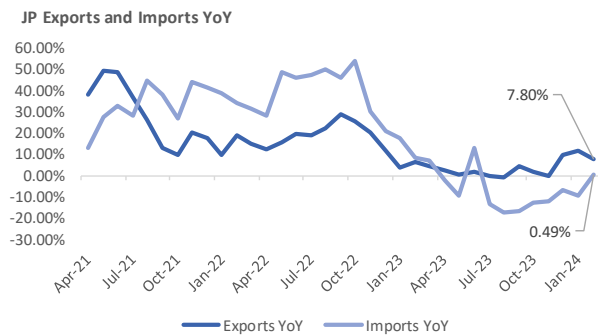
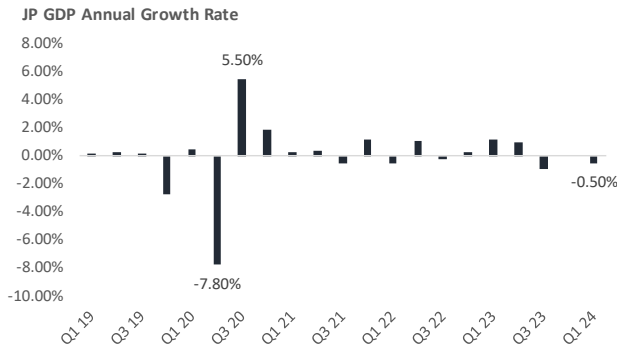


Market Update – May 2024

Global Macroeconomics

Japan GDP Shrinks in 1Q 2024



Source : Trading Economics, Setiabudi Investment

Japan's economy shrank -0.5% YoY in Q1 2024 vs 0% YoY in Q4 2023.

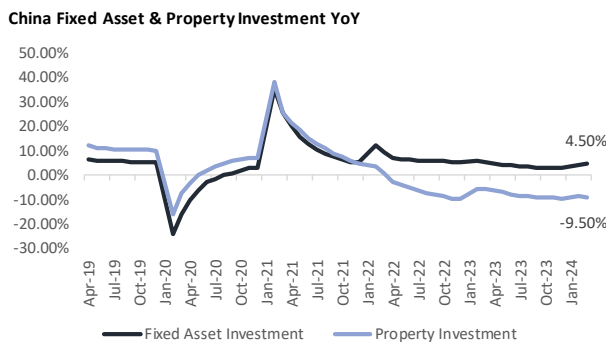
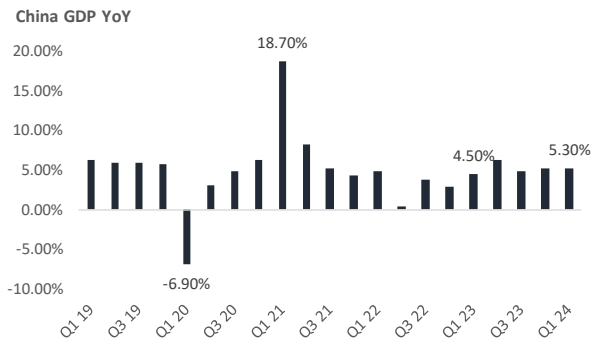
Private consumption fell to -0.7% in Q1 2024 vs -0.4% in Q4 2023 as consumers continued to reduce their spending in the face of expensive costs of living and sluggish wages, and after a quake that struck the Noto peninsula at the start of the year.

Capital expenditure dropped -0.8% in Q1 2024 vs +1.8% in Q4 2023 due to the significant reduction of auto production after a scandal at Toyota's unit Daihatsu Motor.

Japan exports rose by +7.3% YoY while imports shrank by -4.9% YoY. Exports grew to the US (8.5%), China (12.6%), Malaysia (10.9%), Vietnam (23.6%), India (15.3%), Germany (2.4%), and the EU (3.0%), while Imports dropped from China (-13.9%), Singapore (-23.9%), Malaysia (-13.2%), Indonesia (-22.5%), Vietnam (-2.7%), and Russia (-14.0%).

As the 5th largest country GDP value, we think the declining economy in Japan would impact overall global trade.

