

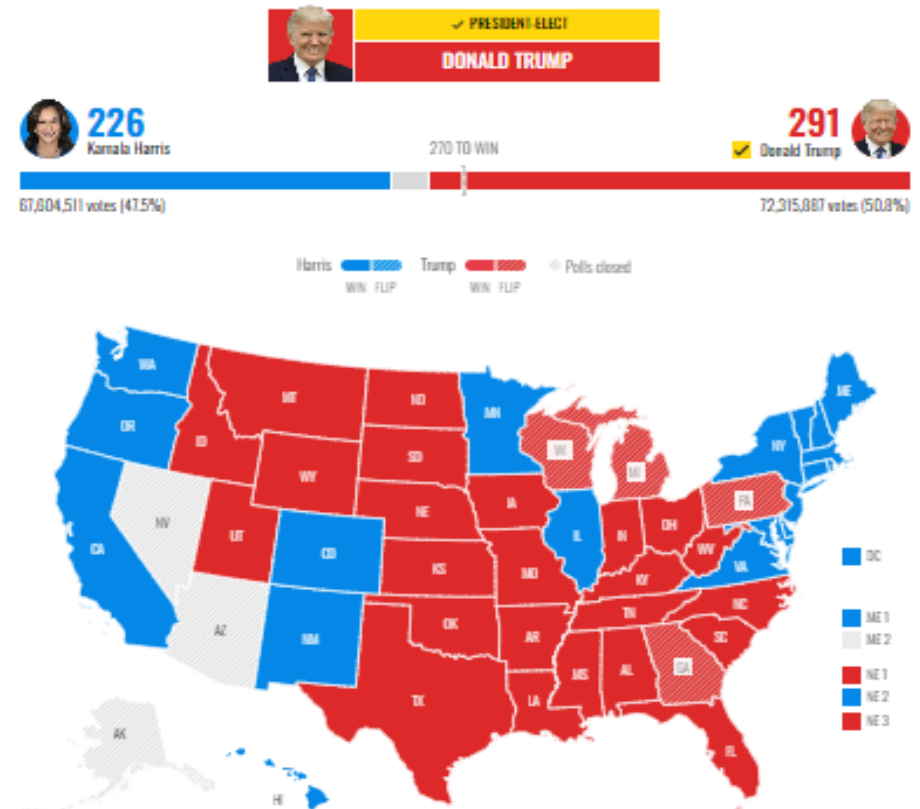
# The Return of Generation “X”

7 November 2024

Economist / Fikri C Permana

# Executive Summary

- Trump has won the US presidential election, along with the Republican Party securing control of the Senate and Congress. This outcome is likely to drive forward policies related to:
  - Immigration,
  - Tariffs, and
  - Budget policy.
- These changes are anticipated to be implemented soon after the inauguration on Jan '25.
- This situation raises concerns about potential volatility in the US fiscal stance, given Trump's more impulsive style.
- **For this reason, it may be wise to reinstall 'X' to stay informed on Trump's unexpected policy announcements.**
- Emerging markets may face short-term pressure due to the likelihood of Trump's reflationary policies, including immigration restrictions, Trump Tariffs, tax cuts, an increasing budget deficit, and pro-growth initiatives.
- These measures are expected to push the DXY to high levels, leading to depreciation in global currencies.
- However, the structural reforms (inward-focused policies) being undertaken under the new administration should be acknowledged for helping mitigate global risks.



Source : NBC, accessed at 7 Nov '24, link: <https://www.nbcnews.com/politics/2024-elections/president-results>



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# US ECONOMIC DATA

US ECONOMIC INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Fed Rate	%	Sep '24	5.0	5.5
Economic Growth	%, yoy	3Q24	2.7	3
Inflation Rate	%, yoy	Sep'24	2.4	2.5
Unemployment Rate	%	Oct'24	4.1	4.1

Sources : various sources, KBVS Research (2024)

The data releases that influenced yield movements in the week of 31 Oct – 6 Nov '24 are as follows:

- The number of people claiming unemployment benefits on the period ending Oct 12<sup>th</sup> in the US decrease to 216K (Cons: 229K, Prev: 228K).
- Core PCE Price Index for Sep '24 increased by 0.30% MoM (Cons: 0.30% MoM, Prev: 0.20% MoM)
- Chicago PMI in Oct '24 decreased by 41.60 (Cons: 46.90, Prev: 46.60).
- Average Hourly Earnings in Oct '24 up to 0.40% MoM (Cons: 0.30% MoM, Prev: 0.30% MoM).
- Nonfarm Payrolls in Oct '24 down to 12K (Cons : 106K, Prev: 232K).
- Unemployment Rate for Oct '24 stable at 4.10% MoM (Cons: 4.10% MoM, Prev: 4.10% MoM)
- S&P Global Manufacturing PMI in Oct '24 increased by 48.5 (Cons: 47.8, Prev: 47.8).
- ISM Manufacturing PMI for Oct '24 decreased by 46.5 (Cons: 47.6, Prev: 47.2)
- ISM Manufacturing Prices in Oct '24 increased by 54.8 (Cons: 49.9, Prev: 48.3).
- S&P Global Services PMI in Oct '24 down to 55.0 (Cons: 55.3, Prev: 55.2).
- ISM Non-Manufacturing PMI in Oct '24 up to 56.0 (Cons : 53.8, Prev: 54.9).
- ISM Non-Manufacturing Prices for Oct '24 increased by 58.1 (Cons:58.0, Prev: 59.4)
- 10 Year Note Auction increased by 4.347% (Prev: 4.066%).

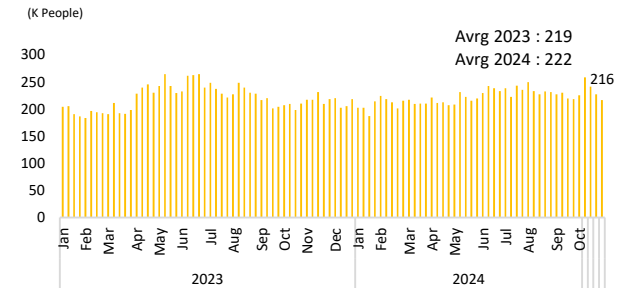
## ECONOMIC CALENDAR

(31 OCT-6 NOV '24)

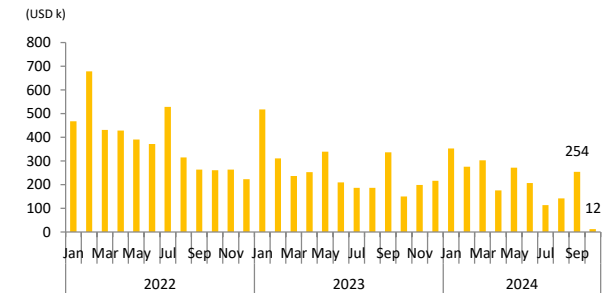
Event	Actual	Forecast	Previous
<b>Thursday, 31 Oct '24</b>			
US Continuing Jobless Claims	1,862K	1,890K	1,888K
US Initial Jobless Claims	216K	229K	228K
US Core PCE Price Index (YoY) (Sep)	2.70%	2.60%	2.70%
US Core PCE Price Index (MoM) (Sep)	0.30%	0.30%	0.20%
US Employment Cost Index (QoQ) (Q3)	0.80%	0.90%	0.90%
US PCE Price Index (YoY) (Sep)	2.10%	2.10%	2.30%
US PCE Price Index (MoM) (Sep)	0.20%	0.20%	0.10%
US Personal Spending (MoM) (Sep)	0.30%	0.30%	0.20%
US Chicago PMI (Oct)	41.60	46.90	46.60
<b>Friday, 1 Nov '24</b>			
US Fed's Balance Sheet	7,013B		7,029B
US Average Hourly Earnings (YoY) (Oct)	4.00%	4.00%	3.90%
US Average Hourly Earnings (MoM) (Oct)	0.40%	0.30%	0.30%
US Nonfarm Payrolls (Oct)	12K	106K	223K
US Participation Rate (Oct)	62.60%	62.70%	62.70%
US Private Nonfarm Payrolls (Oct)	-28K	90K	192K
US U6 Unemployment Rate (Oct)	7.70%		7.70%
US Unemployment Rate (Oct)	4.10%	4.10%	4.10%
US S&P Global Manufacturing PMI (Oct)	48.50	47.80	47.80
US Construction Spending (MoM) (Sep)	0.10%	0.00%	0.10%
US ISM Manufacturing Employment (Oct)	44.40	45.00	43.90
US ISM Manufacturing PMI (Oct)	46.50	47.60	47.20
US ISM Manufacturing Prices (Oct)	54.80	49.90	48.30
<b>Monday, 4 Nov '24</b>			
US Factory Orders (MoM) (Sep)	-0.50%	-0.40%	-0.80%
<b>Tuesday, 5 Nov '24</b>			
US 3-Year Note Auction	4.15%		3.88%
US Presidential Election			
US Exports (Sep)	267.90B		271.80B
US Imports (Sep)	352.30B		342.20B
US Trade Balance (Sep)	-84.40B	-83.80B	-70.80B
US S&P Global Composite PMI (Oct)	54.10	54.30	54.00
US S&P Global Services PMI (Oct)	55.00	55.30	55.20
US ISM Non-Manufacturing Employment (Oct)	53.00	48.00	48.10
US ISM Non-Manufacturing PMI (Oct)	56.00	53.80	54.90
US ISM Non-Manufacturing Prices (Oct)	58.10	58.00	59.40
<b>Wednesday, 6 Nov '24</b>			
US 10-Year Note Auction	4.35%		4.07%
US API Weekly Crude Oil Stock	3.132M	1.800M	-0.573M
US Crude Oil Inventories		1.800M	-0.515M
US Cushing Crude Oil Inventories			0.681M

Sources : investing, KBVS Research (2024)

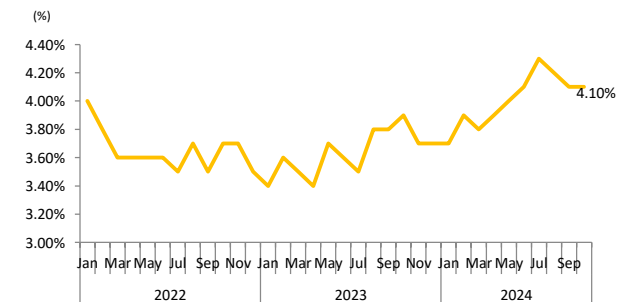
## WEEKLY INITIAL JOBLESS CLAIMS



## NONFARM PAYROLLS



## UNEMPLOYMENT RATE



# TRUMP 2.0 REACTION

**Daniel Casali, Chief Investment Strategist at Evelyn Partners, the wealth manager,** says: *"The fact this election appears more of a landslide with less risk of a disputed result is positive for the markets. One of the biggest fears going into this election was a contested result and a repeat of the Capitol Hill riots of 2021. With a clear Trump victory, that concern has now eased."*

