

ULASAN MAKROEKONOMI

Perekonomian Indonesia tetap kondusif di bulan Mei. Indeks PMI manufaktur naik ke level +51.7 di bulan Mei dari level +51.6 di bulan sebelumnya. Data PMI manufaktur terus berada di atas level 50 selama empat bulan berturut-turut, mengindikasikan perbaikan aktivitas manufaktur. Ini merupakan periode ekspansi terpanjang dalam lima tahun. Pertumbuhan didukung oleh pertumbuhan permintaan baru tertinggi sejak Juli 2014, dan produksi juga mencatatkan pertumbuhan.

Di bulan Mei terjadi inflasi +0.21% MoM, sehingga inflasi tahunan turun ke level +3.23% YoY (vs. +3.41 di bulan April). Penurunan inflasi tahunan didukung oleh harga pangan yang rendah dan efek *high base* dari perubahan tarif listrik tahun lalu. Di sisi lain, tingkat inflasi inti mengalami kenaikan selama tiga bulan berturut-turut, tercatat pada level +2.75% YoY di bulan Mei dari +2.58% YoY di bulan sebelumnya. Kenaikan inflasi inti mengindikasikan sinyal perbaikan permintaan konsumen. Walau demikian perbaikan tersebut masih moderat karena belum diikuti oleh pertumbuhan uang beredar (M1 dan M2). Kami berpandangan sinyal perbaikan permintaan konsumen yang lebih kuat – diindikasikan dari kenaikan inflasi inti dan pertumbuhan uang beredar – akan terjadi di bulan Juni didukung oleh periode libur Hari Raya.

Bank Indonesia menaikkan suku bunga acuan dua kali dalam kurang dari dua minggu (pada 17 dan 30 Mei). Gubernur bank sentral yang baru mengindikasikan keyakinannya terhadap stabilitas makro Indonesia, namun di sisi lain tidak dapat

MACROECONOMY REVIEW

Indonesia economy remained conducive in May. PMI Manufacturing Index came in at +51.7 in May, up from +51.6 in the previous month. It was the fourth consecutive reading above 50 since January, indicating improvement in manufacturing activities. This is the longest period of expansion in the past five years. Growth was supported by the fastest rise in new orders since July 2014, while output rose at a fast pace.

Headline inflation increased +0.21% MoM in May, translates into a lower annual inflation of +3.23% YoY (vs. +3.41% in April). Main reasons are low food prices combined with the high-base effect on last year's electricity tariff adjustment. On the contrary with the headline, core inflation continues to go up, it has persistently increased for three consecutive months, recorded at +2.75% YoY from +2.58% in March. The continuous increase in core inflation shows the possible pick up of consumer demand. A moderate pick up, as it has not been followed by higher money supply growth (M1 and M2). We believe stronger signs of demand pick up - in terms of rising core inflation followed by higher money supply growth - will take place in June given the festive season.

Bank Indonesia raised benchmark rate twice in less than two weeks (on 17 and 30 May). The new Central Bank Governor indicated that he is confident on Indonesia macro stability yet cannot ignore the dynamics of global rates normalization.



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mengabaikan dinamika normalisasi suku bunga global. Gubernur BI menyatakan kebijakan yang tegas dan jelas merupakan langkah yang tepat. Kebijakan moneter akan digunakan untuk menjaga stabilitas, dan kebijakan makroprudensial dapat digunakan untuk mendukung pertumbuhan ekonomi. Pasar merespon positif kenaikan suku bunga BI tersebut.

MACROECONOMY REVIEW

The Governor stated that a clear and bold policy is pertinent. Monetary policy would be utilized to ensure stability and macro-prudential measures to support growth. The market responded positively on the two rate hikes.

