

4th WEEK**April 2018**❖ **MACRO**

- The Asia Pacific stock market opened early this morning with the majority declining, following the US stock market, Wall Street. Investors began to worry the US Federal Reserve (The Fed) will raise interest rates faster that triggered rising US bond yields. The Nikkei 225 index opened lower in 0.79% to 22,102.87, South Korea's Kospi index also tumbled 0.94% to 2,440.93 in early trading and in Australia, the ASX 200 gained 0.6% to 5,921.6 in trading Wednesday morning. Similarly, the stock market in China, at the opening of the Shanghai Composite Index fell 0.5% and the Hang Seng Index fell 0.5%. Correction also occurred in the Singapore stock market, where the Strait Times index fell 0.6%. In early morning trade, the stock index on Wall Street fell at the close. The Dow Jones Industrial Average ended 1.74% lower at 24,024.13, the S & P 500 index dropped 1.3% to 2,634.56 and the Nasdaq Composite shed 1.7% to 7,007.35. The Wall Street correction was caused by the yield on 10-year US government bonds that broke the 3% level. Yesterday, the yield of this instrument had reached 3.083%. This is the first time in 4 years the yield has broken through 3%.
- The European Central Bank (ECB) has kept interest rates at zero percent in the next month and will not change the stimulus scheme of bond purchases that have been trimmed to 60 billion euros a month from the previous figure of 80 billion euros. Head of the European Central Bank, Mario Draghi, said he was more optimistic with the current economic conditions of the euro zone that is not experiencing deflation. Meanwhile, IHS Markit chief economist Howard Archer said the move had been forecast "if the bank keeps its interest rate at zero percent" to keep stimulating the growth of the eurozone economy. The bank also said it will continue to buy bonds worth 60 billion euros until the end of December 2017, or more if necessary, as quoted by the BBC, Friday (4/28/2017). For information, the ECB steps cut interest rates at zero percent to stimulate economic growth and avoid deflation. Economic growth in the euro

zone has increased in recent months marked by an increase in the number of labor and economic sentiment that reached the highest level in 10 years.

- Review:

US bond yields surged on rising inflation expectations and additional supply from the government to finance the budget deficit, which swelled on President Donald Trump's tax rate cuts program. Inflation expectations are rising as the positive economic data of Uncle Sam's country continues.

❖ **MICRO**

- Bank Indonesia (BI) Board of Governors Meeting (RDG) on April 18-April 22, 2018 decided to keep the 7-Day Reverse Repo Rate (BI Rate) at 4.25%. Thus this becomes the fourth month in 2018 the Central Bank holds its benchmark interest rate. The Deposit Facility (DF) rate remains at 3.5% and Lending Facility (LF) at 5% level, effective from April 20, 2018. "The Board of Governors Meeting of Bank Indonesia on 18-19 April 2018 decided to keep BI 7-day Reverse Repo Rate at 4.25% level "said Deputy Governor Dody Budi Waluyo at BI Central Office, Jakarta, Thursday (19/4/2018). Holding this interest rate is already predicted by economists. Bhima Yudhistira, Bhima Yudhistira Institute for Development and Economics (Indef) researcher, said the policy to hold the benchmark interest rate was influenced by the expectation of a 25 bps Fed Fund Red (FFR) increase in May, resuming monetary tightening earlier.
- The Board of Commissioners' Board of Commissioners (BOE) Meeting on Wednesday (25/4) assessed the stability and liquidity of Indonesia's financial services industry. The global economy indicates a more solid recovery condition, as stated by the IMF in the World Economic Outlook April 2018 which affirmed the global economic acceleration in 2018 to 3.9%, an increase compared to the projection of October 2017 of 3.7%. World economic growth is sustained by improved economies in developed countries fueled by increased investment. In addition, the economic performance of commodity exporting

countries including Indonesia is expected to increase. In line with the IMF projection, the Fed also confirmed the strengthening of the US economy. US economic growth is projected to grow 2.7% in 2018, an increase compared to the previous projection of 2.5%. As US improvements become more visible, the Federal Open Market Committee (FOMC) member stance becomes more hawkish. Thus, the increase in Federal Funds Rate (FFR) in 2018 is likely to continue.

- Review:

The Fed's policy has an effect on rising yield (yields) on bonds and investor sentiment to transfer money to assets with higher returns. Other factors, world oil prices are expected to rise to USD75 per barrel in May, from current prices in the range of USD70-USD72 per barrel.

❖ **BANKING**

- The growth of PT Bank Negara Indonesia Tbk (BNI) deposits appeared to be stagnant at the beginning of 2018. This was reflected in the March 2018 financial report showing BNI deposit growth fell 1.55% year on year (yoy) to Rp 168.84 trillion. This figure also decreased when compared to the growth of deposits in February 2018 amounted to 9.29% yoy to Rp 172.96 trillion. Responding to the deposit trend, BNI Retail Director Tambok Parulian Setyawati Simanjuntak explained that the relatively stagnant deposit growth in the first quarter of 2018 was influenced by BNI's strategy of focusing on cheap and current account and savings accounts (CASA). This product is called cheap fund because it does not charge big interest to bank, for example is saving and giro. "This is reflected in the composition of CASA which continues to improve in the first quarter of 2018 to 62.4%," said Tambok to Kontan.co.id, Wednesday (25/4).
- PT Bank Mandiri Tbk recorded an undisbursed loan in the first quarter of 2018 of Rp 151.3 trillion. This undisbursed loan is up 18.3 percent year-on-year (yoy). Bank Mandiri's loans have not been withdrawn, the majority of which came from private debtors of 74%. Unappropriated loans derived from SOE borrowers account for 26% of

total undisbursed loans. The nominal undisbursed loan from BUMN borrowers amounted to Rp 39.4 trillion or 7.54% yoy nanik. While the undisbursed loan nominal of private debtor is Rp 111.8 trillion. Kartika Wirjoatmodjo, President Director of Bank Mandiri, said that loans that have not been withdrawn in the first quarter of 2018 are mostly contributed by the infrastructure sector. "The loan has not been withdrawn in the first quarter of 2018 as many corporations have not attracted infrastructure finance projects," Tiko said, Tuesday (24/4).

- Review:

the strategy to focus on the CASA is in line with the decline in loan interest rates, so as to keep the net interest margin (NIM) of banks offset by the CASA collection to lower the cost of funds (COF).

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