China GDP and Investment in 1Q 2024



Source : Trading Economics, NBS of China, Setiabudi Investment

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

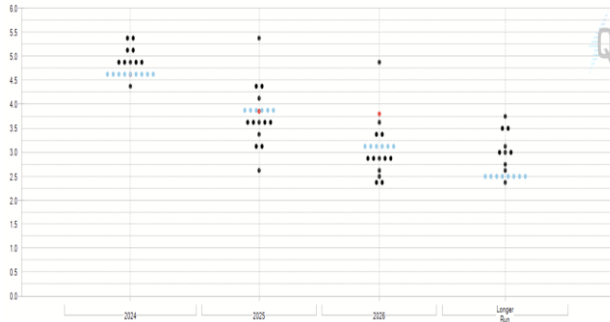
During the first three months of 2024, fixed investment grew by 4.5% YoY, while property investment slumped 9.5% YoY.

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 has set an annual growth target of around 5% for 2024, as consumer and business confidence remain 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.

Fed Kept Key Interest Rate Unchanged

Fed Dot Plot



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.

Fed Watch Meeting Probabilities

MEETING DATE	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES							
	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
6/12/2024			0.0%	0.0%	0.0%	0.0%	8.9%	91.1%
7/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	27.6%	70.4%
9/18/2024	0.0%	0.0%	0.0%	0.0%	1.1%	15.8%	50.7%	32.4%
11/7/2024	0.0%	0.0%	0.0%	0.4%	6.4%	28.3%	44.1%	20.8%
12/18/2024	0.0%	0.0%	0.2%	3.9%	19.1%	37.5%	30.6%	8.8%
1/29/2025	0.0%	0.1%	1.8%	10.6%	27.2%	34.4%	20.9%	4.9%
3/19/2025	0.1%	1.0%	6.6%	19.7%	31.2%	27.1%	12.2%	2.2%
4/30/2025	0.5%	3.4%	12.0%	24.4%	29.5%	20.9%	8.0%	1.3%

Source : Fed, CME

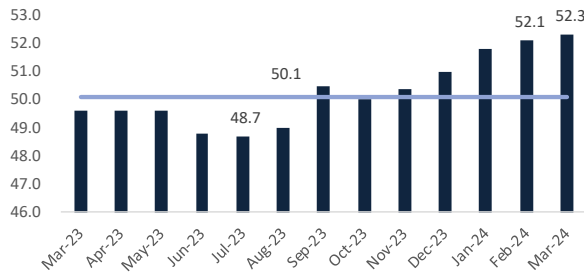
For their next meeting in 12 June 2024, 91.1% of correspondents believe that rate would remain at 5.25 – 5.50% while 8.9% see a 25 bps down.

There is a change from April meeting where the Fed sees a 50.7% potential rate cut in Sept 2024 to 5.00 – 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.

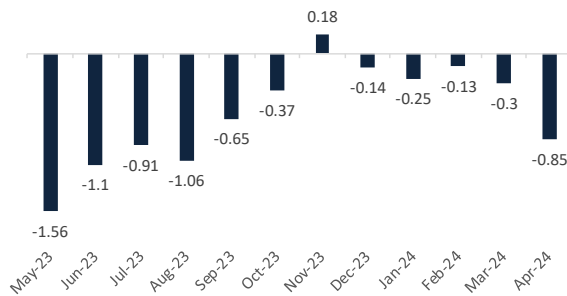
Global PMI and Supply Chain Pressure Index

Global PMI



Global PMI increased to 52.30 in March 2024 vs 52.10 in February of 2024, above 12 month average in 50.1. The increase on Global PMI led by emerging countries, while developed countries grew on a slower pace.

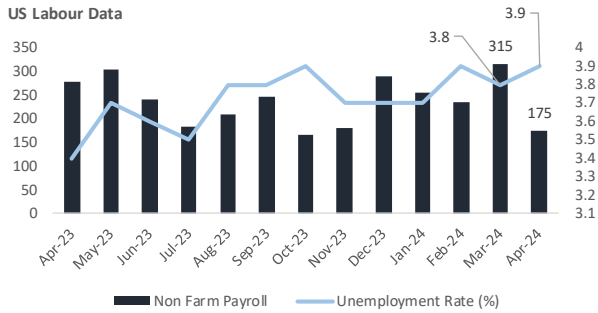
Global Supply Chain Pressure Index



Global Supply Chain Pressure Index decreased to -0.85 in April 2024 vs -0.30 points in March 2024. During the Covid-19 pandemic, the world realized that supply chains are fragile and can have significant national strategic implications, especially at a time when geopolitical competition is on the rise.

