

2nd WEEK**April 2019**❖ **MACRO**

- The Federal Reserve won't be cutting interest rates anytime soon and likely will wait until after the presidential election in 2020 before hiking again, according to Goldman Sachs' updated forecast of the economy and monetary policy. As the Fed faces intense White House pressure to loosen policy, the lack of any imminent recession threat will remove incentive to start cutting, Goldman's chief economist, Jan Hatzius, said in a note to clients. The next move, Hatzius wrote, is more likely an increase rather than a decrease. However, the bank has pushed back its anticipated date for the next hike, from the first quarter next year to the fourth quarter. That will be after what promises to be a contentious presidential election between a Democratic challenger and President Donald Trump, who has been a fierce Fed critic and a week ago called for rate cuts and more quantitative easing. "The Fed has increasingly been placed in a political spotlight," Hatzius and his colleagues wrote. "Greater political scrutiny of monetary policy decisions probably further reduces the odds of a rate hike in a presidential election year until after the elections are over."
- A future euro zone budget will soon have to take on the task of cushioning economic shocks despite current resistance from countries in northern Europe, a top European Union official said on Saturday. European Commissioner for Economic and Financial Affairs Pierre Moscovici said the setting up of the limited "budgetary instrument for convergence and competitiveness for the euro area," as agreed by EU leaders last December, was only the first step in creating a more developed budget. "This is the first step, a foot in the door," Moscovici told Reuters in an interview on the sidelines of the International Monetary Fund and World Bank spring meetings in Washington. "We need an instrument that is also capable of addressing asymmetric shocks, to create convergence and that can also have a stabilization function," he said. The design of the limited "budgetary instrument," with a yet undetermined size and focused on

supporting investment and research and development, is to be ready in June. But Moscovici said the EU could be forced to broaden the scope.

- Review:

There are other reasons that Goldman cites for a likely pause in the meantime, paramount among them being an economy that is performing better than expected so far this year, blunting the need for a cut, and inflation that has remained tame, negating the need for more tightening.

❖ **MICRO**

- Bank Indonesia (BI) recorded higher business activity in the first quarter of 2019 compared to the previous quarter. In the survey report on business activities, this is reflected in the weighted net balance value of the business activity survey (SKDU) in the first quarter of 2019 which was 8.65%, increasing compared to the IV-2019 quarter period of 6.19%. "The increase in business activities is mainly in the agricultural, plantation, livestock, forestry and fisheries sectors. Particularly in the food crops agriculture sub-sector is in line with the entry of the harvest season period," the BI statement was quoted on Thursday (04/11/2019). The report also states, this is in line with the increase in business activities. The SKDU results indicate that the use of production capacity and labor in the first quarter of 2019 increased compared to the previous quarter. In terms of finance, the condition of liquidity and profitability of the business world remains good, accompanied by relatively easy access to bank credit. Respondents predict that business activity will continue in the second quarter of 2019. This is indicated by the SBT forecasts of business activity which increased to 21.42%.
- The Financial Services Authority (OJK) calls many financial service industry advertisements that are not in accordance with established guidelines. This is because many advertisements offer attractive products for the community but do not comply with the provisions. OJK Deputy Commissioner for Education and Consumer Protection Sarjito said, for advertising financial services it should include statements that are

accurate, honest, clear, and not misleading. "Accurately, the use of the superlative word must be accompanied by a credible reference. For example the word "only" can only be included if accompanied by an accurate reference source," Sarjito said at a press conference at the OJK office, Jakarta, Tuesday (04/16/2019). He revealed, companies are also prohibited from displaying past performance achievements and projections of company performance. Meanwhile the use of research data is also required to include independent sources. Then, the advertisements that are displayed must provide clear information, namely to use easily understood language, and must include the OJK logo and the statement 'registered and supervised by the Financial Services Authority'.

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Based on the economic sector, the increase in business activity is predicted to occur in all sectors with the highest increase in the services and manufacturing industries.

❖ **BANKING**

- PT Bank Mandiri (Persero) Tbk. or Bank Mandiri issues bonds in the form of medium term notes (MTN) denominated in US dollars (US) worth US \$ 750 million or equivalent to Rp. 10.57 trillion at an exchange rate of Rp. 14,100 per US dollar. Bonds issued through the Euro Medium Term Notes (EMTN) program have a 5-year tenor with a yield (coupon) of 3.75 percent. "This issuance value is the largest global bond transaction ever issued by a bank from Indonesia," said Bank Mandiri Director of Treasury & International Banking Darmawan Junaidi, as stated in a written statement received by Tempo in Jakarta, Friday, April 12, 2019. The EMTN bonds have an international rating of Baa2 from rating agency Moody's and a BBB rating from Fitch. HSBC and Mandiri Securities are appointed as Joint Global Coordinators. While acting as Joint Bookrunners are HSBC, Mandiri Securities, MUFG and Standard Chartered Bank. Darmawan explained that the bonds with a maturity date on April 11, 2024 will be used for general corporate purposes. In the bookbuilding process, the company received requests in excess of USD3 billion or oversubscribed 4 times the value issued. According to Darmawan, the issuance of bonds of this type is also part of the planned

program of issuing foreign currency bonds worth US \$ 2 billion by Bank Mandiri. He said, in this transaction the company had received total requests of more than US \$ 3 billion from foreign investors.

- Opening the second quarter of this year PT BNI Life Insurance (BNI Life) received the Exceptional title for Email (care@bni-life.co.id) and call center (1-500-045) at the Contact Center Service Excellence Award (CCSEA). The two Exceptional awards were received directly by BNI Life Finance Director Eben Eser Nainggolan. The event was held at the Mulia Hotel Jakarta, Tuesday (04/09/2019) by Service Excellence Magazine with Carre - Service Quality Monitoring (Carre - SQM) as an independent consultant who consistently builds the world of service in Indonesia. CCSEA 2019 is the 5th year for BNI Life in receiving the 10th award for Call Center and Email from CCSEA and this year BNI Life ranked first in 35 industries in the Banking Financial Insurance category. "The award is our appreciation to customers in welcoming the National Consumer Day (April 20, 2019), which has faithfully supported and improved our services through suggestions that we receive every day and suggestions that our customers provide as a form of customer care in improving our services and as a form of our engagement to our customers," Eben said in his statement.
- Review:
The high demand for debt securities allows the company to reduce the cost of issuing Global MTN to US Treasury + 165 bps, which is better than similar issuance by other financial institutions in the Southeast Asia region. This also indicates the very good level of confidence of foreign investors in the company when looking at Bank Mandiri's current performance and profile.

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