

ULASAN MAKROEKONOMI

Kondisi makroekonomi Indonesia bulan Juli tetap kondusif. Secara bulanan inflasi kembali turun. Secara tahunan, inflasi turun dari +4.37% di bulan Juni menjadi +3.88% di bulan Juli, seiring harga pangan dan transportasi yang berangsur normal setelah periode Ramadan dan Hari Raya. Kami tetap percaya inflasi tahun ini akan terkendali karena ketatnya pemerintah memantau harga pangan. Walaupun pencabutan subsidi listrik membuat inflasi meningkat, tetapi diperkirakan akan tetap berada di kisaran ekspektasi Bank Indonesia +3% - 5%. Pemerintah telah menyatakan tidak akan menaikkan tarif listrik lagi (baik subsidi maupun non subsidi) sampai akhir tahun. Walaupun inflasi cenderung rendah, kami perkirakan Bank Indonesia belum akan melakukan perubahan suku bunga, mengingat ada risiko pada sektor finansial terkait dengan pengetatan moneter negara-negara maju.

PDB kuartal kedua 2017 tumbuh sebesar +5.01% YoY, sedikit lebih rendah dari ekspektasi konsensus. Penyebab utamanya adalah penurunan belanja pemerintah (-1.9% YoY). Sementara itu, investasi meningkat +5.35% YoY. Pemerintah telah merevisi anggaran 2017 dengan menurunkan target pendapatan sehingga lebih realistis, di lain pihak meningkatkan target belanja. Tujuannya adalah untuk mendorong pertumbuhan. Negara perlu pengeluaran untuk mendorong pertumbuhan.

MACROECONOMY REVIEW

Indonesia macro economy indicators remained conducive in July. Inflation eased MoM. On an annual basis, inflation was down to +3.88% YoY from +4.37% YoY in June as food prices and transportation tariffs have normalized post the Ramadan and the Eid. Overall, we believe inflation will remain under control this year given that the government has actively monitored foodstuff prices. Although electricity subsidy removal will trigger inflation to edge up, inflation is still expected to hover within Bank Indonesia expectation of +3%-5%. The government has stated that it will not raise the electricity tariff (subsidized and non-subsidized) until end of this year. Although inflation risk seems to be low, we believe Bank Indonesia is unlikely to change its policy rate in its upcoming meeting considering the risks in the financial sector given the upcoming monetary tightening in the developed markets.

GDP growth came in at +5.01% YoY in 2Q17. It is slightly below market consensus expectation. Main reason was the lower government spending (-1.9% YoY) in the quarter. Meanwhile, investment was up +5.35% YoY. The government has revised its 2017 budget by lowering target revenue to be more realistic, and increasing expenditure target. The aim is to push for growth. The country needs government spending to boost growth.



SAHAM

Di bulan Juli IHSG menguat +0.2%, kalah unggul dari indeks MSCI Asia Ex. Japan (+4.9%), MSCI Emerging Market (+5.0%), dan MSCI World (+2.3%) seiring investor asing yang melakukan aksi ambil untung. Investor asing membukukan penjualan bersih sebesar USD 798 Juta sebagai aksi ambil untung setelah IHSG mencapai rekor tertinggi.

Kami terus memandang optimis kondisi Indonesia. Perbaikan fundamental ekonomi membuat Indonesia menjadi destinasi investasi yang menarik. Kami juga berharap akan *adanya earnings upgrade* tahun ini, setelah 4 tahun terakhir terjadi *earnings downgrade*. Indikator makro juga terus menunjukkan perbaikan di semua aspek. Defisit neraca berjalan yang rendah, cadangan devisa semakin kuat. Perbaikan pertumbuhan PDB, sementara bank sentral juga telah menurunkan suku bunga 150 bps tahun lalu. Perbaikan fundamental juga diikuti oleh reformasi menyeluruh. Kami memperkirakan perbaikan pertumbuhan ekonomi di semester kedua tahun ini, dipicu oleh kenaikan belanja pemerintah dan membaiknya daya beli konsumen. Kenaikan peringkat dari S&P diperkirakan akan meningkatkan selera investor terhadap Indonesia. Kami tetap percaya perekonomian Indonesia akan tetap positif dan kami tetap optimis akan daya tarik jangka panjang investasi Indonesia.

