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Asset Management

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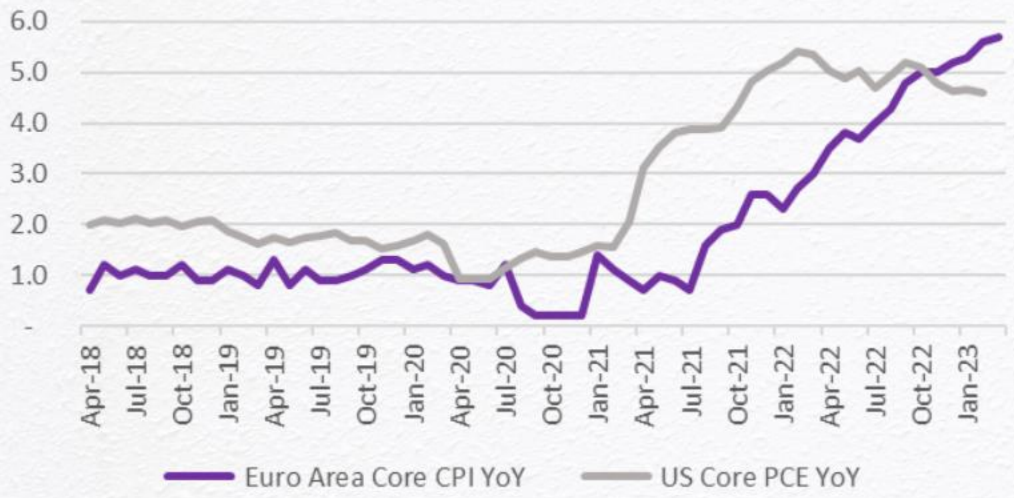
FUND MANAGER'S LETTER
APRIL 1ST WEEK, 2023

Macroeconomics
Temporary Calm

Concerns with the banking sector in US and Europe receded last week as there was no more significant negative event. H8 report from The Fed showed that commercial bank deposits dropped by USD 125.7 billion in the week ended March 22, marking the ninth-straight period of declines, however banks reduced their borrowings from two Federal Reserve backstop lending facilities in the week ending March 29, a sign that liquidity demand may be stabilizing. US institutions had a combined USD 152.6 billion in outstanding borrowings in the week through March 29, compared with USD 163.9 billion the previous week. The market seems to have moved on from liquidity concerns in the banking sector and now focusing back on inflation, potential recession, and earnings.

Inflation in Euro Area (CPI) declined to 6.9% yoy in March from 8.5% in February, however, the core CPI number (excluding food and fuel) increased to 5.7% yoy from 5.6% the previous month. Separate report also showed that unemployment in Euro Area remained low at 6.6% in February. These data points increased the expectations that ECB will continue raising rates in their next meetings to 3.5-3.75% from 3.0% currently. Meanwhile in United States, Core Personal Consumption Expenditure data, Fed's favorite gauge of inflation, increased 4.6% yoy in

February, from 4.7% the previous month. This slowdown increased expectations that Fed is near the end of its tightening cycle.

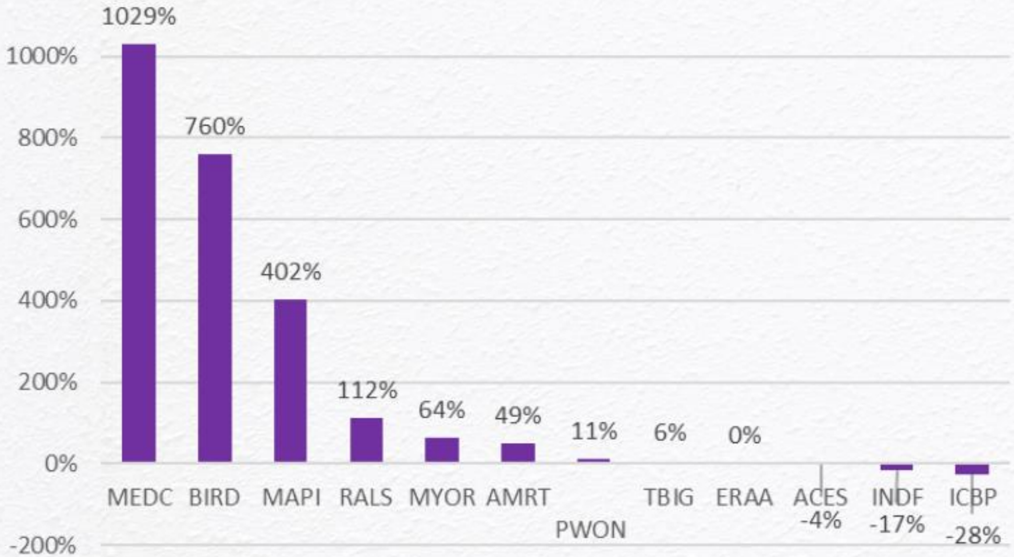


Core Inflation Trends in US and Euro Area | Source: Bloomberg

Equity
Digesting 2022 Results

The Jakarta Composite Index increased 0.6% on the week ending March 31. Energy sector led by increasing 5.4% WoW, followed by industrials which rose 2.9% WoW, consumer cyclicals 2.5% WoW, and basic materials 2.5% WoW. The laggards were financials which declined -0.3% WoW and healthcare which were flat. The market is digesting FY2022 results which are showing improvements compared to FY2021.

The rebound in energy sector was inline with rebound in the commodities space last week, with brent oil increasing 11% since March 24 until April 3 on easing concerns in US banking sector, disrupted supply in Turkey port, and most notably OPEC's decision to cut output by 1.16 mn barrels per day.



Some Notable FY22 Earnings That Came Out Last Week | Source: Bloomberg

Fixed Income
Supported by Currency

Indobex Composite Total Return Index increased 0.3% on the week ending 31 March. Indonesian Govt 2 Year Yield decreased 7 bps to 6.23% and the 10 year yield decreased 1 bps to 6.79%. Meanwhile US Treasuries 2 year yield increased 26 bps to 4.0% and 10 year yield increased 9 bps to 3.5%. The rebound in US yields were signs of reduced fear in the market related to US banking crisis. However during the month of March, US 2 year yield declined 79 bps, quite a large move that in our view reflects concern on potential recession. With Fed being seen as near the end of their hawkishness, the dollar index resumed its weakening trend and declined -0.6% WoW.

This supports IDR, which strengthened 1.1% WoW to 14,995. Foreign investors recorded inflow of USD 811 mn on the week.

DXY, USDIDR, and Indo 10 Year Bond Yield | Source: Bloomberg

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