

# DEAR INVESTOR,

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

FUND MANAGER'S LETTER  
SEPTEMBER 4TH WEEK, 2023





## Macroeconomics

### Hawkish Development

At the September FOMC meeting, The Fed kept the interest rate policy unchanged at the level of 5.25-5.50%. Additionally, the FFR 2024 median dot plot is higher (5.1%) than last meeting (4.6%) which indicates smaller cuts in next year. The Fed still maintained its hawkish narrative although the inflation already gradually cooling down, which mainly caused by the rising of oil price which is expected to revive energy parts of the CPI basket and may shatter hopes of rapid monetary easing by The Fed in 2024.

The Bank of England's Monetary Policy Committee (MPC), at its meeting ending on 20 September 2023,

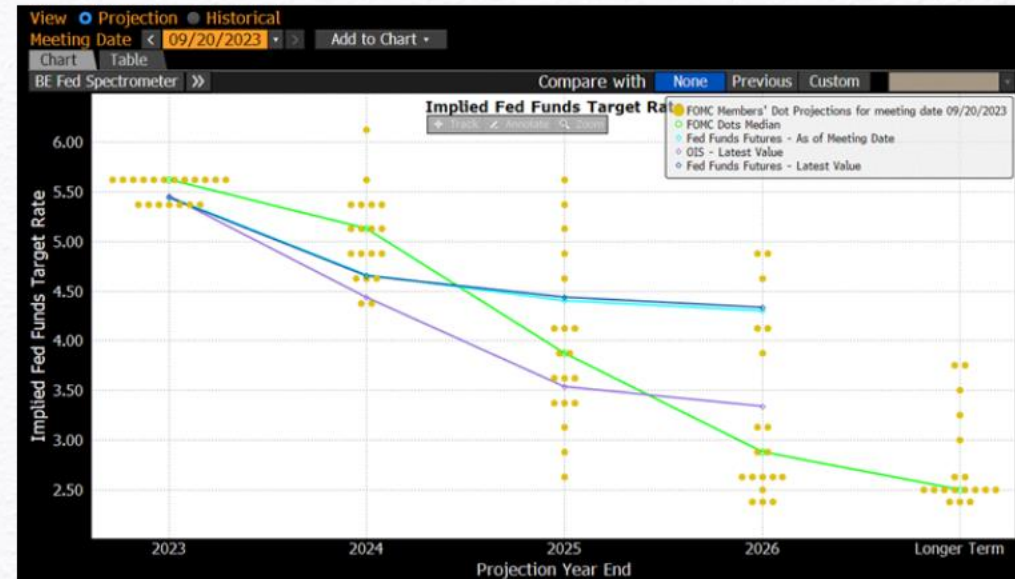
voted by a majority of 5–4 to maintain Bank Rate at 5.25%. The Committee also voted unanimously to reduce the stock of UK government bond purchases held for monetary policy purposes, and financed by the issuance of central bank reserves, by £100 billion over the next twelve months, to a total of £658 billion.

Russia has imposed a temporary ban on gasoline and diesel exports to all countries except four former Soviet states (Belarus, Kazakhstan, Armenia, and Kyrgyzstan) as a measure to stabilize the domestic fuel market. In the first 20 days of September, Russia has reduced its seaborne diesel



and gasoil exports by nearly 30% (MoM), down to approximately 1.7 million metric tons.

In domestic news, Bank Indonesia (BI) hold the 7DRR at the level of 5.75% at the Bank Indonesia September Meeting. The current BI's policy still to maintaining inflation in-lined with targeted range for 2023 and 2024. Following the rice export cuts by India in early August 2023, BI also keep an eye on domestic rice supply, where the national rice stock is currently increasing from previous months at 2 million tons and expected to be sufficient until 1Q24.



FOMC Dot Plot | Source: Bloomberg



## Equity

### Domestic Factors Pushed the Equity Market

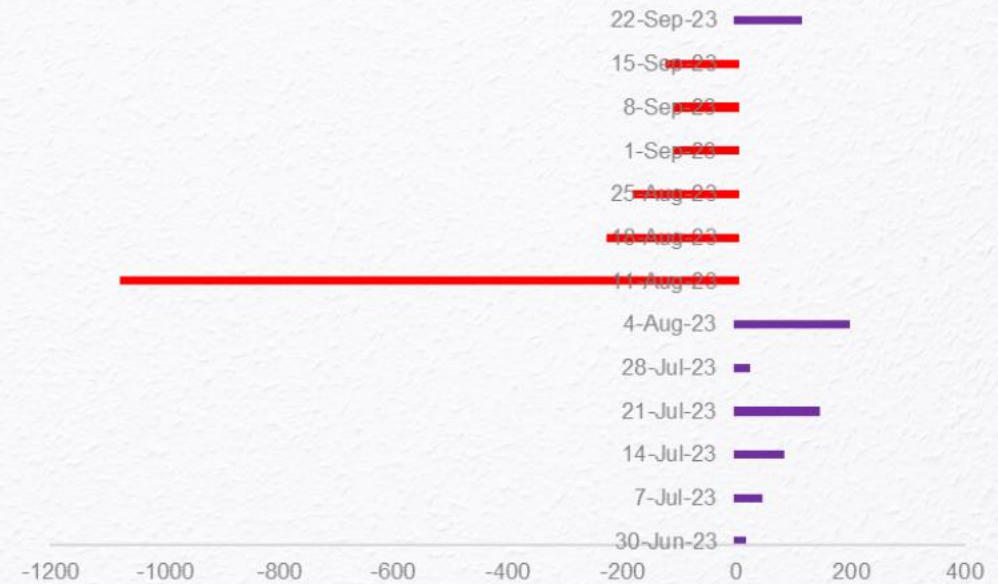
JCI increased by 0.49% to 7016 last week, closing above the 7000 psychological level. It was supported by few sectors, especially consumer non-cyclical (1.42%), infrastructure (1.35%), and basic materials sector (1.01%). Consumer non-cyclical in our view is a beneficiary sector during political campaign period in Indonesia until 1Q24 and will be followed by Lebaran festive in 2Q24. So, the consumer non-cyclical sector will have three quarters from 4Q23 until 2Q24 to boost their revenue and earnings. For the infrastructure sector, it has a good catalyst from development of Indonesia's new capital city or IKN. Based on data from finance ministry, Indonesian Government has

