

MACROECONOMY

- **Daily covid cases increased in July after the festivity but the fatality and bed occupancy rate remained low.** The government lifted the fuel price as oil price and consumption was elevated; yet allocated more subsidy budget for low income family.
- **8M22 state budget recorded a surplus of Rp107.4tn or +0.6% of GDP.** August trade surplus recorded at USD5.76bn.
- **BI increased rate by 50bps (higher than consensus expectation at 25bps) to 4.25%** as a pre-emptive move and front loading on rising inflation and strengthening dollar. September inflation increased 5.95% YoY/+1.17%MoM.

EQUITY

- **JCI gained 1.9% QoQ to 7,041 with around Rp8.3tn net foreign buy. The index reached its all times high at 7,377 in September.** The positive performance was driven by better than expected earnings results coupled with series of solid macro data and stabilizing oil price. Foreign took profit and became a net seller at the last week of the month as IDR depreciated to 15,250 level against USD. The best quarterly sector performer was IDXEnergy (+17.2%) on elevated coal price and higher demand from European countries to build their energy reserve ahead of winter. On the other hand, the worst performer was IDXTechnology (-11.7%) which was pressured during rising interest rate environment.
- **The global market plunged as countries were battling with high inflation and policy rate hike.** The fed reiterated its restrictive stance and pressured the global market. While most of the central banks raised rate, PBOC cut rate to boost its market and BoJ maintained its ultra-loose monetary policy rate. Some central banks and the market cut the growth projection amid this tightening cycle. Geopolitical tension in eastern Europe remained high.
- **We remain cautiously positive on equities as the fundamental reform and recovery story remains intact.** However, we expect continuing volatility in the market following global recession fears on the back of higher inflationary environment and geopolitical situation. Pressure on the IDR may also add pressure to the equity market though we think that Bank Indonesia may come in and give support when necessary.

FIXED INCOME

- **Indonesia 10 years government bond yield increased 15.3bps to 7.373%. The US 10-year treasury note jumped by 81.6bps to 3.829%.** The Fed made consecutive rate hike and moved the rate to 3-3.25% by the end of September, the Fed has increased 300bps YTD. Based on DMO bond flow data as of 28 Sept, foreign ownership is recorded at 14.5% of the outstanding and outflow of Rp157.1tn YTD. Indonesia 10 years USD global bond yield at 5.22%. IDR depreciated by 2.38% to 15,253.
- **Higher inflation and rising interest rates remain as challenges to the bond market** though we think that the negative sentiments have been mostly priced in reflected by the large foreign outflow YTD. However, inflationary risks would also limit upside at this juncture, thus, we do not expect any major rally in the bond market in the short term.

Disclaimer

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