*"The positive market reaction is not just about a Trump victory but also the likelihood that Republicans are set to retain the House of Representatives and look likely to take the Senate and therefore control Congress. The combination of a clean sweep victory means tax cuts are likely over the coming year. That will be beneficial for equities as it means lower taxes will boost company earnings. So, the combination of a clear victory along with the impact of those tax cuts, will be beneficial for growth and the equity markets are reacting positively to that."*

*"Of course, much of what Trump said in the election campaign is rhetoric, designed to win over voters, so the question is what happens in reality. What we do know is that a Republican-led Trump administration stands for lower taxes, less regulation and more trade tariffs."*

*"The strengthening US Dollar is a result of markets already pricing in Trump's proposal to increase trade tariffs. When trade tariffs went up in Trump One, the dollar appreciated. However, Trump could be using the threat of trade tariffs as a means to an end to get the Chinese to invest more in the US. This means the big surprise in the second Trump administration could be that he actually negotiates a trade deal with China by using this blunt instrument of threatening to raise tariffs. This could work out positively for equities though it is too early to tell for sure at this juncture. A second factor fuelling the stronger dollar is the impact of a Trump win on growth: if growth is expected to be stronger it might mean the Federal Reserve is less likely to cut interest rates as aggressively and may not be as dovish."*

**Thys Louw, Emerging Market Fixed Income Portfolio Manager, Ninety One said:** *"With Donald Trump prevailing in the US election and a Republican clean sweep appearing highly likely, the focus will now shift to policy priorities under a second Trump administration. The initial market reaction reveals the expected policy mix to comprise more expansionary US fiscal policy, reduced government regulation, a change in geopolitical stance, and increasingly aggressive trade policy towards global manufacturing centres such as Europe and Asia. This has reflected in the market trading with a reflationary/risk-on tone in US assets (higher treasury yields, stronger equity futures and stronger dollar) while currencies such as the euro and Mexican peso have been the main underperformers as they are likely to find themselves in the crosshairs of trade policy."*

*"Within emerging markets, despite a stronger dollar and higher treasury yields, we note that the reaction has not been as broadly negative as feared, for instance, high-yield credit markets have largely performed well given expectations of stronger risk markets, while sovereign debt markets such as Ukraine are rallying on the expectation of expedited peace negotiations under a Trump administration. Looking ahead, several key events over the next few days could help shape the short-term outlook for emerging markets in the face of trade and tariff uncertainty, namely the Chinese National People's Congress (NPC) meeting, which will give guidance on the size of Chinese fiscal support; the November US Federal Reserve meeting; and finally a 30-year US treasury auction, which will be important in providing an anchor for longer dated treasury rates."*

**Blair Couper, Investment Director at abrdn, said:** *"Over the longer term, a Trump victory is likely to mean a more lax regulatory environment, escalating trade tariffs and potential attempts to repeal components of the Inflation Reduction Act (IRA). Markets had already been pricing in the likelihood of a Trump victory, however it is looking likely that the Republicans will take a sweep of Congress which will make it easier for the party to enact their policy agenda."*

*"Under this scenario, we believe those areas that could come under pressure are companies more likely to be subject to tariff increases and areas of IRA that are easier to repeal, such as European auto manufacturers, electric vehicles, and offshore wind."*

*"Share prices of US companies with supply chains in China are also likely to react negatively whilst domestic manufacturing and US small and mid-cap companies are likely to outperform. With President Trump at the helm, America also faces elevated inflation risks from these policies so we're likely to see rate sensitive sectors react and the dollar strengthen."*

*"Areas like financials (i.e. banks) could perform well as rates stay higher for longer. Whilst areas like real estate and growth equities would likely be negatively impacted by higher duration, it is likely that this would be offset by the positive view for markets overall from his policies so we have yet to see whether these sectors would be negatively impacted or not."*

**Charlotte Daughtrey, Equity Investment Specialist at Federated Hermes** said: *"This has been a tight race. Our belief has been that irrespective of who is in the White House in January, quality companies will continue to perform, and for clients that may have volatility concerns – having a quality bias has historically provided downside protection during volatile periods."*

*"Small and mid-cap companies are the economic backbone of the US economy and there are strong tailwinds that are supportive for the next 5-10 years. This is supported by a significant valuation gap with US small and mid-caps relative to large-cap peers. They're trading at a 25% discount, whereas typically they should be at a 10% premium because they are structurally higher growth. Whilst their policies do differ there is some commonality, such as onshoring, which will be a strong tailwind for this domestically focused asset class and provide a strong tailwind for sectors such as Industrials, Information Technology and Materials (where we are overweight)."*

*"Our base case is for 150 basis points of rate cuts over the next 12-18 months, assuming no geopolitical or economic issues. However, if Trump is victorious his proposed tariffs may be reflationary that The Fed is attempting to balance the need to bring down inflation without causing a stop to the resilient US economy and so this may impact the pace of rate cuts or perhaps push them back into a rate hiking cycle, something they are keen to avoid given the impact this had on markets back in the 1970s. This would also be counter to the effect that Trump wants."*

# FED PROBABILITIES AND THEIR IMPACT

## FED PROBABILITIES, as of 6 Nov '24

MEETING DATE	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475
7-Nov-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	98.9%
18-Dec-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	66.3%	33.0%
29-Jan-25	0.0%	0.0%	0.0%	0.0%	0.6%	34.4%	49.2%	16.1%
19-Mar-25	0.0%	0.0%	0.0%	0.2%	22.8%	44.2%	27.3%	5.5%
30-Apr-25	0.0%	0.0%	0.1%	9.6%	31.6%	37.2%	18.3%	3.2%
18-Jun-25	0.0%	0.1%	4.3%	19.3%	34.1%	28.9%	11.7%	1.8%
30-Jul-25	0.0%	0.9%	7.4%	22.3%	33.0%	25.3%	9.6%	1.4%
17-Sep-25	0.2%	2.2%	10.4%	24.5%	31.5%	22.1%	8.0%	1.1%

Sources : CME Group, and KBVS Research (2024)

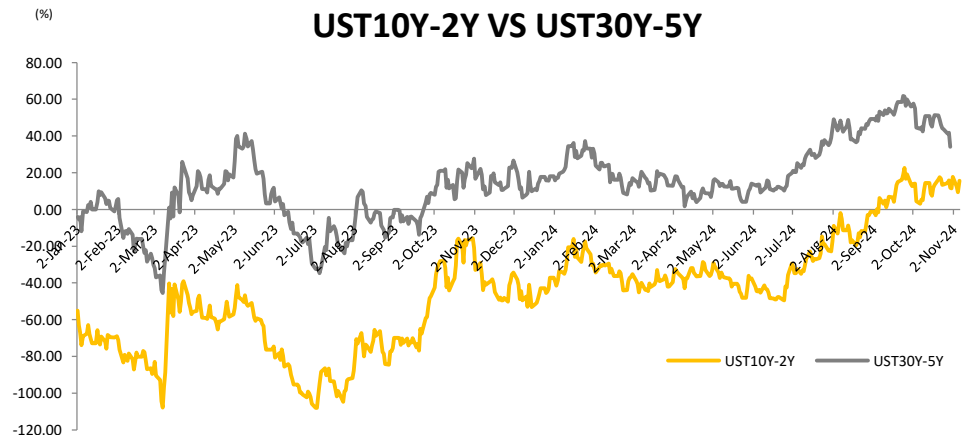
- Trump's victory has driven the DXY to rise by +1.71% yesterday, pushing it back above the 105 level.
- At the same time, various currencies have largely appreciated against the USD yesterday, including:
  - CAD depreciated by 0.77%,
  - GBP by 1.25%,
  - SEK by 1.49%,
  - CHF by 1.55%,
  - EUR by 1.83%, and
  - JPY by 1.93%
- At the same time, this condition has driven an increase in US Treasury yields across all maturities, although an inversion (between 10Y and 2Y) has yet to occur.

## DXY



Sources : Bloomberg, and KBVS Research (2024)

## YIELD SPREAD UST10Y-2Y VS UST30Y-5Y



Sources : Bloomberg, and KBVS Research (2024)

