

MARKET UPDATES

28 February 2025

Market Commentary

Equity Market Performance

The JCI index (IHSG) in January weakened by -11.76% (ytd -11.43%), followed by the LQ45 Index decreased by -14.56% (ytd -14.88%). The JII Sharia stock index fell by -9.91% (ytd -14.49%) and the ISSI stock index decreased by -7.09% (ytd -8.74%). The domestic stock market dragged down sharply due to global political uncertainty and the trade war started by the US against its main trading partners.

The JCI in February closed lower where negative sentiment came from the US president's policy of new trade tariffs on its trading partners. The lack of domestic catalysts has forced foreign investors to record outflows on the Indonesian stock market of IDR 18,18 trillion during January. The January trade balance surplus was USD 3,450 million. IDX energy experienced the largest decline in February -16.74% due to concerns about the effect of new trade tariffs from the US on China, causing volatility in energy commodity prices.

The performance of the US stock market in February closed negative. DJIA fell -2.30% (ytd +3.05%) and S&P500 -1.76% (ytd +1.24%). The US stock market in February was quite volatile as investors were digesting the impact of the continued trade war and the prospects for the US economy including inflation if this trade war lasts for a long time.

Bond Market Performance

The bond market was recorded strengthen in February which the performance of the Bindo Index was +1.39% (ytd +1.98%). The 10-year bond yield in January was 6.98% and down to 6.91% at the end of February. Foreign ownership in SBN is IDR 890.15 trillion or 14.38%. Foreign investors posted inflow of IDR 8.86 trillion. The domestic bond market moved stronger amid attractive yields and market players appeared to be avoiding high-risk asset classes.

Money Market Performance

The Bank Indonesia Board of Governors agreed on 18-19th February 2025 to hold the BI-Rate at 5.75%, while also maintaining the Deposit Facility (DF) rate and Lending Facility (LF) rate at 5.00% and 6.50%, respectively. The decision is consistent with efforts to maintain inflation in 2025 and 2026 within the 2.5±1% target corridor, stabilize the rupiah exchange rate in line with economic fundamentals against a backdrop of persistently high global uncertainty and drive economic growth. Moving forward, Bank Indonesia will continue monitoring inflation and the economic growth outlook in terms of considering further room for monetary easing based on Rupiah exchange rate movements.

Conclusion

The stock market performance closed negative in February, influenced by sentiment from the US where President Trump attempted to increase trade tariffs on Mexico, Canada and China. Trump's aggressive attitude towards new trade tariffs makes investors see that inflation could rise again and will make it more difficult for the central bank to ease monetary policy.

The bond market closed higher in February and the IndoGB 10Y yield closed at 6.91% at the end of the month. The bond market moved stronger as market players avoided high-risk asset classes and shifted to the bond market. This current yield are quite attractive and considered more resilient to global turmoil.

Bank Indonesia held its benchmark interest rate at 5.75% in February 2025 according to consensus projections amid the weakening Rupiah exchange rate. The decline in SRBI yields has made investors start to switch to SBN and deposits which offer better yield. The Rupiah exchange rate during January weakened 1.61% to IDR 16,575 per USD. Bank Indonesia continues to monitor the prospects for inflation and economic growth in taking advantage of the space to reduce the BI-Rate interest rate by considering movements in the Rupiah exchange rate.

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