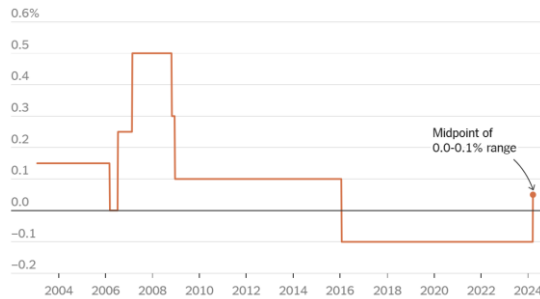


Market Update – April 2024

Global Macroeconomics

The Effect of Japan Rate Hike

Bank of Japan Policy Rate

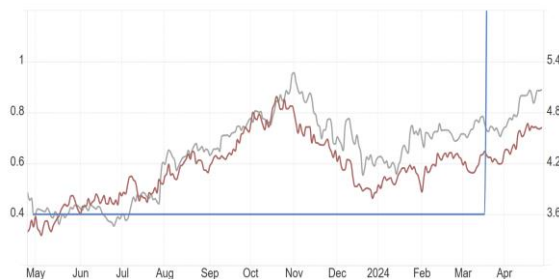


The Bank of Japan (BoJ) raised its key short-term interest rate to around 0% to 0.1% from -0.1% in March 2024. It is the first interest rate hike since 2007.

Japanese investors are the largest foreign holders of U.S. Treasury, with more than US\$1.15 trillion or 3.3% from US Total Govt. Debt US\$ 34.2 trillion as of January 2024.

We see there is risk of US treasury yield going up further as investors might switch position to Japan market should the BOJ decide to hike rate further

JP Govt Bonds, US Govt Bonds and JP Interest Rate



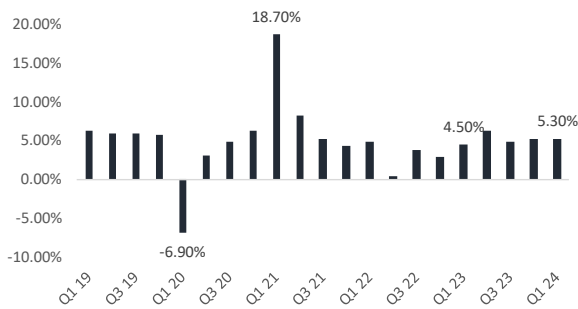
Furthermore, China as the second largest UST holder after Japan, has consistently unwind its holding. We see it would eventually lower the demand for US treasury bond.

There is further risk that the BOJ might hike its interest rates further on its defense to minimize the depreciation of its currency lately due to the uptick in US yield as market expects delay on FED rate cut

Source : Reuters, Tradingeconomics, Setiabudi Investment

China GDP and Investment in 1Q 2024

China GDP YoY

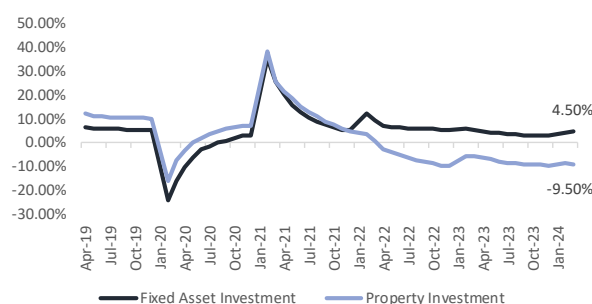


China's economy grew 5.3% YoY in Q1 2024 vs 4.5% YoY in Q1 2023.

During the first three months of 2024, fixed investment grew by 4.5% YoY, while property investment slumped 9.5% YoY.

The increase of economics and investment in first three months mainly boosted by EV, Solar Panels and Batteries Industries while other sectors remain relatively weak.