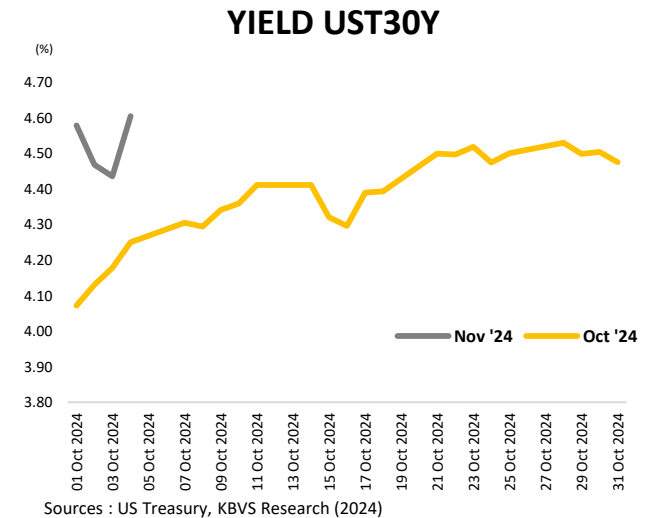
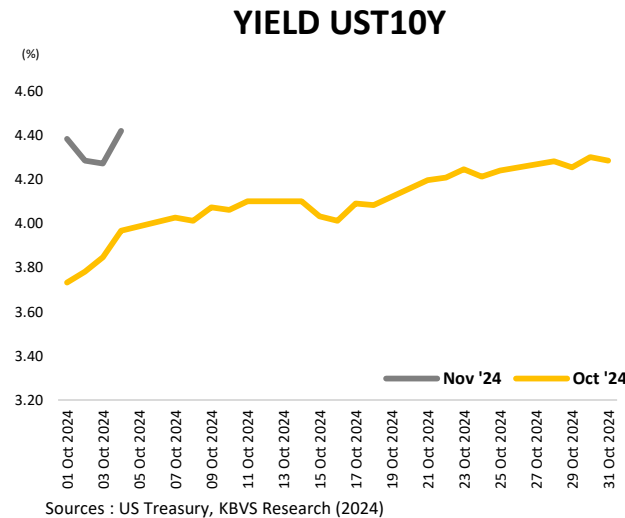
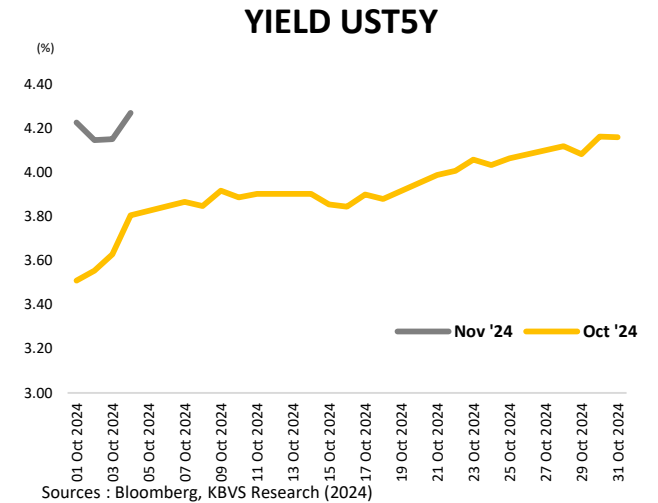
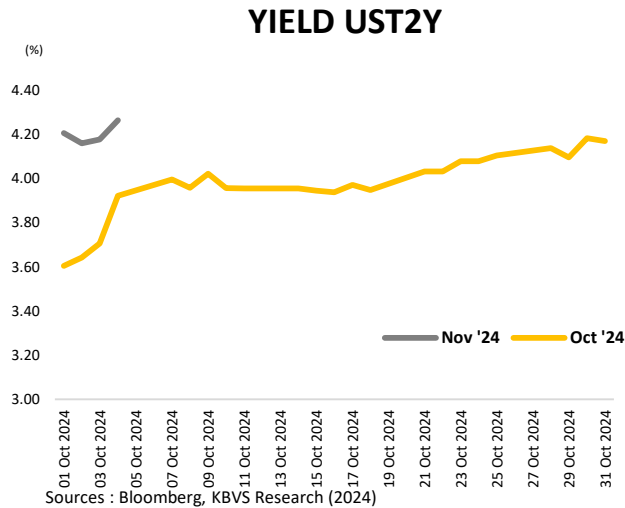
# THE MOVEMENT OF UST YIELDS

US FISCAL INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Govt Debt	USD Tn	Mar'24	34.67	34.47
Govt Debt to GDP	%	4Q23	124.3	122.9
Govt Budget	USD Bn	Feb '24	296.28	21.93
S&P Credit Rating	Rating	16-Mar-23	AA+	AA+

Sources : US Treasury, KBVS Research (2024)

Over the past week, there has been a tendency for UST yields to increase, where:

- UST6M
  - -4.24 bps (WoW)
  - -81.61 bps (YtD, as of Nov 6, '24)
- UST52W (1Y)
  - +0.55 bps (WoW)
  - -47.67 bps (YtD, as of Nov 6, '24)
- UST2Y
  - +6.87 bps (WoW)
  - +0.14 bps (YtD, as of Nov 6, '24)
- UST5Y
  - +10.73 bps (WoW)
  - +42.19 bps (YtD, as of Nov 6, '24)
- UST10Y
  - +12.71 bps (WoW)
  - +53.84 bps (YtD, as of Nov 6, '24)
- UST30Y
  - +11.31 bps (WoW)
  - +58.84 bps (YtD, as of Nov 6, '24)





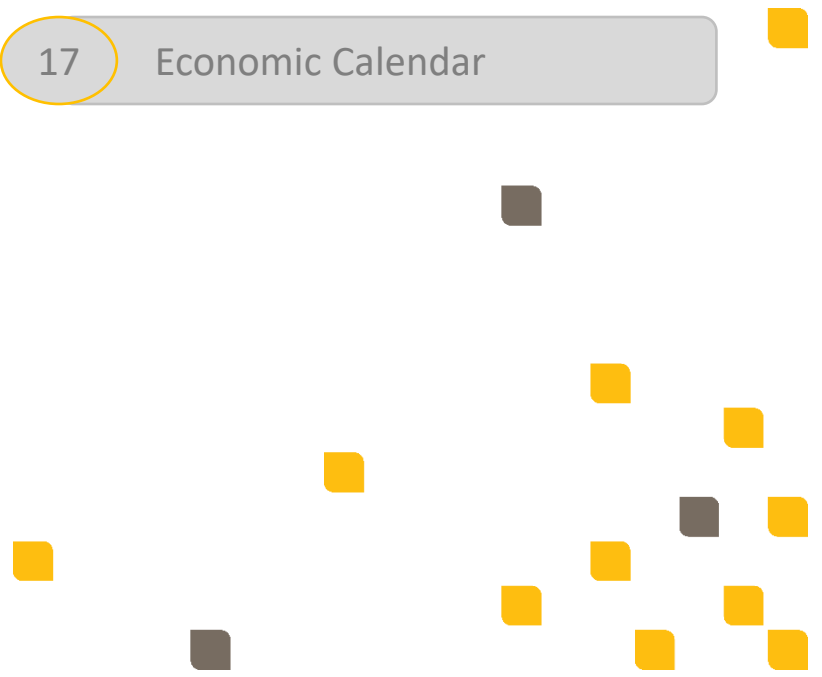


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# INDONESIA ECONOMIC DATA

## INDICATORS OVERVIEW

Economic Indicators	Unit	Latest Period	Data	
			Latest	Previous
Policy Interest Rate	%	16 Oct '24	6.00	6.00
Economic Growth	%, yoy	3Q24	4.95	5.05
Inflation Rate	%, yoy	Oct '24	1.71	1.84
Unemployment Rate	%	Sep '24	4.91	4.82
S&P Credit Rating	Rating	17 July '24	BBB	BBB

Sources : various sources, KBVS Research (2024)

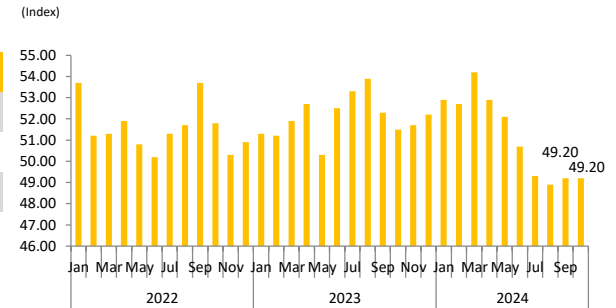
## ECONOMIC CALENDAR

(31 OCT-6 NOV '24)

Event	Actual	Forecast	Previous
<b>Thursday, 31 Oct '24</b>			
<b>Friday, 1 Nov '24</b>			
ID Nikkei Manufacturing PMI (Oct)	49.20		49.20
ID Core Inflation (YoY) (Oct)	2.21%	2.10%	2.09%
ID Inflation (YoY) (Oct)	1.71%	1.70%	1.84%
ID Inflation (MoM) (Oct)	0.08%	0.00%	-0.12%
<b>Monday, 4 Nov '24</b>			
<b>Tuesday, 5 Nov '24</b>			
ID GDP (YoY) (Q3)	4.95%	5.00%	5.05%
ID GDP (QoQ) (Q3)	1.50%	1.60%	3.79%
<b>Wednesday, 6 Nov '24</b>			

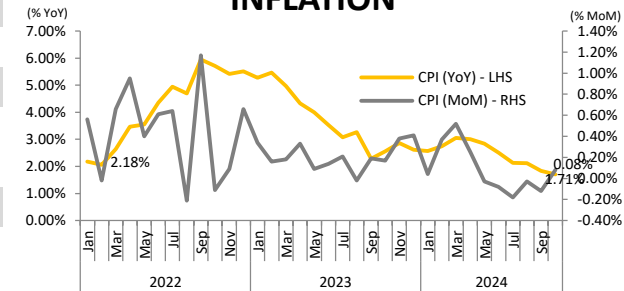
Sources : Investing, KBVS Research (2024)

## NIKKEI MANUFACTURING PMI



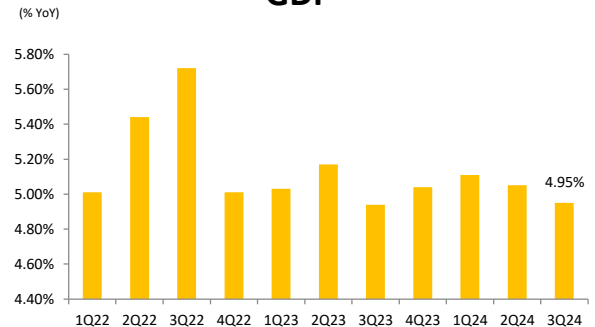
Sources : Markit Economics, KBVS Research (2024)

## INFLATION



Sources : BPS, KBVS Research (2024)

## GDP



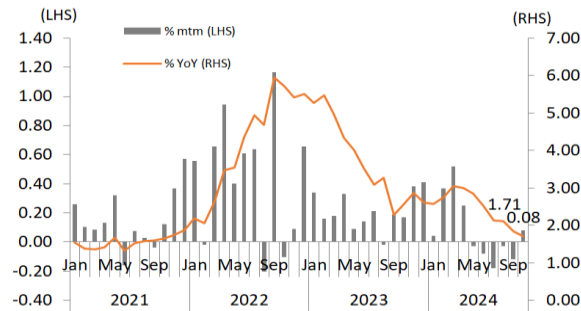
Sources : BPS, KBVS Research (2024)

The data releases that influenced yield movements in the week of 31 Oct – 6 Nov '24 are:

- **Nikkei Manufacturing PMI** for Oct '24 stable at 49.20 (Prev : 49.20)
- **Inflation in Oct '24 was recorded at 0.08% MoM or 1.71% YoY**, driven by ongoing declines in the prices of rice, red chili, and bird's eye chili. This trend was somewhat offset by rising prices of red onions, garlic, and chicken. **However, the inflation rate remains below Bank Indonesia's midpoint target (2.5% ± 1%), which is expected to provide room for potential future BI Rate cuts.**
- **Indonesia's economic growth in 3Q24 reached 1.50% QoQ or 4.95% YoY.** From the expenditure side, this growth was primarily supported by Household Consumption, which, while still positive, decelerated slightly to 4.91% YoY (Prev: 4.93% YoY). However, this was balanced by a robust increase in investment, as indicated by Gross Fixed Capital Formation, which improved to 5.15% YoY (Prev: 4.43% YoY), aided by a significant rise in capital inflows to USD8.82 bn (Prev: USD-2.53 bn). **Looking ahead, domestic demand conditions are expected to strengthen, driven by social assistance programs aligned with the Prabowo-Gibran administration's campaign promises, coupled with more stable inflation expectations, which we anticipate could close below 2% YoY by the end of 2024.**

