

## ULASAN MAKROEKONOMI

## MACROECONOMY REVIEW

Perekonomian Indonesia tetap kuat di bulan Oktober. Inflasi tercatat +0.01% MoM, lebih rendah dari +0.13% MoM di bulan sebelumnya, sehingga inflasi tahunan menjadi +3.58% YoY, lebih rendah dari +3.72% YoY di September. Di sisi lain inflasi inti naik ke level +3.07% dari +3.00% di September. Kenaikan tersebut merupakan indikasi positif setelah inflasi inti terus mengalami pelemahan 6 bulan berturut-turut hingga Agustus. Secara keseluruhan, menurut kami inflasi akan tetap terjaga tahun ini didukung oleh pengontrolan ketat terhadap harga bahan pangan dan tidak adanya kenaikan harga yang diadministrasi pemerintah. Namun, walau inflasi tetap rendah kami tidak melihat adanya potensi pemangkasan suku bunga Bank Indonesia lebih lanjut. Mempertahankan stabilitas nilai tukar menjadi alasan utama bagi bank sentral untuk mempertahankan tingkat suku bunga (dalam tahun berjalan, Rupiah melemah sementara nilai tukar negara lain menguat). Bank sentral diperkirakan akan melakukan pelonggaran kebijakan makroprudensial daripada melakukan pemangkasan suku bunga.

Setelah mencatatkan surplus perdagangan USD1.72 miliar di bulan Agustus (terbesar sejak November 2011), Indonesia kembali mencatatkan surplus USD1.76 miliar di bulan September (vs. proyeksi konsensus USD1.2 miliar), didukung pertumbuhan ekspor dan impor. Di 3Q17 ekspor tumbuh +17.3% dan impor +15.1%, masing-masing pertumbuhan tertinggi sejak 3Q11 dan 2Q12. Di bulan September pertumbuhan ekspor (+15.6% YoY) melebihi impor yang tumbuh +13.1% YoY. Pertumbuhan volume melebihi pertumbuhan harga, baik bagi ekspor maupun impor. Ekspor komoditas mencatatkan pertumbuhan kuat, dengan pertumbuhan volume +9.4% YoY. CPO merupakan kontributor utama terhadap pertumbuhan ekspor secara keseluruhan. Dalam 12 bulan terakhir, China menjadi negara tujuan ekspor utama, melebihi AS, Jepang, Eropa, dan ASEAN. Impor juga meningkat di berbagai kategori (barang konsumen, bahan dasar, dan barang modal). Impor barang modal tumbuh +12.8% YoY (dari +7.6% di Agustus), terutama dari barang listrik dan kendaraan. Pertumbuhan tersebut sejalan dengan data yang mengindikasikan peningkatan belanja pemerintah, PMI, dan penjualan semen. Impor barang konsumen juga tumbuh +13.0% YoY dari +1.8% YoY di Agustus, didorong oleh impor pangan, seperti buah-buahan, kakao, dan sereal (nasi, gandum, dan jagung).

PDB Indonesia tumbuh +5.06% YoY di 3Q17, sedikit lebih tinggi dari +5.01% di 2Q17, tapi lebih rendah dari proyeksi konsensus +5.19%. Secara tahun berjalan, PDB tumbuh +5.03% YoY (vs. +5.04% tahun lalu). Penyebab utama pertumbuhan yang lebih rendah adalah komponen konsumsi rumah tangga dan belanja pemerintah yang lebih rendah dari perkiraan. Pertumbuhan konsumsi rumah tangga turun menjadi +4.93% YoY di 3Q17 dari +5.01% di tahun sebelumnya. Selain sektor transportasi dan komunikasi, sektor lainnya mengalami pelemahan. Subsidi pemerintah dan belanja sosial yang lebih tinggi diperkirakan mendukung konsumsi kelas bawah, di sisi lain konsumsi menengah-atas (yang memberikan kontribusi sekitar 80% dari total konsumsi) tetap lambat. Belanja pemerintah tumbuh +3.46% di 3Q17 dari -1.93% di 2Q17. Perbaikan tersebut mendukung pertumbuhan PDB, namun tetap lebih rendah dari ekspektasi. Komponen yang menunjukkan kejutan positif adalah penanaman modal tetap bruto (investasi riil) yang tumbuh +7.11% YoY. Pertumbuhan tersebut merupakan yang tertinggi dalam empat tahun. Pendorong utama pertumbuhan investasi riil adalah dari konstruksi (terutama jalan tol) dan impor alat berat.

