

1st WEEK**May 2018**❖ **MACRO**

- The top US central bank officials seem to be responding to rising inflation which is currently above 2% calmly. This was indicated by the decision of a meeting of US Federal Reserve officials not to raise interest rates at the May 1-2, 2018 meeting. In a statement Wednesday local time or Thursday WIB (3/5/2018), Fed officials indicate there is no intention to speed up tightening monetary policy gradually as quoted by Bloomberg. Since March 2017, the Federal Open Market Committee (FOMC) has stated it will not overreact if inflation exceeds its target. "The repetition of the word" symmetrical "is a clear signal," said Guy Lebas, Chief Expert of Fixed Income Strategy Janney Montgomery Scott LLC as quoted by Bloomberg, Thursday (3/4/2018). As known, the Fed raised its benchmark interest rate three times last year. Fed officials indicated in March that they would expect three or four rate hikes by 2018. Last time it rose 25 basis points to 1.75 percent at its March 2018 meeting. The US Federal Reserve held its benchmark interest rate on Wednesday (2/5). / 2018) and expressed confidence that rising inflation close to target would be maintained.
- The Bank of Japan (BOJ) officials are having debate regarding the risks that Japan may suffer if the loose stimulus policy is terminated too early. According to the minutes of BoJ meetings published on Monday (07 / May) this morning, BoJ BoD meetings are discussing the dilemma they are facing. On the one hand, inflation target is still far from achievement. On the other hand, the cost to continue the loose monetary continues to swell. The nine BoJ Board members took a long time debating how best to communicate their monetary policy in March. Some members of the meeting said, increasing market interest in the possibility of reducing Japan's monetary stimulus, lags behind the current market volatility. "The BoJ needs to explain to the public that the economy has not reached a phase when the central bank needs to consider the time and action, commonly

known as exit monetary easing," the members said in the minutes of the meeting minutes.

- Review:

The Fed's decision to keep the Fed Fund Rate in the range of 1.5% -1.75% is taken unanimously. The Fed's overall belief in the economic outlook is also highlighted by its statement that business investment continues to grow strongly. Investors earlier forecast no increase in this week's meeting. The stock market and bond yields are largely unaffected by the decision.

❖ **MICRO**

- Bank Indonesia (BI) is acknowledging that currently there is a foreign portfolio adjustment in the country. Along with the weakening of the rupiah against the US dollar (USD) that occurred lately, many foreign funds are blurred from the domestic market. Head of the Department of Monetary Management BI Nanang Hendarsah said, foreign portfolio that run away from Indonesia is a short-term. As for investors who are long-term until now believed masih survive in Indonesia. "There is a short-term foreign portfolio adjustment in the country, but we see that long term investment still exists in Indonesia, (they) still believe the Indonesian economy," he said when talking with the media at BI Building, Jakarta, Friday (4/5) / 2018).
- Determination of systemic impact banks is a mandate of Law No. 9 of 2016 on the Prevention and Handling of Financial System Crisis (PPKSK). Banks included in the list are banks of a certain size, among others, an increase in total assets, credit amount and / or Third Party Fund (TPF), and other risk aspects. The Financial Services Authority (OJK) instructed the Bank to make the preparation of an Action Plan (Recovery Plan) known as bail-in. Owners and management have a responsibility to maintain the business continuity of the bank. So this avoids the extent possible use of public funds. "Currently banks listed as systemic banks are banks that can contribute in the national economy. This systematic bank assessment is done by OJK in coordination

with Bank Indonesia," said Deputy Commissioner of Strategic Management and Logistics OJK Anto Prabowo through official statement in Jakarta on Friday (4/5/2018).

- Review:

Currently the Indonesian economy is very much different from 2013. This can be seen from Indonesia's current account balance of current data which is still healthy, and the yield of state bonds are still quite interesting. It may be believed that the funds that will be escaped from Indonesia will return again. Moreover, it is very rare that emerging markets in the world that offers attractive yields such as Indonesia.

❖ **BANKING**

- PT Bank Rakyat Indonesia Tbk (BRI Bank) in the first quarter of 2018 recorded a net profit of Rp7.42 trillion, up 11.4% over the same period the previous year. "One of the main pillars of BRI's profit is credit distribution that grew double-digit above the average of the Indonesian banking industry," said President Director of BRI Suprajarto in Jakarta on Thursday (3/5/2018). In the first quarter of 2018, Bank BRI had consolidated loans amounting to Rp757.68 trillion, an 11.2% increase compared to the same period of 2017 of Rp681.27 trillion. Suprajarto said the achievement is above the national banking credit growth rate in March 2018 of 8.5%. Suprajarto added that BRI is able to increase its financing portfolio to micro, small and medium enterprises (UMKM) segment, in which the loan portfolio to UMKM segment is recorded at Rp584.7 trillion or 77.2% of the total loan portfolio of BRI. In the same period last year, BRI's loan portfolio to the SME segment accounted for 74.4%.
- Bank Mandiri continues to strengthen its expansion in home mortgage market (KPR). To that end, the company is working with Debindo and DPD REI DKI Jakarta to organize Mandiri Property Expo 2018 to inform Bank Mandiri's latest mortgage program to help people have preferred housing in Jabodetabek and other big cities. In the annual event which took place from 5 to 13 May 2018, Bank Mandiri offers a 5.55% p.a. effective first 2 years and 6.55% p.a. 3 years later, same day approval, and Grand

Prize 1 unit house. Executive Vice President of Consumer Loans of Bank Mandiri Ignatius Susatyo Wijoyo said the event was held by considering the prospective still of the property sector in Indonesia in line with the improving condition of the Indonesian economy. "In addition to a variety of residential location options, visitors also have the opportunity to get a favorable mortgage promo from Bank Mandiri, the super promo rate and same day approval," said Susatyo in Jakarta, Thursday (3/5/2018).

- Review:

Two-digit loan portfolio is still balanced by BRI while maintaining credit quality. This is reflected in the NPL Gross BRI (NPL) ratio of 2.46%. BRI's NPL is smaller than the industry's NPL, with the banking industry's NPL at 2.75% in March 2018.

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