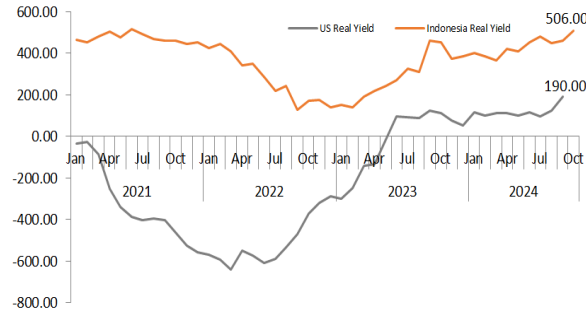
# INFLATION

## CPI INFLATION



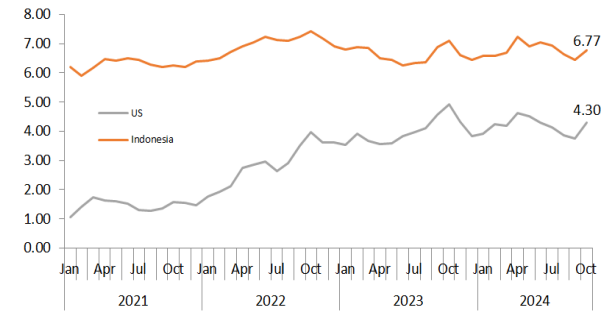
Sources : BPS, KBVS Research (2024)

## REAL YIELD US vs INDONESIA (in bps)



Sources : Bloomberg, KBVS Research (2024)

## YIELD OF 10Yr GOVERNMENT BOND (in %)



Sources : Bloomberg, KBVS Research (2024)

Indicators	Index		Inflation	
	Latest	M-1	MoM	YoY
Consumer Price Index (CPI)	106.01	105.93	0.08%	1.71%
Food, Beverages, and Tobacco	108.12	108.02	0.09%	2.35%
Clothing and Footwear	103.26	103.21	0.05%	1.20%
Housing, Water, Electricity, and Household Fuels	102.55	102.47	0.08%	0.60%
Equipment, Tools, and Routine Household Maintenance	103.81	103.75	0.06%	1.08%
Health	104.12	103.96	0.15%	1.71%
Transport	109.33	109.90	-0.52%	-0.08%
Info, Comm. and Financial Services	99.50	99.53	-0.03%	-0.28%
Recreation, Sport and Culture	104.12	104.07	0.05%	1.53%
Education Services	104.87	104.83	0.04%	1.90%
Food and Beverages Services/Restaurants	106.28	106.02	0.25%	2.36%
Personal Care and Other Services	112.20	111.15	0.94%	7.06%
Core Inflation	104.99	104.76	0.22%	2.21%
Administered Price	108.64	108.91	-0.25%	0.77%
Volatile Food	107.04	107.16	-0.11%	0.89%
Wholesale Price Index (WPI)	119.01	119.03	-0.02%	1.95%
Agriculture	111.69	111.75	-0.05%	1.76%
Mining and Quarrying	126.25	125.70	0.44%	2.20%
Manufacturing	120.72	120.74	-0.02%	1.99%
Farmer Exchange Rate	120.70	120.30	0.33%	4.25%
Farmers Price Received Index	145.56	145.01	0.38%	6.88%
Farmers Price Paid Index	120.59	120.54	0.04%	2.51%

Sources : US BPS, KBVS Research (2024)

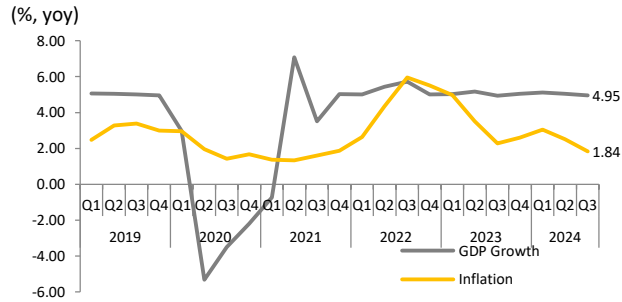
In Oct '24, inflation was recorded at 0.08% MoM and 1.71% YoY (Cons: 0.03% MoM, 1.66% YoY; KBVS: 0.00% MoM, 1.63% YoY; Prev: -0.12% MoM, 1.84% YoY). Meanwhile, the Nikkei Manufacturing PMI for Indonesia in Oct '24 remained at 49.2 (Prev: 49.2), marking the fourth consecutive month of contraction in factory activity.

With BI rate cut of 25 bps in Sep '24 and expectations of further reductions, domestic funding costs and inflation within the financial sector are expected to remain subdued. In the real sector, while La Nina challenges and potential restrictions on subsidized fuel purchases pose risks of driving domestic inflation higher, **we anticipate that inflation will remain near the lower end of BI's midpoint target (2.5% ± 1%).**

Additionally, geopolitical tensions involving Israel-Iran and Russia-Ukraine, Indonesia's possible entry into BRICS, and the upcoming US presidential election are likely to continue fueling global market caution and a risk-off sentiment. This outlook, combined with a real yield on Indonesia's 10-year government bonds (SUN10Y) currently at 506.00 bps, compared to 190 bps in the US, indicates limited foreign interest in SBN, alongside ongoing challenges in stabilizing the Rupiah. **Given these conditions, we expect Bank Indonesia to proceed with cautious rate cuts, closely following the Federal Reserve's rate adjustments in the near term.**

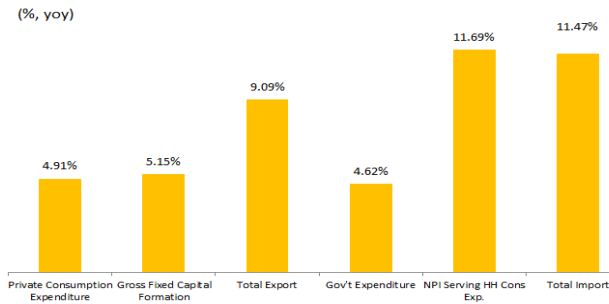
# GDP

## ECONOMIC GROWTH & INFLATION



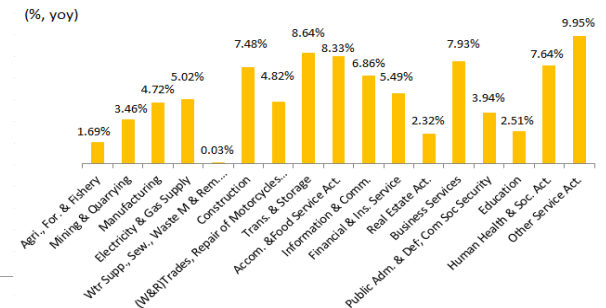
Sources : BPS, KBVS Research (2024)

## GDP BASED ON EXPENDITURE ON 3Q24



Sources : BPS, KBVS Research (2024)

## GDP BASED ON INDUSTRIAL ORIGIN ON 3Q24



Sources : BPS, KBVS Research (2024)

Types	Current Price		Constant Price (2010)			
	3Q23	2Q24	3Q24	3Q23	2Q24	3Q24
<b>Based On Expenditure</b>						
Private Consumption Expenditure	2,787.0	3,019.1	2,993.2	1,623.6	1,711.7	1,703.5
Gross Fixed Capital Formation	1,572.0	1,544.1	1,677.5	988.2	958.2	1,039.1
Total Export	1,125.9	1,184.8	1,270.4	727.0	735.6	794.3
Total Import	1,036.4	1,100.5	1,170.9	601.0	617.0	667.7
Government Consumption Expenditure	378.9	404.5	406.6	215.4	226.7	225.1
NPI Serving Household Consumption Expenditure	64.1	73.3	73.0	37.7	42.4	42.2
Changes in Inventories	116.0	148.7	216.1	22.4	73.3	106.9
<b>Based On Industrial Origin</b>						
Manufacturing	992.7	1,025.1	1,072.6	637.6	640.5	667.6
Agri., For. & Fishery	718.4	762.6	773.2	397.3	403.7	404.1
(W&R)Trades, Repair of Motorcycles & MC	686.5	719.4	738.2	408	418.8	427.7
Mining & Quarrying	539.3	485.9	511.1	233.9	229.1	242.0
Construction	522.2	533.3	567.3	297.9	301.9	320.2
Transportation & Storage	316.6	345.6	347.9	141.2	152.0	153.5
Information & Comm.	223.4	239.8	241.2	203.9	216.7	217.9
Financial & Ins. Service	215.2	235.0	230.9	123.0	132.2	129.8
Education	140.4	157.9	147.7	86.1	94.3	88.2
Public Adm. & Def; Com Soc Security	138.4	179.2	147.3	84.9	106.1	88.2
Accom. & Food Service Act.	132.8	145.9	147.6	96.4	104.0	104.4
Real Estate Act.	127.3	128.9	130.9	86.6	87.3	88.6
Other Service Act.	99.6	113.1	111.6	59.6	66.2	65.6
Business Services	96.7	106.7	106.3	58.5	63.1	63.1
Human Health & Soc. Act.	63.6	69.2	69.8	42.6	45.4	45.8
Electricity & Gas Supply	55.5	56.0	57.9	32.6	33.1	34.2
Wtr Suppl., Sew., Waste M & Rem. Activities	3.3	3.6	3.6	2.7	2.7	2.7
<b>Indonesia's GDP</b>	<b>5,296.0</b>	<b>5,536.5</b>	<b>5,638.9</b>	<b>3,075.7</b>	<b>3,231.0</b>	<b>3,279.6</b>

Sources : US BPS, KBVS Research (2024)

Indonesia's economic growth for 3Q24 reached 1.50% QoQ or 4.95% YoY, slightly below expectations (Cons: 1.58% QoQ or 5.00% YoY; KBVS: 1.56% QoQ or 5.01% YoY; Prev: 3.79% QoQ or 5.05% YoY). On the expenditure side, growth was primarily supported by household consumption, which, while still positive, decelerated slightly to 4.91% YoY (Prev: 4.93% YoY). From a production perspective, improvements were seen in the Manufacturing sector, which grew to 4.72% YoY (Prev: 3.95% YoY), and in the Construction sector, which rose to 7.48% YoY (Prev: 7.29% YoY).

