

DEAR INVESTOR,

by Avrist Asset Management Team

FUND MANAGER'S LETTER
MAY 3TH WEEK, 2024



Bond & Economy

Menuju Foreign Inflow Bulanan Pertama

Pasar obligasi kembali menghijau pekan lalu di tengah data inflasi Amerika Serikat yang kembali turun. Laju inflasi secara tahunan di AS turun menjadi 3,4% pada bulan April 2024 (Maret: 3,5%). Inflasi inti AS juga turun ke level terendah dalam dua tahun terakhir yaitu menjadi 3,6% (Maret: 3,8%). Turunnya inflasi AS menyebabkan yield obligasi juga ikut turun. Yield obligasi AS tenor 10-tahun turun menjadi 4,42% (-8 bps WoW). Adapun yield SUN tenor 10 tahun turun signifikan menjadi 6,79% (-15 bps WoW). Investor asing terlihat kembali mulai membangun posisi di pasar obligasi Indonesia. Per 17 Mei 2024, aliran modal asing yang masuk ke SBN mencapai IDR 4,6 triliun pekan lalu. Sehingga

foreign inflows sepanjang bulan Mei ini mencapai IDR 12,7 triliun. Bulan Mei bisa menandai bulan pertama foreign inflows di pasar obligasi tahun ini setelah mengalami outflows dalam empat bulan terakhir. Kepemilikan investor asing saat ini mencapai IDR 802,6 triliun, mewakili 14,0% dari total obligasi beredar saat ini. Kembali masuknya dana asing ke SBN membuat rupiah kembali menguat di bawah level IDR 16.000 per USD, atau tepatnya ke IDR 15.978/USD menurut data Bank Indonesia.

Defisit transaksi berjalan Indonesia memburuk pada Q1 2024. Neraca transaksi berjalan mencatat defisit sebesar USD 2,2 miliar (-0,6% dari PDB) pada

Q1 2024. RI mengalami defisit CAD dalam empat kuartal berturut-turut akibat melemahnya kinerja ekspor. Sebagai catatan, net ekspor di Q1 2024 merosot 33,0% dari tahun lalu karena normalisasi harga komoditas. Neraca pembayaran juga mencatat defisit USD 6 miliar pada Q1 2024, berbalik dari surplus USD 8,6 miliar pada kuartal sebelumnya dikarenakan keluarnya modal asing terutama dari pasar obligasi seiring dengan meningkatnya ketidakpastian arah suku bunga Fed. Defisit pada neraca transaksi berjalan dan defisit neraca pembayaran membuat upaya dalam mengelola stabilitas rupiah menjadi lebih menantang. Pemerintah telah mengusulkan

rancangan awal RAPBN 2025. Asumsi makroekonomi yang ditetapkan terlihat konservatif. Target pertumbuhan ekonomi 2025 ditetapkan sebesar 5,1%-5,5%, lebih rendah dari rencana sebelumnya sebesar 5,3%-5,6%. Yield obligasi 10-tahun ditetapkan sebesar 6,9%-7,3%, dan kurs rupiah di kisaran IDR 15.300-16.000 per USD. Inflasi ditargetkan pada 1,5%-3,5%, dan harga minyak mentah di level USD 75-85 per barel. Adapun defisit anggaran diusulkan dalam kisaran 2,45%-2,82% dari PDB. Pemerintah melihat pertumbuhan ekonomi 2025 akan bertumpu pada laju inflasi yang moderat, hilirisasi sumber daya alam, dan pengembangan industri kendaraan listrik.

Equity

Penguatan IHSG di Tengah Net Foreign Sell

IHSG mencatatkan return positif dengan pertumbuhan sebesar +3,2% (WoW) ke level 7.317 pada minggu yang berakhir pada 17 Mei 2024. Hal ini didukung oleh kinerja sektor bahan dasar dan pemulihan sektor keuangan. Sektor keuangan meningkat sebesar +2,8% (WoW), terutama karena pemulihan pada empat bank besar di Indonesia. Seperti yang kita ketahui, sektor perbankan menerima sentimen negatif, terutama terkait biaya dana (CoF) setelah Bank Indonesia (BI) menaikkan suku bunga sebesar 25 bps ke level 6,25% dalam Rapat BI April. Sementara itu, sektor bahan dasar meningkat sebesar +6,6% (WoW), didorong terutama oleh BRPT dan TPIA. Namun, kami

mengamati bahwa kenaikan kedua saham tersebut tidak didukung oleh kinerja yang kuat dan valuasinya relatif overvalue.

Di sisi lain, investor asing mencatatkan net sell di IHSG selama periode yang sama. Berdasarkan data Bloomberg, investor asing menarik dana sebesar IDR 1,54 triliun dari pasar modal ekuitas Indonesia selama minggu yang berakhir pada 17 Mei 2024. Kami melihat ada dua saham dengan kapitalisasi pasar besar yang termasuk dalam saham net foreign sell selama minggu tersebut, yaitu ASII dan TLKM. Harga saham ASII dan TLKM masing-masing turun sebesar -6,3% dan -2,9% (WoW). Kami

mengamati bahwa hal ini sejalan dengan kinerja 1Q24 dari kedua perusahaan tersebut, di mana ASII dan TLKM menghadapi persaingan ketat tahun ini. ASII menghadapi penetrasi pemain EV China di Indonesia seperti BYD. Sementara itu, TLKM mencoba merebut kembali pangsa pasar dengan paket yang lebih murah karena persaingan dengan perusahaan telekomunikasi lain seperti ISAT dan EXCL.