Source : Tradingeconomics, Setiabudi Investment

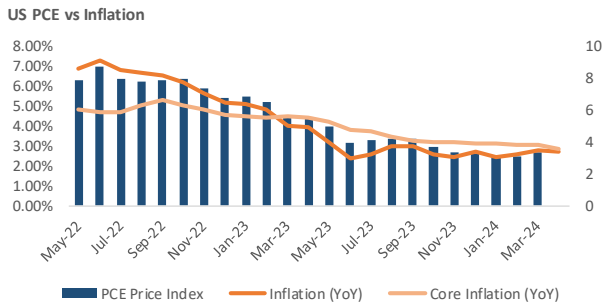
US Labour Data & Inflation



US Official Nonfarm Payroll added 175k jobs in Apr 2024 vs 315k jobs in Mar 2024, below market forecasts of 243K.

The latest data slowdown from the brisk pace observed in the first quarter and trails behind the average monthly gain of 242,000 jobs over the preceding 12 months.

US Unemployment Rate edged up to 3.9% in Apr 2024 vs 3.8% in Mar 2024.



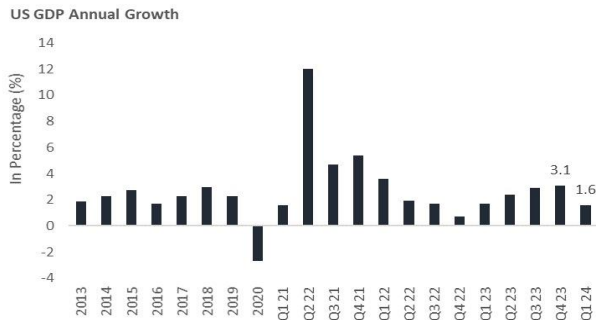
US inflation slightly down to 3.4% YoY in Apr 2024 vs 3.5% YoY in Mar 2024.

Core inflation which excludes volatile items such as food and energy were down to 3.6% YoY in Apr 2024 vs 3.8% YoY in Mar 2024.

Inflation steadied for food (2.2%) and slowed for shelter (5.5% vs 5.7%) while prices continued to decline for new vehicles (-0.4% vs -0.1%) and used cars and trucks (-6.9% vs -2.2%).

Source : Tradingeconomics, Setiabudi Investment

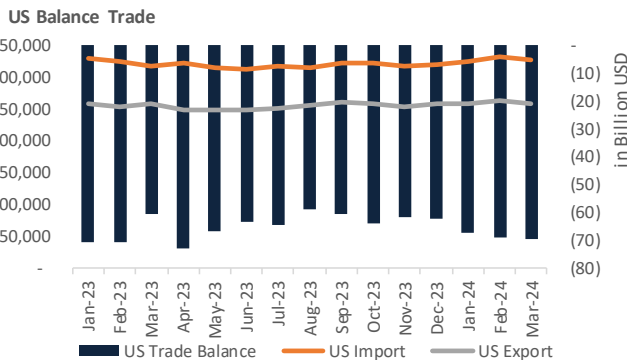
US GDP and Trade Deficit



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 to 1.6%. This development has lately been the trigger to higher US yield as inflation remained elevated while GDP growth has slowed down.



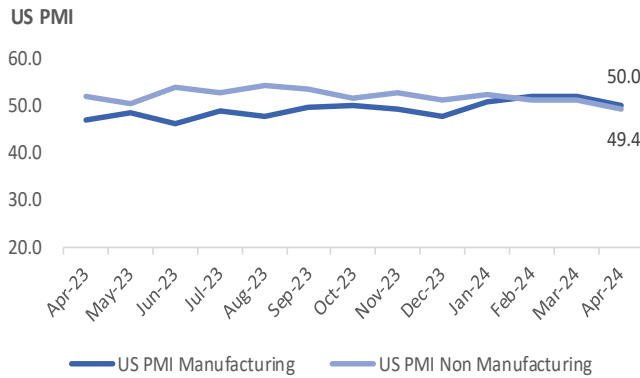
US Trade Deficit almost unchanged to USD 68.4 billion in Mar 2024 vs USD 68.9 billion in Feb 2024.