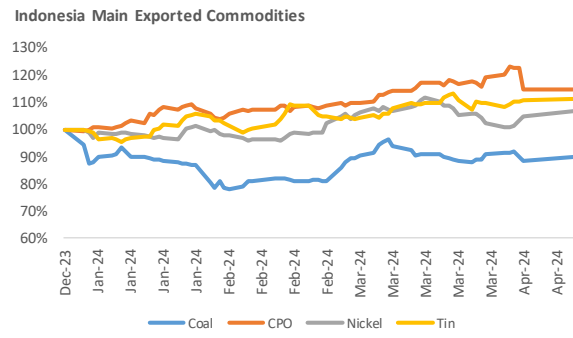
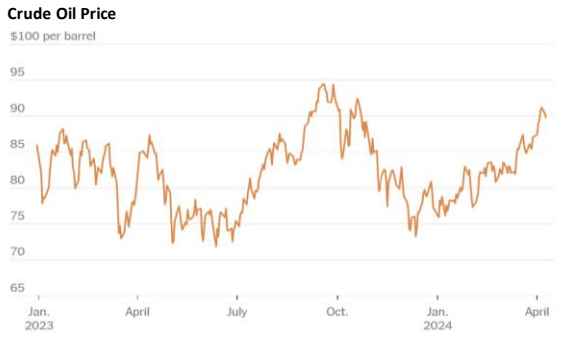
China Fixed Asset & Property Investment YoY



China has set an annual growth target of around 5% for 2024, as consumer and business confidence remains weak and the real estate sector is mired in a prolonged downturn. The authorities have cut interest rates this year to boost bank lending and speed up central government spending to support infrastructure investment.

Source : Trading Economics, NBS of China, Setiabudi Investment

Oil Price Effect on Other Commodities & Inflation



Source : Bloomberg, Setiabudi Investment

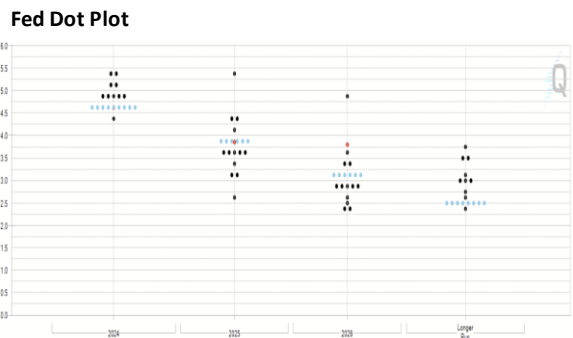
Oil prices continue its hike as investors mulled supply risks stemming from Ukrainian attacks on Russian refineries and the potential conflict escalation in the Middle East, while OPEC+ ministers made no changes to current output cuts in a meeting.

Bank of America Global Research raised its 2024 Brent and WTI forecasts to US\$ 86 and US\$ 81 a barrel respectively. Geopolitical turmoil has also boosted oil demand via longer trade routes and impacted supply by reducing refining capacity via attacks on Russian energy infrastructure

Indonesia might benefit from rising oil prices which had a positive impact on rising commodity prices as an exporters country. Based on YTD, CPO, Nickel and Tin prices were higher than at the end of 2023, while coal prices was flat.

We also see an increase in oil price negatively impact government budget. According to the Minister of Energy and Mineral Resources, every increase of 1 USD / barrel will have an impact on the subsidy burden of IDR 3.5 to 4 trillion.

Fed Kept Key Interest Rate Unchanged & Watchtool



Fed Watch Meeting Probabilities

CME FEDWATCH TOOL - MEETING PROBABILITIES									
MEETING DATE	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
5/1/2024					0.0%	0.0%	0.0%	1.3%	98.7%
6/12/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	61.5%	37.7%
7/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	25.9%	51.6%	22.1%
9/18/2024	0.0%	0.0%	0.0%	0.0%	0.2%	17.7%	43.4%	31.6%	7.1%
11/7/2024	0.0%	0.0%	0.1%	7.4%	28.2%	38.6%	21.5%	4.2%	
12/18/2024	0.0%	0.0%	0.1%	5.0%	21.3%	35.1%	27.2%	10.0%	1.4%
1/29/2025	0.0%	0.0%	2.3%	12.5%	27.7%	31.4%	19.2%	6.0%	0.7%
3/19/2025	0.0%	1.3%	8.0%	21.0%	29.8%	24.6%	11.8%	3.1%	0.3%
4/30/2025	0.5%	3.7%	12.7%	24.2%	27.9%	20.0%	8.7%	2.1%	0.2%

Source : Fed, CME

Fed decided to keep the key overnight interest rates unchanged at 5.25% - 5.50% in their March meeting, the highest level in the past 22 years with the last increase was in July 2023.

