

**3rd WEEK****March 2019**❖ **MACRO**

- Weakening Chinese and European economies are acting as a deterrent to U.S. growth, Federal Reserve Chairman Jerome Powell said Wednesday. Speaking just after the central bank decided to hold the line on interest rates this week and likely maintain that stance through the year, Powell said that an otherwise strong domestic picture is getting dented from abroad. “Now we see a situation where the European economy has slowed substantially and so has the Chinese economy, although the European economy more,” he said in response to a question from CNBC’s Steve Liesman. “Just as strong global growth was a tail wind, weaker global growth can be a headwind to our economy.” The Fed reduced its outlook for GDP to 2.1 percent in 2019 from a 2.3 percent forecast in December. That reduced estimate came as the policymaking Federal Open Market Committee voted to keep the benchmark federal funds rate in a range between 2.25 percent and 2.5 percent.
- While the U.S. and China are negotiating a trade deal, the world’s biggest container shipping company is watching out for other problems between major economies. One risk to import and export activity include the United States’ outstanding trade negotiations with the European Union. Another is the possibility of changes in the relationship between Europe and China, Soren Skou, chief executive of A.P. Moller-Maersk, said on Sunday. “First of all, it’s pretty clear that the U.S. administration and EU have an outstanding discussion. It was kind of kicked to a corner last summer. While U.S. and China are negotiating, I’m sure that there’ll be a revival of discussions about car tariffs and what-not between the U.S. and Europe,” Skou told CNBC’s Eunice Yoon at the China Development Forum in Beijing. In addition, “Europe wants to reshape the relationship with China, so there’s plenty of high level politics going on,” he added.

- Review:

In its post-meeting statement, the committee characterized the labor market as “strong” but said the “growth of economic activity has slowed,” a U-turn from January when the FOMC said activity “has been rising at a solid rate.”

❖ **MICRO**

- Today's benchmark Bank Indonesia (BI) interest rate or 7days reverse repo rate is predicted not to increase. Chief Economist of PT Bank Negara Indonesia Tbk (BNI) Ryan Kiryanto explained that there were external and internal factors from the prediction of holding interest rates at the 6% level. From external factors, it is believed that the fed fund rate (FFR) is increasingly looser or dovish where the Fed is no longer aggressive in raising the FFR because there have been indications of a slowdown in US economic growth below 3% with inflation approaching 2%. The Fed's choice is twofold, between holding FFR at the current level which is 2.25% -2.50% until the end of 2019 or raising the FFR only once by 25 bps to 2.5% -2.75% until the end of 2019. Some even want the FFR to fall 25 bps to 2.0% -2.25% by the end of 2019 to stimulate US economic growth. A number of central banks in the world also tend to hold their benchmark interest rates and some central banks have actually lowered the benchmark interest rate (BOJ, ECB).
- Bank credit growth reached 12.13% year on year (yoy) in February 2019. Meanwhile, compared to January 2019 (month to month / mtm), growth was 11.9%. "February's credit growth was 12.13%," said OJK Financial System Stability Commissioner Santoso Wibowo at the OJK complex at Bank Indonesia (BI), Central Jakarta, Thursday (03/28/2019). Credit growth was driven by investment credit and working capital. While the growth of third party funds (TPF) reached 6.57% yoy or 6.39% mtm. Financing financing receivables grew by 4.61% yoy. Financing growth is driven by high financing for investment activities, providing hope for increased economic activity going forward. Meanwhile, life insurance and general insurance / reinsurance managed to collect

premiums of Rp. 15.4 trillion and Rp. 8.5 trillion respectively in February 2019. In the capital market, corporations managed to raise Rp. 13.4 trillion throughout February 2019, with the number of new issuers of two companies. Funds under investment management amounted to Rp. 767 trillion, an increase of 5.68% compared to the same position in 2018.

- Review:

From internal factors, BI and the government have the same stance, namely stability over growth, so that the most rational and tactical choice is that the RDG BI continues to hold BI7DRRR at the level of 6%. Also deposit facilities and lending facilities at a fixed level. The current 6% benchmark interest rate has actually been priced in or factored in where this level of 6% has considered the opportunity for FFR to increase by 25-50 bps in 2019.

❖ **BANKING**

PT Bank Rakyat Indonesia (Persero) Tbk. or BRI issues global sustainability bonds of US \$ 500 million. The bonds were issued as an alternative source of funding for credit expansion, especially the small and medium micro business segments. The US dollar-denominated bonds have a 5-year tenor with coupons of 3.95 percent per year. The coupons are paid semi-annually. The issuance of bonds with an environmentally friendly (green) and social scheme is a publication that meets ASEAN Sustainability Bond standards. BRI Corporate Secretary Bambang Tribaroto revealed that Bank BRI's sustainability bond offerings have attracted significant investor interest. The number of investor requests for these bonds reached more than US \$ 4.1 billion. That demand is far higher than the value of the total bonds offered at US \$ 500 million. "The level of oversubscription reaches more than 8 times," Bambang said, Tuesday, March 26 2019. Bambang continued, the bonds were the first sustainability bonds issued by state-owned companies. The issuance of the bonds, according to him, is a form of BRI's commitment as a first mover in implementing sustainable financial practices in Indonesia initiated by the Financial Services Authority (OJK).

- PT Bank Mandiri (Persero) Tbk. adjust the interest rate of time deposits denominated in US dollars. Bank Mandiri Corporate Secretary Rohan Hafas said the adjustment will take effect today, Wednesday, March 20, 2019. The increase in interest rates is around 75 basis points. The details for deposits below US \$ 100 thousand with a 1,3,6,12 month tenor rose from 0.7 percent to 1.45 percent. Meanwhile, deposits with a 24-month tenor were 0.95 percent from 0.25 percent. The second category, the value of deposits of US \$ 100 thousand - US \$ 1 million with a tenure of 1,3,6,12 months rose from 0.75 percent to 1.5 percent. Whereas deposits with a 24-month tenor rose from 0.5 percent to 1.25 percent. The last two categories are the value of deposits of US \$ 1 million - US \$ 10 million and above US \$ 10 million in interest rates applied at 1.75 percent for 1,3,6, and 12 months. Meanwhile, for the longest tenor of 24 months, interest was 1.25 percent. Previously, Bank Mandiri President Director Kartika Wirjoatmodjo said that at the end of 2018 the company had experienced liquidity tightening, especially in foreign currency denominations. "At the end of last year, the LDR (Loan to Deposit) was rather tight because foreign exchange giro dropped," he said recently.
- Review:  
BRI for more than a decade managed to gain capital market investors' trust both nationally and internationally. This can be seen from the low spread against US Treasury imposed on global bonds issued by BRI.

**Disclaimer:** Dokumen ini hanya bertujuan sebagai informasi dan diperoleh dari berbagai sumber yang terpercaya, namun bukan merupakan jaminan keakuratan atau kelengkapan dan tidak boleh diandalkan sepenuhnya. Kondisi diatas dapat berubah setiap saat. Dilarang untuk menulis ulang apapun tanpa ijin tertulis dari Bank Jatim.