SAHAM

Sepanjang bulan Mei, sentimen mengurangi risiko terus mendominasi pasar sebelum BI menaikkan suku bunga acuan kedua kalinya di akhir bulan. Imbal hasil US Treasury yang pada level tinggi dan penguatan USD terus menekan pasar finansial. Sentimen negatif juga terjadi di pasar negara berkembang, karena Argentina dan Turki yang mengalami dampak terburuk dari faktor eksternal tersebut. Sementara itu tensi dagang yang meningkat antara AS dan negara mitra dagangnya juga tidak mendukung sentimen pasar. Pasar mulai membaik di akhir bulan setelah investor merespon positif kebijakan BI. Investor asing membukukan penjualan USD 460 juta di bulan Mei, lebih rendah dari USD750 juta di bulan sebelumnya. IHSG melemah (-0.2%) ditutup pada level 5984. Sektor yang mengalami pelemahan terdalam adalah Infrastruktur (-4.5% MoM) dan Perkebunan (-4.2% MoM), sementara sektor dengan kinerja terbaik adalah Pertambangan (+6.02%) dan Semen (+5.2% MoM). Untuk pasar obligasi, indeks BINDO melemah -0.9% di bulan Mei. Setelah terus mengalami depresiasi (sempat menyentuh level ~IDR14,200/USD di minggu keempat bulan Mei) IDR menguat +0.1% MoM ke level IDR13,896/USD.

Kami berpandangan stabilitas pasar akan membaik didukung fundamental yang tetap kuat. Tekanan nilai tukar berpotensi mereda karena periode musim liburan, pembayaran dividen, dan pembayaran utang (Juni-Agustus) sudah berakhir. Kami juga berpandangan pertumbuhan EPS dan PDB yang lebih baik di 2Q18 dibandingkan kuartal sebelumnya. Indonesia saat ini dalam kondisi yang lebih baik dalam menghadapi gejolak pasar dibandingkan periode 2013 ketika *taper tantrum* terjadi dan pasar Asia terkoreksi karena kekhawatiran pengurangan stimulus The Fed.

EQUITY

In May, risk-off sentiment dominated the market for almost entire month until the Central Bank raised benchmark rate for the second time at end of the month. Persistently high US Treasury yields and stronger USD continued to put pressure on the financial market. Negative sentiment continued in the emerging markets, as Argentina and Turkey were badly hit by the above external factors. Meanwhile, trade tension between the US and its trading partners does not help. The market improved later in the month as investors responded positively to the policy taken by the Central Bank. Foreign funds sold USD460m in May, lower compared to USD750m in the previous month. The Jakarta Composite Index was slightly down (-0.2%) and closed at 5984. Top losers were Infrastructure (-4.5% MoM) and Agriculture (-4.2% MoM), while Mining (+6.02%) and Cement (+5.2% MoM) sectors became the top gainers. On fixed income market, BINDO was corrected -0.9% in the month. After continuous weakening (until ~IDR14,200/USD in the fourth week of May) IDR appreciated +0.1% MoM to IDR13,896/ USD.

We expect improving market stability as fundamentals remain intact. Pressure on the currency should be lower as the peak of holiday season, dividend payment and debt payment periods (June-August) are over. We also expect better EPS and GDP growth in 2Q18 compared to the previous quarter. Indonesia is in much better conditions to face turbulence compared to 2013 taper tantrum when Asia market were deeply corrected due to fears of reduced Fed stimulus.

SAHAM

Seperti yang terjadi di periode sebelumnya, respon dari meningkatnya kebijakan proteksionis AS akan lebih terbatas untuk mencegah terjadinya perang dagang. Pihak yang bersitegang diperkirakan akan mencapai kesepakatan setelah melalui proses negosiasi. Selain itu eksposur perdagangan Indonesia terhadap AS relatif kecil, sehingga lebih terlindungi dari dampak negatif kebijakan proteksionis. Valusi pasar menjadi lebih atraktif setelah koreksi yang terjadi. Setelah volatilitas mereda dan investor kembali melihat faktor fundamental, Indonesia akan kembali pada radar investor sebagai negara tujuan investasi yang menarik. Kami tetap percaya perekonomian Indonesia akan tetap positif dan kami tetap optimis akan daya tarik jangka panjang investasi Indonesia.

EQUITY

As seen in the past, responses on rising US protectionism are likely to be measured to avoid full blown trade wars. Conflicting parties are likely to come to terms after series of negotiation. Indonesia has among the least trade exposure to the US, and therefore relatively more protected against negative impacts of rising trade protectionism. Valuations become more attractive after the recent corrections. After volatilities subside and investors once again become comfortable to look at fundamentals, Indonesia will be back on investor's radar screen as an appealing investment destination. We continue to believe that exposure to Indonesia economies will likely remain to be positive and we stay optimistic on the enduring appeal of long-term investment in Indonesia.