Looking ahead, we anticipate that the largest boost will come from an increase in domestic demand, supported by (a) social assistance programs aligned with the campaign promises of the Prabowo-Gibran administration, (b) the upcoming regional elections in November, (c) a potential improvement in the prices of Indonesia's main export commodities, particularly coal and palm oil, which could enhance the Agriculture, Forestry & Fisheries, and Manufacturing sectors, as well as Export and Household Spending components on the expenditure side, (d) stable inflation expectations, with inflation potentially closing below 2% YoY by the end of 2024, and (e) lower funding costs due to recent cuts in the domestic BI Rate. However, it is crucial to remain vigilant regarding geopolitical tensions and US fiscal policy approaches, which may weigh on export growth moving forward.

# MINISTER OF FINANCE REGULATION NO.81/2024 ON TAX PROVISION

## Pasal 208

- (1) Atas penghasilan lain Kontraktor Kontrak Kerja Sama Minyak dan Gas Bumi di luar Kontrak Kerja Sama berupa *Uplift* atau imbalan lain yang sejenis dikenakan Pajak Penghasilan yang bersifat final dengan tarif sebesar 20% (dua puluh persen) dari jumlah bruto.
- (2) Atas penghasilan lain Kontraktor Kontrak Kerja Sama Minyak dan Gas Bumi di luar Kontrak Kerja Sama berupa pengalihan Partisipasi Interes dikenakan Pajak Penghasilan yang bersifat final dengan tarif sebesar:
  - a. 5% (lima persen) dari jumlah bruto, untuk pengalihan Partisipasi Interes selama masa Eksplorasi; atau
  - b. 7% (tujuh persen) dari jumlah bruto, untuk pengalihan Partisipasi Interes selama masa Eksploitasi.

## Pasal 271

- (1) Berdasarkan persetujuan permintaan pengembalian Pajak Pertambahan Nilai sebagaimana dimaksud dalam Pasal 270 ayat (5), pengembalian Pajak Pertambahan Nilai dilakukan:
  - a. secara tunai dengan mata uang rupiah, dalam hal Pajak Pertambahan Nilai mempunyai nilai kurang dari atau sama dengan Rp5.000.000,00 (lima juta rupiah); atau
  - b. secara transfer melalui penerbitan Surat Perintah Membayar Kelebihan Pajak dalam mata uang rupiah ke rekening Turis Asing, dalam hal Pajak Pertambahan Nilai mempunyai nilai lebih dari Rp5.000.000,00 (lima juta rupiah).

## Pasal 294

- (1) Pajak Pertambahan Nilai atau Pajak Pertambahan Nilai dan Pajak Penjualan atas Barang Mewah tidak dipungut oleh Pemungut Pajak Pertambahan Nilai dalam hal:
  - a. pembayaran yang jumlahnya paling banyak Rp10.000.000,00 (sepuluh juta rupiah) termasuk jumlah Pajak Pertambahan Nilai atau Pajak Pertambahan Nilai dan Pajak Penjualan atas Barang Mewah yang terutang dan bukan merupakan pembayaran yang dipecah dari suatu transaksi yang nilai sebenarnya lebih dari Rp10.000.000,00 (sepuluh juta rupiah);
  - b. pembayaran atas penyerahan Barang Kena Pajak dan/atau Jasa Kena Pajak yang menurut ketentuan peraturan perundang-undangan di

## Pasal 218

- (1) Besarnya pungutan Pajak Penghasilan Pasal 22 ditetapkan sebagai berikut:
  - a. untuk pemungutan yang dilakukan oleh Direktorat Jenderal Bea dan Cukai atas:
    1. impor:
      - a) barang tertentu sebesar 10% (sepuluh persen) dari nilai impor dengan atau tanpa menggunakan angka pengenal impor;
      - b) barang tertentu lainnya sebesar 7,5% (tujuh koma lima persen) dari nilai impor dengan atau tanpa menggunakan angka pengenal impor;
      - c) barang berupa kedelai, gandum, dan tepung terigu sebesar 0,5% (nol koma lima persen) dari nilai impor dengan menggunakan angka pengenal impor;
      - d) barang selain barang sebagaimana dimaksud dalam huruf a), huruf b), dan huruf c) yang menggunakan angka pengenal impor, sebesar 2,5% (dua koma lima persen) dari nilai impor;
      - e) barang sebagaimana dimaksud dalam huruf c) dan huruf d) yang tidak menggunakan angka pengenal impor, sebesar 7,5% (tujuh koma lima persen) dari nilai impor; dan
      - f) barang yang tidak dikuasai, sebesar 7,5% (tujuh koma lima persen) dari harga jual lelang;
    2. ekspor komoditas tambang batubara, mineral logam, dan mineral bukan logam, sesuai uraian barang dan pos tarif/*harmonized system* oleh eksportir kecuali yang dilakukan oleh Wajib Pajak yang terikat dalam perjanjian kerja sama perusahaan pertambangan dan kontrak karya, sebesar 1,5% (satu koma lima persen) dari nilai ekspor sebagaimana tercantum dalam pemberitahuan pabean ekspor;

dan

2. ekspor komoditas tambang batubara, mineral logam, dan mineral bukan logam, sesuai uraian barang dan pos tarif/*harmonized system* oleh eksportir kecuali yang dilakukan oleh Wajib Pajak yang terikat dalam perjanjian kerja sama perusahaan pertambangan dan kontrak karya, sebesar 1,5% (satu koma lima persen) dari nilai ekspor sebagaimana tercantum dalam pemberitahuan pabean ekspor;

- (1) Dikecualikan dari kewajiban pembayaran atau pemungutan Pajak Penghasilan sebagaimana dimaksud dalam Pasal 192 ayat (1) dan ayat (3) yaitu:
  - a. orang pribadi yang mempunyai penghasilan di bawah Penghasilan Tidak Kena Pajak yang melakukan pengalihan hak atas tanah dan/atau bangunan dengan jumlah bruto pengalihannya kurang dari Rp60.000.000,00 (enam puluh juta rupiah) dan bukan merupakan jumlah yang dipecah-pecah;
- (3) Wajib Pajak orang pribadi usaha kecil sebagaimana dimaksud pada ayat (2) harus memenuhi kriteria sebagai berikut:
  - a. menerima penghasilan dari usaha, tidak termasuk penghasilan dari jasa sehubungan dengan pekerjaan bebas; dan
  - b. memiliki peredaran bruto tidak melebihi Rp4.800.000.000,00 (empat miliar delapan ratus juta rupiah) dalam 1 (satu) Tahun Pajak.
- (4) Wajib Pajak Badan usaha kecil sebagaimana dimaksud pada ayat (2) harus memenuhi kriteria sebagai berikut:
  - a. Wajib Pajak Badan tidak termasuk bentuk usaha tetap; dan
  - b. menerima penghasilan dari usaha, tidak termasuk penghasilan dari jasa sehubungan dengan pekerjaan bebas, dengan peredaran bruto tidak melebihi Rp4.800.000.000,00 (empat miliar delapan ratus juta rupiah) dalam 1 (satu) Tahun Pajak.

## Pasal 244

Atas penghasilan yang diterima atau diperoleh orang pribadi atau Badan dari transaksi penjualan saham di bursa efek dikenakan Pajak Penghasilan yang bersifat final sebesar 0,1% (nol koma satu persen) dari jumlah bruto nilai transaksi penjualan saham.



# DEVELOPMENT OF TRADABLE SBN

## CAPITAL FLOW IN SBN&JCI



Sources : Bloomberg, KBVS Research (2024)

Between 31 Oct '24 and 6 Nov '24, non-residents conducted:

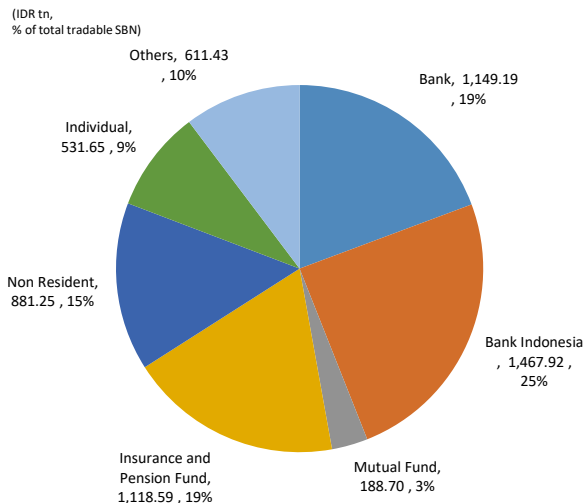
- a net sell of tradable SBN amounting to IDR3.54 tn, and
- A net buy of JCI, amounting IDR0.25 tn.

## SUN LATEST AUCTION

29 Oct '24									
Instruments	SPN03250129	SPN12251030	FR0104	FRSDG001	FR0103	FR0098	FR0097	FR0105	Total
Incoming Bids (IDR tn)	2.52	3.53	4.76	1.97	5.70	3.19	3.21	4.71	29.58
Bid to Cover Ratio	-	1.07	1.47	1.19	2.71	1.03	1.07	1.92	1.57
Weighted Average Yields Awarded	-	6.150%	6.770%	6.719%	6.940%	7.048%	7.057%	7.059%	
15 Oct '24									
Instruments	SPN12250116	SPN12251002	FR0104	FR0103	FR0098	FR0097	FR0102	Total	
Incoming Bids (IDR tn)	2.11	5.02	12.08	15.21	3.42	2.83	3.60	44.27	
Bid to Cover Ratio	-	2.51	1.64	1.36	1.63	3.54	2.32	1.77	
Weighted Average Yields Awarded	-	6.100%	6.420%	6.710%	6.810%	6.880%	6.939%		

Sources : DJPPR, KBVS Research (2024)

## OWNERSHIP of IDR TRADABLE SBN



Sources : DJPPR, and KBVS Research (2024)

As of 4 Nov '24, the largest ownership of tradable SBN is as follows:

- Bank Indonesia : IDR1,467.92 tn (+IDR2.52 tn, WoW),
- Banks : IDR1,149.19 tn (+IDR9.99 tn, WoW), and
- Insurance & Pension Funds: IDR1,118.59 tn (+IDR7.30 tn, WoW)

