

**2nd WEEK****August 2018**❖ **MACRO**

- Even though the New York Federal Reserve's top markets official recently insisted the central bank's campaign to shrink its \$4.2 trillion balance sheet is running smoothly and will continue, Wall Street is abuzz with talk that it will end sooner rather than later. In a speech in Manila last weekend, Simon Potter, the New York Fed's markets chief, said the Fed's balance sheet reduction would continue "without unnecessary surprise, disruption, or volatility in financial markets." But Wall Street experts see some cracks emerging. Recently the Fed decided to adjust its range for interest rates after the target rate was creeping higher. The Fed amassed its holdings of Treasuries and mortgage-related assets in the wake of the financial crisis. Buying the assets, or quantitative easing, helped long-term interest rates to fall after the Fed's traditional short-term rate tool had hit the zero lower bound.
- The Bank of Japan renewed its commitment to ultra-low interest rates just as other developed economies were moving toward further rate increases and an end to stimulus. But beneath the headlines about the BOJ's pledge to keep printing money for an "extended period," Gov. Haruhiko Kuroda and his colleagues left clues to what higher rates might look like in Japan. They aren't ready to walk through that door, but the keys are on the table. Under the changes unveiled last week, the yield on the benchmark 10-year Japanese government bond will be allowed to move as much as 0.2 percent above or below the target of zero. Doesn't sound like much, but investors behaved like it was a significant change. The BOJ jumped into the market to calm things after yields surged to an 18-month high. That was a surprise, given the yield touched 0.145 percent, well within the new parameters. If traders believed the "extended period" dovish narrative, the intervention to suppress yields wouldn't be needed. Deputy Gov. Masayoshi Amamiya told reporters on Aug. 2 that rapid moves won't be tolerated. Amamiya, who wields enormous power behind the scenes, had more to reveal. He went on to suggest

that the BOJ Policy Board wasn't completely of one mind. "Between the board members there were nuanced differences in their views on how much the yield could go up or down," Amamiya said. Minutes of the meeting show one board member sought a band of 0.25 percent either side of zero while another person said forward guidance ought to stimulate expectations of inflation so monetary easing won't be prolonged.

- Review:

Reversing these purchase has always stressed Wall Street. The Fed has ruled out outright asset sales. Instead, the Fed began to allow assets to slowly roll off its balance sheet at a pace of \$10 billion per month. These roll-offs are not set to reach the peak pace of \$50 billion per month until October.

❖ **MICRO**

- Bank Indonesia (BI) Residential Property Price Survey (SHPR) in the first quarter of 2018 indicates that residential property prices in the primary market continue to increase. This is reflected in the Residential Property Price Index (IHPRI) in the second quarter of 2018 which grew 0.76 percent (qtq). Director of the BI Statistics Department, Wuryandani, said the growth rate had slowed slightly compared to the previous quarter which grew 1.42 percent (qtq). The increase in residential property prices occurred in all types of houses. "If we look again at the development, what drives the movement index like that, among others, there are small, medium and large footprint house segment movements," said Wuryandani at the BI Building, Jakarta, Thursday (08/08/2018). that the trend of slowing increase in house prices is expected to continue until the third quarter of 2018 of 0.55 percent (qtq), while for residential property sales volume in the second quarter decreased by 0.08 percent (qtq), from the volume in the previous quarter which reached 10.55 percent (qtq).
- The Financial Services Authority (OJK) is close to completing regulations related to the digital finance industry, including technology-based financial service providers or Financial Technology (Fintech). Deputy Chairperson of the OJK Board of

Commissioners Nurhaida said that the regulations on the digital financial industry were almost complete. It is targeted that by August 2018 it can be launched and then implemented. "With regard to the digital financial industry, it has reached almost the final. We hope that this month will end," Nurhaida said, in a fintech discussion, in the Kuningan area, Jakarta, Tuesday (07/08/2018). The contents of the regulation include, requiring the digital financial industry to make transparency in carrying out its activities, so that the public is not harmed by the digital financial industry including fintech.

- Review:

The decline in residential property sales was caused by a decline in sales in medium-sized and large-type houses. This was related to the sale of residential property in the primary market, based on quarterly quarters, showing a decline in medium-sized houses. So that in total it looks still decreasing. While for small type houses there is a significant increase.

❖ **BANKING**

- President Director of PT Bank Tabungan Negara (Persero) Tbk (BTN) Maryono won the Best CEO award for BUMN with the status of an Open company in the prestigious event "2018 BUMN Award Award". The award obtained by Maryono as the best CEO of BUMN, complements two awards obtained by Bank BTN at the same event, namely The Best GCG or Best Open Corporate Governance and as a Open SOE with the Best Talents. "The three awards achieved at the same time appreciate the contribution of Bank BTN as an SOE that has demonstrated superior performance and is able to compete at the national and global levels," he said in a written statement in Jakarta, Monday (08/13/2018). The 2018 BUMN Award criteria are focused on business performance, financial performance, leadership and corporate governance performance throughout 2017. In addition to corporate performance, the best CEO winners from SOEs and subsidiaries of BUMN are also selected. The judging process takes place in three stages, in the form of questionnaire selection, presentation of questionnaire material in front of the Jury and CEO interviews.

- PT Bank Negara Indonesia (Persero) Tbk or BNI continues to intensively introduce BNI Taplus Anak products to young people who are still in elementary school. It is targeted, as many as 1.4 million accounts can be channeled by the end of 2018. VP Servis BNI Product Management Division Donny Bima said, he is currently holding a roadshow to 100 elementary schools until the end of August 2018. "We have given 2,130 savings accounts to children in the form of Taplus Children. The balance is around Rp. 100 thousand. That is for their capital to save, manage finance early on," he said to Liputan6.com in Jakarta, Sunday (08/12/2018). Furthermore, he explained about the concept of using an account on BNI Taplus Anak. "BNI Taplus Anak, he also gives a notification to his parents. So the card is taken by the child, but every time he purchases or transactions his parents will be texted," he explained. The BNI Taplus Anak itself has functions similar to BNI Taplus products, but with a transaction limit of Rp. 500 thousand per day and free of administrative fees.

- Review:

There are a number of features or indications that the best CEO has that don't exist in the usual ordinary CEO. Some normative characteristics are education, reference, business networking (networking), track record, visionary, rewards ever obtained and so on. These characteristics can be taken into consideration by shareholders or any party authorized to assign a CEO in the broadest sense. The definition of CEO is not only for the leadership of the company but also for the leadership of non-bureaucrat non-political institutions such as an institution, including government agencies, committees, commissions or whatever the term is.

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