22 April 2024

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SYAILENDRA EXPLAINS

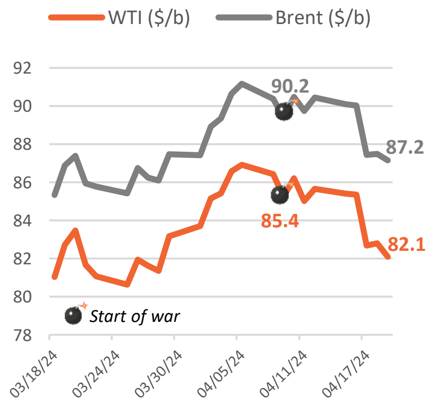
Israel-Iran War Impact to Equity, Oil, Bond and Dollar Index

Syailendra Investment Research Team

OVERVIEW	Last	%MoM
MACRO		
GDP Growth	5,05%	(as of 2023)
Inflation	3,05%	+11,0%
USD/IDR	16,249	+2,5%
PMI	54.2	+3,0%
Coal ($/t)	141.8	+9,9%
Gold ($/oz)	2,391	+7,1%
US 10-YR	4,62%	+9,9%
ID 10-YR	7,04%	+5,3%
BI Rates	6,00%	-
EQUITIES		
S&P 500	4,967	-5,5%
NASDAQ	17,037	-6,7%
JCI	7,087	-2,8%
P/E	17,1x	-2,0%

Data per 19 April 2024

Oil price movement in the current war
March – April (YTD) 2024



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What's On

- **Dampak serangan balik Israel ke Iran pada Jumat (19/4)** atas tembakan Iran ke Israel (13/4) sangat terbatas. Hingga kini, **belum ada serangan lanjutan** yang mengindikasikan bahwa **kedua negara berupaya menekan ketegangan konflik (CNN).**
- **DPR US memang meloloskan RUU bantuan dana militer senilai $95bn** (~IDR 1.539T) untuk Israel, Ukraina & Taiwan. Namun, para sekutu Israel berusaha **menahan Israel agar tidak terjadi eskalasi.**
- Investor juga mengamati **rilis data inflasi AS** per Maret yang masih **melebihi konsensus**. **Ekspektasi *Fed cut rate*** berpotensi **mundur** ke September (sebelumnya Juni) dan *cut rate* juga **jadi lebih kecil.**

Impact

- **IHSG terkoreksi –2,74%** sejak Selasa (16/4) hingga Jumat (19/4) dengan ***net foreign outflow* Rp 7,9T.** Selain itu, **ID10Y naik dari 6,65% ke 7,04%** sepekan kemarin dengan ***outflow* Rp 9,8T di SBN.**
- **Brent *oil* naik ke $87/b (+8,0%YoY)** dan **WTI ke $83/b (+7,5%YoY).** Namun, level ini masih **lebih rendah** dibandingkan posisi *oil* saat **tensi Rusia vs Ukraine yang menyentuh $120/b.**
- *Fed cut rate* diestimasikan **mundur ke September (estimasi sebelumnya Juni).** Selain, **jumlah *cut rate* diperkirakan turun signifikan** dari **7x menjadi hanya 2x** sepanjang 2024.

House View

- **Tensi Israel-Iran dapat berpotensi tidak terlalu meluas.** Sebelumnya, Israel juga tak melakukan eskalasi militer saat Gulf War 1991 saat Iran melakukan serangan.
- **Data historis** menunjukkan **perang di Timur Tengah tak pernah berlangsung lebih dari 1 tahun**. Tekanan ke pasar saham dan obligasi maupun kenaikan harga *oil* **bersifat temporer.**
- Koreksi IHSG saat ini lebih dikarenakan **melemahnya IDR terhadap USD** hingga ke Rp 16.2k/USD **(bukan karena perang).** Penguatan USD didorong **oleh ekonomi AS yang lebih baik daripada estimasi.**

War Duration >< Correction Size

Durasi perang tak berpengaruh terhadap besaran koreksi suatu aset. Contohnya, saat terjadi **Persian Gulf War selama 6,9 bulan, koreksi IHSG mencapai -38,5%.** Sebaliknya, saat Iraq War selama 8,84 bulan, **IHSG hanya terkoreksi -0,2%.**

Worth to note, IHSG **hanya terkoreksi 3 hari** saat Iraq War dan **25 hari** saat konflik Israel Palestine.

Hal ini menunjukkan bahwa **koreksi** yang terjadi di IHSG bersifat **temporer** dan **tidak dipengaruhi lamanya perang.**

Market Risk during War to IHSG
Equity correction is inevitable throughout the war

War	War Period	Downturn* Period	IHSG Downturn (%)
Iraq War	Mar – Dec'03 (8.84 months)	Mar–Mar'03 (0.36 months)	-0.2%
Persian Gulf War	Aug'90–Feb'91 (6.90 months)	Aug–Dec'90 (4.08 months)	-38.5%
Israel – Palestine Conflict	Oct'23–Apr'24 (6.33 months)	Oct–Nov'23 (0.82 months)	-3.6%

**Downturn : From the start of war to the lowest level*

IHSG Movement from the Lowest Level to the Pre-War Lvl.
The longest recovery took place during the Gulf War

