DEAR INVESTOR,

by Avrist Asset Management Team

FUND MANAGER’S LETTER
DECEMBER 1ST WEEK, 2023

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Economic & Bond Market
The Comeback of Foreign Capital

Indonesia bond market ended the month of November on the positive note. Market was buoyed by cooling inflationary trend in developed economies especially the US economy which then softening the Fed narrative of higher for longer. As inflation eases, market speculation on the Fed rate cut continues to gain pace. Some market participants expect rate cut to be delivered as early as in first quarter 2024. The yield on 10-year government bond tightened to 6.58% last week, down by 5 bps WoW. The IBPA Govt Bond Index (INDOBeXG) index posted a return of 0.30% WoW, bringing monthly return to 2.54% MoM. We noticed the comeback of foreign capital into IDR government bond and became main factor behind decent bond return during the month. Foreign investors reported a net purchase of IDR 23.5 trillion in November 2023, after enduring foreign capital outflow in the last three consecutive months.

On the macro note, Indonesia inflation accelerated slightly in November 2023 to 2.86% YoY from 2.56% YoY in the previous month. The pickup in inflation was driven mainly by higher prices in transportation and food & beverages segment. Core inflation (excluding energy and volatile food) slowed further to 1.87% YoY in the same period, the lowest level in 22 months. Both headline and core inflation remained within Bank Indonesia’s target range of 2-4% for seventh consecutive months. The rupiah also was relatively stable last week yet appreciated by 0.41% WoW to Rp15,524/USD.

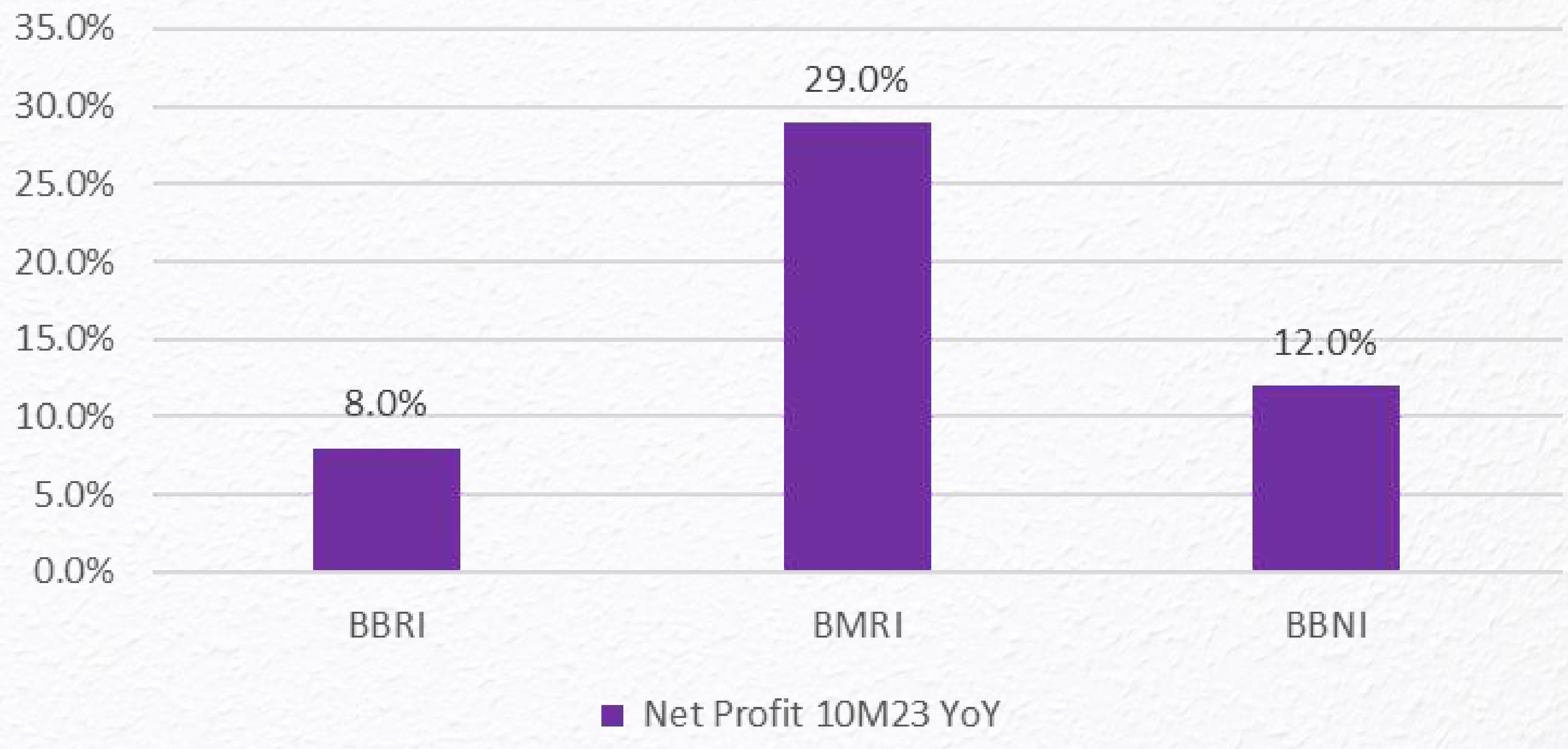
Investors’ eyes will turn around the last Fed meeting of 2023 which will be held next week on Dec 12-13. It is important to see what the Fed expects in year 2024 and how is the Fed’s tone toward their next policy trajectory.

Equity
Slowly Climbing

JCI recorded a 0.7% increase last week. The infrastructure sector led with a 6% increase, followed by energy at 1.9%, and healthcare at 0.5%. Lagging sectors were technology at -3%, cyclical consumers at -1%, and staple goods at -0.7%. The IHSG has been slowly climbing since its bottom around 6600 in early November. Although much of the increase is driven by several stock names generally considered to have valuations not in line with their fundamentals, the overall market trend has improved. The LQ45 index has also risen by 7% since its bottom in early November.

Concerns arose regarding the banking sector due to the poor money supply growth data (M2) released by Bank Indonesia early last week, showing the slowest year-on-year growth in the last 30 years (3.4% yoy). However, these concerns were somewhat overshadowed by the year-to-date to October 2023 financial reports from several major banks, which still appear strong. BBRI (bank only) recorded an 8% yoy net profit growth for YTD October 2023, with a 45% yoy net profit growth in October. BMRI (bank only) recorded a 29% yoy net profit growth for YTD October 2023, with a 52% yoy net profit growth in October. BBNI (bank only) recorded a 12% yoy net profit growth for YTD October 2023, with a 3.2% yoy net profit growth in

October 2023. Generally, the rise in funding costs due to tight liquidity so far has still been balanced by decreasing provisioning costs.



10M23 Net Profit Growth of 3 Major Banks | Source: Bloomberg

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