

4th WEEK**March 2019**❖ **MACRO**

- Federal Reserve Governor Randal Quarles voiced confidence in the U.S. economy in a speech Friday and said more interest rate hikes likely will be appropriate, countering the prevailing market wisdom. Speaking to economists in New York, Quarles, who is the central bank's vice chair for supervision, said the labor market looks strong and productivity is improving. At the same time, he was largely dismissive of recent data that showed a slowdown in nonfarm payrolls creation and weak consumer spending. "In regard to policy, I am very comfortable remaining patient at this point and monitoring the incoming data," he said, echoing the Fed's most recent policy statement. "That said, my sense is that further increases in the policy rate may be necessary at some point, a stance I believe is consistent with my optimistic view of the economy's growth potential and momentum. In the language of central banking, my estimate of the neutral policy rate remains somewhat north of where we are now." The remarks come nine days after the policymaking Federal Open Market Committee voted to hold rates steady and indicated that no additional increases are likely this year.
- Kenya is in no rush to secure a new standby credit facility with the International Monetary Fund as its economy continues to show strength, central bank governor Patrick Njoroge said on Thursday. The country's previous \$989.8 million arrangement expired last September after the government failed to meet the IMF's conditions for an extension, including the repeal of a cap on commercial lending. Njoroge said Kenya was in talks with the IMF on a new standby program but was not desperate for one. "It's not that we are on the ropes, (that) the economy is on the ropes and we need the IMF to come and sort us out," Njoroge told reporters. "The point here is, maybe the sense of desperation, wasn't there, which maybe some people thought we were definitely desperate. So I think people need to chill." He offered no timeline for when

an agreement may be reached but said conversations would continue during the IMF's Spring meetings in April.

- Review:

The Fed's policy funds rate is currently set in a range between 2.25 percent and 2.5 percent. Quarles' belief that the "neutral level" that is neither stimulative nor restrictive on growth is significant. When Fed Chairman Jerome Powell said in October that the FOMC was "a long way" from neutral, it set off a violent sell-off on Wall Street.

❖ **MICRO**

- Bank Indonesia (BI) said the flow of foreign capital continued to enter Indonesia. According to BI Deputy Governor Dody Budi Waluyo, the cause of foreign investor sentiment to Indonesia is still quite good because the domestic economy is in prime condition. "The flow of capital into the domestic market has continued to occur on a year to date basis last week with Rp 90 trillion," Dody said at the BI Building, Jakarta, Friday (03/29/2019). He conveyed that the central bank also keeps an eye on the economic outlook in Europe, such as the challenges from the British Exit to the global pressure that is taking place in Europe. Then BI also oversees Turkey to Argentina, "he said. Dody explained that the influx of foreign capital made the development of the exchange rate more stable. Because the direction of the BI government policy to maintain the current account deficit. Furthermore, there are government efforts to relax exports. "Indonesia has also begun to build better ease of doing business (EODB), this makes the investment climate more comfortable," said Dody.
- The Financial Services Authority (OJK) noted that there were 22 companies that released shares on the Indonesia Stock Exchange (BEI) this year. Until now, there have been 7 companies that have listed their shares on the IDX since the beginning of 2019. Based on the OJK pipeline, there are 33 public offering plans with a value of Rp. 14.6 trillion. Of the 33 public offerings, 22 are IPOs with a value of Rp 3.07 trillion, 2 limited public offerings (PUT) or a rights issue worth Rp 2.68 trillion and bonds / sukuk Rp

8.85 trillion. "Pipeline 33, IPO 22, sukuk 9 and others," said OJK Financial System Stability Commissioner Santoso Wibowo at the OJK Complex of Bank Indonesia (BI), Central Jakarta, Thursday (03/28/2019). While the use of funds from the public offering of 75.13% will be used for working capital, expansion of 18.93% and the remainder for repayment of debt, investments, acquisitions and others. Throughout 2019, there have been 7 companies that have been flooring on the IDX. PT Sentra Food Indonesia Tbk started this year's IPO followed by PT Pollux Investasi Internasional Tbk.

- Review:

As long as the condition of Indonesia's macro fundamentals is good, this will be the key for foreign investors to park their funds in Indonesia. For now the position of Indonesia is now quite good in the eyes of investors, so that the flow of foreign capital entering is also smooth.

❖ **BANKING**

- Corporate actions of PT Bank Mandiri (Persero) Tbk. to acquire shares of PT Bank Permata Tbk. responded positively by the Ministry of State-Owned Enterprises (BUMN). Gatot Trihargo's Deputy for Financial Services, BUMN Ministry Survey and Consultation said that PT Bank Mandiri (Persero) Tbk or BMRI had met and submitted plans to buy shares in PT Bank Permata Tbk. or BNLI. The Ministry agrees that this needs to be done to increase return on equity (ROE). The government, as the controlling shareholder, fully surrenders the management. "Today Mandiri has conducted due diligence to see the possibilities of the plan. The issue of go or no go, we submit to Mandiri," Gatot said, Tuesday, March 26, 2019. Gatot also said that the government gave freedom to Bank Mandiri to determine the strategy after buying Bank Permata shares. The management has considered combining Bank Permata with the company directly or with a subsidiary, PT Bank Mandiri Taspen (Bank Mantap). The Ministry in this regard, mainly supports all corporate actions that can increase the value of the company in the future. "We basically support all activities that can increase value in the future," Gatot said.

- PT Mass Rapid Transit announces four companies that have obtained naming rights for MRT stations. PT MRT Director William Sabandar, said the four stations cooperating with the private sector are Lebak Bulus Station, Dukuh Atas Station, Setiabudi Station, and Istora Senayan Station. "For Lebak Bulus it has been agreed with Grab Indonesia. So later the name will be the Lebak Bulus Grab Station," William said in a discussion on the MRT evaluation with journalists at the All Season Hotel, Central Jakarta, Friday, March 29, 2019. Meanwhile, the naming rights of Setiabudi Station were given to PT Astra International and Istora Senayan Station to PT Bank Mandiri Tbk. Then, Dukuh Atas Station is sold to PT Bank Negara Indonesia (Persero). Thus, the name Setiabudi MRT Station becomes Setiabudi Astra Station. While Istora Station becomes Istora Mandiri Station. Finally, the Dukuh Atas Station became the Dukuh Atas BNI Station.
- Review:
Currently Bank Mandiri has an excess capital of around Rp 30 trillion. This amount can be used to finance inorganic growth plans. In value, the figure is enough to buy a bank with a medium to large scale business.

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