

3rd WEEK**June 2018**❖ **MACRO**

- Citing robust growth and a generational low in unemployment, Federal Reserve Chairman Jerome Powell emphasized the central bank's commitment to further interest rate hikes in a speech Wednesday. Economic gains are negating the need for crisis-era monetary policy, the Fed leader told a European Central Bank forum. "Earlier in the expansion, as the economy recovered, the need for highly accommodative monetary policy was clear," Powell said, according to prepared remarks. "But with unemployment low and expected to decline further, inflation close to our objective, and the risks to the outlook roughly balanced, the case for continued gradual increases in the federal funds rate is strong." His remarks came a week after the policymaking Federal Open Market Committee voted to raise rates 0.25 percentage point. It was the sixth such increase since the Fed began normalizing policy in December 2015 after seven years of keeping its benchmark rate target anchored near zero as the economy recovered from the financial crisis. At that meeting, FOMC officials indicated they were likely to approve two more rate increases, bringing the 2018 total to four. Markets, though, have remained unconvinced, with the futures market assigning just a 50.9 percent chance to a fourth hike, according to the CME's FedWatch tool.
- The euro fell after the European Central Bank (ECB) announced the end of a quantitative easing (QE) by the end of 2018. Before it was announced, 1 euro was priced at US \$ 1.1818. Now, 1 euro is only valued at US \$ 1.1682. Euro weakened to 0.92% when compared with yesterday's position (13/6/2018). In fact, in theory the termination of QE could have a positive impact on the euro exchange rate. With the ECB stopping pouring money into the pulse of the economies of the eurozone countries, the money supply will become more awake so the euro can be more appreciated by investors. Market participants appear to be more focused on the ECB's statement that interest rates will remain at current levels at least until next summer. Three interest rates, such as

main refinancing rate, marginal lending facility rate, and deposit facility rate on today are decided to remain unchanged at 0%, 0.25% and -0.4% respectively. Low interest rates indicate that the euro will not be sucked from circulation. As a result, the euro has lost its footing in the face of the US dollar, given in the early hours of today the Federal Reserve as the US central bank decided to hoist interest rates by 25bps. Now, the Fed is expected to hoist interest rates by 50 bps again this year which will be divided into two stages.

- Review:

Powell spoke at length about the job market, saying that although wage pressure remains moderate, there is still good reason to believe that the economy is nearing full employment. The unemployment rate reached 3.8 percent, tied for the lowest level since 1969.

❖ **MICRO**

- After the Lebaran holiday, Bank Indonesia (BI) began to open a limited operation on this day. The stipulation refers to the Joint Decree (SKB) between the State Ministry of Administrative Reform and Bureaucratic Reform, the Minister of Manpower and the Minister of Religious Affairs signed on April 18, 2018 on a holiday with the Idul Fitri holiday 2018. Previously, BI Deputy Governor Sugeng stated , on Monday, June 11 to Thursday, June 14, 2018 BI service will stop because of Lebaran holidays. These services include Real Time Gross Settlement (RTGS), Bank Indonesia Scripless Securities Settlement System (BI-SSSS), Bank Indonesia National Clearing System (SKNBI), and Electronic Trading Platform (ETP). Furthermore, on Eid al-Fitr 15-16 June 2018, the service is still stopped operating. Similarly on Monday, June 18, 2018 the service is still stopped. But as of today, the Central Bank will be restarting its operations on a limited basis. "On Tuesday 19 to 20 June, BI is operating again but in a limited way, so RTGS, SSSS, SKNBI and ETP services are already in operation to help transactions continue to run," said Sugeng at BI Building, Jakarta, on Friday (8/6 / 2018) .

- Bank Indonesia again signaled a rise in BI-7 Days Reverse Repo Rate this June. Earlier, the central bank raised its benchmark interest rate by 50 bps in May to 4.75%. Monetary tightening is also feared will be responded to the banking industry with an increase in lending rates. Chairman of the Board of Commissioners of Financial Services Authority (OJK) Wimboh Santoso believes, banks will not directly raise lending rates. "If it is a big business opportunity, the interest rate (BI) is not an obstacle and not necessarily (increase) BI rate is responded quickly to increase lending rates," he said in Kompleks BI, Jakarta, Friday (22/6/2018). According to him, the current liquidity of the banking industry is in good condition, so the increase in the benchmark interest rate should not be feared. "Usually, liquidity is sufficient, but our industry has enough liquidity which means no unwanted response," he added. According to him, even though banks have to raise lending rates, according to him will not be higher than the increase in BI interest rate. "But if there is not necessarily the response is one on one, if the policy rate of 25 bps is not necessarily the credit also rises 25 bps if you want to ride. (But) not necessarily rise," he explained.
- Review:
The decision of the Central Bank to open a limited operation was also followed by the banks. Because, on the next day of June 20, 2018, transactions in the capital market will be opened. In addition, the community's need for banking is also unavoidable, one such as clearing and other activities.

❖ **BANKING**

- Bank operations are not fully normal on June 20, 2018. A number of banks stated that they will conduct full operations on June 21, 2018. "Bank Mandiri will only operate tomorrow," said Corporate Secretary of PT Bank Mandiri Tbk Rohan Hafas to CNBC Indonesia, Wednesday (6/20/2018). Nevertheless, 302 branches of Bank Mandiri continue to operate and serve customers on a rolling basis during the Idul Fitri 1439 H holiday season, except on June 15, 2018, to help meet the needs of the community. They will provide limited banking services, such as open accounts, check balances, cash

deposits, book-entry, and payment order delivery SPBU-SPBU to Pertamina. Rohan added that since May 22, 2018, it has also increased cash supply up to 90% from normal condition, to Rp 1.9 trillion per day in all branch offices and ATM machines to anticipate the increase of cash requirement in Ramadan and ahead Idul Fitri holidays, especially on the homecoming route. This condition will last until the end of the leave on June 20, 2018.

- PT Bank Negara Indonesia (Persero) is able to show positive performance during the first half of 2018. The company recorded a net profit of Rp7.44 trillion, an increase of 16% over the same period in the previous year of Rp6.41 trillion. The net profit growth was driven by strong growth in Net Interest Income (NII) BNI which also accompanied the improvement of asset quality. The growth of NII BNI increased from Rp15.40 trillion in the first half of 2017 to Rp17.45 trillion in 2018. This figure grew 13.3% faster than the NII growth in the banking industry which only reached 3.4% as of April 2018. Director of Retail Banking Bank BNI Tambok Setyawati said that NII growth is the result of BNI's loan distribution which is still managed with prudent and optimal. If it continues to be noticed, BNI is optimistic that the good performance achieved in the first half of 2018 will continue to increase in the second semester.
- Review:
Customers may perform other transactions, such as cash withdrawals, inter-branch transfer and monthly payments, through Bank Mandiri's e-channel network covering 17,429 Mandiri ATM units, more than 60,000 ATM Link, ATM Bersama, ATM Prima and Visa / Plus , more than 250 thousand units of EDC machines spread throughout Indonesia, as well as Mandiri Online, Mandiri e-money, Mandiri e-cash and Mandiri cash management services.

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