## SBSN LATEST AUCTION

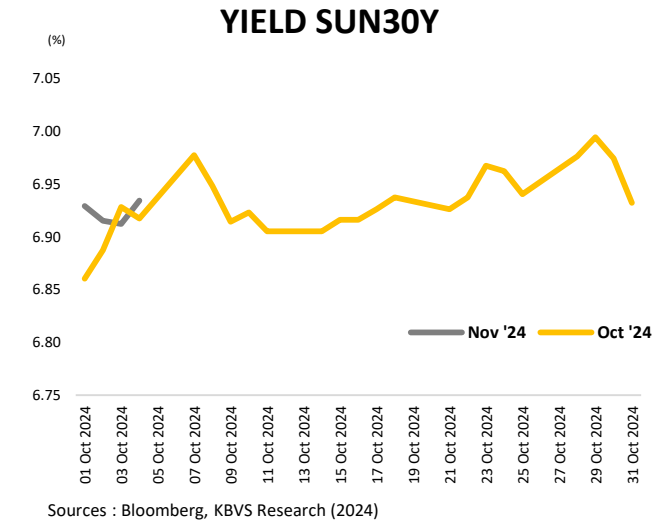
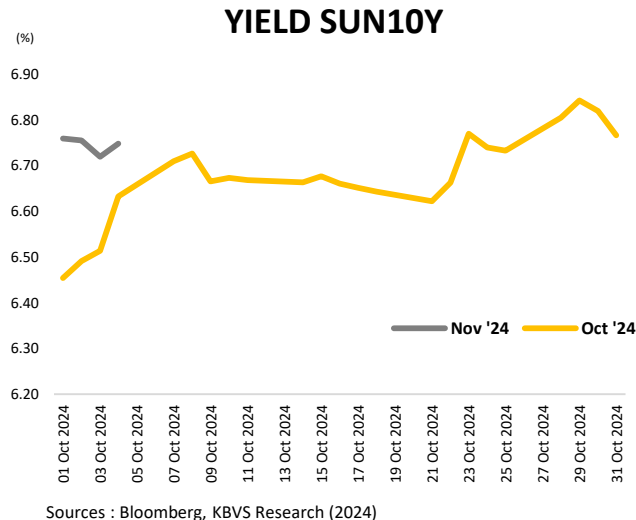
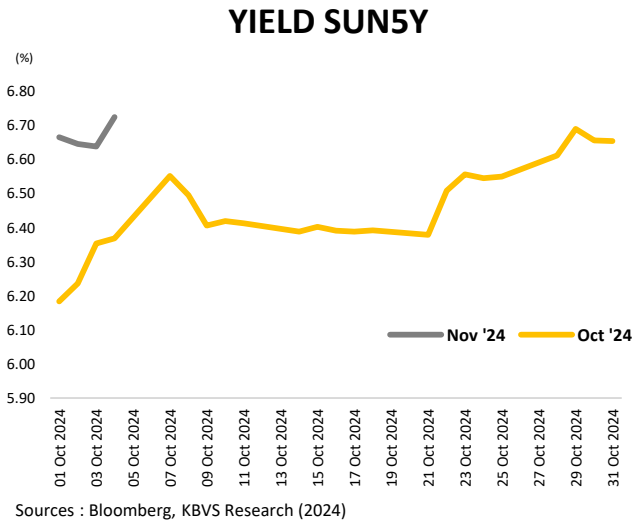
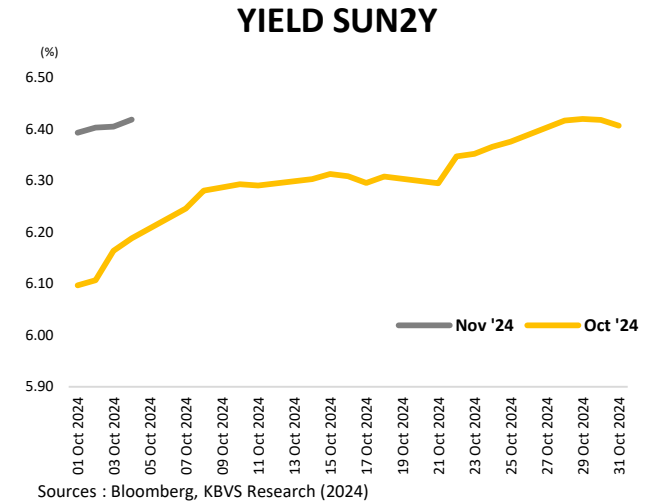
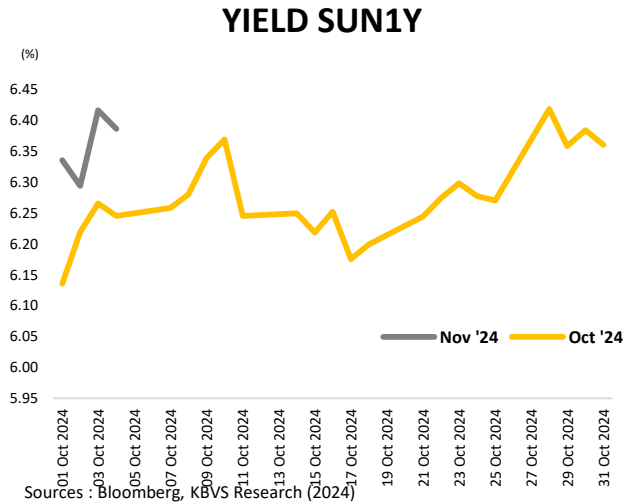
5 Nov '24								
Instruments	SPNS29052025	SPNS04082025	PBS032	PBS030	PBS004	PBS029	PBS038	Total
Incoming Bids (IDR tn)	2.23	3.88	2.63	1.23	0.42	2.35	3.58	16.27
Bid to Cover Ratio	1.06	1.06	1.17	1.54	2.83	2.62	8.95	1.59
Weighted Average Yields Awarded	6.200%	6.244%	6.620%	6.596%	6.848%	6.970%	6.998%	
22 Oct '24								
Instruments	SPNS01042025	SPNS07072025	PBS032	PBS030	PBS029	PBS004	PBS038	Total
Incoming Bids (IDR tn)	2.72	3.40	1.72	2.68	1.14	0.86	4.95	17.47
Bid to Cover Ratio	1.21	1.11	2.46	2.68	1.27	5.76	2.54	1.75
Weighted Average Yields Awarded	6.210%	6.250%	6.449%	6.462%	6.680%	6.827%	6.980%	

Sources : DJPPR, KBVS Research (2024)

# The Movement of SUN Yields

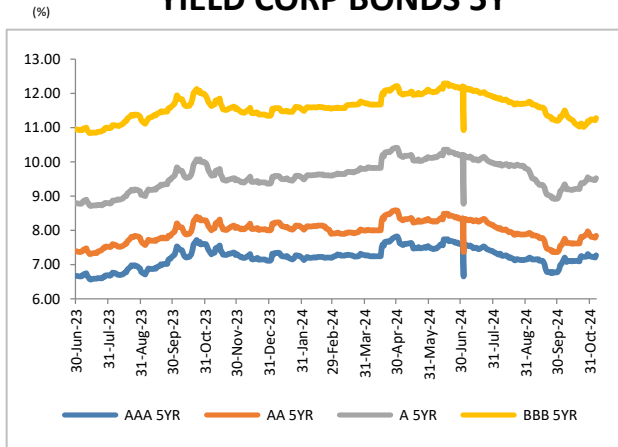
Over the past week, SUN yields moved tends to increase:

- Yield SUN1Y
  - +1.80 bps (WoW)
  - +3.70 bps (YtD, as of Nov 6, '24)
- Yield SUN2Y
  - +1.00 bps (WoW)
  - +4.50 bps (YtD, as of Nov 6, '24)
- Yield SUN5Y
  - +7.40 bps (WoW)
  - +32.80 bps (YtD, as of Nov 6, '24)
- Yield SUN10Y
  - -7.60 bps (WoW)
  - +28.90 bps (YtD, as of Nov 6, '24)
- Yield SUN30Y
  - -3.10 bps (WoW)
  - +8.90 bps (YtD, as of Nov 6, '24)



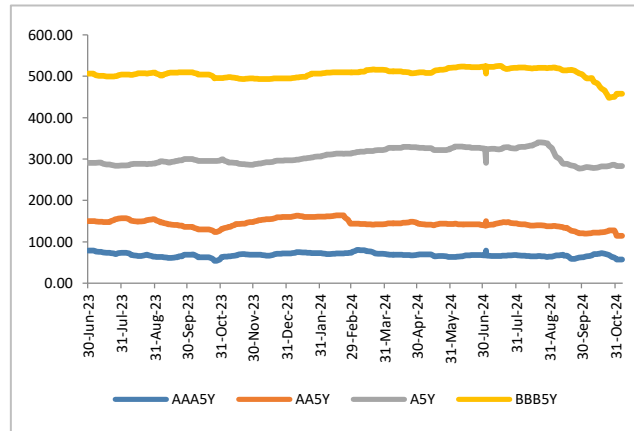
# The Movement of Corporate Bond Yields

## YIELD CORP BONDS 5Y



Sources : Bloomberg, KBVS Research (2024)

## YIELD SPREAD 5Y TENOR

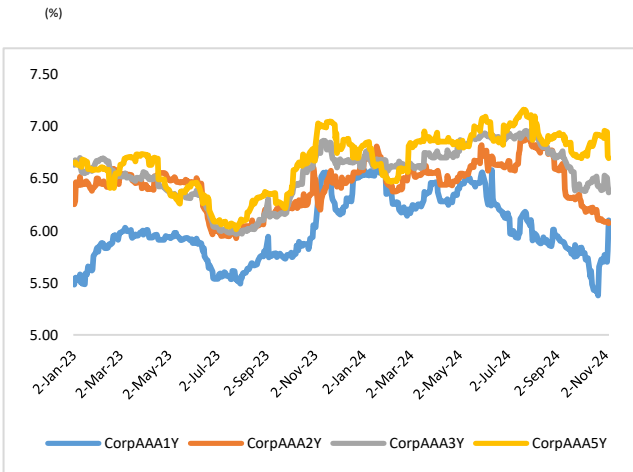


Sources : Bloomberg, KBVS Research (2024)

Corporate bonds showed a trend of decreasing yields last week, as follows:

