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DEAR INVESTOR,

by Avrist Asset Management Team

FUND MANAGER'S LETTER
DECEMBER 3RD WEEK, 2023

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Economic & Bond Market
Christmas Gift from the Fed

Bond market continued to strengthen last week, with yield on government bond inched down by an average 6 bps WoW across the curve. The yield on 10-year benchmark bond narrowed slightly to 6.53%, down by 4bps WoW and 38bps YTD. Government bond market registered a decent return of 0.23% WoW and 8.15% YTD, according to INDOBeXG index. This decent performance was driven by the Fed's dovish statement at its most pivotal meeting last week. The Fed maintained its rate at 5.25%-5.50% for third consecutive times, sending a strong signal that the US hiking cycle is over.

In the Fed's dot plot, the US central bank expects to deliver three rate cuts in 2024 and another seven more cuts in the next two years. The Fed expects to bring the median rate to 2.9% in 2026 from currently 5.4%. At the press conference, the Fed chair Jerome Powell suggested that they do not need to wait inflation hitting 2% to start reducing rate. He stated "the reason you wouldn't wait to get to 2% to cut rates is that it would be too late. You don't overshoot" This remark highlights the Fed's principle that their policy will be forward looking. The Fed expects a soft landing in the US economy. Real GDP is projected to soften to 1.4% in 2024 (2023: 2.6%) and unemployment rising to 4.1% next year (2023: 3.8%).

On domestic front, moderating commodities prices are putting a drag to export performance. Indonesia's exports declined further by 8.6% yoy in November 2023, marking as the sixth straight month of decline. On the contrary, import registered the first increase in six months as it grew by 3.3% yoy in the same period as domestic consumption is improving amidst election campaign. External trade though still posted a surplus in November 2023, but shrinking to USD 2.41 billion from USD 5.10 billion in the same period last year.

Equity

Waiting For Year-End Rally

JCI posted an increase of 0.4% last week. The financial sector led with an increase of 3.3%, followed by the energy sector with an increase of 2.5%, and property with an increase of 0.2%. The technology sector posted the worst performance with a decline of -4.6%, followed by infrastructure -3.8%, transportation -3.5%, and basic materials -1.9%. Even though positive sentiment came from the Fed which issued a dovish statement, most sectors related to the domestic economy such as consumer, healthcare and infrastructure are still relatively under pressure. We see that so far only sectors that are sensitive to interest rates have been well appreciated by the market.

JCI seasonality in December usually shows a fairly good trend. In the last 10 years, the average return of the JCI in December was 2.6%, until last week the JCI recorded a return of 1.6% Mtd. Some market players associate this with the window dressing phenomenon, or the practice where professional investors make special adjustments to their portfolios at the end of a reporting period, such as the end of a quarter or the end of a year, to show good returns at the end of the period. The goal is to make their portfolio look better than it actually is, especially for public reporting or presentations to investors. One common tactic when window dressing is buying high-performing stocks (buying

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stocks that posted good returns during the reporting period to show that the portfolio contains successful investments).

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
10 Yr Avg	1.07	2.11	-1.16	.05	-.07	-.51	1.18	-.38	-1.31	2.14	-.19	2.59
2023	-.16	.06	-.55	1.62	-4.08	.43	4.05	.32	-.19	-2.70	4.87	.55
2022	.75	3.88	2.66	2.23	-1.11	-3.32	.57	3.27	-1.92	.83	-.25	-3.26
2021	-1.95	6.47	-4.11	.17	-.80	.64	1.41	1.32	2.22	4.84	-.87	.73
2020	-5.71	-8.20	-16.76	3.91	.79	3.19	4.98	1.73	-7.03	5.30	9.44	6.53
2019	5.46	-1.37	.39	-.21	-3.81	2.41	.50	-.97	-2.52	.96	-3.48	4.79
2018	3.93	-.13	-6.19	-3.14	-.18	-3.08	2.37	1.38	-.70	-2.42	3.85	2.28
2017	-.05	1.75	3.37	2.10	.93	1.60	.19	.40	.63	1.78	-.89	6.78
2016	.48	3.38	1.56	-.14	-.86	4.58	3.97	3.26	-.40	1.08	-5.05	2.87
2015	1.19	3.04	1.25	-7.83	2.55	-5.86	-2.20	-6.10	-6.34	5.48	-.20	3.30
2014	3.38	4.56	3.20	1.51	1.11	-.31	4.31	.94	.01	-.93	1.19	1.50
2013	3.17	7.68	3.03	1.88	.69	-4.93	-4.33	-9.01	2.89	4.51	-5.64	.42

JCI Monthly Seasonality | Source: Bloomberg

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Thank you

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