

DEAR INVESTOR,

Narendra Anindyo, CFA
Head of Equity & Research

FUND MANAGER'S LETTER
APRIL 3RD WEEK, 2023



Macroeconomics Mixed Messages

Inflation data from US showed mixed messages regarding the prospect of whether The Fed can relax or still need to be hawkish. On one hand, headline inflation as shown by US CPI declined to 5%, the lowest it has been since May 2021. A 3.5% drop in energy costs and an unchanged food index helped keep headline inflation in check. A 0.6% increase in shelter costs was the smallest gain since November, even though it still resulted in prices rising 8.2% on an annual basis. On the other hand, if we strip out the volatile components, and look at the Core CPI, it was up 5.6% from a year ago. It's the first time in over two years that the core came in above the overall measure. Core goods prices,

which exclude food and energy commodities, rose 0.2%, the most since August. That's a divergence from late last year, when outright deflation in this category helped ease overall price pressures.

Indonesian economic data released last week continued to bring a positive sentiment. Retail sales as shown by the March 2023 Real Sales Index (IPR) was 215.2, or grew by 4.8% (yoy). Bank Indonesia (BI) also reported in the Consumer Survey that consumer confidence in March 2023 increased compared to the previous month. This is reflected in the March 2023 Consumer Confidence Index (IKK) of 123.3, higher than 122.4 in February 2023.

Even higher than January 2023, which was 123.0. Meanwhile, the position of Indonesia's foreign exchange reserves at the end of March 2023 reached US\$145.2 billion, an increase compared to the position at the end of February 2023 of US\$140.3 billion. The increase in the position of foreign exchange reserves in March 2023 was influenced, among others, by tax revenues and increase of government foreign loans.



US Headline and Core CPI | Source: Bloomberg

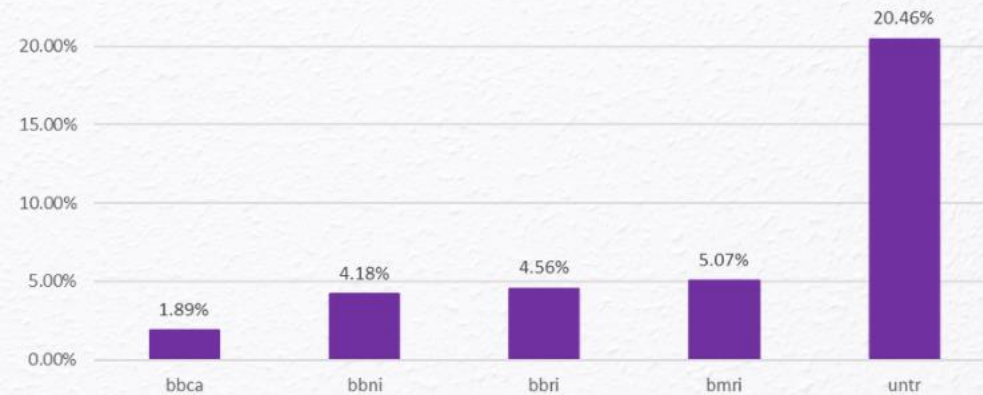
Equity

Supported By Foreign Flows and Dividends

The JCI increased 0.38% on the week ending 14 April 2023. Leading sectors were healthcare (+1.04% WoW), infrastructure (+0.94% WoW), and industrials (+0.89% WoW). Lagging sectors were energy (-3.45% WoW), technology (-2.07% WoW), and consumer cyclicals (-1.27% WoW).

Dividends on some of JCI's biggest market cap companies have increased overall this year compared to last year. Dividend yield (based on dividend paid in March-May this year and the latest share prices) on BBKA was 1.9%, BBRI 4.6%, BMRI 5.1%, BBNI 4.2%, and UNTR 20.5%. We view this trend of high dividend yields as indicating that

overall strength in profitability and cash flow of biggest Indonesian companies as very sound and no wonder that foreign investors are starting to come back into the Indonesian market. Foreign investors recorded inflow of USD 333 mn last week and USD 961 mn Ytd.



Dividend Yield Of Some Of JCI's Biggest Companies | Source: Bloomberg

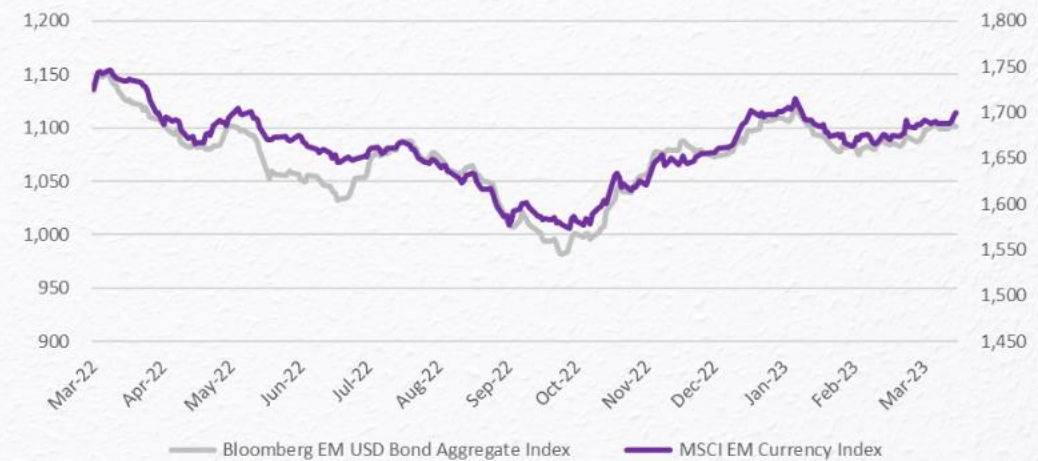
Fixed Income

Approaching Year-To-Date Low in Yields

Indobex Composite Total Return Index increased 0.18% WoW. The yield on Indonesian Government 2 Year bond declined 3 bps to 6.29% and the yield on Indonesian Government 10 Year bond declined 1.4 bps to 6.65%. On Thursday the yield on Indonesian 10 year bond touched 6.62%, the lowest level since February 9th. In the US, the 2 year bond yield increased 27 bps WoW to 4.1% and the 10 year bond yield increased 21 bps WoW to 3,5%.

Indonesian bond market was further supported by bullish sentiment on Rupiah and Asian currencies overall last week. Most Asian currencies strengthened on Thursday after softer than

anticipated U.S headline inflation data, the rupiah strengthened 1.4% WoW, hitting its highest since Aug. 26, and South Korean won appreciated 1.4% WoW. The MSCI EM Currency Index increased 0.6% WoW.



EM USD Bond Index, EM Currencies Index | Source: Bloomberg



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