In monthly basis, export declined -2.1% MoM and import declined -1.5% MoM.

In annual basis, export remained flat YoY and import grew +2.8% YoY.

Source : Tradingeconomics, Setiabudi Investment

US PMI Contracted in March



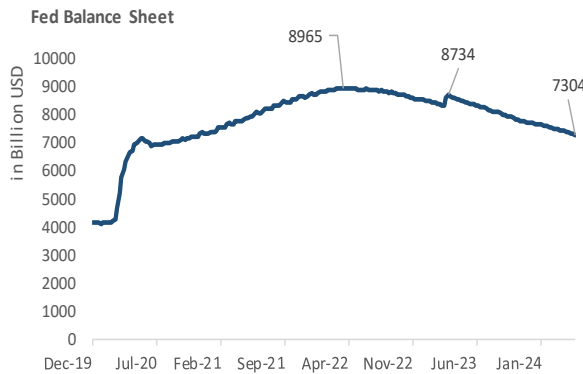
Source : Tradingeconomics, Setiabudi Investment

US PMI Manufacturing down to 50.0 in Apr 2024 vs 51.9 in Mar 2024

US PMI Non Manufacturing down to 49.4 in Apr 2024 vs 51.4 in Mar 2024.

Manufacturers scaled back their purchasing activity to react to a fresh decline in new orders, with surveys noting a greater extent of caution among clients and reluctance to commit to new business. Still, a drawdown in backlogs of work sustained production enough to record an increase in output levels, but demand for capacity was broadly unchanged as staffing levels edged slightly lower and purchasing activity edged higher.

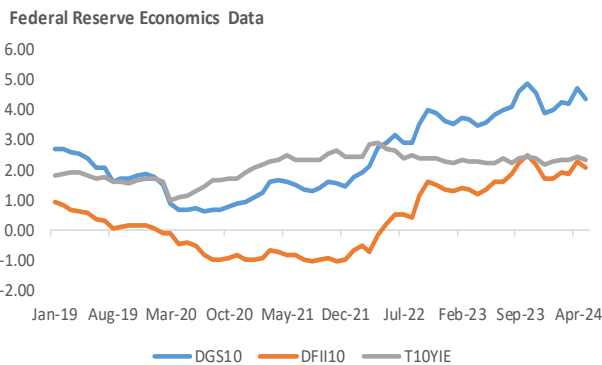
FED's Balance Sheet & Economic Data



FED's balance sheet went down to USD 7.3tn as of 15 May 2024 from its peak at USD 8.96tn 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 (or USD 60-90 billion per month), which we project it will reach its target of USD 5.9tn by May or Jun 2025 with the current speed.



Nonetheless, the FED is planning to slow its QT efforts starting from July, reducing the monthly sale of US treasuries to USD 25 billion per month. In turn this might lower the bond yield.

10-year treasury yield stood at 4.36%, US 10-Year Breakeven Inflation rate at around 2.31%, Treasury Inflation-Indexes Securities (TIPS) 2.05% as of 17 May, 2024.

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

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

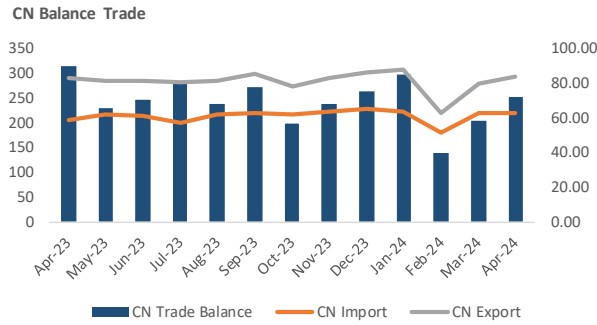


Spread between 10-year and 2-year Treasury yield widened since October 2023 (the lowest spread at -0.13%).

