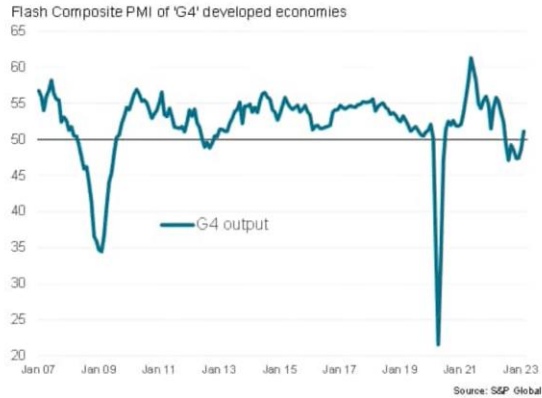


Market Update – February 2023

Global Macro

Global Recession Fears Subside

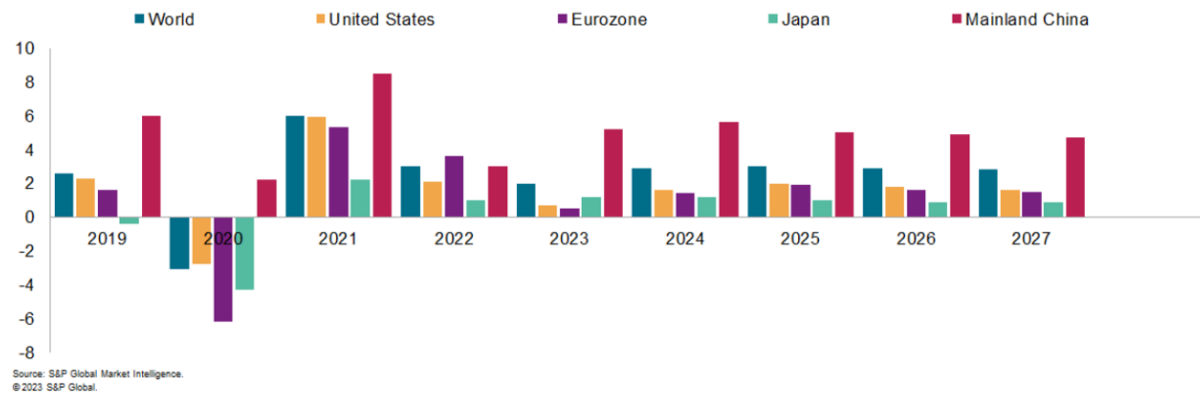
Business activity rose across the four largest developed world economies (the "G4") in February, reviving after seven months of continual decline. A weighted average of the headline composite PMI output index for the US, Eurozone, Japan and the UK rose for a second month, up from 48.5 in January to break through the 50.0 no-change level with a reading of 51.3 in February, according to provisional 'flash' estimates based on approximately 85% of usual survey responses. By rising above 50.0, the February survey index registered the first growth since June of last year.



Global Recession Fears Subside

For a fourth consecutive month, the S&P Global Market Intelligence forecast of 2023 global economic growth has been revised upward. After a 3.0% expansion in 2022, world real GDP is now projected to increase 2.0% in 2023, up from 1.9% in our January forecast and a low of 1.4% in the October 2022 forecast. Market Intelligence analysts project world real GDP growth to pick up to 2.9% in 2024 and 3.0% in 2025, as inflation subsides and monetary policies ease.

Real GDP growth (percent change)