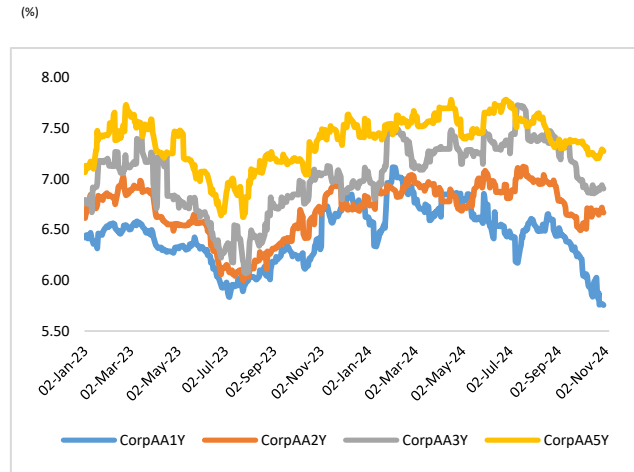
- AAA-rated
  - Tenor 1Y : +39.03 bps (WoW)
  - Tenor 2Y : -1.40 bps (WoW)
  - Tenor 5Y : -19.85 bps (WoW)
- AA-rated
  - Tenor 1Y : -4.54 bps (WoW)
  - Tenor 2Y : -20.57 bps (WoW)
  - Tenor 5Y : +2.12 bps (WoW)
- A-rated
  - Tenor 1Y : -19.40 bps (WoW)
  - Tenor 2Y : -22.94 bps (WoW), and
  - Tenor 5Y : -8.16 bps (WoW)

## YIELD AAA-RATED



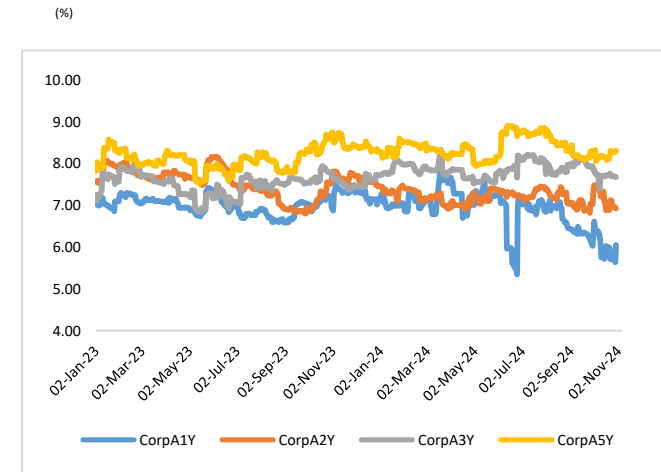
Sources : Bloomberg, KBVS Research (2024)

## YIELD AA-RATED



Sources : Bloomberg, KBVS Research (2024)

## YIELD A-RATED



Sources : Bloomberg, KBVS Research (2024)



# BI'S MONETARY OPERATION

## SRBI's DEVELOPMENT

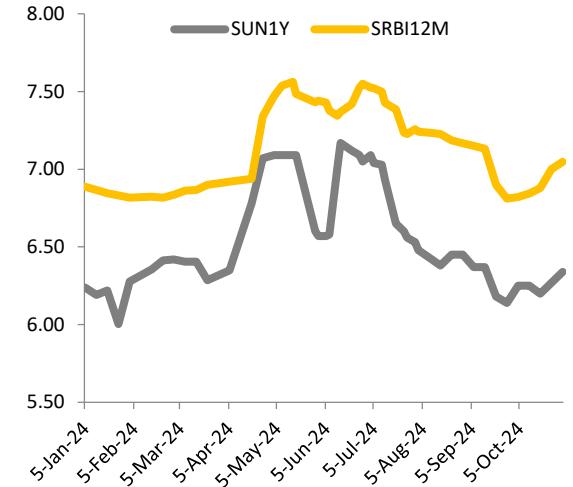
SRBI	Weighted Yield Average Winner (%)			Bidding Amount (IDR bn)	Total Nominal Awarded (IDR bn)	Bid to Cover Ratio
	6 Months	9 Months	12 Months			
5-Jan-24	6.70	6.80	6.89	31,667.00	22,050.00	1.44
12-Jan-24	6.68	6.78	6.87	33,833.00	19,520.00	1.73
19-Jan-24	6.67	6.75	6.85	39,987.00	25,000.00	1.60
26-Jan-24	6.64	6.70	6.83	37,435.00	29,000.00	1.29
2-Feb-24	6.62	6.70	6.82	40,047.00	29,000.00	1.38
16-Feb-24	6.62	6.70	6.82	13,791.00	12,791.00	1.08
23-Feb-24	6.61	6.70	6.82	8,073.00	7,583.00	1.06
1-Mar-24	6.64	6.70	6.84	4,996.00	3,966.00	1.26
8-Mar-24	6.66	6.80	6.86	4,075.00	3,665.00	1.11
15-Mar-24	6.68	6.69	6.87	9,720.00	9,130.00	1.06
22-Mar-24	6.72	6.71	6.90	9,538.00	8,808.00	1.08
5-Apr-24	6.76	6.83	6.92	14,906.00	13,199.00	1.13
19-Apr-24	6.81	6.82	6.94	7,225.00	3,484.00	2.07
26-Apr-24	7.14	7.16	7.34	21,168.00	20,708.00	1.02
3-May-24	7.22	7.32	7.47	37,497.00	36,262.00	1.03
8-May-24	7.32	7.40	7.54	32,276.00	22,483.00	1.44
15-May-24	7.33	7.43	7.56	39,675.00	25,790.00	1.54
17-May-24	7.29	7.38	7.48	54,530.00	27,610.00	1.98
29-May-24	7.27	7.37	7.43	49,103.50	30,000.00	1.64
31-May-24	7.25	7.39	7.44	38,761.00	24,453.00	1.59
5-Jun-24	7.20	7.38	7.43	60,699.70	23,000.00	2.64
7-Jun-24	7.16	7.33	7.38	65,254.80	21,902.00	2.98
12-Jun-24	7.13	7.31	7.35	46,327.00	46,327.00	1.00
14-Jun-24	7.17	7.29	7.37	35,370.00	28,500.00	1.24
21-Jun-24	7.23	7.30	7.42	32,617.00	31,895.00	1.02
26-Jun-24	7.29	7.39	7.53	26,796.00	20,798.00	1.29
28-Jun-24	7.32	7.44	7.55	23,814.00	18,611.70	1.28
3-Jul-24	7.32	7.43	7.53	27,224.20	18,852.00	1.44
5-Jul-24	7.32	7.43	7.52	25,986.60	18,647.00	1.39
10-Jul-24	7.30	7.42	7.50	32,163.90	17,981.00	1.79
12-Jul-24	7.30	7.39	7.43	39,348.60	17,971.00	2.19
19-Jul-24	7.26	7.36	7.39	67,741.10	25,000.00	2.71
24-Jul-24	7.12	7.21	7.24	52,687.10	22,000.00	2.39
26-Jul-24	7.07	7.18	7.23	41,454.70	34,000.00	1.22
31-Jul-24	7.10	7.19	7.26	25,086.00	13,041.00	1.92
2-Aug-24	7.09	7.18	7.24	29,918.00	22,061.00	1.36
9-Aug-24	7.09	7.17	7.24	19,656.40	15,000.00	1.31
16-Aug-24	7.07	7.16	7.23	15,650.00	15,650.00	1.00
23-Aug-24	7.05	7.14	7.18	24,505.10	15,000.00	1.63
30-Aug-24	7.03	7.12	7.17	16,602.40	12,000.00	1.38
6-Sep-24	7.02	7.11	7.15	18,074.00	10,000.00	1.81
13-Sep-24	7.01	7.10	7.13	33,863.10	10,000.00	3.39
20-Sep-24	6.73	6.84	6.90	46,048.50	19,000.00	2.42
27-Sep-24	6.69	6.78	6.81	22,076.90	19,000.00	1.16
4-Oct-24	6.69	6.78	6.82	18,030.00	15,000.00	1.20
11-Oct-24	6.76	6.79	6.84	21,174.00	18,000.00	1.18
18-Oct-24	6.71	6.80	6.88	24,991.60	23,000.00	1.09
25-Oct-24	6.75	6.80	7.00	30,944.00	26,007.00	1.19
1-Nov-24	6.78	6.85	7.05	36,396.30	20,000.00	1.82

Sources : BI, KBVS Research (2024)

## SVBI's DEVELOPMENT

SVBI	Weighted Yield Average Winner (%)			Bidding Amount (USD mn)	Total Nominal Awarded (USD Mn)	Bid to Cover Ratio
	1 Month	3 Months	6 Months			
2-Jan-24	5.74	-	-	66.00	31.00	2.13
9-Jan-24	5.71	-	-	268.00	147.00	1.82
16-Jan-24	5.70	-	-	382.00	284.00	1.35
23-Jan-24	5.67	5.70	-	397.00	251.00	1.58
30-Jan-24	5.67	5.69	-	512.00	472.00	1.08
6-Feb-24	5.66	5.69	-	472.00	442.00	1.07
13-Feb-24	5.66	5.68	-	808.00	607.00	1.33
20-Feb-24	5.66	5.67	-	662.00	652.00	1.02
27-Feb-24	5.66	5.67	-	518.00	488.00	1.06
5-Mar-24	5.66	5.68	-	312.00	272.00	1.15
14-Mar-24	5.67	5.68	-	577.00	532.00	1.08
19-Mar-24	5.67	5.68	-	367.00	357.00	1.03
26-Mar-24	5.66	-	-	375.00	358.00	1.05
2-Apr-24	5.67	5.68	-	264.50	264.50	1.00
16-Apr-24	5.67	-	-	210.00	160.00	1.31
23-Apr-24	5.67	5.68	-	514.00	489.00	1.05
30-Apr-24	5.68	5.70	-	305.00	303.00	1.01
7-May-24	5.68	-	-	253.00	228.00	1.11
14-May-24	5.69	5.70	-	431.00	366.00	1.18
21-May-24	5.69	5.69	-	375.00	350.00	1.07
28-May-24	5.69	5.69	-	209.00	204.00	1.02
4-Jun-24	5.69	5.69	-	606.00	591.00	1.03
11-Jun-24	5.69	5.70	-	430.50	420.50	1.02
19-Jun-24	5.69	5.70	-	152.00	137.00	1.11
25-Jun-24	5.70	5.70	-	282.00	242.00	1.17
2-Jul-24	5.70	5.70	-	342.00	340.00	1.01
9-Jul-24	5.69	5.70	-	644.00	639.00	1.01
16-Jul-24	5.68	5.68	-	552.00	264.00	2.09
23-Jul-24	5.66	5.68	-	687.00	267.00	2.57
30-Jul-24	5.61	-	-	299.00	150.00	1.99
6-Aug-24	5.55	5.45	-	864.00	190.00	4.55
13-Aug-24	5.53	5.42	-	977.00	587.00	1.66
20-Aug-24	5.48	5.40	-	1,079.00	612.00	1.76
27-Aug-24	5.41	5.33	5.02	935.50	306.00	3.06
3-Sep-24	5.34	5.25	4.99	1,019.00	884.00	1.15
10-Sep-24	5.25	5.16	4.85	710.50	644.50	1.10
17-Sep-24	5.21	5.13	4.84	652.00	627.00	1.04
24-Sep-24	5.00	4.84	4.68	311.00	301.00	1.03
1-Oct-24	4.99	4.81	4.60	283.00	283.00	1.00
8-Oct-24	4.98	4.81	4.66	398.00	374.00	1.06
15-Oct-24	4.97	4.80	4.75	435.00	430.00	1.01
22-Oct-24	4.98	4.80	-	415.00	385.00	1.08
29-Oct-24	4.98	4.80	4.75	394.00	385.00	1.02
5-Nov-24	4.98	4.80	-	502.00	490.00	1.02