Indonesia economy remained strong in October. The country reported a benign inflation of +0.01% MoM, much lower compared to +0.13% MoM in the previous month, making annual headline inflation +3.58% YoY, below +3.72% YoY in September. Core inflation, meanwhile, increased further to +3.07% from +3.00% in September. The increase was relieving as core inflation had eased for the sixth month in a row previously up to August. Overall, we believe inflation will remain manageable this year given tight control in foodstuff prices and no more hike in administered prices. Although inflation continued to be low, we believe that it is unlikely for Bank Indonesia to cut its benchmark rate further. Intention to keep the exchange rate stable will be the main reason to keep the benchmark rate (YTD, Rupiah has depreciated, while in general its peers still appreciated). Instead of conducting further rate cuts, the Central Bank is more likely to introduce new macroprudential measures in its easing endeavors.

After posting USD1.72b trade surplus in August (which was the largest trade surplus since Nov 2011), Indonesia recorded a solid trade surplus of USD1.76b in September (vs. consensus forecasts at USD1.2b), supported by double digit growth in both exports and imports. In 3Q17, export accelerated +17.3% and import +15.1%, recording the highest increase since 3Q11 and 2Q12, respectively. For September, export growth (15.6% YoY) outpaced import, which was up +13.1% YoY. Volume growth outpaced price increase in both exports and imports. Commodity exports came in strongly, with volume growth of +9.4% YoY. CPO became the largest contributor to the overall export growth. On export destination, in the past 12 months, export growth to China has outpaced those to other main trading partners such U.S., Japan, Europe and ASEAN. Imports improved in all fronts (consumer goods, raw material, and capital goods). Capital goods import rose +12.8% YoY (from +7.6% in August), largely resulted from electrical machinery/equipment as well as vehicles. The increase is in line with what we saw in the government expenditure, PMI and cement sales data. Imports of consumer goods were up +13.0% YoY from +1.8% YoY in August, driven by foods, including fruits, cocoa, and cereals (i.e., rice, wheat, and maize).

Real GDP growth came in at +5.06% YoY in 3Q17, slightly higher than +5.01% in 2Q17, but lower than consensus forecasts of +5.19%. On a YTD basis, growth is +5.03% YoY (vs. +5.04% in the same period last year). Main reasons are lower-than-expected growth in private consumption and government expenditure. Private consumption growth eased to +4.93% YoY in 3Q17 from +5.01% in the previous year. Other than transportation and communication, other sub-categories posted a slowdown. It seems that the government's higher subsidy and social spending may have given support for the low class income, yet consumption of mid-upper income consumers (accounting for approximately 80% of the total consumption) remained slow. Government expenditure increased to +3.46% in 3Q17 from -1.93% in 2Q17. The turnaround helped support GDP growth, but the expenditure growth rate was still below expectation. The item providing a positive surprise is gross fixed capital formation (real investment), which accelerated +7.11% YoY. It represents the highest increase in the last four years. Main growth driver in investment was construction (i.e., roads and toll roads in particular) and import of machineries.

**ULASAN MAKROEKONOMI**

Di bulan September, Indeks Keyakinan Konsumen naik ke level +123.8 dari +121.9 di bulan sebelumnya, didukung oleh optimisme ketersediaan lapangan kerja dan perbaikan aktivitas bisnis. Dengan demikian, rasio konsumsi terhadap total pengeluaran naik menjadi 66.4% dari 63.8% di Agustus. Persepsi terhadap kondisi ekonomi saat ini sedikit turun sebesar -0.3ppt, sementara ekspektasi kondisi 6 bulan ke depan menguat +5ppt. Kota yang menunjukkan penguatan keyakinan konsumen tertinggi adalah Banten (+23.6ppt) dan Surabaya (+12.6ppt).