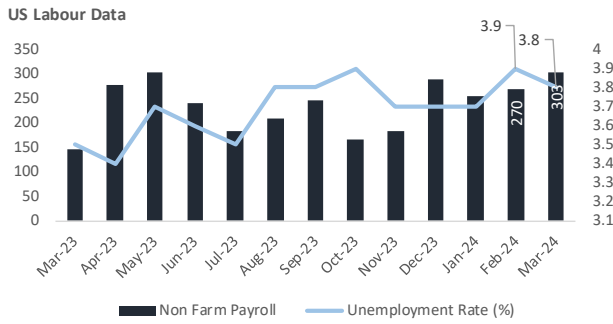
Fed Watch Tool shows higher possibility of rate cuts in 2024 with first cut expected in June 2024.

For their next meeting in 1 May 2024, 98.7% of correspondent believe that rate would remain at 5.25 – 5.50% while 1.3% see a 25 bps down.

There is a change from February meeting where the Fed sees a 61.5% potential rate cut in June 2024 to 5.0 – 5.25%.

We view that the FED will not cut its benchmark rate recklessly and that any rate cute would be plausible by the end of second half 2024, considering any rate cut might push its inflation figure further up.

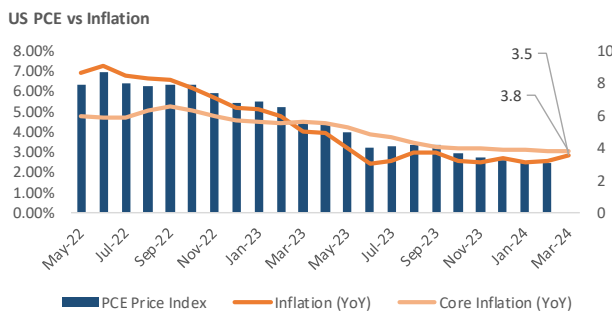
US Labour Data, PCE and Inflation



US Official Nonfarm Payroll added 303k jobs in Mar 2024 vs 270k jobs in Feb 2024, above market forecasts of 200K.

January data was also revised up, so employment in January and February combined is 22K higher than previously reported.

US Unemployment Rate down to 3.8% in Mar 2024 vs 3.9% in Feb 2024.



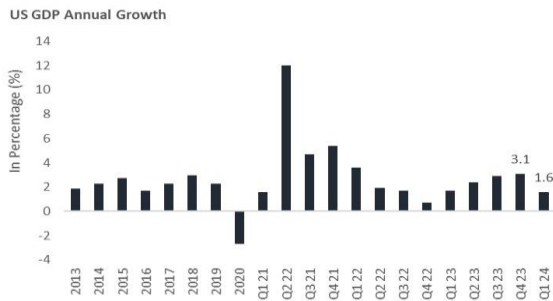
US inflation increase by 3.5% YoY in Mar 2024 vs 3.2% YoY in Feb 2024.

Core inflation which excludes volatile items such as food and energy were flat by 3.8% YoY in Mar 2024 vs 3.8% YoY in Feb 2024.

Energy costs rose 2.1% vs -1.9% in February, with gasoline increasing 1.3% vs -3.9% in February. Inflation steadied for food 2.2% and shelter 5.7% but rose sharply for transportation (10.7% vs 9.9%) and apparel (0.4% vs 0%). On the other hand, prices declined for new vehicles (-0.1% vs 0.4%) and used cars and trucks (-2.2% vs -1.8%).

Source : Tradingeconomics, Setiabudi Investment

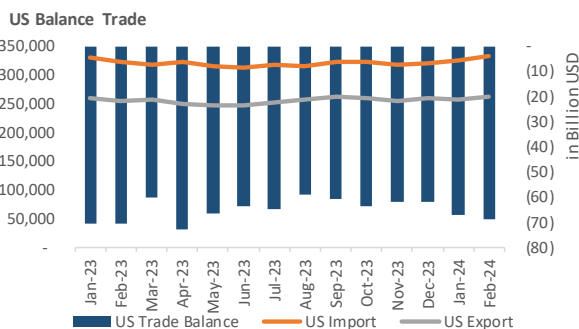
US GDP and Trade BalanceS GDP Still



US economy expanded at a remarkably strong pace in the fourth quarter by 3.1% YoY in Q4 2023 vs 2.9% YoY in Q3 2023.

On an annual basis, the US economy grew by 2.5% in Q4 2023.

Nonetheless, Q1 2024 result rather painted a weaker than expected result with growth slowing down to 1.6%. This development has lately been the trigger to higher US yield as inflation remained elevated while GDP growth has slowed down.



