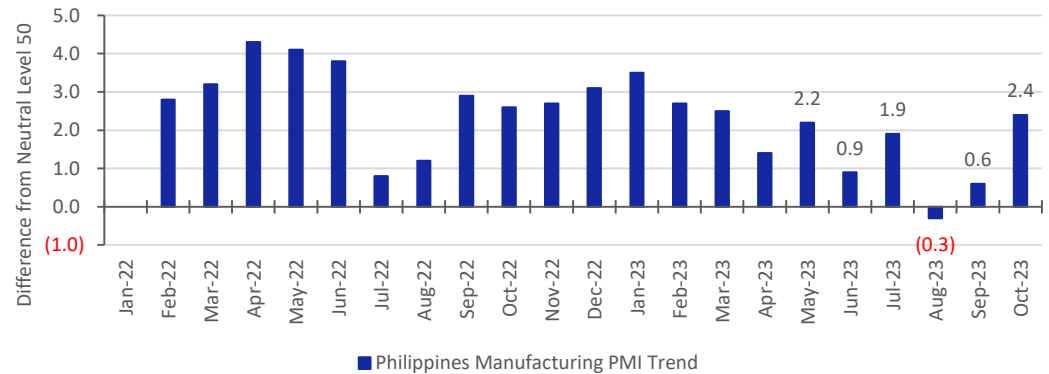
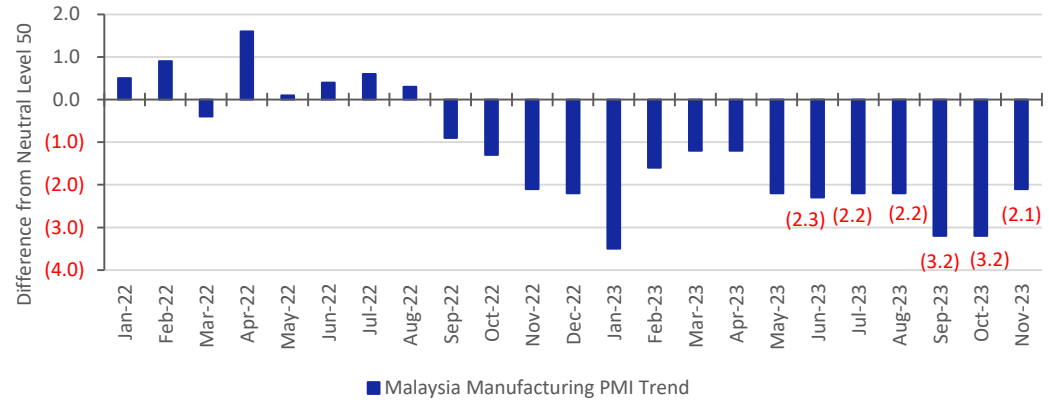
Japan Update: The Japanese bond market experienced a bullish rally as sentiment in global markets reversed due to the Fed's dovish pivot



Source: S&P, Bloomberg, SSI Research

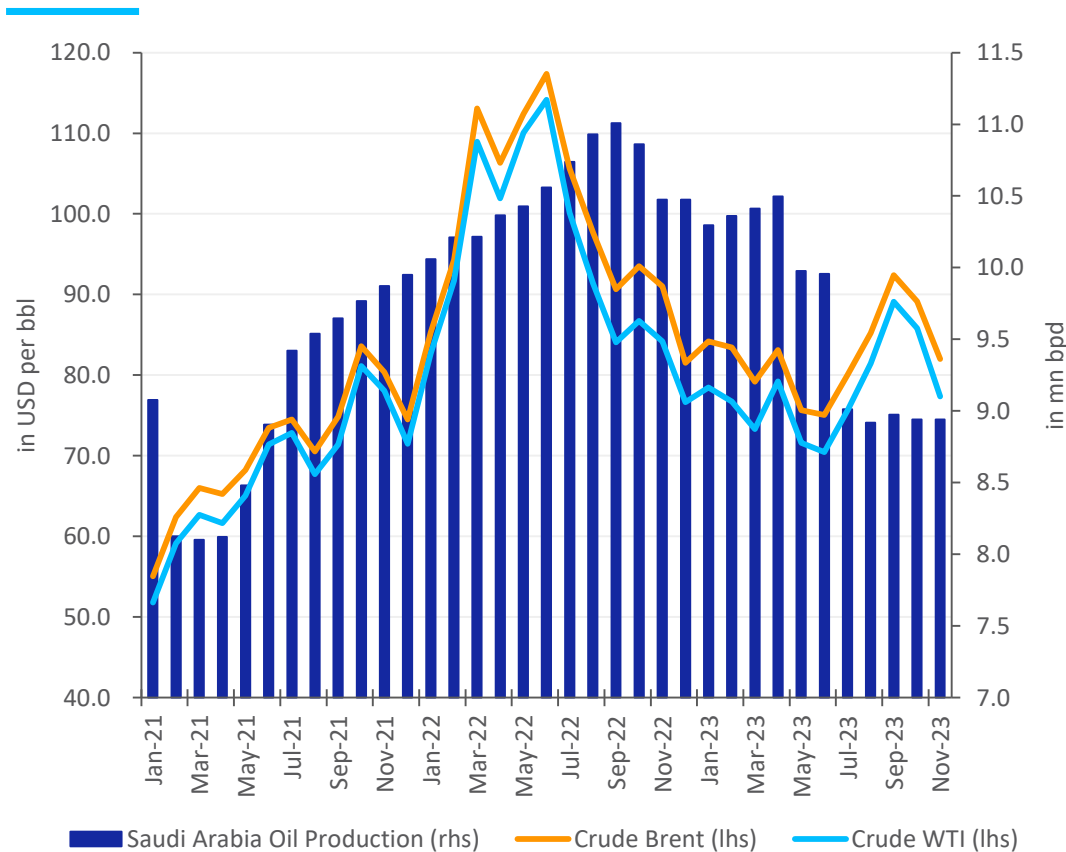
ASEAN Update: Manufacturing contraction in Malaysia dan Thailand continues