OBLIGASI

Pasar obligasi Indonesia terkoreksi 0.89% di bulan Mei berdasarkan indeks Bloomberg Indonesia Local Sovereign. Koreksi bulanan tersebut menyebabkan kinerja tahun berjalan menjadi -1.29%. Baik faktor global dan domestik menjadi faktor penyebab pelemahan pasar obligasi. Dari sisi global, data ekonomi AS yang terus mengalami perbaikan menyebabkan kemungkinan kenaikan suku bunga The Fed di bulan Juni semakin meningkat, menjadi sentiment negatif bagi pasar. Imbal hasil US Treasury 10 tahun naik ke level tertinggi dalam tujuh tahun pada level 3.12%. Sementara itu dari sisi domestik, pelemahan pasar obligasi disebabkan oleh pelemahan musiman IDR di bulan Mei karena faktor: (1) repatriasi dividen, (2) pembayaran kupon obligasi pemerintah terutama seri yang likuid yang banyak dipegang investor asing, (3) pembayaran utang dalam USD. Koreksi pasar obligasi juga disebabkan oleh antisipasi investor menjelang libur panjang Idul Fitri di bulan Juni, di mana pada periode tersebut The Fed akan mengadakan rapat yang diperkirakan akan menaikkan suku bunga.

Setelah mengalami pelemahan yang dalam, pasar obligasi menguat terbatas di akhir Mei setelah Bank Indonesia mengadakan rapat dadakan dan memutuskan untuk menaikkan suku bunga acuan sebesar 25 bps menjadi 4.75% untuk menopang Rupiah. Kenaikan tersebut merupakan kenaikan suku bunga kedua tahun ini setelah sebelumnya BI menaikkan suku bunga 25 bps di rapat 18 Mei. Ini merupakan kenaikan suku bunga pertama dalam 3.5 tahun. Pasar merespon positif kebijakan Bank Indonesia yang dianggap preemtif dan aktif mengantisipasi pasar untuk memperkuat stabilitas, terutama stabilitas nilai tukar di tengah kemungkinan kenaikan suku bunga The Fed yang lebih agresif dan meningkatnya risiko pasar finansial global.

FIXED INCOME

The Indonesian bond market suffers correction on May by 0.89% as reflected by Bloomberg Indonesia Local Sovereign Index. The monthly correction brings the YTD performance to -1.29%. Both global and domestic factor contributes to the weakness in bond. Globally, the negative sentiment coming from US as the economic data continues to show improvement and trigger the expectation that The Fed may hike the rate on June meeting. The 10-year US treasury yield rose to the highest level in seven-year of 3.12%. In addition, from domestic factor, the bond retreats driven by the cyclicity of IDR weakness on May due to several factors: (1) dividend repatriation, (2) government bond coupon payment especially the liquid series which hold by foreign investors, (3) corporate loan repayment in USD. The correction in bond market also trigger by anticipation of investors on long Eid-Mubarak holidays in June in which during the holiday The Fed will hold meeting that the consensus expect the rate hike.

After weakening quite significant, the bond market slightly strengthened in late May as Bank Indonesia held unscheduled meeting and decided to hike benchmark rate by another 25bps to 4.75% to support rupiah. Such policy is the second hike this year after the first hike 25 bps which decided on BI scheduled meeting on 18th May. This the first BI rate hikes in the past 3.5 years. The market gave positive response as Bank Indonesia stated that it made the policy as pre-emptive, front-loading, and ahead-of-the-curve moves to strengthen stability, especially exchange rate stability against a higher than expected Fed Fund Rate (FFR) hike and increasing risk in the global financial market.

OBLIGASI

Setelah kenaikan suku bunga BI, IDR menguat 13,894 setelah sebelumnya sempat menyentuh 14,207. Perbaikan IDR dan inklusi obligasi Indonesia dalam indeks Bloomberg Barclays diperkirakan menjadi katalis bagi pasar obligasi.

FIXED INCOME

After BI increased its rate, IDR strengthened to 13,894 after touched 14,207 previously. The improvements of IDR along with the inclusion of Indonesian bond in Bloomberg Barclays Index are the catalyst to the bond market.