

# DEAR INVESTOR,

**Narendra Anindyo, CFA**  
Head of Equity & Research  
**Rifan Firmansyah**  
Head of Fixed Income

FUND MANAGER'S LETTER  
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## Macroeconomics

### Concerns On China's Property Market

Weakening momentum in China's property market seems to be accelerating, after Country Garden missed payments on their bonds in the beginning of the month, last week state-owned property companies were warning of widespread losses. 18 out of 38 soe property companies listed in Hong Kong and mainland China reported losses in 1H23. Much of the losses were contributed by declining gross profit margins and heavier provisions to write down declining asset values.

Unofficial surveys from property agents and data providers show existing-home prices fall at least 15% yoy in prime neighborhoods in Shanghai and

Shenzhen, as well as in more than half of China's tier-2 and tier-3 cities. This problem in the property sector might have some spillover effect to the broader economy. Latest set of economic data already shows some slowdown. Bank lending hit a 17-year low, and CPI turned negative. Many global investment houses have downgraded their forecast of China's 2023 economic growth to below 5%. Yuan has depreciated 5.8% ytd relative to US dollar.

To add to the negative newsflow, three firms failed to receive payments from maturing trust products linked to Zhongzhi Enterprise Group. The delay in payment started in late July and at least 30 products



are now overdue. Zhongzhi has assets under management of RMB 1tn, many of which are backed by property projects.



China 70 cities house prices MoM | Source: Bloomberg



## Equity Energy For JCI

JCI declined -0.3% last week, with industrials leading the decline (-1.6%), followed by transportation (-1.4%), and consumer cyclicals (-1.3%). Advancing sectors were energy, which increased 3.5%, followed by infra (2.1%), and basic materials (0.8%). Energy sector got a boost from some energy commodities, with europe ttf gas up 3.4%, Newcastle coal up 3.8%, and coking coal up 1.0%.

In the energy markets, geopolitics have started to become more relevant again. The latest missile attacks by Ukraine against Russian tankers and ports in the Black Sea has led to intense Russian missile strikes against Odesa and other major

Ukrainian grain hubs. More conflict in the Black Sea will lead to higher premiums and more disruptions for oil shipping. Russia exports 500-550 thousand bpd of crude oil and 450 thousand bpd of refined products from Novorossiysk.



## Fixed Income Relatively Sheltered

The domestic bond market continues to register a weekly loss with Indobex Government Total Return Index fell -0.41% compared to a week earlier, suggesting declined by -0.34% since beginning of the month. The 10-year benchmark yield rose by 27 bps to 6.52% compared to 6.24% at end of July-23.

The pressure on domestic markets recently mainly led by economic developments in China and US. China economic is now predicted slower due to repeated blows from economic slowdown in July and property sector debt crisis. At the same time, the market is also worried about the growing of US Treasury supply risk. As a result, the US Treasury

Leaders					Laggards				
Ticker	End Prc	% Chg	Points	%Idx Mv	Ticker	End Prc	% Chg	Points	%Idx Mv
1. BHRI IJ	5825.00	+12.02%	+59.723	+27.60%	1. GOTO IJ	89.00	-19.09%	-45.262	-20.92%
2. BYAN IJ	18600.00	+20.00%	+52.299	+24.17%	2. TLKM IJ	3750.00	-6.25%	-30.671	-14.17%
3. AMMN IJ	3440.00	+102.95%	+40.461	+18.70%	3. ASII IJ	6500.00	-4.06%	-12.959	-5.99%
4. AMRT IJ	2990.00	+15.89%	+20.024	+9.25%	4. KLBFI IJ	1855.00	-9.51%	-9.737	-4.50%
5. UNTR IJ	27075.00	+16.33%	+14.850	+6.86%	5. UNVR IJ	3710.00	-11.45%	-6.829	-3.16%
6. BRMS IJ	202.00	+48.53%	+13.733	+6.35%	6. ARTO IJ	2510.00	-21.07%	-6.646	-3.07%
7. ADRO IJ	2620.00	+17.49%	+13.035	+6.02%	7. NEMA IJ	720.00	-11.11%	-4.112	-1.90%
8. BUMI IJ	146.00	+26.96%	+10.577	+4.89%	8. EMTK IJ	610.00	-14.08%	-3.963	-1.83%
9. BRPT IJ	880.00	+18.12%	+9.174	+4.24%	9. BFIN IJ	1235.00	-13.64%	-3.503	-1.62%
10. BBRI IJ	5500.00	+1.38%	+8.116	+3.75%	10. MEGA IJ	5150.00	-4.63%	-3.185	-1.47%
11. CUAN IJ	2570.00	+204.14%	+7.536	+3.48%	11. DCII IJ	34650.00	-7.04%	-3.020	-1.40%
12. MDKA IJ	3280.00	+7.19%	+6.539	+3.02%	12. LPPF IJ	2580.00	-23.67%	-2.245	-1.04%
13. SMGR IJ	6725.00	+10.70%	+5.551	+2.57%	13. MNCN IJ	540.00	-16.30%	-2.240	-1.03%
14. STTP IJ	12000.00	+48.61%	+5.326	+2.46%	14. ITOWR IJ	1015.00	-3.79%	-2.199	-1.02%
15. TCPI IJ	8850.00	+26.43%	+5.259	+2.43%	15. BBYB IJ	368.00	-24.59%	-2.110	-0.98%
16. ADMR IJ	1225.00	+32.43%	+5.135	+2.37%	16. BIPI IJ	116.00	-12.12%	-1.728	-0.80%
17. BBKA IJ	9225.00	+0.82%	+4.929	+2.28%	17. AKRA IJ	1290.00	-5.61%	-1.513	-0.70%
18. PGAS IJ	1485.00	+13.79%	+4.864	+2.25%	18. BBHI IJ	1555.00	-10.63%	-1.501	-0.69%
19. EXCL IJ	2380.00	+21.74%	+4.786	+2.21%	19. HMSP IJ	880.00	-6.88%	-1.454	-0.67%
20. INTP IJ	11025.00	+11.08%	+4.396	+2.03%	20. IINCO IJ	6025.00	-4.37%	-1.432	-0.66%
21. MAPI IJ	1890.00	+12.37%	+4.364	+2.02%	21. SIDO IJ	650.00	-10.96%	-1.390	-0.64%

JCI Movers Quarter to Date | Source: Bloomberg



yield touched nearly 4.3% last week, which was the highest level since June 2008, while DXY rose to 103 level.

However, IndoGB and Rupiah can be considered still relatively sheltered, indicated by the yield spread to US Treasury yield which has been managed low at around 330 bps while IDR has been weakening less compared to other peers' countries in the region. In fact, Rupiah still reported gains of 1.6% so far this year, marked as the most outperforming currencies in Asia basket. In the other hand, Indonesia government bond supply risk should remain manageable this year given solid fiscal performance

as it still in surplus territory of IDR 153 tn until end of July-23, which suggesting the MoF will have more flexibility to manage its financing needs.





Yield Spread: IndoGB 10 year – US Treasury 10 year | Source: Bloomberg



MTD Currencies Ranking-Asia Basket | Source: Bloomberg



YTD Currencies Ranking-Asia Basket | Source: Bloomberg





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