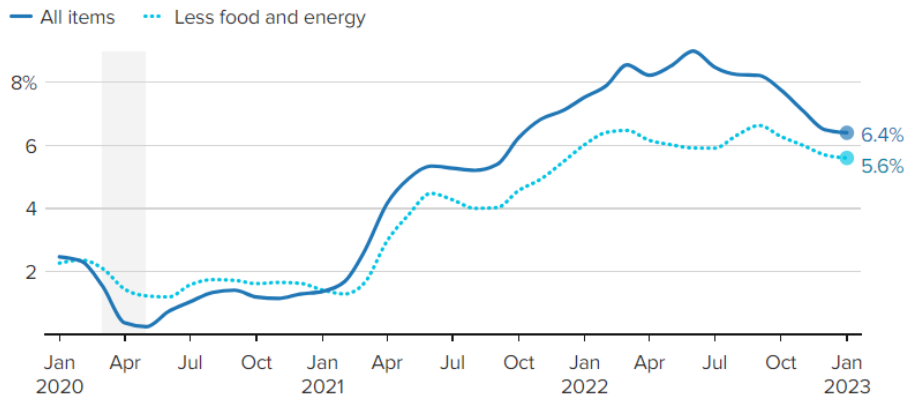
U.S Inflation Rate

U.S CPI rose by 0.5% in January which translated to 6.4% inflation rate in annual basis. Excluding volatile food and energy, the core CPI increased 0.4% monthly and 5.6% from a year ago, against respective estimates of 0.3% and 5.5%.

We think the January inflation figure will give another indication that the Fed will not cut its benchmark rate prematurely. Currently the Fed interest rate stood at 4.5-4.75%.

U.S. consumer price index

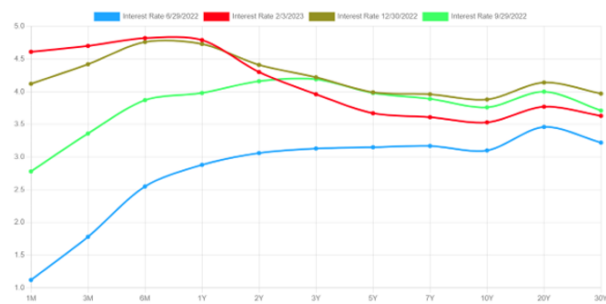
Year-over-year percent change through January 2023



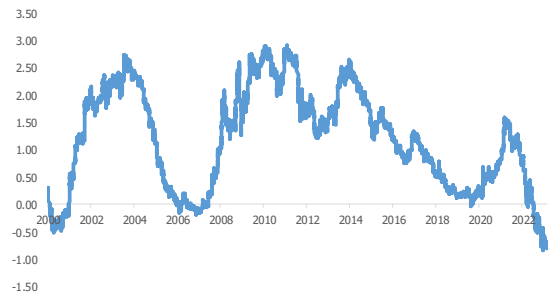
Inverted yield curve between 2-year and 10-year

In Feb-23, the long end of the U.S Treasury yield curve has fallen significantly while the short-term rate continues to rise. This is because short-term rates are controlled by the central banks, while the long end reflects the weakening future economic growth. As a result, the yield curve has inverted sharply, reaching a lower level than during the previous tech bubble in 2000 and the global financial crisis in 2008. Currently, the spread between the 2-year and 10-year Treasury yield is -0.77%, compared to -0.45% during the tech bubble and -0.1% during the global financial crisis.

U.S Treasury Yield Curve



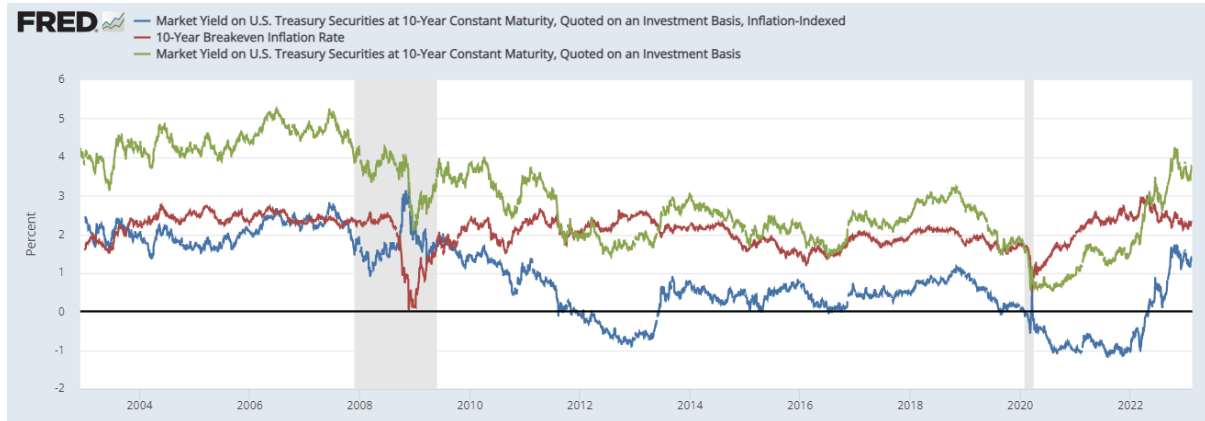
Spread Between 2-Year and 10-Year U.S Treasury



