

2nd WEEK**October 2018**❖ **MACRO**

- President Trump responded to falling stock prices on Thursday by continuing to throw rocks at the Federal Reserve, which he has described as “crazy,” “loco,” “going wild” and “out of control” for slowly raising interest rates against the backdrop of a booming economy. No other modern president has publicly attacked the Fed with such venom or frequency. Indeed, some scholars said the only close historical parallel was with President Andrew Jackson, who campaigned successfully in the 1830s to close the Fed’s predecessor, the Second Bank of the United States. Mr. Trump’s pointed remarks reflect the high political stakes less than a month before midterm elections that have been cast by his political opponents as a referendum on his presidency. Mr. Trump has been riding the economy hard, bragging about job creation, tax cuts and reduced federal regulation, and claiming credit for the rise of the stock market. Now that the market has lost 5 percent of its value in the last week, Mr. Trump is insisting someone else is to blame.
- Risks to the global financial system have risen over the past six months and could increase sharply if pressures in emerging markets escalate or global trade relations deteriorate further, the International Monetary Fund said on Wednesday. The IMF, whose autumn meetings with the World Bank get under way on the Indonesian resort island of Bali this week, also noted that while financial stability has been shored up by regulators in the decade since the 2008 global financial crisis, easy financial conditions are contributing to a buildup of potential problems related to high debt levels and "stretched" asset valuations. But new bank resolution regimes meant to avoid future bailouts are largely untested, the Fund said in its biannual global financial stability update. "Near-term risks to global financial stability have increased somewhat," the IMF said. "Overall, market participants appear complacent about the risk of a sharp tightening in financial conditions."

- Review:

In fact, despite the stock market's plunge, the American economy continues to grow, which is what is prompting the Fed to raise interest rates and drawing the president's ire. The Fed's chairman, Jerome H. Powell, has said that the economy is in a "particularly bright moment" and that he sees no clouds on the horizon.

❖ **MICRO**

- Bank Indonesia (BI) and the Federal Reserve Bank of New York held a joint forum at Conrad Hotel, Nusa Dua, Bali. This event was part of a series of events at the IMF-World Bank 2018 annual meeting in Bali. One of the events was to exchange ideas about what happened and what would happen in the United States (US). The hope is that Bank Indonesia can respond with the right policy mix. In the presence of President and Chief Executive Officer (CEO) of the Federal Reserve Bank of New York John C Williams, Governor of Bank Indonesia Perry Warjiyo explained the current economic strength of Indonesia in the midst of the global economic turmoil. "Indonesia in the Asian region is one of the countries that is strong in facing external pressure. This is inseparable from the policy mix that we continue to do," Perry said in Nusa Dua, Bali, Wednesday (10/10/2018).

- The Financial Services Authority (OJK) supports the efforts of the Indonesia Stock Exchange (IDX) to simplify the process of opening securities accounts online. This effort is expected to increase the number of investors investing in the Indonesian capital market. "The regulation to regulate this digital signature is already available from the Ministry of Communication and Information. We will see later whether we need special rules regarding this," said the OJK Hoesen Capital Market Supervisory Executive Head at the IDX Building on Monday (10/08/2018). As is known, the process of opening a securities account has been complicated. This was then assessed as making it difficult for investors to invest in the capital market. IDX Managing Director Inarno Djayadi explained, the exchange authority would simplify the regulation, especially in terms of

registration. "Yes, the regulations to regulate digital signatures are permitted right now, so we definitely shorten the process in terms of registration," he said.

- Review:

In the midst of the world economic turmoil, Indonesia's economic growth is still maintained above 5 percent. Even this year it is targeted that economic growth will be at 5.2 percent. In terms of inflation, Indonesia is able to maintain around 3 percent, NPLs are maintained at 2.6 percent and current account deficits are maintained below 3 percent.

❖ **BANKING**

- Bank Mandiri coordinates direct investment of Rp 200 trillion in 21 state-owned enterprises (BUMN) projects. The investment cooperation agreement was carried out in the 2018 Indonesia Investment Forum (IIF) program initiated by Bank Indonesia (BI), the Financial Services Authority (OJK), the Ministry of Finance and the Ministry of BUMN through Bank Mandiri. "In between the meetings of the IMF and World Bank delegations, Bank Mandiri helped coordinate this Indonesian investment forum, in which hundreds of investors will explore the potential of investment in Indonesia," Rohan Hafas said in a written statement on Monday (10/08/2018) . The Indonesia Investment Forum 2018 themed "A New Paradigm in Infrastructure Financing" will be attended by Coordinating Minister for Economic Affairs Darmin Nasution who will talk about the development of Indonesia's infrastructure financing, then the Governor of BI Perry Warjiyo who will talk about financial deepening to support infrastructure development.
- PT Bank Negara Indonesia (Persero) Tbk (BNI) also co-finances the Terbanggi Besar - Kayu Agung toll road section of the Trans Sumatra toll road project which is held by PT Hutama Karya (Persero). Quoting from an official statement on Friday (10/12/2018), BNI Putrama Corporate Business Director Wahyu Setyawan said that the form of BNI's contribution to syndicated financing was by providing Investment Credit (KI) worth Rp

2.45 trillion. The Trans Sumatra toll road Terbanggi Besar-Kayu Agung Section has a total length of 189.2 km. This consists of 83km of government support sections and 106.2 km of sections built by Hutama Karya, with a concession period of 40 years. "Of the total value of development investment which reached Rp. 13.57 trillion, Rp. 9.16 trillion or 67.53 percent was funded by bank syndication," he said. Meanwhile, the progress of this toll road construction work as of August 2018 has reached 75.11 percent, and is projected to be commercially operational by October 2019.

- Review:

This forum is very important to create synergies between investors, stakeholders and various investment opportunities that can support Indonesia's economic growth. This investment forum was held to optimize the annual meetings of the IMF and World Bank in Bali.

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