**PASAR SAHAM**

Di bulan Oktober IHSG menguat +1.80%, lebih rendah dibandingkan *peers* setelah di bulan lalu kinerja IHSG mengungguli *peers*. MSCI Asia ex Japan menguat +4.69% dan MSCI Emerging Market +3.45% didukung meredanya kekhawatiran investor mengenai peluncuran rudal Korea Utara. Kinerja IHSG mengikuti kinerja MSCI World (+1.81%). Investor asing mencatatkan penjualan bersih -USD459 juta karena investor non-ETF berpendapat katalis pasar domestik relatif terbatas dan melakukan aksi ambil untung. Walau investor asing mencatatkan penjualan bersih, IHSG kembali mencatat rekor tertinggi, didukung oleh investor domestik dan investor asing pasif. Setelah melemah di bulan September, sektor Pertambangan (+12.1% MoM) menjadi sektor dengan kinerja terbaik didukung penguatan harga komoditas. Setelah itu sektor Semen (+9.7%) juga menguat didukung perbaikan penjualan. Di sisi lain, sektor Infrastruktur (-6.3%) mencatatkan pelemahan terdalam, diikuti oleh sektor Agrikultur (-1.4%) setelah mencatatkan penguatan di bulan sebelumnya.

Kami terus memandang optimis kondisi ekonomi Indonesia. Perbaikan fundamental ekonomi membuat Indonesia menjadi destinasi investasi yang menarik. Indikator makro menunjukkan perbaikan di seluruh aspek. Defisit neraca berjalan yang rendah, dan cadangan devisa yang kuat. Menurut kami pertumbuhan PDB akan membaik di 2H17, dan berlanjut di 2018 didukung oleh belanja pemerintah yang lebih tinggi dan perbaikan daya beli masyarakat. Baik Pemerintah maupun bank sentral terus berkomitmen menjaga pertumbuhan. Kami tetap percaya perekonomian Indonesia akan tetap positif dan kami optimis akan daya tarik jangka panjang investasi Indonesia.

**PASAR OBLIGASI**

Perbaikan ekonomi AS dan reformasi perpajakan AS menyebabkan pelemahan pasar obligasi Indonesia. Indeks BINDO sebagai proksi pasar obligasi Indonesia melemah 1.25% MoM di Oktober. Pelemahan tersebut merupakan pelemahan pertama setelah 10 bulan penguatan berturut-turut. Walaupun dengan pelemahan di bulan Oktober, secara tahun berjalan indeks mencatatkan pertumbuhan 13%. Meningkatnya optimisme mengenai perekonomian AS tercermin dari perbaikan laba emiten AS Q3 yang didorong oleh perusahaan konstruksi, di mana Caterpillar melaporkan pertumbuhan penjualan 25%. Pertumbuhan tersebut menjadi indikator potensi pertumbuhan ekonomi. Selain itu optimisme juga didukung oleh data PMI AS bulan Oktober yang lebih tinggi dari ekspektasi, dan PDB AS yang tumbuh 3% di Q3 walaupun sempat diterpa oleh badai. Pelemahan pasar obligasi juga disebabkan oleh ketidakpastian mengenai siapa pemimpin The Fed selanjutnya. Seluruh faktor tersebut, bersamaan dengan disetujuinya rencana anggaran oleh Senat AS (yang menjadi tahap awal untuk reformasi perpajakan AS) mendorong UST 10Y naik ke level 2.46% dan menyebabkan sentimen negatif bagi pasar negara berkembang termasuk obligasi Indonesia. Di sisi lain, pasar obligasi juga didukung oleh faktor domestik seperti inflasi yang terjaga,

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In September, Consumer Confidence Index was up to +123.8 from +121.9 in the previous month, prompted by optimism in availability of jobs and improvement in business activities. With that, the ratio of consumption to total expenditure increased to 66.4% from 63.8% in August. Perception over the current economy conditions was slightly down by -0.3ppts while expectations of the conditions in the next six months strengthen by +5ppts. Cities showing the highest increase in consumer confidence were Banten (+23.6ppts) and Surabaya (+12.6ppts).

