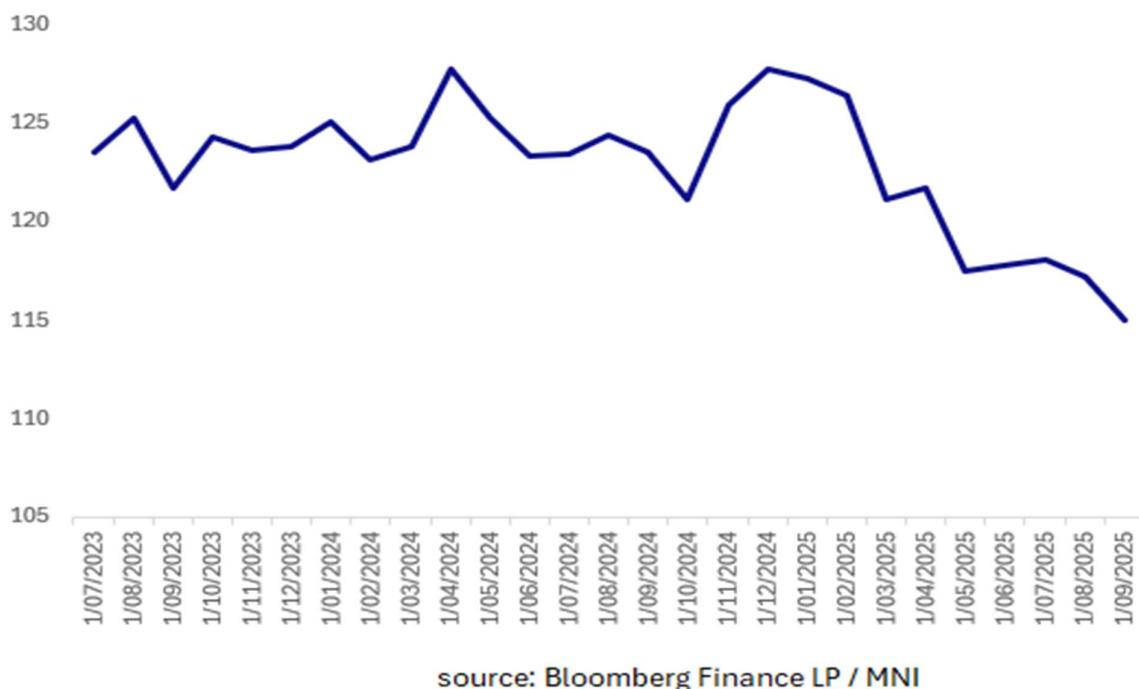


 The Macro, Valuation, Sentiment and Technical Lens

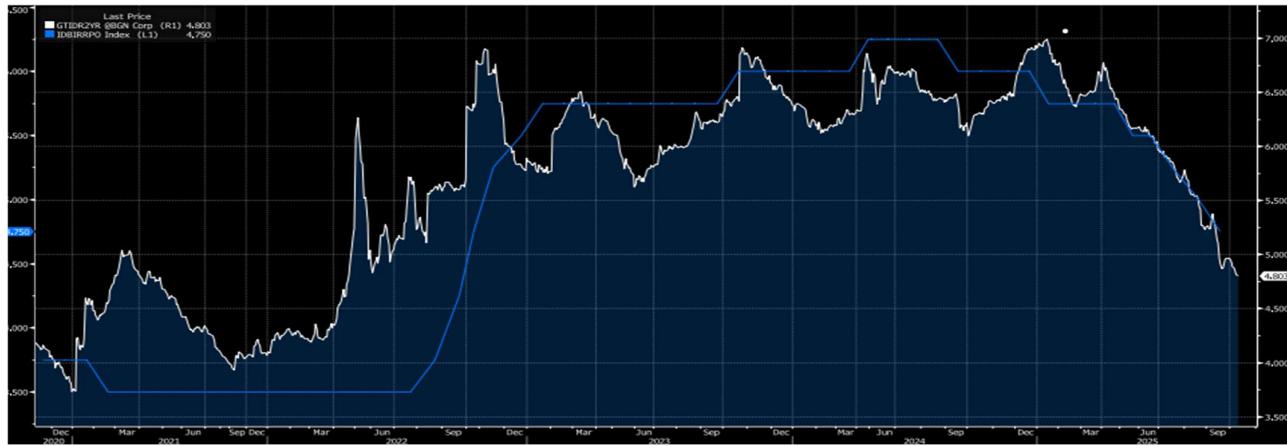
Macro: It has been a very light period for economic data in Indonesia at present with last week's key releases being consumer confidence and Foreign Reserves. Unsurprisingly, given the volatility of the Rupiah, reserves declined by \$2bn in September yet importantly remain elevated on historical comparisons. Consumer confidence peaked in early January and has been declining month on month since yet again remains strong on a historical basis. For the week ahead, no key data out only local auto sales and external debt.

Fig 1: Indonesia Consumer Confidence



Valuations: The price/earnings for the JCI is difficult to analyze over recent years given the COVID period. At present levels of 19.5x, it is forecast to trend lower below 15x into year end; before heading lower again into 2026. The 10-Yr government bond recently has rallied further and at 6.08% is now at late 2021 levels. The 2-Yr has rallied also as investors agitate over government intervention in the monetary policy decision making process. The 2-Yr now has a modest +5bps premium over the Central Bank rate.

Fig 2: INDOGB 2-Yr Yield vs BI 7-day Reverse Repo Rate



Source: Bloomberg Finance LP / MNI

Sentiment: Sentiment is finely balanced in Indonesia after protests intensified over the last few months. The protests were centred on an increase in the housing allowance for parliament members. The protests have calmed and the market continues to perform, but the issues remain. The market is now sensitive to government involvement in the Central Bank with the new FinMin suggesting that he could have made a good governor. Despite this, the JCI is up +16% year to date as investors allocate back into stocks.

Technicals: The BI has stated that their target for USDIR is 16,300 yet have struggled to stop its decline. Despite positive sentiment for equities and bonds, the Rupiah weakness has seen widening in moving averages, with the Rupiah now currently anchored on the 20-day EMA.

Fig3: USDIR vs 20, 50, 100 and 200-day EMA and BI Target.



Source: Bloomberg Finance LP / MNI

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