

Twin headwinds push market lower

The JCI Index declined by more than 2% in the afternoon session as geopolitical tensions in the Middle East persist. US President Donald Trump said the ceasefire with Iran is “on life support” after rejecting Tehran’s latest proposal. Domestically, the rupiah is under pressure today, with USD/IDR reaching a record high above Rp 17,500/USD amid rising pressure on foreign reserves. The market sell-off is also likely driven by anticipation of MSCI’s announcement tomorrow regarding Indonesia’s rebalancing. The JCI declined broadly across sectors.

JCI’s mover as of 13.50 am today (points):

| Leaders | Index Points | Laggards | Index Points |
|---------|--------------|----------|--------------|
| BRPT | +4.2 | MORA | -24.3 |
| APIC | +2.6 | DCII | -9.8 |
| ISAT | +0.9 | BBCA | -7.0 |
| ADRO | +0.9 | ASII | -7.0 |
| ELPI | +0.8 | IMPC | -6.0 |

Source: Bloomberg

Our take:

As the conflict in Middle East (and supply disruption) prolongs, the baseline scenarios for energy prices become higher. Hence, the GDP growth forecast become lower, while inflation forecast should adjust upward. For Indonesia, surge in oil price poses risk to Indonesia’s macroeconomy i.e. GDP growth, fiscal, inflation and current account/balance of payment.

Fixed Income:

Indonesia bonds trade weaker as USDIDR continued to weaken and break the 17,500 per USD level. 10yr benchmark series (FR108) is trading at 6.66-6.70%, up from yesterday closing position of 6.58%, while the 5yr benchmark (FR109) is trading at 6.63-6.69%, up from yesterday closing position of 6.51%. Today’s INDOGB auction recorded an incoming bid of IDR 51.4tn or significantly lower than previous incoming bid of IDR 74.9tn. On top of fresh supply from auction today, and BI’s repo rate higher from 5.10 to 5.20, INDOGB is expected to stay defensive and with yields higher in a flattening path

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