Sources : BI, KBVS Research (2024)



Sources : BI, Bloomberg, KBVS Research (2024)



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# NEXT WEEK ECONOMIC CALENDAR

## ECONOMIC CALENDAR

(7-13 NOV 2024)

Country	Event	Forecast	Previous	Country	Event	Forecast	Previous	Country	Event	Forecast	Previous
<b>Thursday, Nov 7, 2024</b>				<b>Friday, Nov 8, 2024</b>				<b>Monday, Nov 11, 2024</b>			
US	30-Year Bond Auction		4.39%	US	Fed Interest Rate Decision	4.75%	5.00%	JP	Adjusted Current Account (Sep)		301.65T
CN	Imports (YoY) (Oct)		0.30%	US	FOMC Statement			JP	Current Account n.s.a. (Sep)		3.804T
CN	Exports (YoY) (Oct)		2.40%	US	FOMC Press Conference			ID	Consumer Confidence (Oct)		123.50
CN	Trade Balance (USD) (Oct)	73.50B	81.71B	US	Consumer Credit (Sep)	14.30B	8.93B	<b>Tuesday, Nov 12, 2024</b>			
JP	10-Year JGB Auction		0.87%	JP	Household Spending (MoM) (Sep)		2.00%	ID	Retail Sales (YoY) (Sep)		5.80%
ID	Fx Reserves (USD) (Oct)		149.90B	JP	Household Spending (YoY) (Sep)	-1.80%	-1.90%	GB	Average Earnings Index + Bonus (Sep)		3.80%
GB	Halifax House Price Index (MoM) (Oct)	0.20%	0.30%	ID	Consumer Confidence (Oct)		123.50	GB	Claimant Count Change (Oct)		27.9K
GB	Halifax House Price Index (YoY) (Oct)		4.70%	ID	Motorbike Sales (YoY) (Oct)		3.70%	GB	Employment Change 3M/3M (MoM) (Sep)		373K
GE	Industrial Production (MoM) (Sep)	-1.10%	2.90%	ID	Car Sales (YoY) (Oct)		-9.10%	GB	Unemployment Rate (Sep)		4.00%
GE	Trade Balance (Sep)	24.30B	22.50B	EU	ECB McCaul Speaks			GE	CPI (YoY) (Oct)		2.00%
EU	ECB's Schnabel Speaks			EU	Leaders Summit			GE	CPI (MoM) (Oct)		0.40%
EU	ECB's Elderson Speaks			GB	BoE MPC Member Pill Speaks			GE	ZEW Current Conditions (Nov)		-86.90
GB	BoE MPC Vote Cut (Nov)	8.00	1.00	US	Michigan 1-Year Inflation Expectations (Nov)		2.70%	GE	ZEW Economic Sentiment (Nov)		13.10
GB	BoE MPC Vote Hike (Nov)	0.00	0.00	US	Michigan 5-Year Inflation Expectations (Nov)		3.00%	EU	ZEW Economic Sentiment (Nov)		20.10
GB	BoE MPC Vote Unchanged (Nov)	1.00	8.00	US	Michigan Consumer Expectation (Nov)		74.10	US	OPEC Monthly Report		
GB	BoE Interest Rate Decision (Nov)	4.75%	5.00%	US	Michigan Consumer Sentiment (Nov)	70.60	70.50	<b>Tuesday, Nov 13, 2024</b>			
GB	BoE MPC Meeting Minutes			US	FOMC Member Bowman Speaks			US	Core CPI (MoM) (Oct)		0.30%
US	Continuing Jobless Claims		1,862K					US	Core CPI (YoY) (Oct)		3.30%
US	Initial Jobless Claims	220K	216K					US	CPI (YoY) (Oct)		2.40%
US	Nonfarm Payrolls (QoQ) (Q3)	2.30%	2.50%					US	CPI (MoM) (Oct)		0.20%
US	Unit Labour Costs (QoQ) (Q3)	0.90%	0.40%								
EU	ECB's Lane Speaks										
GB	BoE Gov Bailey Speaks										
US	Retail Inventories Ex Auto (Sep)	0.10%	0.50%								
GB	BoE Gov Bailey Speaks										
GE	Buba Vice President Buch Speaks										



# KBVS ECONOMIC ASSUMPTIONS

## KBVS ECONOMIC ASSUMPTIONS

Year			Fed Rate (%)			YIELD UST10Y (%)			BI Rate (%)			GDP Growth (% yoy)			Inflation (% YoY)			Rupiah ER (Rp per USD)			Yield SUN10Y (%)		
			Worst	Base	Best	Worst	Base	Best	Worst	Base	Best	Worst	Base	Best	Worst	Base	Best	Worst	Base	Best	Worst	Base	Best
2024	End of Year	3QF	4.75	4.50	4.25	4.04	3.69	3.34	5.75	5.50	5.25	4.61	5.11	5.61	2.90	2.40	1.90	16,266	15,491	14,716	6.63	6.18	5.73
		Dif to 1QF	-1.00	-0.75	-0.75	-0.51	-0.51	-0.51	-0.50	-0.25	0.00	-0.37	-0.37	-0.37	-0.40	-0.40	-0.40	-73	-70	-67	-0.14	-0.14	-0.14
	Average	3QF	5.38	5.13	4.88	4.35	4.00	3.65	6.19	5.94	5.69	4.58	5.08	5.58	3.21	2.71	2.21	16,634	15,842	15,050	7.04	6.59	6.14
		Dif to 1QF	-0.18	-0.18	-0.18	-0.40	-0.40	-0.40	0.09	0.09	0.09	-0.27	-0.27	-0.27	-0.19	-0.19	-0.19	53	51	48	0.15	0.15	0.15
2025	End of Year	3QF	3.75	3.50	3.25	3.85	3.40	2.95	4.75	4.50	4.25	4.52	5.17	5.82	3.15	2.50	1.85	16,970	15,935	14,899	6.40	5.90	5.40
		Dif to 1QF	-1.25	-1.25	-1.25	-0.20	-0.20	-0.20	-0.50	-0.50	-0.50	0.10	0.10	0.10	-0.10	-0.10	-0.10	337	317	296	0.24	0.24	0.24
	Average	3QF	4.13	3.88	3.63	3.96	3.51	3.06	5.19	4.94	4.69	4.39	5.04	5.69	3.10	2.45	1.80	16,954	15,919	14,884	6.54	6.04	5.54
		Dif to 1QF	-0.93	-0.93	-0.93	-0.29	-0.29	-0.29	-0.16	-0.16	-0.16	0.09	0.09	0.09	-0.25	-0.25	-0.25	323	303	283	0.28	0.28	0.28
2026	End of Year	3QF	2.75	2.50	2.25	3.08	2.53	1.98	3.75	3.50	3.25	4.71	5.48	6.25	3.07	2.30	1.53	17,686	16,422	15,157	5.67	5.12	4.57
		Dif to 1QF	-0.75	-0.75	-0.75	0.33	0.33	0.33	0.00	0.00	0.00	-0.04	-0.04	-0.04	-0.10	-0.10	-0.10	897	833	768	-0.13	-0.13	-0.13
	Average	3QF	3.13	2.88	2.63	3.30	2.75	2.20	4.13	3.88	3.63	4.36	5.13	5.90	3.10	2.33	1.56	17,623	16,363	15,103	5.93	5.38	4.83
		Dif to 1QF	-0.53	-0.53	-0.53	0.35	0.35	0.35	0.18	0.18	0.18	0.40	0.40	0.40	-0.07	-0.07	-0.07	1,184	1,099	1,015	-0.04	-0.04	-0.04

Note: 1QF : KBVS forecast at the end of 1Q24,  
3QF : KBVS forecast at the end of 3Q24.

### The assumption regarding the global economic:

- Best Scenario: The gradual decrease of US inflation to a range between 2.4% YoY and 2.9% YoY into the end of 2024. This, in turn, could serve as the basis for a potential decrease in the Fed Rate by another 75 bps in the respective period. Additionally, geopolitical risk are easing, potentially acting as a catalyst for a decline in global oil prices. Both of these conditions are expected to act as catalysts for further reduction in UST yield.
- Base Scenario: The US inflation is expected to decrease to 2.7% - 3.2% YoY, thus the Fed Rate is anticipated to decrease by 100 bps in 2024, resulting in the UST yield approaching the 3.34% to 3.69% level by the end of 2024.
- Worst Scenario: However, if US inflation continues to persist above 3.2%, we are concerned that the Fed will maintain the Fed Rate at 4.75% till the end of 2024 (max 1 x 25 bps decreasing).

Meanwhile, the basic foundational assumption regarding the domestic economic involves:

- Best Scenario: If the Fed Rate could decrease and the USD remains stable, the hope is that BI will be able to lower the BI Rate to 5.25%. Furthermore, this scenario is expected to be supported by domestic political stability during the elections. Then, the financial market, particularly the SUN could be reduced to approach the level of 5.7% in the end of 2024.
- Base Scenario: We anticipate a scenario of 2 x 25 bps decrease in the Fed Rate, leading BI Rate to 5.50% at the end of 2024, with the Rupiah expected to around IDR15,491 per USD. Hopefully, the yield of SUN10Y is expected to decrease to 6.18% by the end of 2024.
- Worst Scenario: If the risk-off market sentiment persists, we are concerned that BI rate may only reduce by another 25 bps to 5.75% until the end of 2024. This is also concerning at a time when the Rupiah and domestic inflation are at the upper bounds of the BI's and gov't target. This could result in the possibility of SUN10Y yield reaching the 6.6% level at the respective period.