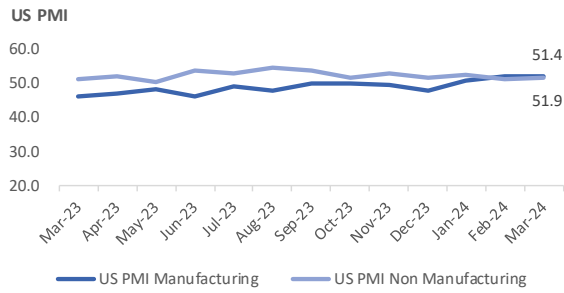
US Trade Deficit widened to USD 68.9 billion in Feb 2024 vs USD 67.4 billion in Jan 2024.

In monthly basis, Export grew +2.3% MoM and Import grew +2.3% MoM.

In yearly basis, Export grew +4.0% YoY and Import grew +2.6% YoY.

Source : Tradingeconomics, Setiabudi Investment

US PMI Mixed in March



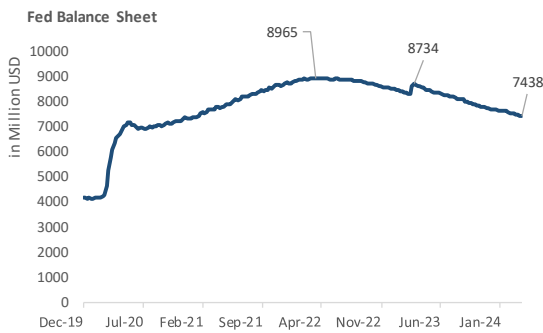
Source : Tradingeconomics, Setiabudi Investment

US PMI Manufacturing down to 51.9 in Mar 2024 vs 52.2 in Feb 2024

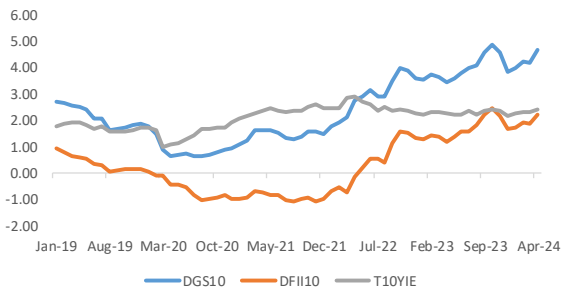
US PMI Non Manufacturing grew to 51.4 in Mar 2024 vs 51.3 in Feb 2024.

Signs of improving wider economic conditions and market demand fed through to a further expansion of US manufacturing production, with the rate of expansion hitting a 22-month high. The rate of job creation also quickened, but new order growth softened.

FED Balance Sheet and Economics Data



Federal Reserve Economics Data



Source : US Bureau of Labor Statistic, Federal Reserves, Setiabudi Investment

FED's balance sheet went down to USD 7.4bn as of 10 Apr 2024 from its peak at USD 8.96bn as of 13 April 2022.

Fed forecasts the balance sheet to decline to USD 5.9 trillion in 2025 as reserves fall to about 8% of nominal GDP and reverse repos are eliminated.

Based on our estimate, since the last uptick in April 2023, FED's Balance Sheet has been going down by an average of 1.30% in monthly basis, which we project it will reach its target of USD 5.9tn by May or Jun 2025.

10-year treasury yield stood at 4.67%, US 10-Year Breakeven Inflation rate at around 2.48%, Treasury Inflation-Indexes Securities (TIPS) 2.24% as of 16 Apr, 2024.

We see the 10-Year Breakeven Inflation rate has been relatively sticky and harder to go down.

Inverted yield curve between 2-year and 10-year

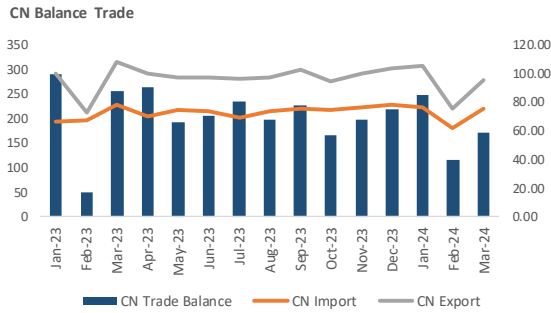


Source : FRED, Setiabudi Investment

Spread between 10-year and 2-year Treasury yield widened since October 2023 (the lowest spread at -0.13%).