**EQUITY MARKET**

In October the Jakarta Composite Index was up +1.80%. However, its performance was still below peers this month following an outperformance in the previous month. MSCI Asia Ex Japan was up +4.69% and MSCI Emerging Market +3.45% due to subsiding investor concerns over the North Korea missile launches. The JCI, performance mimicked that of MSCI World (+1.81%). Foreign investors recorded a net flow of -USD459m since more non-ETF investors took profit as they believed there will be lack of catalysts going forward. Despite the continued outflows, the index again reached record high, supported by inflows from domestic and passive foreign investors. Following a decline in September, Mining (+12.1% MoM) became a top gainer as the market welcomed strong commodity prices. Next, the Cement sector (+9.7%) continued to become a gainer due to sales recovery. On the other hand, Infrastructure (-6.3%) became a top loser, followed by Agriculture (-1.4%) post a strong performance in the previous month.

We remain positive on Indonesia. Improvements in Indonesia economic fundamentals put the country as an attractive investment destination. Macro indicators are showing improvements in all aspects. Our Current Account Deficit is much lower, foreign reserve is much stronger. We see GDP growth is improving gradually. The fundamental improvements are also supported by widespread reforms. We expect better economy growth in 2H17, continued to 2018, triggered by higher government spending and improving consumer purchasing power. Both the government and the Central Bank stay committed to support growth. We continue to believe that exposure to Indonesia economies will likely continue to be positive and we remain optimistic on the enduring appeal of investment in Indonesia.

**BOND MARKET**

The improvement in US economy and US Tax Reform lead to the weakening of Indonesian Bond market. The Bloomberg Indonesia Local Sovereign Index as its proxy down by 1.25% MoM in October. The October drop is the first monthly drop after 10 consecutive months of gain. Despite the retreat in October, on YTD basis the index still booked gain of 13%. The mounting optimism over US economy reflect by the above expectation of US Q3 corporate earnings results which mainly drives by major construction company, Caterpillar that reported 25% jump in sales. The spike in sales of construction company is a leading indicator of future economy growth. Moreover, the optimism on the economy also sparked by the above expectation of US October PMI and the US economy manages to maintain GDP growth by 3% in Q3 despite the devastating hurricanes. The bond correction also caused by the uncertainty over who will lead the Fed in the next term. All of those factors together with the approval of US Senate on the Budget Plan (i.e. as preliminary step of US Tax Reform Bill) bring the UST 10yrs rose to 2.46% and bring negative sentiment to Emerging Market Asset including Indonesian bond.

**PASAR OBLIGASI**

**BOND MARKET**

perbaikan cadangan devisa, dan surplus perdagangan. Selain itu Bank Indonesia juga mendukung pasar obligasi dengan melakukan intervensi ketika IDR melemah ke 13,600 dan imbal hasil obligasi 10Y menembus level 6.9%.

Investor asing menjadi salah satu faktor penyebab pelemahan pasar obligasi di bulan Oktober. Investor asing membukukan penjualan bersih IDR23.17 triliun di Oktober. Kepemilikan asing mencapai IDR796.20 triliun atau 38.35% dari total obligasi pemerintah yang diperdagangkan di Oktober, turun dari 40.03% di bulan sebelumnya. Sementara itu investor lokal, terutama perbankan, membukukan pembelian bersih IDR33.23 triliun. Kepemilikan perbankan mencapai IDR462.71 triliun atau 22.29% dari total, naik dari 20.98% di bulan sebelumnya. Bank Indonesia juga membukukan pembelian IDR1.43 triliun, sehingga total kepemilikan mencapai IDR184.93 triliun (8.91% dari total). Investor domestik lain seperti asuransi, dana pension, dan reksadana juga membukukan pembelian di Oktober.

