

**ULASAN MAKROEKONOMI****MACROECONOMY REVIEW**

Kondisi makroekonomi bulan April 2017 tetap kondusif. Setelah mengalami deflasi pertama kali untuk tahun ini di bulan Maret (inflasi Maret -0.02% MoM walaupun terjadi kenaikan tarif listrik di awal bulan), inflasi naik +0.09% MoM (+4.17% YoY) di bulan April. Kenaikan tersebut terjadi karena efek rendahnya tingkat inflasi bulan April 2016 (deflasi -0.45% MoM). Bahan pangan mengalami deflasi (memberikan kontribusi -0.24ppt). Sementara itu inflasi inti turun menjadi +3.28% YoY di bulan April dari +3.30% di bulan Maret. Ke depannya, ekspektasi kami inflasi 2017 akan lebih tinggi dibandingkan tahun lalu karena efek kenaikan tarif listrik untuk segmen tertentu, potensi kenaikan harga BBM, dan penguatan USD. Walau demikian tingkat inflasi diekspektasi akan tetap pada level rendah, didukung oleh usaha pemerintah dalam menjaga harga bahan pangan. Secara keseluruhan, ekspektasi kami inflasi 2017 akan tetap terjaga sesuai dengan target Bank Indonesia (BI) pada level 4%  $\pm$ 1%. BI memangkas Giro Wajib Minimum (GWM) harian perbankan dari 6.5% menjadi 5% yang diekspektasi akan meningkatkan likuiditas perbankan dan berdampak positif bagi pertumbuhan ekonomi. Perbankan tetap diwajibkan untuk menjaga GWM pada 6.5% tiap periode 2 minggu. Pemangkasan GWM diperkirakan dapat memberikan kontribusi sekitar 0.4% - 0.5% bagi PDB. Ekspektasi kami BI akan tetap mempertahankan tingkat suku bunga acuan pada rapat BI selanjutnya.

Melanjutkan tren surplus perdagangan bulan Januari dan Februari, Indonesia kembali mencatatkan surplus neraca perdagangan yang solid sebesar USD1.2 miliar di bulan Maret. Ekspor dan impor mencatatkan pertumbuhan yang tinggi. Ekspor tumbuh +23.6% YoY melebihi ekspektasi konsensus 12.2%. Secara nominal, ekspor mencapai USD14.6 miliar, level tertinggi sejak Desember 2014, didukung oleh naiknya harga komoditas. Impor tumbuh +18.2% YoY, lebih baik dari ekspektasi konsensus pada 9.9%. Secara kumulatif, neraca perdagangan di 1Q17 mencatat surplus USD3.9 miliar, tumbuh 139% YoY. Indeks Keyakinan Konsumen (IKK) naik +4.4 poin dari 117.1 ke level 121.5 di bulan Maret setelah Pilkada Jakarta putaran pertama berlangsung damai. Level IKK tersebut mencapai level tertinggi sejak 2002. Penguatan tertinggi terjadi pada ekspektasi kondisi 6 bulan ke depan yang naik 4.0% MoM, sementara sentimen kondisi saat ini juga naik 3.8% MoM. PMI manufaktur Indonesia juga mencatatkan tren kenaikan dari 49.3 di bulan Februari ke level 50.5 di bulan Maret, dan 51.2 di bulan April. Kenaikan tersebut didukung oleh tingkat pemesanan baru dan produksi yang meningkat. Sektor manufaktur mulai menunjukkan outlook positif.

Indonesia macro economy indicators remained conducive in April. After seeing the first deflation this year in March (as CPI was down -0.02% MoM despite the electricity tariff increase which again took place in the beginning of the month), inflation picked up to +0.09% MoM (+4.17% YoY). The increase took place due to a low base last year (as we recorded a -0.45% MoM deflation in April 2016). Foodstuff prices still came in lower (contributing -0.24ppt). On the contrary to the higher CPI, core inflation continued to go down to +3.28% YoY in April from +3.30% YoY in March. Going forward, we expect inflation to be higher this year compared to last year due to higher electricity tariffs for a certain customer category, potential higher fuel price and stronger USD. However, the overall inflation is still expected to be low, helped by tight government control on food prices. Although electricity subsidy removal will trigger inflation to edge up, inflation is still expected to hover within Bank Indonesia (BI) expectation of 4%  $\pm$ 1%. BI cutting daily primary RR to 5% from 6.5% is expected to increase broad money to the banking system and positive for economy growth. Banks are still required to maintain average primary RR of 6.5% over a two week period. The reduction in RR could add GDP growth by up to ~0.4%-0.5%. We expect Bank Indonesia to maintain rate at its next policy decision.