allocated IDR 29.4 trillion on APBN 2023 and IDR 40.6 trillion on APBN 2024. Then, the basic materials sector's demand will align with demand from other sectors, including infrastructure that has a good catalyst from IKN. So, we think that some domestic factors like political year, IKN, and Indonesia's relatively strong economy dominated the market amid global uncertainty.

Furthermore, we need to still be cautious on global trends that can impact Indonesian market. Some trends like higher inflation and central bank rate in the US and Eurozone countries as well as business condition slowdown in China are still concerning to



investors. But we saw that strong domestic factors might still be the pull factor for foreign investors.



**Weekly Foreign Inflow (Outflow) – Indonesian Equity Market (USD Mn)**  
Source: Bloomberg



## Fixed Income Constrained by The Fed

At the FOMC meeting held on September 20, 2023, The Fed decided to maintain its benchmark interest rate at 5.5% and lowered the projected interest rate cut for FY24 to 50 bps (5%). This is due to two factors: first, the strong expansion of the US labor market, reflected in the decrease in the projected unemployment rate to 3.8%; and second the difficulty in lowering inflation rates due to recent increases in global oil prices, as reflected in the increase in the projected PCE inflation for 2023 to 3.3%.

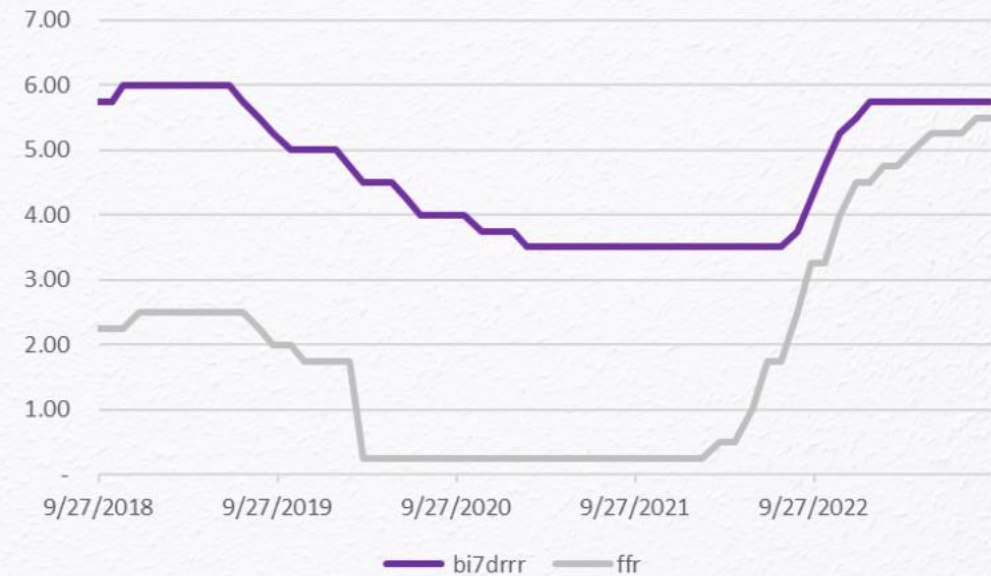
From the domestic market, Bank Indonesia has decided to once again maintain the 7 days reverse

repo rate (7DRRR) at 5.75 for the eight consecutive month, in line with consensus, due to ongoing depreciation pressure on the value of the Rupiah exchange rate which continued in September.

Bank Indonesia has conducted two SRBI auction on September 15, 2023, and September 20, 2023. According to Bank Indonesia's data, the auctions were oversubscribed by 4.2 times from the target IDR 7Tn on September 15, 2023. Currently the total amount of SRBI circulating in the secondary market has reached IDR 37.7 trillion, which is only IDR 5.6 trillion lower than the circulating amount of SPN and SPNS.



Although Bank Indonesia has alternative policies to stabilize the Rupiah, the future interest rate policy of Bank Indonesia is likely to be constrained by the increasingly hawkish monetary policy of the Federal Reserve and the sharp increase in US Treasury yields. Although Bank Indonesia does not directly acknowledge this, it has stated that it will closely monitor the policy direction of the Federal Reserve on a monthly basis and the movement of US Treasury yields in its monetary policy decision-making.



**FFR vs BI7DRRR | Source: Bloomberg**





*Follow us!*

 **avrist.investasi**

[www.avrist-am.com](http://www.avrist-am.com)