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# DEAR INVESTOR,

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FUND MANAGER'S LETTER
**NOVEMBER 4TH WEEK, 2023**

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## Economic & Bond Market
## Will US PCE Data Give More Positive Sentiment To Markets?

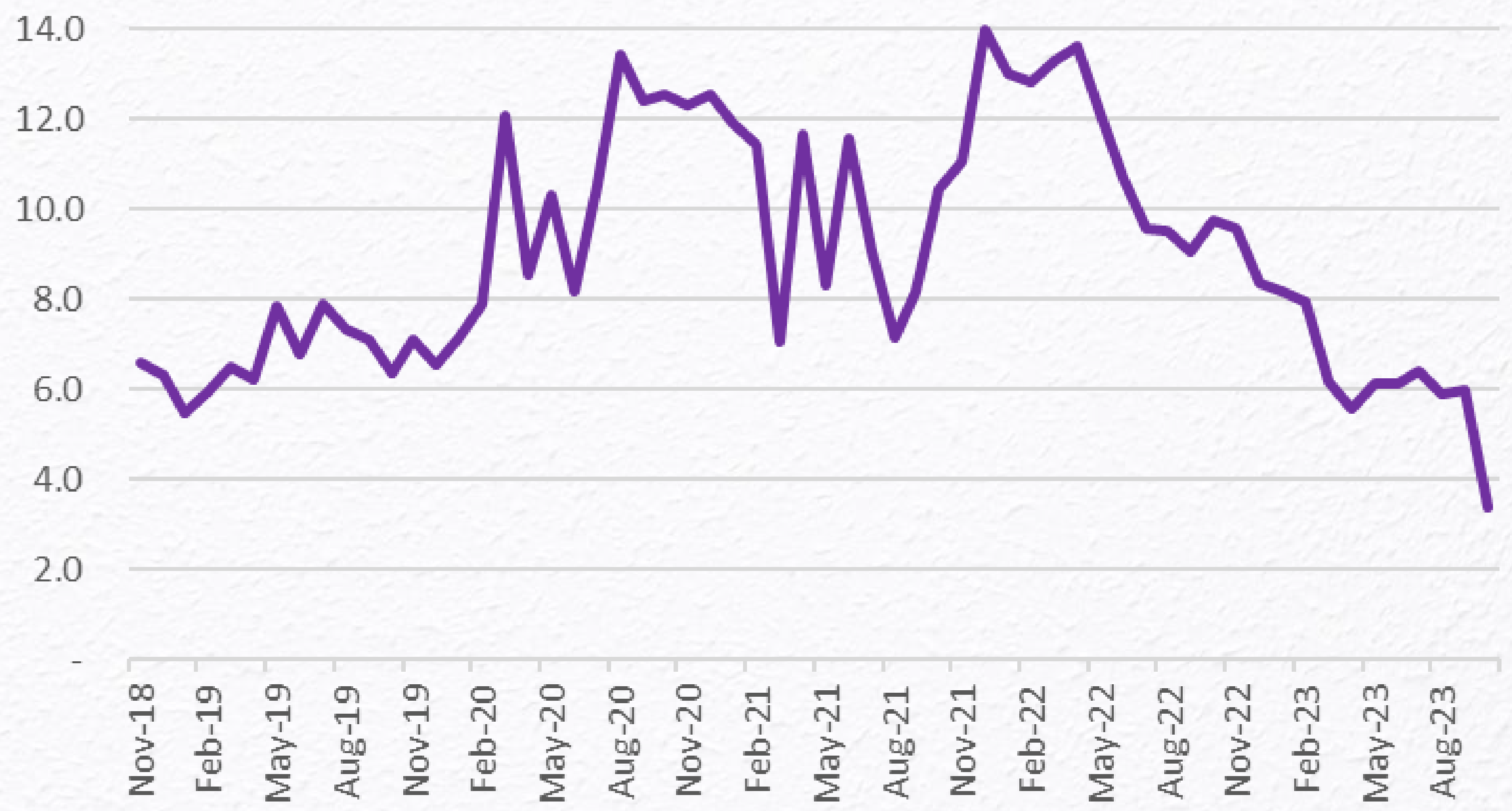
The domestic bond market, specifically government bond asset class continues to strengthen, sending the bond yield lower. Based on Indonesia Bond Pricing Agency (IBPA), the yields across the tenor fell by around 1-2 bps compared to previous week or 26-51 bps lower compared to a month earlier. Indonesia Government Bond Index (IndoBexGTR) registered +0.13% WoW and +2.38% MTD. The 10-year benchmark is now traded at 6.70%, went down from 7.1% a month ago. Meanwhile, we see the opportunity in the shorter dated tenor, the candidate of 5- year benchmark, where it's now traded slightly higher at around 6.74%.

As of 24 Nov 2023, foreigners are reported as IndoGB's biggest buyer totaled to IDR 16.2 tn MTD (14.81% of total outstanding), strong demand also still came from Insurance & Pension Fund with the amount of IDR 13.7 tn.

From the domestic macro update, Bank Indonesia decided to hold its policy rate at 6.0% last week after surprisingly raised its rate by 25 bps in previous month. The decision remains consistent with its pre-emptive and forward-looking stance and to manage the rupiah's volatility. In addition to that, domestic liquidity seems to be tightening, reflected ...

by the M2 growth which fell 3.4% YoY in Oct-23 from 6% in the previous month. Meanwhile, the deposit growth also slowed to 3.4% YoY, whereas the loan growth remained solid at 9% in Oct-2023.