Indonesia reported a strong trade surplus of USD1.234b in March, following very strong figures in Jan and Feb. Both exports and imports were up strongly. Exports increased +23.6% YoY, way above the 12.2% consensus estimate. In nominal terms, exports came in at USD14.6b, the highest figure since Dec 2014, mainly supported by higher commodity prices. Import grew +18.2% YoY, better than consensus estimate at 9.9% YoY. In 1Q17, trade balance came in at USD3.9b, up 139% YoY. Consumer confidence came in very strong at 121.5 in March, up +4.4 points from 117.1 in February, following a peaceful first round of Jakarta election. It is the highest since 2002 if not more. Strongest increase was shown by Consumer Confidence over the six months (up 4.0% MoM) while that of the present condition was up by 3.8% MoM. After a soft figure in February (49.3), Indonesia Manufacturing PMI returned to expansion zone at 50.5 and further strengthened to 51.2 in April. The improvement was supported by higher new orders and output. Manufacturers seem to have positive outlook.

## PASAR SAHAM

## EQUITY MARKET

April merupakan bulan yang baik bagi IHSI. Didukung oleh Pilkada yang damai, IHSI menguat 2.1% MoM dan terus mencatatkan rekor tertinggi. Kinerja IHSI sejalan dengan pasar saham Asia (MSCI Asia ex Japan), dan lebih baik dibandingkan dengan pasar saham global (MSCI World hanya menguat +1.3% MoM). Investor asing mencatatkan pembelian bersih USD1.05 miliar. Sektor perdagangan (+3.9% MoM) dan infrastruktur (+3.8% MoM) mencatatkan kinerja terbaik. Sementara itu sektor perkebunan (-2.3% MoM) mengalami pelemahan terdorong oleh penurunan harga CPO.

Kami tetap positif terhadap outlook pasar Indonesia. Dengan berakhirnya ketidakpastian mengenai Pilkada Jakarta, investor dapat kembali fokus pada fundamental. Perbaikan fundamental ekonomi Indonesia menjadikan Indonesia sebagai negara tujuan investasi yang atraktif. Kami memperkirakan tahun ini IHSI akan mengalami *earnings upgrade* setelah selama 4 tahun mengalami *downgrade*. Indikator makroekonomi menunjukkan perbaikan di segala aspek. Defisit transaksi berjalan Indonesia saat ini lebih rendah, cadangan devisa juga lebih kuat. Pertumbuhan PDB membaik, dan suku bunga BI telah dipangkas 150bps tahun lalu. Selain itu outlook Indonesia juga didukung oleh berbagai reformasi. Fundamental Indonesia yang kuat mendorong kenaikan outlook *sovereign rating* dari tiga lembaga pemeringkat ternama dunia. Oleh karena itu kami tetap percaya perekonomian Indonesia akan tetap positif dan kami tetap optimis akan daya tarik jangka panjang investasi Indonesia.

April was a good month for the Jakarta Composite Index. As an overhang disappeared following the Jakarta gubernatorial election, the index was up +2.1% MoM and continued breaking record high. Its performance is at par with that of the Asian equity market (MSCI Asia ex Japan) but much higher compared to the global equity market (MSCI World was up by only +1.3% MoM). Foreign net inflow came in at USD1.05b. Trade (+3.9% MoM) and Infrastructure (+3.8% MoM) became the top gainers. On the other hand, Agriculture (-2.3% MoM) became the top loser as the market were concerned with the CPO price decline last month.

We remain positive on Indonesia. As the overhang in relation to the Jakarta gubernatorial election was over, investors can focus once again on fundamentals. And indeed improvements in Indonesia economic fundamentals put the country as a very 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 interest rates have already been cut by 150bps in the past one year. The fundamental improvements are also supported by widespread reforms. The country's strong fundamentals have caused sovereign rating outlook upgrades from three major rating agencies. 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.

## PASAR OBLIGASI

## BOND MARKET

Indeks pasar obligasi Indonesia (BINDO) menguat terbatas 0.84% MoM di bulan April. Pergerakan pasar obligasi tetap positif walaupun tidak sekuat bulan sebelumnya. Selain dari rilis data ekonomi yang positif dan Pilkada Jakarta yang berlangsung damai, tidak ada sentimen positif atau negatif yang mempengaruhi pasar obligasi, sehingga CDS Indonesia 5 tahun bergerak *flat* dari 127.55 di bulan Maret menjadi 127.14 di bulan April. Dalam jangka pendek, pasar menantikan tinjauan rating kredit Indonesia dari S&P. Dari pasar global, ketidakpastian mengenai kenaikan suku bunga The Fed mereda, terutama setelah pernyataan dari The Fed. Pasar saat mengekspektasikan kenaikan suku bunga The Fed di bulan Juni. Kondisi pasar global yang kondusif juga didukung oleh meredanya ketidakpastian politik di Eurozone, setelah kandidat yang pro-UE unggul dalam pemilu di Belanda dan Perancis.