10-Year U.S Treasury yield is at 4.57% on 16 Apr 2024 while 2-Year Treasury yield was at 4.87%, resulting in a -0.30% spread.

China Trade Balance & PMI Data

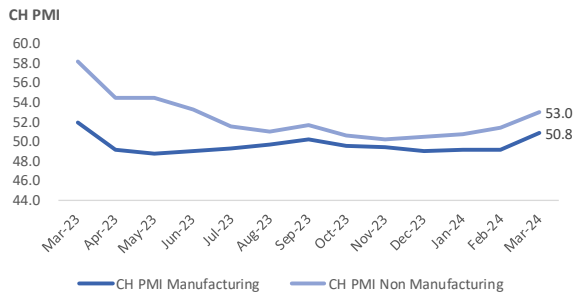


China's trade surplus increased to USD 58.53 billion in Mar 2024 vs USD 39.71 billion in Feb 2024.

Import increase to USD 221.15 billion in Mar 2024 vs USD 180.57 billion in Feb 2024.

Export increase to USD 279.68 billion in Mar 2024 vs USD 220.28 billion in Feb 2024.

Weak domestic demand push down China import showing consumer inflation cooled more than expected last month, while factory-gate deflation persisted.



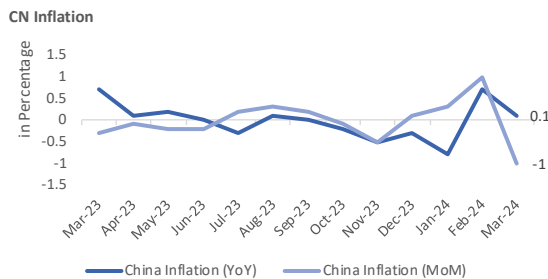
In Mar 2024, PMI manufacturing was 50.8 vs 49.1 in Feb 2024.

PMI non-manufacturing was 53.0 in Mar 2024 vs 51.4 in Feb 2024.

We see an improvement in manufacturing and non manufacturing in March 2024 boosted by higher new orders from domestic and abroad.

Source : NBS of China, Setiabudi Investment

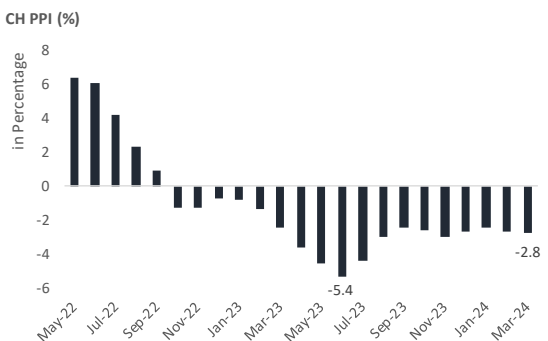
China Inflation & PPI in Mar 2024



China's inflation increase by +0.1% YoY in Mar 2024 vs +0.7% YoY in Feb 2024.

In monthly basis, inflation -1% MoM in Mar 2024 vs +1% MoM in Feb 2024.

The notable slowdown came as the effects of the Lunar New Year waned, with non-food inflation easing (0.7% vs 1.1% in February) as the cost of education moderated sharply (1.8% vs 3.9%) while transport prices fell further (-1.3% vs -0.4%).



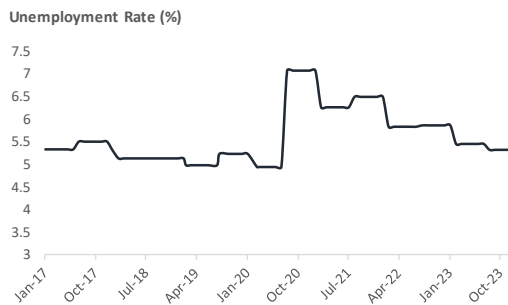
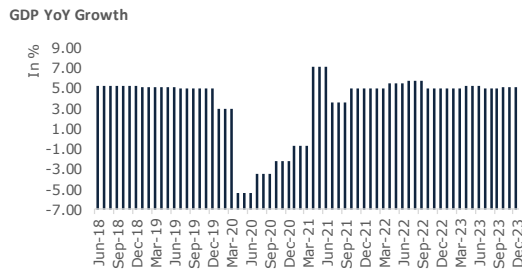
China's producer prices dropped -2.8% YoY in Mar 2024 vs -2.7% in Feb 2024.