Meskipun demikian, kami menilai bahwa beberapa perusahaan, terutama perusahaan dengan kapitalisasi pasar besar, memiliki valuasi yang menarik akhir-akhir ini. Hal ini memberi peluang

untuk memperoleh perusahaan yang baik dengan valuasi yang menguntungkan. Namun, kami percaya bahwa orientasi investasi jangka panjang adalah pilihan terbaik bagi investor mengingat kondisi ketidakpastian saat ini.

Figure 1. Net foreign investment in JCI during week ending May 17, 2024



Source: Bloomberg



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On track For First Monthly Inflows

The bond market bounced back last week amidst softening U.S. CPI inflation data. The annual inflation rate in the U.S. eased to 3.4% in April 2024 (March: 3.5%). U.S. core inflation also slowed to a two-year low of 3.6% (March: 3.8%). Softer inflation sent bond yields lower, with the yield on the 10-year U.S. Treasury edging down to 4.42% (-8 bps WoW). Similarly, the yield on the 10-year IndoGB decreased to 6.79% (-15 bps WoW). On the fund flow, we notice foreign investors are starting to rebuild their positions in IDR government bonds. As of May 17, 2024, foreign inflows reached IDR 4.6 trillion last week, bringing month-to-date inflows to IDR 12.7 trillion. The month of May could mark the first

month of foreign inflows for the bond market this year after experiencing four straight months of outflows. Foreign investors' ownership now stands at IDR 802.6 trillion, representing 14.0% of the total bonds outstanding. The rupiah strengthened to below the IDR 16,000 level, precisely to IDR 15,978/USD, according to Bank Indonesia data.

Indonesia's current-account deficit worsened in Q1 2024. The current account balance registered a deficit of USD 2.2 billion (-0.6% of GDP) in Q1 2024, marking the fourth straight quarter of deficit due to weakening export performance. Net exports declined by 33.0% compared to the same quarter in

the previous year due to moderating commodity prices. The balance of payments reversed to a deficit of USD 6 billion in Q1 2024, shifting sharply from a surplus of USD 8.6 billion in the previous quarter. The deficit in the balance of payments was driven by sizeable outflows from portfolio investment due to rising uncertainty regarding the Fed's interest rate policy. The deficits in both the current account and balance of payments make the effort to manage the rupiah stability more challenging.

The government has proposed the initial draft of the state budget for the year 2025. The government

takes a more conservative view on macroeconomic assumptions set in the budget. The economic growth target is set at 5.1%-5.5% for FY2025, lower than the previously planned 5.3%-5.6%. The yield on the 10-year bond is set at 6.9%-7.3%, and the rupiah is forecasted to range between IDR 15,300-16,000 per USD. Inflation is targeted at 1.5%-3.5%, and crude oil prices are projected at USD 75-85 per barrel. The budget deficit is proposed to be within the range of 2.45%-2.82% of GDP. The government sees the 2025 economic growth being supported by manageable inflation, downstreaming of natural resources, and the development of the electric vehicle industry.

Equity

The strengthening of JCI amid net foreign sell

JCI recorded a positive return with a growth of +3.2% (WoW) to the level of 7,317 in the week ending May 17, 2024. This was supported by the performance of the basic materials sector and the recovery of the financial sector. The financial sector increased by +2.8% (WoW), primarily due to the recovery of the big four banks in Indonesia. As we know, the banking sector received negative sentiment, particularly regarding the cost of funds (CoF) after Bank Indonesia (BI) raised the interest rate by 25 bps to 6.25% in the April BI Meeting. Meanwhile, the basic materials sector increased by +6.6% (WoW), driven mainly by BRPT and TPIA. However, we observed that the increase in both

stocks was not supported by strong performance and their valuations are relatively overvalued.

On the other hand, foreign investors recorded a net sell in JCI during the same period. According to Bloomberg data, foreign investors withdrew IDR 1.54 trillion from the Indonesian equity capital market during the week ending May 17, 2024. We noticed that two large-cap stocks were among those sold by foreign investors that week, namely ASII and TLKM. The share prices of ASII and TLKM decreased by -6.3% and -2.9% (WoW), respectively. We observed that this was aligned with the 1Q24 performance of both companies, where ASII and

TLKM are facing tough competition this year. ASII is dealing with the penetration of Chinese EV players in Indonesia, such as BYD. Meanwhile, TLKM is trying to regain market share with cheaper packages due to competition with other telecom companies like ISAT and EXCL.

Nonetheless, we assessed that some companies, particularly those with large market capitalizations, have attractive valuations recently. This provides an opportunity to acquire good companies with favorable valuations. However, we believe that a long-term investment orientation is the best choice for investors given the current uncertain conditions.

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