US Treasury Yield

10-year treasury yield stood at 3.96%, US 10-Year Breakeven Inflation rate at around 2.36% TIPS to 1.6.0%.

U.S Treasury went up from 3.4% in the beginning of February after the higher than expectation U.S inflation rate. The hope of dovish central banks in 2023 are waning as the economy proves resilient especially on the service sectors.

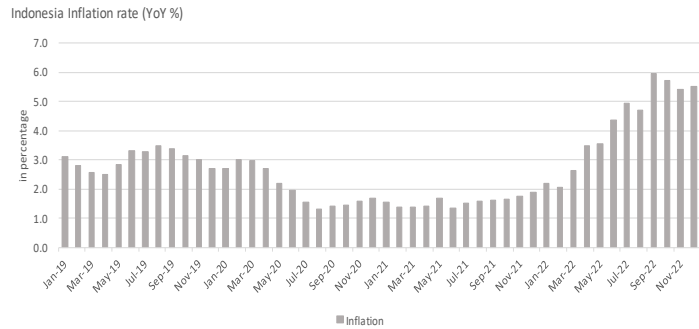


Indonesia Macro

Indonesia Inflation

Inflation in February rose to 0.16% mom/5.47% yoy, above consensus expectation at 0.13% mom/5.42% yoy. Higher energy prices and F&B were the main contributors of higher inflation.

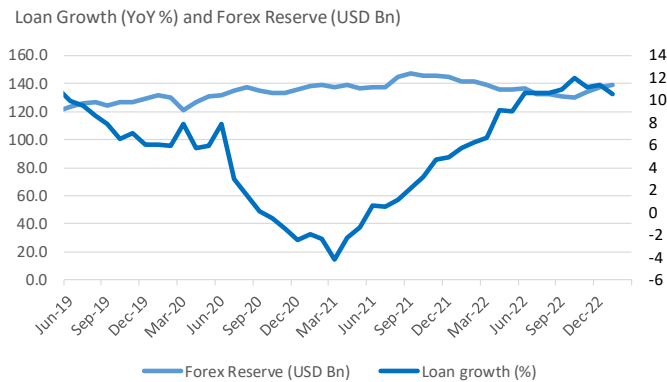
Core inflation however remain stable at 3.09% and below consensus expectation at 3.24%.



Indonesia loan growth and foreign exchange reserve

Foreign reserve went up to USD 139.4 billion in Jan-23, the highest since Mar-22 due to the higher tax and service revenue as well as the issuance of global government bond.

Lending growth grew at 10.53% in Jan-23. The seventh consecutive double digit growth but at the lower pace compared to the previous month. In fact, the current figure is the slowest pace since Aug-22 which were at 10.62%. 2023 will become a challenge for lending growth due to; 1) high base impact 2) global economic slowdown which lead to soften commodity prices thus reducing the demand for loan, mining sector lead the lending growth grew by 51% in 2022 and 3) higher interest rate



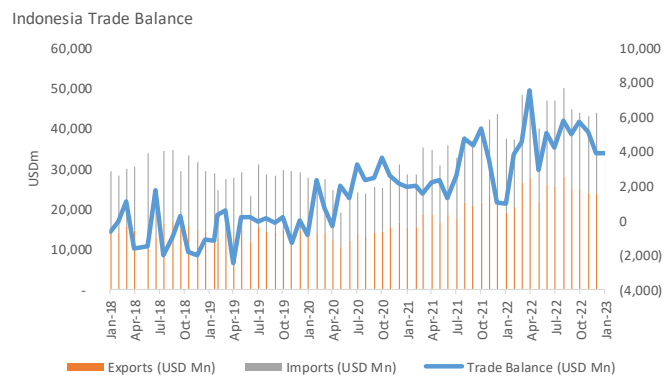
Indonesia trade balance

Trade balance recorded another surplus at USD 3.9 billion in Jan-23, beating consensus expectation at USD 3.25 billion.