Cost of means of production fell further (-3.5% vs -3.4% in February) due to faster drops in mining and quarrying (-5.8% vs -5.5%) and processing prices (-3.6% vs -3.2%) while extended drops in raw materials (-2.9% vs -3.4%).

Source : Tradingeconomics, Setiabudi Investment

Indonesia Macroeconomics

GDP Growth & Unemployment Rate



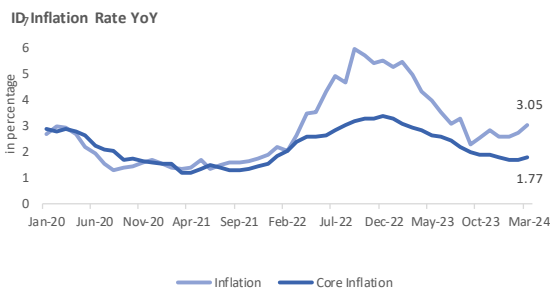
Source: BPS, Setiabudi Investment

Indonesia's economy advanced by 5.04% YoY in Q4 of 2023 vs 4.94% YoY in Q3 2023, which was the weakest growth since Q3 of 2021. Government spending rebounded (2.81% vs -3.93% in Q3) while net trade contributed positively as exports grew (1.64% vs -3.91%) while imports fell (-0.15% vs -6.75%). Meantime, household consumption (4.47% vs 5.05%) and fixed investment (5.02% vs 5.77%) continued to expand.

Refer to BNIS report the impact of China's moderation to Indonesia for every 1% point decline in China's GDP is a decline of Indonesia GDP by 0.11-0.17% through trade and investment channels. While preparing for such impact, we believe it will also be crucial for Indonesia to diversify its economic partnerships with other countries to reduce concentration risk and volatility.

Indonesia's unemployment rate dropped to 5.32% in Q3 2023 from 5.45% in Q1 2023, the lowest rate since Q3 2020.

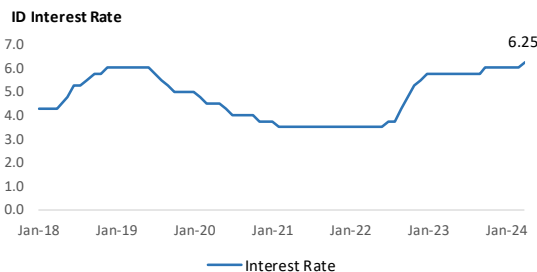
Indonesia Inflation and BI Rate Decisions



Indonesia's annual inflation rate increase to 3.05% YoY in Mar 2024 vs 2.75% YoY in Feb 2024.

Core Inflation increase to +1.77% YoY in Mar 2024 vs +1.68% YoY in Feb 2024.

Food prices rising (+7.43% vs +6.36%), amid the fasting month of Ramadan and ahead of the Eid-el-Fitr celebration.

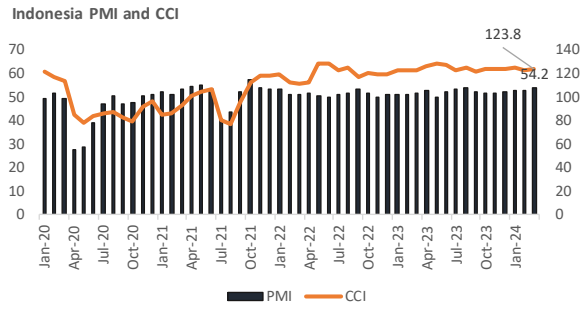


Bank Indonesia rise BI7DRRR at 6.25% in Apr 2024. The overnight deposit facility and the lending facility rates were set at 5.5% and 7%, respectively.

BI will enhance rupiah stability against the risks of a worsening global economic outlook and ensure that inflation remains in line with 2.5 ± 1% target for 2024 and 2025. The Indonesian rupiah has touched its lowest level in four years in April, reflecting broader weakness in Asian foreign exchange markets due to a stronger US dollar and risk aversion sentiment, prompting the central bank to intervene to stabilize the currency.