10-Year U.S Treasury yield is at 4.39% on 17 May 2024 while 2-Year Treasury yield was at 4.78%, resulting in a -0.40% spread.

Source : FRED, Setiabudi Investment

China Trade Balance & PMI

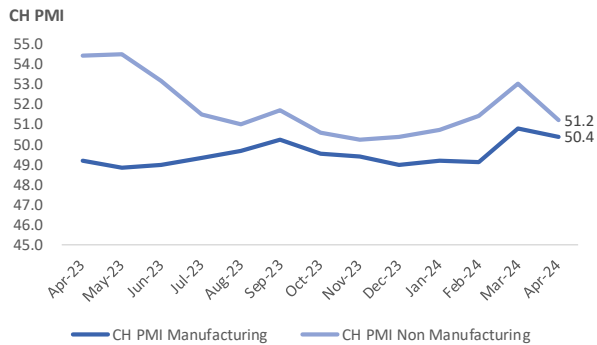


China's trade surplus increased to USD 72.35 billion in Apr 2024 vs USD 58.53 billion in Mar 2024.

Import declining to USD 220.15 billion in Apr 2024 vs USD 221.15 billion in Mar 2024.

Export increase to USD 292.5 billion in Apr 2024 vs USD 279.68 billion in Mar 2024.

The upturn followed declines in the prior two months, as domestic demand recovered amid various support measures from Beijing.



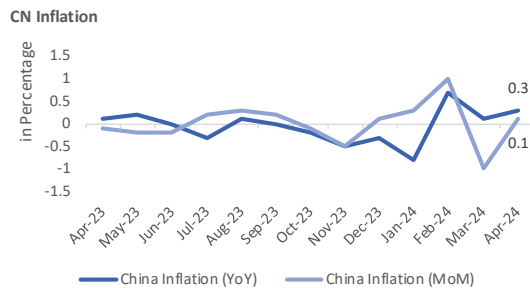
PMI manufacturing was 50.4 in Apr 2024 vs 50.8 in Mar 2024.

PMI non-manufacturing was 51.2 in Apr 2024 vs 53.0 in Mar 2024.

We see the declining in manufacturing and non manufacturing in Apr 2024 boosted by input and output prices remained relatively low, particularly due to the drag from manufacturing factory gate prices.

Source : NBS of China, Setiabudi Investment

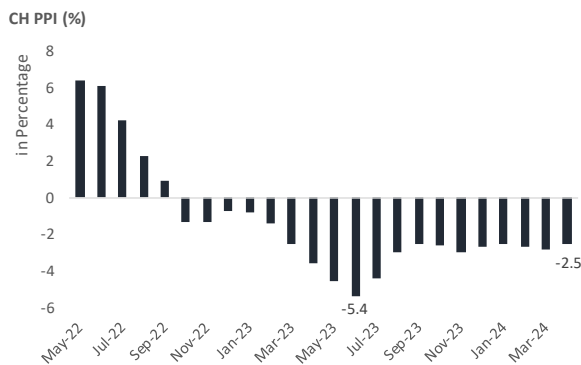
China Inflation & PPI



China's inflation increase by +0.3% YoY in Apr 2024 vs +0.1% YoY in Mar 2024.

In monthly basis, inflation 0.1% MoM in Apr 2024 vs -1% MoM in Mar 2024.

Non-food inflation accelerated +0.9% in Apr 2024 vs +0.7% in March 2024. On the food side, prices continued to fall -2.7% Apr 2024 vs -2.7% Mar 2024.