Imports contracted by +1% yoy but -6.4% mom in December to USD 18.44 billion. Both oil and gas and non-oil and gas sectors fell by 9.2% and 6.8%, respectively.

Exports in January rose by +16.4% yoy but -7.5% mom to USD 22.31 billion. Lower export in January compared to the previous month was mainly due to lower value in mining sector. With the coal prices keep falling in the beginning of 2023, we think exports value will be more likely to fall in the upcoming months.

In terms of value, we think the trade value for both imports and exports will keep falling in 2023 due to the weakening global economic conditions and soften commodity prices.

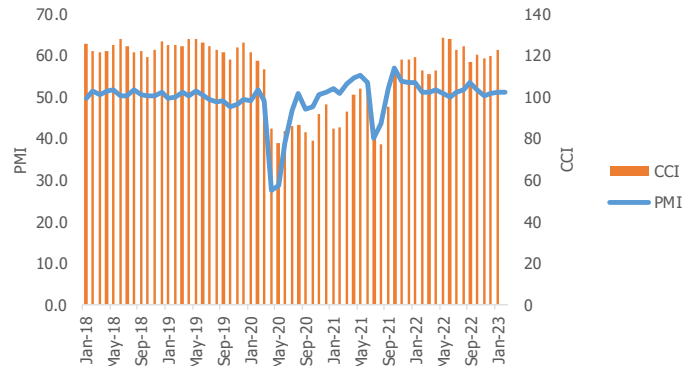


Indonesia PMI and CCI

Indonesia PMI fell slightly to 51.2 in Feb-23, from 51.3 in the previous month. It is a 18th consecutive period of growth due to higher output and new orders. Domestic demand was the primary driver of increased sales, while new export orders declined for an eighth successive month, and to a marked degree.

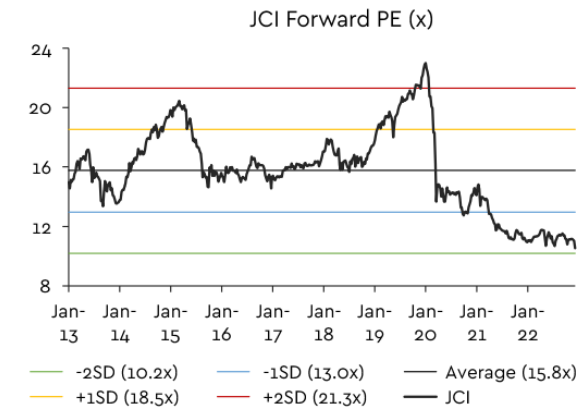
CCI also rose to 123 from 119.9 in Jan-23, the highest level since Aug-22. Households' sentiment strengthened toward income expectations for the next six months (up 4.6 points to 137.9), job availability (up 7.4 points to 131.3), job availability compared to six months ago (up 1.2 points to 112.1), and the country's economic outlook (up 6.6 points to 133.9).

Indonesia PMI and CCI



JCI Target

- Our target for JCI will be at the range of 7,750 - 8050 for 2023
- JCI were relatively flat in February at between 6,800 – 6,900.
- Foreign investors recorded a net buy of IDR 4.42 tn in 2023.
- Currently JCI stood at 6,800, -0.5% ytd.



Case	JCI Target	Assumption
Base (2% growth)	7,900	Consensus EPS FY23: 510 Forward PE (+0 SD): 15.8
Good (4% growth)	8,050	Consensus EPS FY23: 525 Forward PE (+0 SD): 15.8
Bad (0% growth)	7,750	Consensus EPS FY23: 490 Forward PE (+0SD): 15.8

--- End of report ---

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