

**1st WEEK****June 2018**❖ **MACRO**

- On the heels of Friday's solid monthly jobs report, the Federal Reserve will almost certainly lift interest rates next week for the seventh time since December 2015, bringing them closer to a level that is considered neutral. Absent clear inflationary threats, however, policy makers have little reason to rush to tighten beyond neutral and risk a significant slowdown of economic activity. But gauging the correct level of the neutral rate is easier said than done, which means the Fed will likely turn off the autopilot toward the end of the year in favor of a more nuanced approach to rate hikes. Current economic conditions provide policy makers plenty of reason to continue boosting their target for the federal funds rate from the current range of 1.50 percent to 1.75 percent. Notably, job growth remains sufficient to place downward pressure on the unemployment rate, currently at 3.8 percent and below what the Fed considers to be full employment. While the Fed knows its estimate might be wrong, it also recognizes that unemployment is at levels not seen since 2000, leaving some risk of overheating. The Fed does not want to be far from the neutral policy rate should that risk emerge.
- the International Monetary Fund (IMF) says negotiations with Argentina over a loan to strengthen its economic plans are "well advanced," as reports emerge suggesting the government is already planning an event for June 15 to announce a deal. "IMF staff and the Argentine authorities have been engaged in a very constructive and close dialogue in response to the authorities' request for financial support for their economic plan," said Alejandro Werner, the IMF's director for the Western Hemisphere. "Talks are well advanced." Werner said the deal would strengthen the economy amid a troublesome global climate but didn't put an exact figure on the amount of assistance requested. "This will be a plan driven by the Argentine government's priorities, with a particular focus on protecting the most vulnerable, and strengthening the local economy in light

of the recent financial market turbulence,” he added. President Mauricio Macri decided to request aid from the IMF last month in the midst of a currency crisis that saw the peso’s value drop by more than 20 percent against the dollar.

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the Fed would view some overshooting of the inflation target as consistent with its policy goals. In other words, officials will not overreact to stronger inflation numbers in coming months. Consequently, the stage is set for the Fed to continue with its policy of gradual tightening as it marches rates up to neutral

❖ **MIKRO**

- Bank Indonesia said it would open room to raise the BI Rate 7 Days Reverse Repo Rate currently at 4.75 percent to maintain rupiah stability. BI Deputy Governor Dody Budi Waluyo stated that Bank Indonesia anticipates if there is a change from the side of US monetary policy which is predicted to return again will raise the Fed Fund Rate. "We calibrate development on the outside and inside. Components of data dependence is there, but we also give guidance forward that we see the interest rate room to be adjusted again, "said Dody at Indonesia Stock Exchange Building Sudirman, Jakarta Tuesday (5/6/2018) .But Dody insists, the BI rate hike will always follow the Fed's interest rate hike, adding that the rise in the benchmark interest rate takes into account both internal and external factors. "So it's not always one to one, the Fed goes up four times, we go up four times, because we see how the condition of expectation depreciation is maintained, how overshooting does not happen, "he explained.
- The Financial Services Authority (OJK) reviews the issuance of Medium Term Notes (MTN) or short-term debt instruments through the Indonesia Stock Exchange (IDX). The plan as a result of the loss suffered by one company, namely PT Sunprima Nusantara Financing (SNP). "We will think if all these MTNs are needed we will think about what all the MTNs will be issued through the exchanges and we will study again," said OJK Board Chairman Wimboh Santoso at his office on Monday (4/6/2018). All

listed through the exchange will become more transparent. Thus it is expected to prevent or minimize the risk of loss as experienced by the SNP. During this time, the issuance of MTN only through audit process by public accountant. "This SNP finance MTN is a transaction that is not through OJK permission so really private transaction that should be this business has been verified by rating agency that essentially is a public accountant report and this is the credibility of the accountant so it does not detect and this MTN becomes default," he said.

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the central bank's move raised interest rates twice in May by 50 basis points as a preventive measure by the central bank to strengthen the stability of the rupiah against the Fed's higher interest rate forecast in June 2018 and rising risks in global financial markets.

❖ **PERBANKAN**

- PT Bank Rakyat Indonesia (Persero) Tbk is preparing cash of Rp 62 trillion to meet the needs of the community on Idul Fitri Day 1439 H. Director of Network and Services of BRI Osbal Saragi Rumahorbo, said the prepared cash money increased sharply almost 169 percent from last year's position of Rp 23 trillion. This is because this year's Lebaran holiday is longer up to 12 working days. "Also coincide with the beginning of the month there will be salary payments of civil servants / military / police routine also THR and our 13th salary count of approximately Rp 15.3 trillion. Payment peak from June 4 to June 8, 2018," said Osbal told reporters at the Office Center BRI, Jakarta, Thursday (31/5) night. Of the Rp 62 trillion, Osbal estimates as much as 80 percent absorbed by the community. Osbal added that BRI is ready to provide services during Lebaran holidays from 9 to 21 June 2018. BRI will be present during the holiday date to provide services in 463 work units. A total of 229 work units will continue to perform services during the holiday except on Lebaran Day on 15-16 June 2018.

- Bank Mandiri continues its plan to open a branch office in the Philippines after the House approves the AFAS Bill, which is the legal basis for national banks to expand into ASEAN. "We are trying to enter ASEAN in the Philippines, we have met with Finance Minister and Central Bank of Philippines," said Bank Mandiri President Director Kartiko Wirjoatmodjo during a hearing with Commission XI DPR in Jakarta on Tuesday, June 5, 2018. The man familiarly called Tiko said the opening of branch offices in the Philippines is still possible because of the huge opportunities given the banking industry in the country has not been too crowded as in Indonesia. "The Philippines is not as solid as it is in Indonesia, we are planning to go into retail and mass market, this is the process, and we try to enter," he said. Tiko added that Bank Mandiri is also considering opening a branch office in Malaysia, but potential customers are limited because they have to compete with local banks such as CIMB Niaga and Maybank.
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The provision of additional services to the community especially during Idul Fitri Day in addition to facilitate the community in terms of cash provision, also can be a promotional event for the bank concerned to introduce other products so that people will know him better.

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