Next thing to watch this week would be on the announcement of the US PCE inflation on Thursday (30/11) where consensus estimate 3.5% YoY vs realization in Sept-23 at 3.7% YoY.




***Indo M2 YoY | Source: Bloomberg***

## Equity
## Waiting For More Conviction

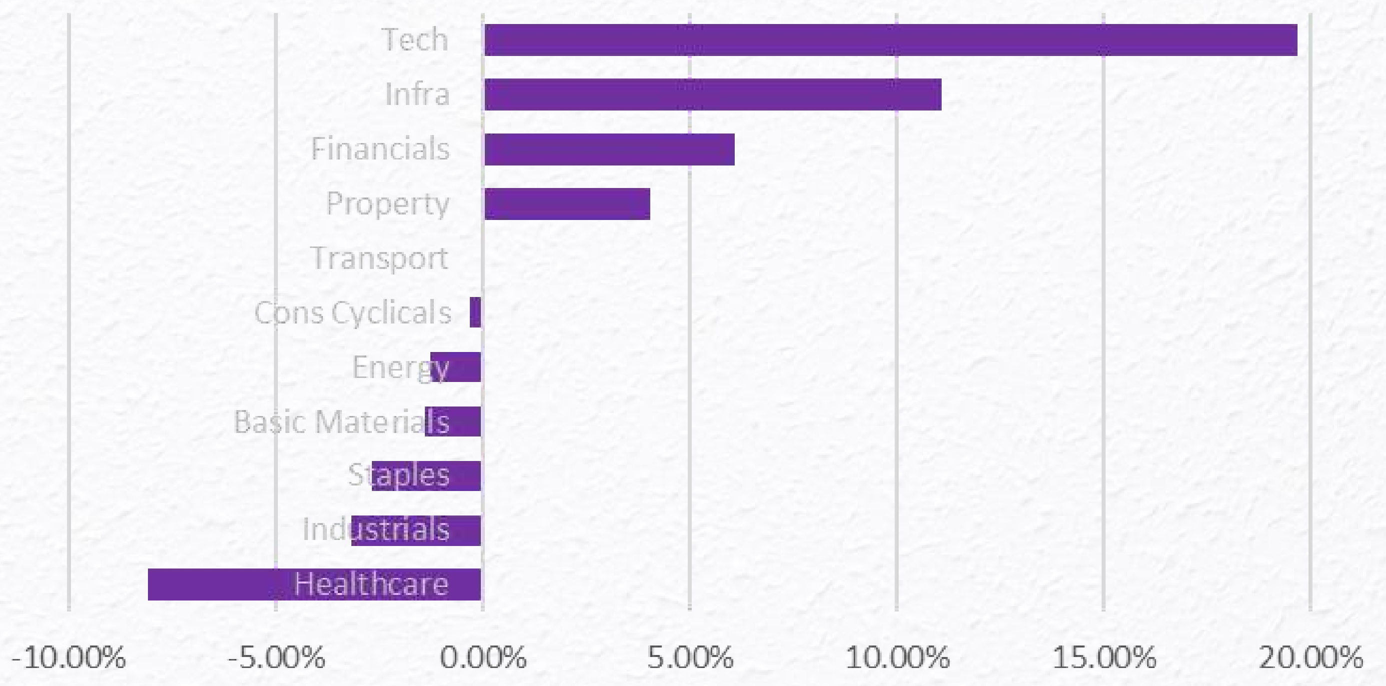
JCI advanced 0.46% last week, led by tech sector which increased 15.6% driven by GOTO and several data center names. Financials were in second place with a 2.7% advance, and consumer cyclicals was third with a 2.4% advance. Lagging sectors were basic materials which declined -3.8%, infrastructures which declined -2.6%, and healthcare -2.2%. In our view, the Indonesian equity market currently still lack conviction as 3Q earnings, while good, were not outstanding, and election uncertainty might cause some investors to still be cautious.

External risks actually receded a bit last week, with ....

the US market (S&P 500) increasing 1%, and dollar index retreating -0.5%. The markets still expect some kind of soft landing for the US economy next year, as stated in many sell-side year ahead outlook which we have read and as seen by the behaviour of markets, with equities still holding up and bond yields relatively benign. It remains to be seen whether inflation can continue to trend down without any significant weakness in US economy. US PCE data which will come out this week is one to watch.

Month-to-date, interest-rate-sensitives seem to be .....

the theme that is making a come-back. Tech led with 19% advance, while financials followed with 6% advance, and property 4%. This was helped by the decline in 10 year Indo Government bond yield of about 40 bps mtd. We view that as long as the disinflation in the US continues, and the US labor market continue to soften, this interest-rate sensitive outperformance might continue, at least in the short term, even if only due to lack of other convincing theme. Commodities are still being battered as the economic outlook of Europe and China are still not exciting, while consumer, even though it has a convincing story (election campaign play), is limited in terms of stock selection (lack of ... liquidity for MYOR and competition risk for UNVR).




***Sectors' Performance Month-to-Date | Source: Bloomberg***

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