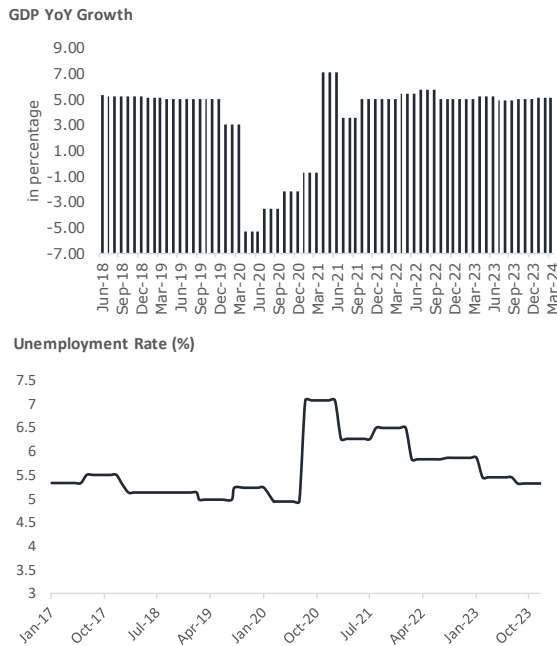
China's producer prices dropped -2.5% YoY in Apr 2024 vs -2.8% in Mar 2024.

Cost of production continued to drop (-3.1% vs -3.5% in March), dragged further by mining (-4.8% vs -5.8%), raw materials (-1.9% vs -2.9%), and processing (-3.6% vs -3.2%).

Source : Tradingeconomics, Setiabudi Investment

Indonesia Macroeconomics

GDP Growth & Unemployment Rate



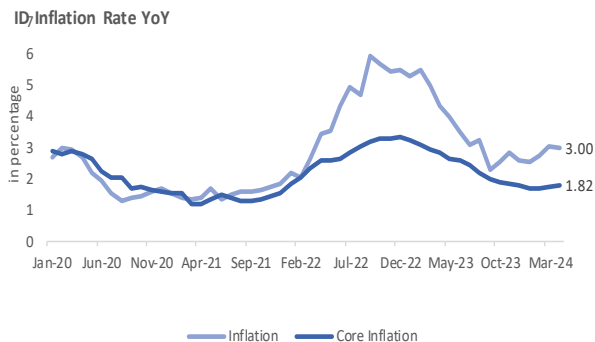
Source: BPS, Setiabudi Investment

Indonesia's economy advanced by 5.11% YoY in Q1 of 2024 vs 5.04% YoY in Q4 2023, It was the fastest yearly economic growth since Q2 of 2023, amid robust household consumption during most of Ramadan fasting month and Eid-al Fitr preparation (4.91% vs 4.47% in Q4). Also, government spending picked up strongly (19.90% vs 2.81%), boosted by expenditure related to the February election. Meantime, fixed investment slowed (3.79% vs 5.02%).

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.

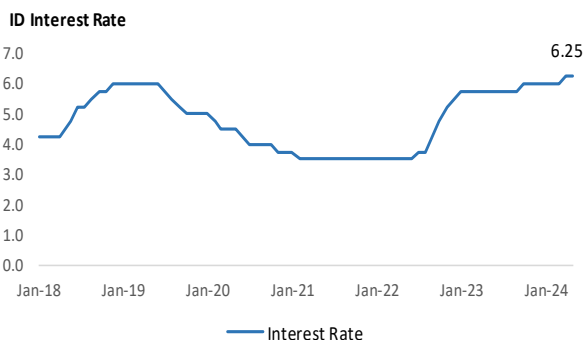
Indonesia Inflation & BI Rate



Indonesia's annual inflation rate increase by 3.0% YoY in Apr 2024 vs 3.05% YoY in Mar 2024.

Core Inflation increase by +1.82% YoY in Apr 2024 vs +1.77% YoY in Mar 2024.

Prices moderated for food 7.04% in Apr 2024 vs 7.43% in Mar 2024, housing +0.50% in Apr 2024 vs +0.55% in Mar 2024, health +2.08% in Apr vs 2.17% in Mar 2024, accommodation/restaurants +2.47% in Apr 2024 vs 2.51% Mar 2024, and recreation & culture +1.58% Apr 2024 vs +1.62% Mar 2024.



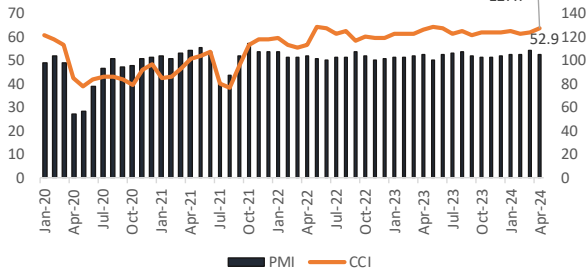
Bank Indonesia rise BI7DRRR at 6.25% in May 2024. The overnight deposit facility and the lending facility rates were set at 5.5% and 7%, respectively.

