

HIGHLIGHT MONTHLY COMMENTARY

MACROECONOMY

- **October inflation was booked at 1.44% YoY** where on a monthly basis it came back to an inflation of 0.07% MoM driven by food inflation.
- **September trade balance remained positive at USD2.4bn** with both exports and imports contraction narrowing.
- **Forex reserve fell to USD135.2bn in September** while Bank Indonesia maintained the 7DRRR at 4.00% in September.
- Budget deficit was recorded at 4.16% of GDP as of September **with some pick-up in spending.**

EQUITY

- **JCI index made a comeback in October with a positive return of 5.3% MoM. Foreign investors still posted outflow of USD252mn in October. The market was mainly supported by the passing of the much-awaited Omnibus Law despite protests occurring on the ground.** However, the market was still supported by local investors as foreign still prefer to wait-and-see on implementation. The Jakarta Governor has moved Jakarta's PSBB back to transition mode while the government is preparing for COVID-19 vaccine roll out in the coming months. Globally, all eyes are on the upcoming US election with presidential candidate debates ongoing in October.
- **Global equity market was rather volatile in October ahead of the US election. The US market itself was under pressure due to uncertainties on the election, gridlock on the fiscal stimulus, and rising COVID-19 cases.** Similar trends were seen in Europe where COVID-19 case resurgence soared prompting Germany, France, and the UK to announce a second lockdown. Asian markets were rather mixed as investors were trying to assess US election risks as well as impacts to relations with China and Asian countries. China, the US, and the Euro area posted its 3Q20 GDP growth which signifies strong rebound on a quarterly basis.

FIXED INCOME

- **Fixed return was positive in October as the 10-year government bond yield fell from 6.97% to 6.61%. The bond market also posted foreign inflow of USD1.5bn in October.** As noises on Bank Indonesia's independence toned down while the Omnibus Law was passed, the bond market enjoyed a rally during the month. Foreign investors posted inflows on most days during the month which also helped the Rupiah. Moreover, news on vaccine development also helped blew positive sentiment to the bond market. Meanwhile, the US Treasury yield rose to 0.88% while the INDON30 yield closed at 2.18%.

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