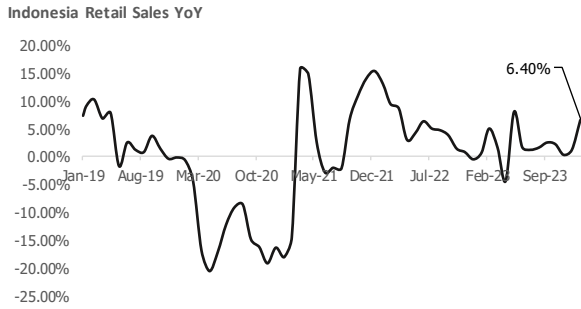
Source: BPS, Bank Indonesia, Setiabudi Investment

Indonesia PMI, CCI and Retail Sales



Indonesia PMI declining to 54.2 in Mar 2024 vs 52.7 in Feb 2024.

Indonesia's consumer confidence increased to 123.8 in Mar 2024 vs 123.1 in Feb 2024.

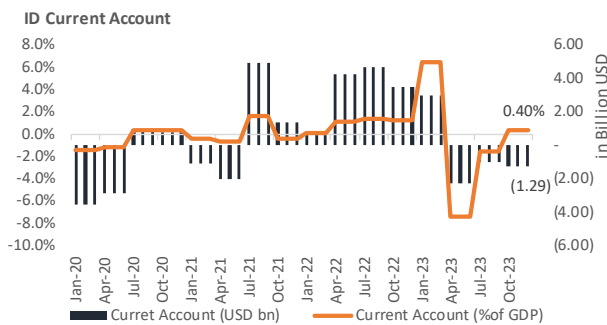


Retail sales in Indonesia grew +6.4% YoY in Feb 2024 vs +1.1% in Jan 2024. There was a strong upturn in food sales (9.1% vs 3.1% in January) while trade stayed solid for fuels (10.7% vs 14.6%) and automotive parts & accessories (10.7% vs 14.6%).

Retail sales for March are expected to rise by 3.5%.

Source : Bank Indonesia, Setiabudi Investment

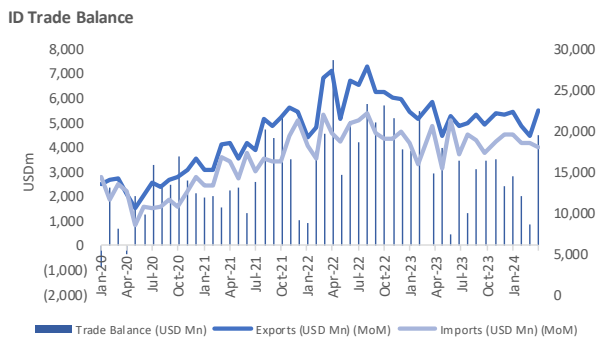
Indonesia Current Account and Trade Balance



Indonesia's CA deficit USD 1.29 billion in Q4 2023 or 0.4 % of GDP.

For the entire of 2023, the current account recorded deficit of USD 1.57 billion, swinging from a gain of USD 13.22 billion in 2022.

Indonesia's trade surplus increase to USD 4.47 billion in Mar 2024 vs USD 0.87 billion in Feb 2024.



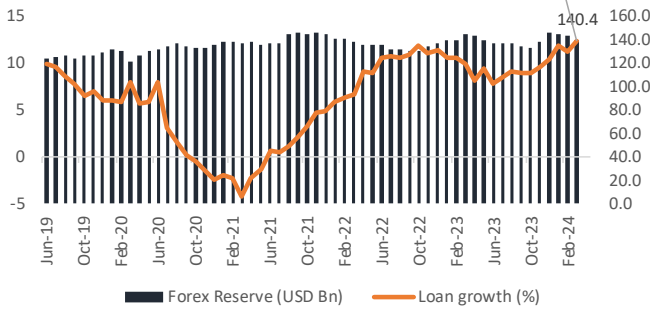
Exports dropped by -4.19% YoY in Mar 2024 vs -9.45% YoY in Feb 2024. It was the 10th straight month of decline in exports but the smallest drop in the sequence, amid declines in shipments to several main trading partners, namely China, Japan, the ASEAN countries, and the EU. Non-oil and gas exports shrank by -4.21% and mainly mineral fuel -26.63%.

Imports slumped -12.76% YoY in Mar 2024 vs +15.84% YoY in Feb 2024. Non-oil and gas imports tumbled -16.72% to USD 14.63 billion, partly reflecting slow activity during the fasting month of Ramadan. On the other hand, oil and gas imports grew by +10.34% to USD 3.33 billion, supported by crude oil (+1.89%) and oil products (+13.47%).