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

PMI, CCI and Retail Sales

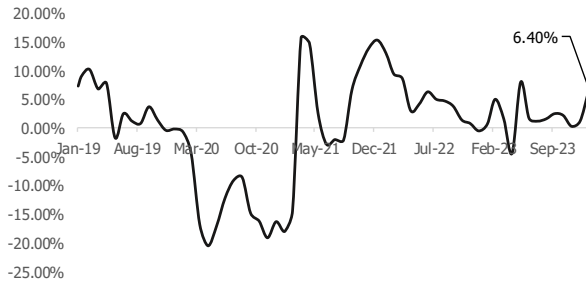
Indonesia PMI and CCI



Indonesia PMI declining to 52.9 in Apr 2024 vs 54.2 in Mar 2024.

Indonesia's consumer confidence increased to 127.7 in Apr 2024 vs 123.8 in Mar 2024.

Indonesia Retail Sales YoY



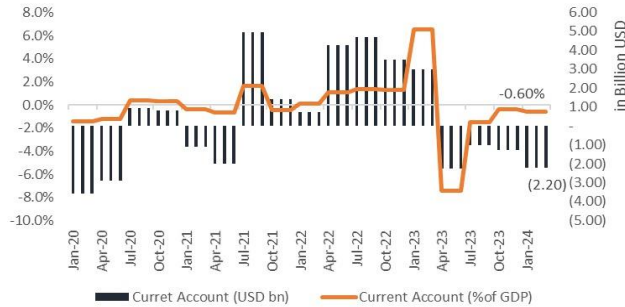
Retail sales in Indonesia grew +6.4% YoY in Feb 2024 vs +1.1% in Jan 2024. There was a strong upturn in food sales (9.1% vs 3.1% in January) while trade stayed solid for fuels (10.7% vs 14.6%) and automotive parts & accessories (10.7% vs 14.6%).

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

Source: Bank Indonesia, Setiabudi Investment

Current Account & Trade Balance

ID Current Account

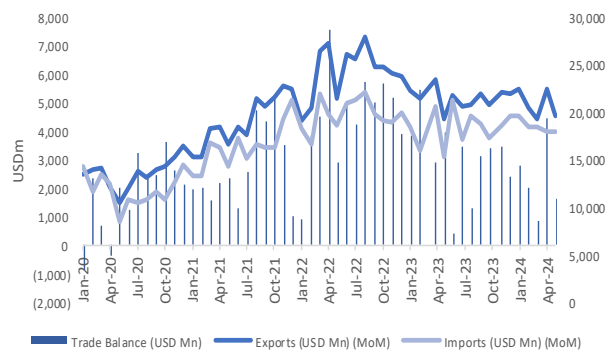


Indonesia's CA deficit USD 2.20 billion in Q1 2024 or 0.6 % of GDP.

The latest result was a reversal from a surplus of USD 2.78 billion in the same period of the previous year, with the amount being the largest deficit since Q2 of 2023, as the trade surplus narrowed sharply to USD 9.82 billion from USD 14.72 billion in the corresponding period a year earlier due to weakening global demand.

Indonesia's trade surplus decrease to USD 3.56 billion in Apr 2024 vs USD 4.58 billion in Mar 2024.

ID Trade Balance

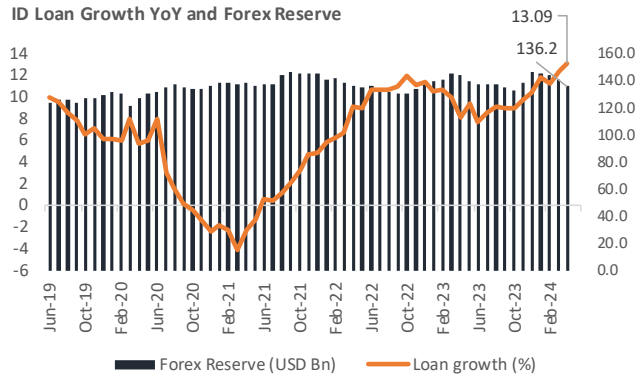


Exports rises by +1.72% YoY in Apr 2024 vs -3.75% YoY in Mar 2024. It was the first expansion in exports since May 2023, mainly boosted by rises in non-oil and gas exports, amid surging in exports to the US (11.45%), India (17.52%, and the ASEAN countries (6.28%).

