

DEAR INVESTOR,

by Avrist Asset Management Team

FUND MANAGER'S LETTER
DECEMBER 2ND WEEK, 2023

Economic & Bond Market

Awaiting the Last Fed Messages

Bond market started the month of December rather flat, as investors are awaiting the last Fed meeting this week. Not only the Fed, the BoE and ECB also will meet to conclude their last policy decision this year. If the Fed decides to hold rate steady at current level of 5.25%-5.50% for third consecutive times, then it would convey message that the Fed might have done hiking. Investors eyes will focus into the Fed's Summary of Economic Projection to seek guidance for any hints of rate policy next year. Bond yield was barely unchanged last week, with the yield on Indonesia 10-year benchmark bond stood firm at 6.57%. Foreign investors continued to accumulate Indonesian govt bond. In the first week

of Dec 2023, foreign net buy reached IDR 5.6 trillion and bringing their total net purchase to IDR 77.3 trillion year to date.

Foreign exchange reserves rose to six months high of USD 138.1 billion in November 2023, which is equivalent to 6.1 months of import and external debt payment. Foreign reserves increased by USD 5 billion from previous month position, partly driven by the issuance of global sukuk and tax receipt. Government issued USD 2 billion worth of global sukuk in November 2023, comprising of USD 1.0 billion of 5-year tenor priced at 5.40% and USD 1.0 billion of 10 year priced at 5.60%. This sukuk

issuance received decent demand from investors, enabled the government to price it at tight spread of 87-108bps over US treasury.

Equity

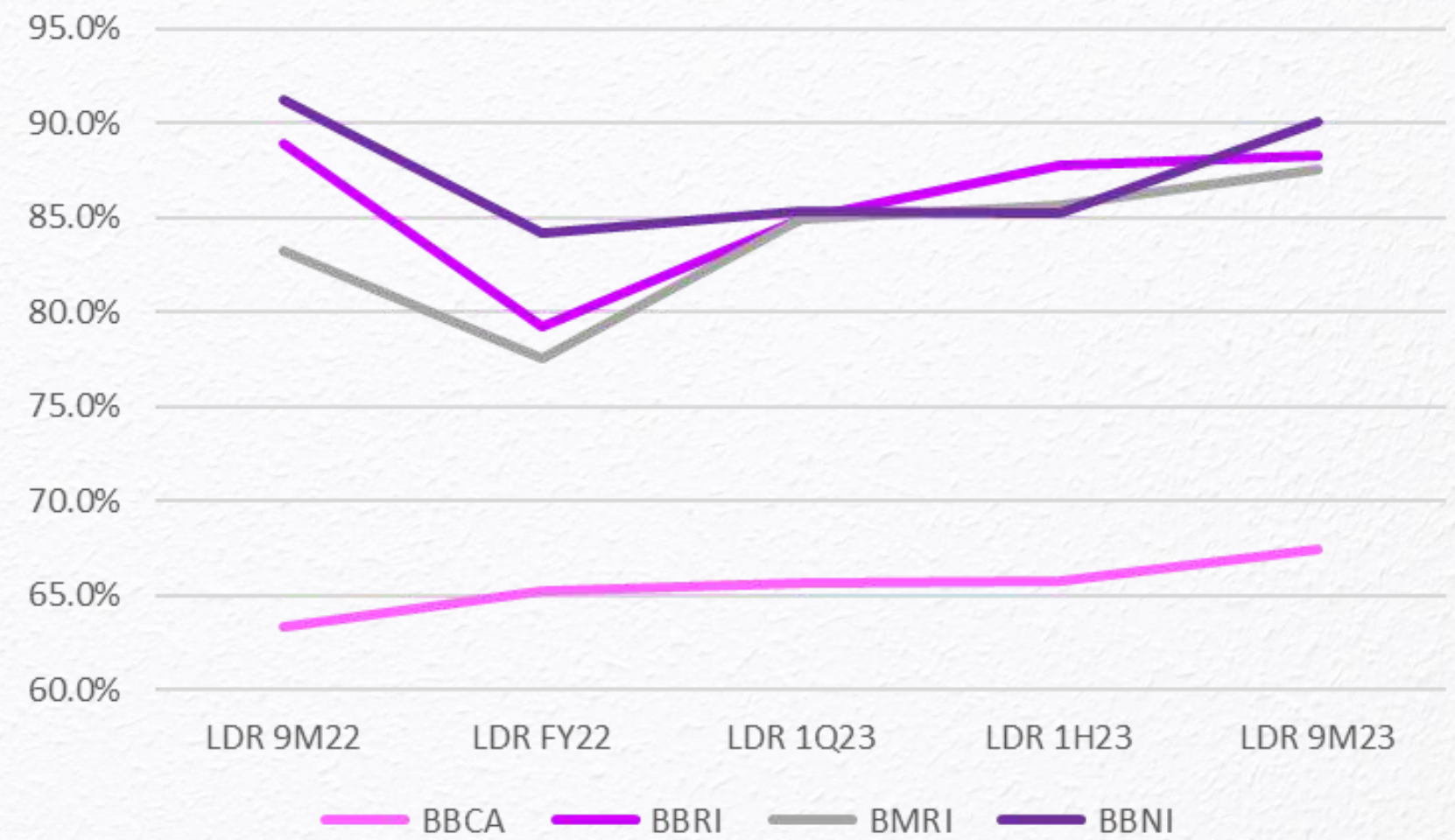
Liquidity Risk

The JCI recorded a 1.4% increase last week. Basic materials sector led with a 10.7% increase, followed by infrastructure at 8.5%, energy at 1.5%, and healthcare at 1.1%. Lagging sectors included transportation at -2.7%, property at -2.7%, finance at -2.3%, and consumer cyclicals at -2.1%. JCI was again driven by stocks in the Barito group, which continued to experience high gains. Meanwhile the positive sentiment from the decline in US government bond yields and the US dollar slightly diminished last week, and it affected the performance of some big-cap stocks.

Two major banking stocks experienced foreign

outflows last week. Foreign investors made net sales of IDR 444 billion in BBCA shares and IDR 260 billion in BMRI shares. Quarter-to-date, foreign investors have made net sales of IDR 2.99 trillion in BBCA shares, IDR 1.7 trillion in BBRI shares, and IDR 1.2 trillion in BMRI shares. Meanwhile, BBNI is the only one among the 4 major banks to receive a foreign inflow of IDR 985 billion quarter-to-date. We assess that one of the doubts among foreign investors regarding large Indonesian banking stocks is related to liquidity. The Loan to Deposit ratios of these 4 banks have increased on average by 67 basis points year-to-date. Coupled with concerns that provisioning costs have bottomed out, this has

become a catalyst for profit-taking in banking stocks. Our view is that while liquidity may still be relatively tight, if global monetary conditions become looser next year and the Rupiah stabilizes, there is a chance that Bank Indonesia will reduce the RRR, which could help bank liquidity.



Big 4 Banks' LDR Trend | Source: Companies



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