Pemerintah melakukan tiga lelang obligasi konvensional di Oktober. Total dana yang dimenangkan mencapai IDR110.56 triliun (masing-masing IDR34.14 triliun, IDR34.94 triliun, dan IDR41.48 triliun). Penawaran dalam lelang lebih rendah dibandingkan lelang bulan sebelumnya yang mencapai IDR56.53 triliun dan IDR52.41 triliun dari dua lelang. Selain itu Pemerintah juga menerbitkan obligasi ritel ORI014 dengan tenor 3 tahun dan upon 5.85% yang mengumpulkan dana IDR8.98 triliun dari penawaran yang masuk IDR13.4 triliun.

Imbal hasil meningkat sepanjang kurva, terutama di obligasi tenor pendek hingga medium, membentuk kurva *bear flattening*. Imbal hasil tenor pendek (2-5 tahun) naik 25 bs, dan obligasi tenor menengah (10-15 tahun) naik 34 bps. Sementara itu obligasi tenor panjang (20-30 tahun) naik 18 bps

Tabel dan grafik berikut menunjukkan pergerakan bulanan imbal hasil obligasi sepanjang bulan September 2017:

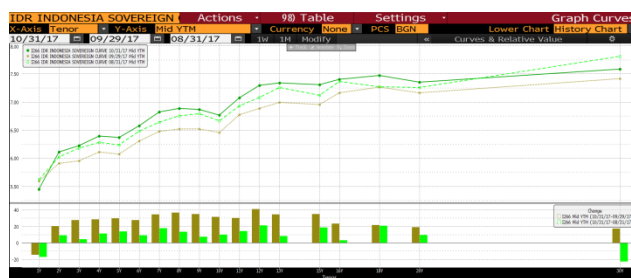
TENOR	31 Oct 17	29 Sep 17	CHANGES (bps)
2yr	6.11	5.91	20
5yr	6.37	6.07	30
10yr	6.77	6.45	32
15yr	7.31	6.96	35
20yr	7.35	7.16	19
30yr	7.58	7.41	17

On the other hand, the bond market is supported by domestic factors such as manageable inflation rate, improving foreign reserve and trade surplus. The other support factor comes from Bank Indonesia especially when they step-in to intervene during the IDR drop to 13,600 and 10yrs yield breach 6.9% level.

Foreign investors were behind the weakening bond market in October. They booked net sell of IDR23.17 trillion in the month. Foreign holding was about IDR796.20 trillion or 38.35% of total tradable government bonds in October, declined from previous month of 40.03% of total. Meantime, local investors especially commercial banks booked net buy of IDR33.23 trillion. Thus, commercial banks ownership reached IDR462.71 trillion or 22.29% of total, rose from 20.98% in the prior month. Bank Indonesia also bought about IDR1.43 trillion in the month to IDR184.93 trillion (8.91% of total). Other domestic investors such as insurance, pension funds, and mutual funds also showed net buy in October.

The government conducted three conventional bond auctions in October. The government obtained totaling IDR110.56 trillion (IDR34.14 trillion, IDR34.94 trillion, and IDR41.48 trillion respectively) from the three auctions. The incoming bids were lower than previous month of IDR56.53 trillion and IDR52.41 trillion respectively from two conventional bond auctions. In addition, the government has issued new retail bond with tenor of 3-year and coupon of 5.85% namely ORI014 totaling IDR8.98 trillion from incoming bids of IDR13.4 trillion.

Yields rose along the curve especially short to medium term bonds, formed a bear flattening curve. Short dated bond (2-5 yr) yield increased by 25bps and medium term bond (10-15 yr) yield rose by 34bps. Meanwhile, long dated bond (20-30 yr) yield jumped by 18bps.



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