

4th WEEK**December 2018**❖ **MACRO**

- The stock market would be down even further if the Federal Reserve chose not to raise interest rates last week, former Wells Fargo CEO Richard Kovacevich contended Wednesday. The absence of a December hike would have signaled to the market that monetary policy is being determined by President Donald Trump, who has been critical of the central bank's policies, said Kovacevich. "And I can't think of a greater risk to our economy if that were the case," he said in an interview with CNBC's "Squawk on the Street." The Fed last week raised rates, despite warnings from Trump, and lowered its rate hike projection for 2019 from three to two. That eventually led to a stock sell-off, which caused the the Dow Jones Industrial Average and Nasdaq last week to see their biggest weekly losses in more than 10 years. The S&P 500 had its worst week since August 2011. The market rout spilled over into the following week with Wall Street seeing its worst Christmas Eve trading session ever.
- Volatility on Wall Street has led shares across the globe on a wild ride in recent months, resulting in a number of stock markets dipping into bear territory. That's set to worsen in the new year, experts told CNBC on Monday. Bear markets — typically defined as 20 percent or more off a recent peak — are threatening investors worldwide. In the U.S., the Nasdaq Composite closed in a bear market on Friday and the S&P 500 entered one on Monday. Globally, Germany's DAX, China's Shanghai Composite and Japan's Nikkei have also entered bear market levels. Major market risks remain, experts said. The Federal Reserve is likely to continue raising interest rates and worries about a global economic slowdown — made worse by a trade war between the U.S. and China — are mounting.

- Review:

Sell-off is actually more of a "Trump slump." It is said that markets are down because of the president's latest conflicts, including the partial government shutdown, trade and reports he was considering firing Fed Chief Jerome Powell. Other Wall Street veterans have argued Powell was forced to go through with a fourth rate hike this year due to the risk of appearing politically coerced.

❖ **MICRO**

- Executive Director of the Bank Indonesia Communication Department Agusman Zainal said the position of Indonesia's International Investment or PII in the third quarter of 2018 was relatively stable. PII Indonesia at the end of the third quarter of 2018 recorded a net liability of US \$ 297.0 billion or 28.5 percent of GDP, relatively the same as the net position of liabilities at the end of the previous quarter. "This development is in line with the increase in the position of foreign financial obligations or KFLN which is slightly higher than the increase in the position of foreign financial assets or AFLN," said Agusman in a written statement, Thursday, December 27 2018. According to him, Indonesia's KFLN position increased in line with the influx of foreign capital. At the end of third quarter 2018, the KFLN position rose US \$ 1.6 billion or 0.3 percent (qtq) to US \$ 633.6 billion. The increase in the KFLN position was driven by the influx of foreign capital, mainly in the form of direct investment and other investments.

- President Joko Widodo calls the second best Composite Stock Price Index (IHSG) in the world compared to other state stock indices. The statement was based on data released by the Financial Services Authority (OJK). The Chairman of the Board of Commissioners of the Financial Services Authority (OJK), Wimboh Santoso, when giving a report on the inauguration of the 2018 stock trading, also said the same thing. When confirmed immediately, Wimboh only said a few words. "Oh, the JCI has the best performance in the world, we have only lost to India," he said briefly at the IDX Building, Jakarta, Friday (12/28/2018). Referring to the data held by the FSA on

December 27, 2018, the JCI was below the growth of the Indian stock exchange (see figure). According to OJK data, the world stock market benchmark index 2018, only the Indian capital market rose 5.32%. While other countries' stock indices were down.

- Review:

This development is a reflection of optimism on the performance of the domestic economy. The increase in the KFLN (foreign financial obligations) position was further hampered by the strengthening of the US dollar against the rupiah which had an impact on the decline in the value of rupiah-denominated investment instruments.

❖ **BANKING**

- PT Bank Mandiri (Persero) Tbk (BMRI) plans to make an acquisition in the financial sector in 2019." There are planned acquisitions that we will enter in 2019, "said Bank Mandiri Corporate Secretary Rohan Hafas as quoted by Antara News, Jakarta, Monday (31 / 12/2018). He further explained that Bank Mandiri would make acquisitions in the financial sector. "Maybe we will acquire a bank next year," Rohan said. According to him, growth is a consideration to include acquisitions into Bank Mandiri's plans by 2019. "Growth or growth can be organic or inorganic, business scale as well," Rohan said. Bank Mandiri President Director Kartika Wirjoatmodjo said, his party still saw potential in the market. According to him, with conditions of tight liquidity, banks that have no power in branches, ATMs and digital banking, will certainly find it difficult to receive cheap funds.

- PT Bank Negara Indonesia (Persero) Tbk or BNI also financed the South Jakarta Cikampek II toll road project whose management rights are held by PT Jasamarga Japek Selatan, a company that is majority owned by PT Jasa Marga. The syndicated financing that BNI provides for the project is in the form of a Working Capital Loan (DTM) facility with a maximum of Rp1.39 trillion. The distribution of the credit facility was marked by the signing of the DTT Syndication Credit Agreement between the President Director of PT Jasamarga Japek Selatan Dedy Krisnariawan Sunoto and the Pgs. Head

of BNI Litasari's BUMN & Government Institution Division (BIN) Wahyu Widjajanti and other leaders of syndicated participating banks in Jakarta, Friday (28 December 2018). BNI Corporate Secretary Kiryanto said, the Jakarta Cikampek II South Toll Road has a length of 64 kilometers and a concession period of 35 years from 2017 to 2052. The toll road section will later connect the JORR (Jakarta Outer Ring Road) and Cipularang toll roads .

- Review:

If there is an opportunity to acquire another bank, Bank Mandiri should consider taking the opportunity. Moreover, Bank Mandiri's capital is fairly strong. At present, Bank Mandiri's capital adequacy ratio (CAR) is 21%.

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