

4th WEEK**November 2019**❖ **MACRO**

- President Donald Trump's attacks on the Federal Reserve and its chairman, Jerome Powell, are an abuse of power and represent a "big mistake" for the administration, 2020 Democratic presidential front-runner Joe Biden said in an interview with CNBC. "I'm not going to get into the personalities, but I do say this: The president should not be trying to pressure the Fed," Biden said in the interview with John Harwood. "That's supposed to be an independent entity out here. It's just like how he pressures the military and intervenes in the chain of command." "It's his way of abusing power across the board. It's a big mistake. A big mistake, and I would not do that," the former vice president added. Powell has stressed the importance of the Fed's independence from political influence throughout his tenure, almost always in response to the president's criticisms.
- Currencies in the developing world traded slightly lower on Tuesday as the dollar strengthened on encouraging signals in U.S.-China trade relations, and with South Africa's rand weakening after a warning from the International Monetary Fund. MSCI's index of emerging market currencies dipped 0.1%, while the dollar hit its firmest level in two weeks against Japan's yen earlier on Tuesday. China's Commerce Ministry said top trade negotiators from both sides held a phone call on Tuesday, and discussed "core issues of concern." "Investors are just waiting for more details before increasing their exposure to riskier assets, and definitely the dollar in this situation is benefiting," said Piotr Matys, emerging markets FX strategist at Rabobank. "It's a bit of, why take the risk and trade in EM assets when you can just continue buying the dollar." South Africa's rand weakened after the IMF said on Monday that the country faced a prolonged period of weak economic growth marked by rising unemployment, inequality and greater credit-rating risk if the government did not act fast to implement reforms.

- Review:

Though other presidents have tried to coerce the Fed into accommodative monetary policy in the past, prior criticism by presidents has been less personal and less frequent. Trump has been outspoken in his criticism of the Fed for nearly two years.

❖ **MICRO**

- Governor of Bank Indonesia (BI) Perry Warjiyo asks banks to cut lending rates. This must be done in line with the decline in the BI benchmark rate. The BI monetary policy during 2019 is to reduce the benchmark interest rate up to 4 times in one year, and now it has dropped 100 basis points (bps) to 5%. BI has also reduced the minimum statutory reserve requirement (GWM) or down payment amount by 100 bps. "Banks began to reduce interest rates, especially deposit rates, while lowering lending rates was limited. With accommodative BI policies, we expect banks to accelerate interest rate reductions and lending," Perry said at the BI Annual Meeting (PTBI) at the Raffles Hotel, Jakarta, Thursday (11/28/2019). According to him, the monetary policy can ensure adequate liquidity and maintain the stability of the rupiah exchange rate. "Monetary operations ensure adequate liquidity. Exchange rate stabilization is in accordance with market mechanisms," he explained.

- The increase in NPLs was mainly contributed from loans to the processing industry. The surge in processing industry non-performing loans originated from Duniatex's credit problems. "(NPL) there is zero, there is an increase in the processing industry. The impact processing industry from Duniatex is also processing, not downstream textile but upstream," said OJK Deputy Banking Supervision Commissioner Slamet Edy Purnomo at the Bank Indonesia Building complex (BI), Jakarta On Friday (11/29/2019). Eddy explained that NPL in the manufacturing sector until October 2019 was at 4.12%. That number is up from December 2018 2.52%. Total processing industry loans in October 2019 reached Rp 874 trillion. In addition to the manufacturing sector, the trade

industry also contributed to the banking NPL. This sector's NPL in October 2019 was at 3.92%, up from December 2018 at 3.57%

Review:

Even so, in maintaining the Indonesian economy in the global economic turmoil, the BI Governor will look closely at the development of the domestic economy. This will be accompanied by monetary policies that are adjusted to the challenges of the Indonesian economy going forward.

❖ **BANKING**

- Bank Mandiri prepares a recovery plan or bank rescue plan in the event of a shock or economic crisis. This was conveyed by Acting President Director of Bank Mandiri Sulaiman Arif Arianto in a hearing at the House of Representatives Commission XI, Jakarta, Tuesday (11/26/2019). Sulaiman said that the party prepared a recovery plan simulation with the condition of a crisis such as the 1998 monetary crisis. Bank Mandiri set the US dollar exchange rate against the rupiah for the simulation at Rp 37,000. "We have a recovery plan that we simulate like in 98. We simulate that Bank Mandiri will have a problem if the US dollar exchange rate reaches Rp 37,000," he said. global economic growth. At present it is also known that many large banks in the world are affected by the weakening of the global economy and have to make efficiency in reducing employees.
- PT Bank Tabungan Negara (Persero) Tbk immediately received additional approval of the Rp2 trillion Housing Financing Liquidity Facility (FLPP) from the government. With this agreement, BTN can immediately extend loans to as many as 20 thousand housing units by the end of this year. Director of Finance, Planning, and Treasury Nixon LP Napitupulu said, BTN in the near future would get additional approval of the FLPP. "The current FLPP quota has run out, because there is already a presidential order, a letter from the Ministry of Finance, PUPR a little longer. It should be today or Monday may come out in December," he said during a visit to the SOE Ministry, Central Jakarta,

Friday (29 / "We are also preparing provisions, so that once the letter is done, we sign, do not know today or Monday the direct signature of all BTN branches is ready to distribute an additional of approximately Rp 2 trillion," he said. He explained that the FLPP would temporarily use a BTN bailout fund of Rp 1.5 trillion and PT Sarana Multigriya Financial (SMF) of Rp 500 billion. This bailout will be replaced through an additional FLPP of Rp 2 trillion next year.

Review:

It is expected that the matchmaking business activities carried out by BRI are expected to be able to connect US entrepreneurs and Indonesian local entrepreneurs, particularly BRI Micro Small and Medium Enterprises (MSME) customers.

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