Source: BPS, Bank Indonesia, Setiabudi Investment

Indonesia Loan Growth, Foreign Exchange Reserve and Rupiah Latest Depreciation over the USD

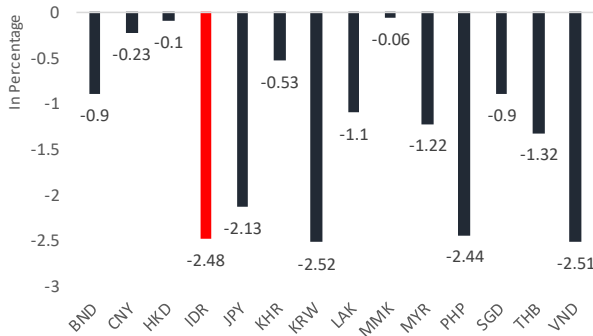
ID Loan Growth YoY and Forex Reserve



Lending grew by +12.4% YoY in Mar 2024 vs +11.3% in Feb 2024.

Nonetheless, we see 2024 will be challenging for lending growth due to; (1) high base impact (2) global economic slowdown which lead to softer commodity prices thus reducing the demand for loan and (3) the perception that the current interest rate level is at its peak; and lending starts to pick up once (4) the higher provisions in 2M24 are not an industry-wide issue, we are cautious about the ST impact on the banks` profitability.

Asian Currency 1M Volatility (as of 19 April 2024)



Foreign exchange reserves in Indonesia declining to USD 140.4 billion in Mar 2024 vs USD 144 billion in Feb 2024.

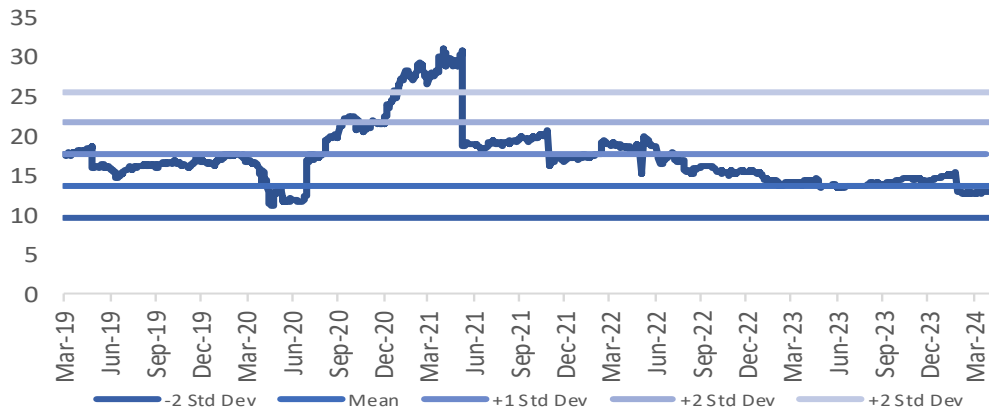
Rupiah depreciated -2.48% MoM along with the strengthening of the USD in last month negatively impact on the domestic financial market.

According RDG BI 24 Apr 2024, Bank Indonesia would increase the stabilization of the Rupiah exchange rate through intervention in the foreign exchange market in spot transactions, Domestic Non-Deliverable Forward (DNDF), and Government Securities (SBN) in the secondary market.

Source: Bank Indonesia, Setiabudi Investment

Indonesia Equity Market

JCI P/E Band



As 16 Apr 2024, JCI recorded -1.49% YTD and closed at 7.164 or -4.69% below our base target for JCI in 2024.

JCI dropped in March to Mid April 2024 with limited trading day during led Fitr and due to Rupiah depreciation. Investors will consider Indonesia macro and monetary stability throughout 2024. Rising commodity prices are a positive catalyst for Indonesia as commodities exporters, but on the other hand high inflation could be a threat to higher for longer interest rate.

JCI traded at 12.91x P/E, still below 5 years average mean P/E standard deviation.

Foreign investor recorded net buy IDR 7.8 trillion in Mar and IDR 26.8 trillion in YTD.

Positive Factors

- Declining US inflation
- Expectation of lower benchmark rates in 2024 and beyond
- Company earning results

Negative Factors

- Rupiah depreciation
- Geopolitical conflicts
- Oil price rising
- Economic uncertainty in developed countries
- China slowing economic growth

--- End of report ---

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