EQUITY

In July the Jakarta Composite Index was up +0.2%, underperforming those of MSCI Asia Ex Japan (+4.9%), MSCI Emerging Market (+5.0%) and MSCI World (+2.3%) as foreign investors took profit. They recorded a net flow of –USD798m as more took profit after the index reached record high.

We remain positive on Indonesia. Improvements in Indonesia economic fundamentals put the country as an attractive investment destination. We expect earnings upgrade this year after four years of downgrades. Macro indicators are showing improvements in all aspects. Our Current Account Deficit is much lower, foreign reserve is much stronger. GDP growth is improving, while the Central Bank has done its easing cycle with the 150bp cut in the past one year. The fundamental improvements are also supported by widespread reforms. We expect better economy growth in 2H17, triggered by higher government spending and improving consumer purchasing power. The S&P investment grade is expected to continue increasing investor appetite on Indonesia. We continue to believe that exposure to Indonesia economies will likely remain to be positive and we remain optimistic on the enduring appeal of investment in Indonesia.

OBLIGASI

Indeks BINDO sebagai proksi pasar obligasi domestik di bulan Juli berubah signifikan, hanya naik 0.2%. Pergerakan pasar obligasi bulan Juli memang fluktuatif, dimana indeks sempat melemah 2% di awal bulan sebagai reaksi pernyataan bank sentral Amerika Serikat yang diekspektasi akan mulai melakukan normalisasi neraca keuangan tahun ini. The Fed akan mengurangi kepemilikan surat berharganya dengan cara mengurangi gradual reinvestasi obligasi yang jatuh tempo. Tetapi pasar obligasi pulih kembali di paruh kedua bulan Juli seiring data-data ekonomi Amerika Serikat yang tidak terlalu baik, sehingga arus dana masuk ke negara-negara berkembang tetap terjadi. Di lain pihak dari sisi domestik, data makroekonomi tetap stabil. Inflasi Juni yang merupakan bulan Ramadhan hanya sebesar 0.69% (4.37% YoY), merupakan inflasi bulan Ramadhan terendah dalam 4 tahun terakhir, disebabkan oleh stabilitas harga pangan.

Secara keseluruhan di bulan Juli imbal hasil meningkat, terutama obligasi jangka pendek (2-5 tahun) dan tenor 10 tahun meningkat sekitar 10 bps, sementara tenor 15 tahun dan jangka panjang (20 – 30 tahun) naik berkisar 1 – 8 bps. Tabel dan grafik berikut menunjukkan pergerakan bulanan imbal hasil obligasi sepanjang bulan Juli 2017:

TENOR	31-Jul-17	30-Jun-17	CHANGES (bps)
2yr	6.43	6.34	9
5yr	6.73	6.63	10
10yr	6.92	6.80	12
15yr	7.36	7.35	1
20yr	7.61	7.53	8
30yr	7.89	7.85	4

BOND

Bloomberg Indonesia Local Sovereign Index as a proxy for Indonesia local bond market changed insignificantly by only 0.20% on MoM basis. However it was actually a volatile month whereas the index experienced a deep decline by almost 2% in early July as market reacted to the Fed statement, which expects to begin implementing a balance sheet normalization program this year. Thus, the Fed would gradually reduce the Fed's securities holdings by decreasing reinvestment of principals from its maturing bonds. However, the bond market recovered all its losses the second half of the month as US economic data remained weak and US Treasury yield remained low thus inflows into emerging market remains, while domestically the macro figures remained stable as inflation rate in June accelerated only 0.69% MoM or 4.37% YoY, the lowest inflation rate in the fasting month in the last four years due to stable food prices.

Overall, yield increased in July especially short dated bonds (2-5 year) and 10-year bond by around 10bps, while 15-year and long dated bonds (20-30 year) rose by 1-8bps. The following table and graph show the MoM bond yield movement as of July 2017.