Manufacturing expansion in Indonesia is slowing down, while in the Philippines, the expansion gained more steam



Source: S&P, Bloomberg, SSI Research

Global Commodity Update: Saudi Arabia and Russia agree to extend voluntary production cuts through 1Q24, and other OPEC+ members agree to reduce production further



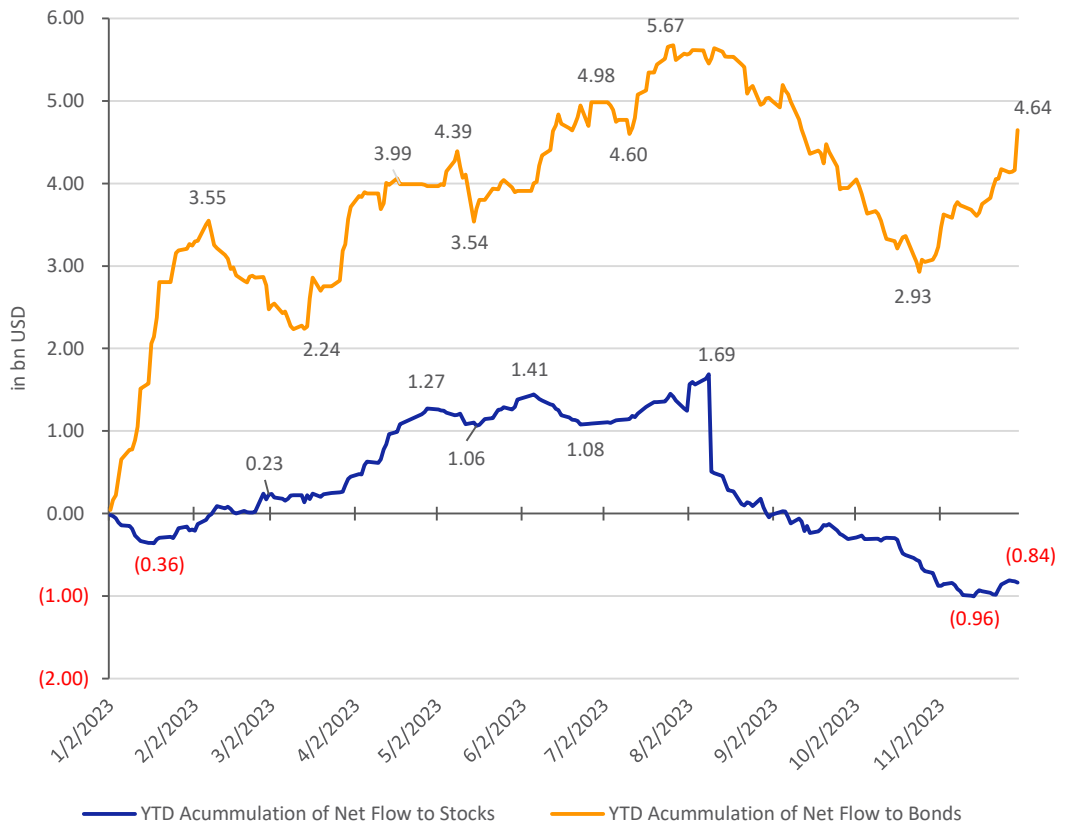
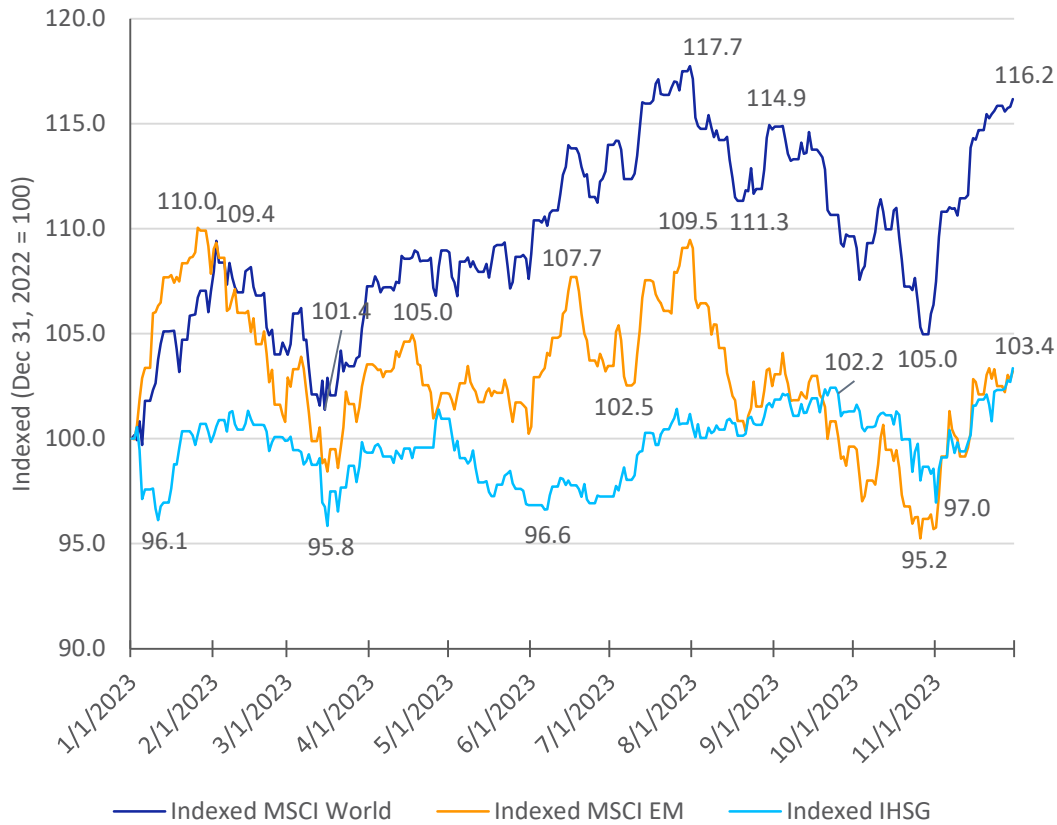
Source: Bloomberg, SSI Research

OPEC+ Member	Additional Production Cut (in bpd per month)
Algeria	51,000
Kazakhstan	82,000
Russia	300,000
Oman	42,000
Iraq	211,000
Kuwait	135,000
Total	821,000

OPEC+ Member	Existing Production Cut (in bpd per month)
Saudi Arabia	1,000,000
Russia	500,000

Global Stock Market Update: JCI is close to breaking the psychological resistance of 7,100, supported by positive sentiments from global markets

However, the bullish rally is lacking support from foreign investors, who choose to prioritize the bond market (SBN)



Source: MSCI, IDX, Bloomberg, SSI Research

This Week

December 2 – 8, 2023

Ones to Watch



December 1, 2023

China's Caixin services PMI (Oct: 50.4; Cons: 50.7)



December 8, 2023

Bank Indonesia's consumer confidence index (Oct: 124.3)



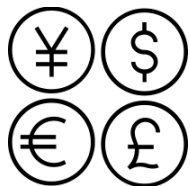
December 5, 2023

US ISM services PMI (Oct: 51.8; Cons: 52.3)



December 8, 2023

US consumer sentiment index (Nov: 56.8; Cons: 56.5) and 1-year ahead inflation expectations (Nov: 4.5% yoy; Cons: 4.3% yoy)



December 7, 2023

BI's foreign exchange reserves (Oct: USD 133.1bn) and net foreign assets (Oct: IDR 1,961tn)



December 8, 2023

US nonfarm payroll (Oct: 150,000; Cons: 180,000), unemployment rate (Oct: & Cons: 3.9%), and workforce participation rate (Oct: & Cons: 62.7%)



Thank You

Your Lifelong **Investment Partner**

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