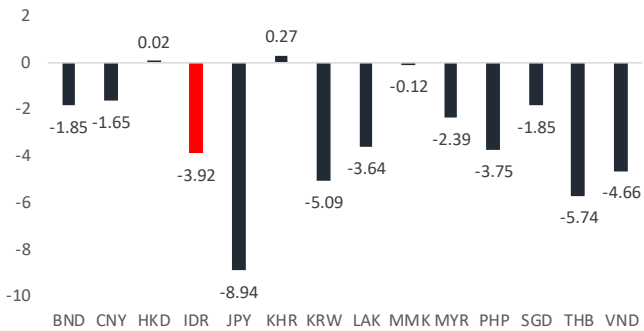
Imports rises +4.62% YoY in Apr 2024 vs -12.76% YoY in Mar 2024. It was the third time of growth in purchases so far this year amid sustained domestic demand, notably around the recent festive season. Non-oil and gas imports rose +5.68% YoY.

Source: BPS, Bank Indonesia, Setiabudi Investment

Loan, Foreign Reserves and Currency Depreciation



USD vs Asian Currency 2024 YTD



Source: Bank Indonesia, Asian Bond Online (as of 17 May 2024), Setiabudi Investment

Lending grew by +13.09% YoY in Apr 2024 vs +12.4% in Mar 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.

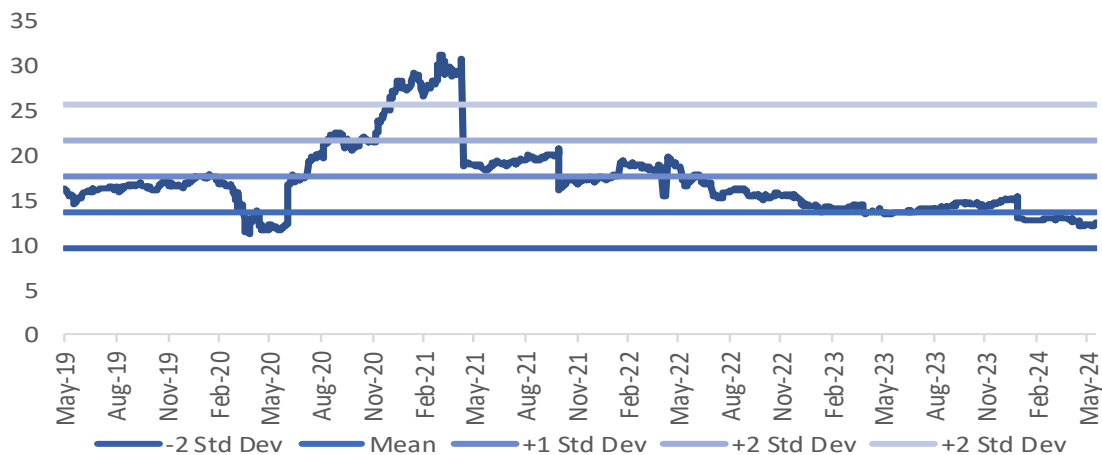
Foreign exchange reserves in Indonesia declining to USD 136.24 billion in Apr 2024 vs USD 140.4 billion in Mar 2024.

Rupiah depreciate -3.92% YTD along with the strengthening of the USD in last 5 months negatively impact on the domestic financial market.

According RDG BI 22 May 2024, Bank Indonesia would remain 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.

Indonesia Equity Market

JCI P/E Band



- As 17 May 2024, JCI recorded +0.63% YTD and closed at 7.317 or -2.50% below our base target for JCI in 2024.
- JCI dropped in April to mid May 2024 with limited trading day during in April and May and 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 12.49x P/E, still below 5 years average mean P/E standard deviation.
- Foreign investor recorded net sell IDR 18.3 trillion in Apr and recorded net buy IDR 7.9 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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