Investor asing masih menunjukkan minat yang tinggi terhadap obligasi Indonesia, dengan mencatatkan pembelian bersih IDR22.59 triliun di bulan April. Kepemilikan asing mencapai IDR745.82 triliun (39.10% dari total obligasi yang diperdagangkan, naik dari 38.24% di bulan sebelumnya). Selain dari ekspektasi kenaikan rating S&P, minat terhadap obligasi Indonesia juga tinggi karena investor asing menikmati *carry yield* di tengah stabilnya nilai tukar IDR yang didukung oleh kebijakan makroprudensial BI dan cadangan devisa yang naik 4.7% sejak akhir 2016, atau hampir mencapai 15% sejak akhir 2015.

Bloomberg Indonesia Local Sovereign Index (BINDO) rose slightly by 0.84% MoM in April. The market continued to be constructive although not as strong as previous month. Apart from positive macroeconomic indicator and peaceful Jakarta election, there were no new sentiments, positive or otherwise during the month which resulted in 5-year Indonesia CDS virtually unchanged at 127.14 in April from 127.55 in March. In the near future, the market is still waiting for Indonesia sovereign credit rating review by S&P. On the global side, uncertainty on the Fed interest rate hike lessened particularly after its last statement. The market now expects that the next rate hike will be in June. The positive global backdrop was also caused by declining uncertainty over Eurozone political circumstances as pro-EU candidates in Netherland and France were ahead in their respective election rounds.

Foreign investors continued their appetite for IDR bonds, as they booked net buy of IDR22.59 trillion in April. Thus, foreign ownership reached IDR745.82 trillion in the month (39.10% of total tradable government bonds from 38.24% in March). Beside the expectation of S&P rating upgrade, the major rationale of such interest in Indonesian assets is because foreign investors enjoy the carry yield amid stable currency from several support factors including Bank Indonesia macro prudential policy and the buildup of Foreign Exchange Reserve by 4.7% since end of 2016 or almost 15% since end of 2015. Meantime, local investors such as insurance ownership increased slightly by IDR1.44 trillion to

**PASAR OBLIGASI**

**BOND MARKET**

Kepemilikan investor lokal juga meningkat di mana kepemilikan asuransi naik IDR1.44 triliun menjadi IDR250.96 triliun (13.16% dari total). Di sisi lain, kepemilikan perbankan turun IDR3.99 triliun menjadi IDR491.93 triliun (25.79% dari total). Investor individu mencatat penjualan bersih IDR3.86 triliun (3.27% dari total) karena *holding period* SR009 berakhir di bulan April dan dapat diperjualbelikan.

Imbal hasil obligasi tenor pendek turun di bulan April, sementara imbal hasil obligasi tenor moderat tidak banyak berubah, dan imbal hasil obligasi tenor panjang, terutama 30-tahun, turun terbatas.

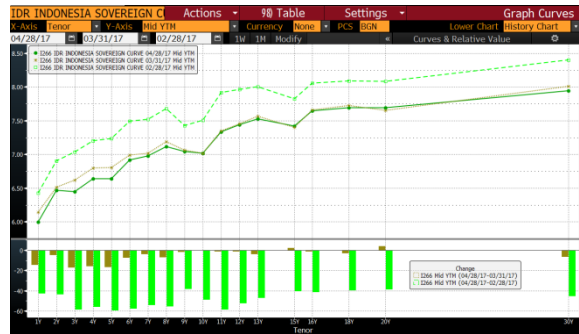
Tabel berikut menunjukkan pergerakan bulanan imbal hasil obligasi di bulan April 2017.

TENOR	31 Mar 17	28 Feb 16	CHANGES (bps)
2yr	6.47	6.51	-4
5yr	6.64	6.81	-17
10yr	7.01	7.02	-1
15yr	7.42	7.40	2
20yr	7.69	7.66	3
30yr	7.95	8.01	-6

IDR250.96 trillion (13.16% of total). On the flip side, banks decrease ownership by IDR3.99 trillion during the month to IDR491.93 trillion, or 25.79% of total from 26.22% previously. Individual investors recorded net sell of IDR3.86 trillion to IDR62.34 trillion (3.27% of total) since holding period of SR009 which issued in March has expired in April, the series can be traded in the secondary market.

Short dated bonds showed decreasing yields, while medium term bonds recorded relatively insignificant change from previous month, and long dated bonds especially 30-year bond yield declined marginally.

The following table and graph show the MoM bond yield movement as of April 2017.



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