War	Start of War Level	Lowest Level	Duration from the Lowest Lvl. to the Pre-War Lvl.
Iraq War	395	394	Mar-Mar'03 (0.10 months)
Persian Gulf War	612	376	Dec'90-Apr'96 (68.46 months)
Israel – Palestine Conflict	6888	6642	Nov-Nov'23 (0.46 months)

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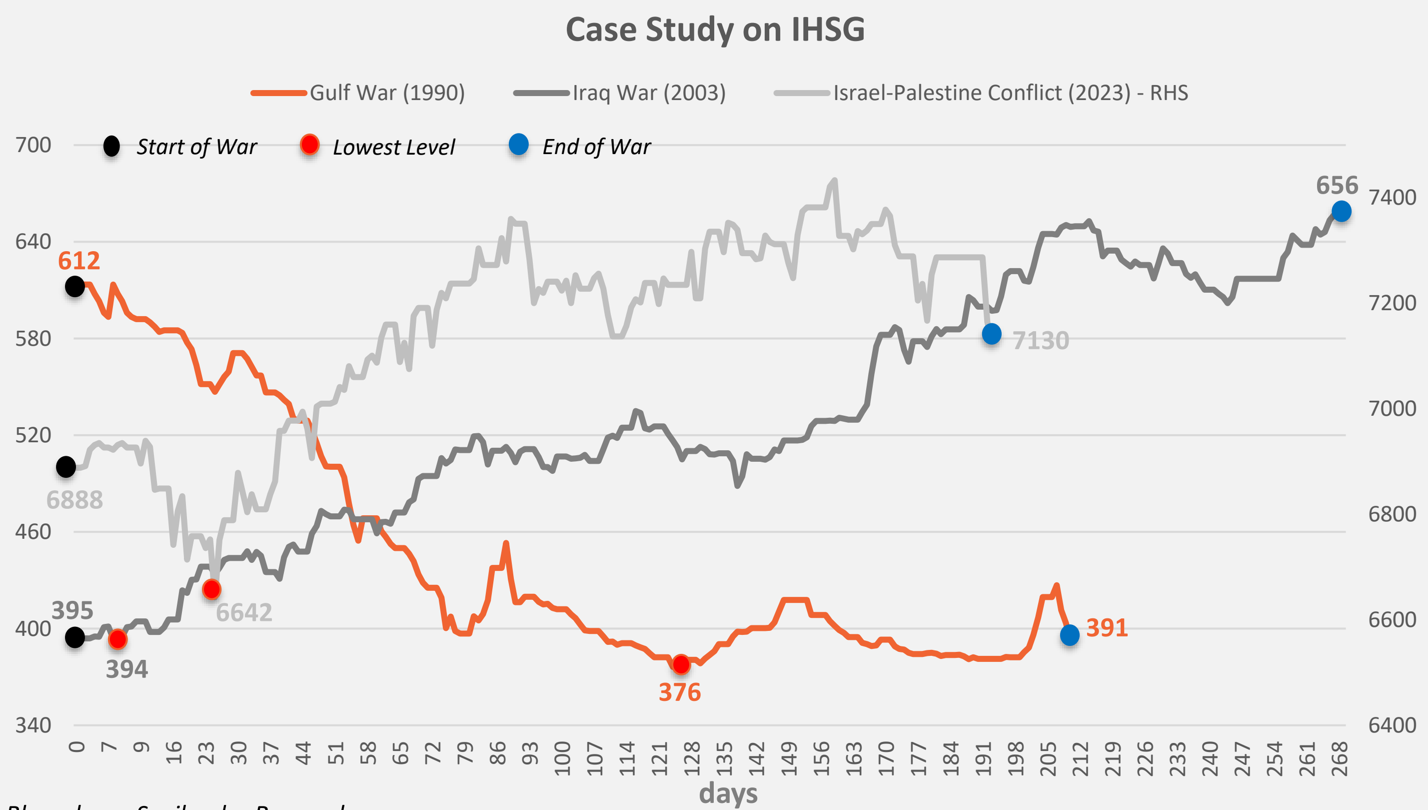
Case Study on IHSG
War duration has a weak correlation to the correction size



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Temporary Correction in S&P 500

Koreksi juga terjadi di indeks S&P 500 saat terjadi perang dan **lebih dalam dibandingkan IHSG saat Iraq War dan Israel-Palestine.**

Sama halnya dengan IHSG, **indeks S&P500 hanya terkoreksi temporer selama 11 hari saat** Iraq War dan **22 hari saat Israel – Palestine Conflict**.

Data historis ini menunjukkan bahwa tekanan dari perang **terhadap aset ekuitas bersifat temporer.**

Market Risk during War to S&P500
Equity correction is inevitable throughout the war

War	War Period	Downturn* Period	S&P500 Downturn (%)
Iraq War	Mar – Dec'03 (8.84 months)	Mar–Mar'03 (0.36 months)	-3.1%
Persian Gulf War	Aug'90–Feb'91 (6.90 months)	Aug–Dec'90 (4.08 months)	-15.9%
Israel – Palestine Conflict	Oct'23–Apr'24 (6.33 months)	Oct–Nov'23 (0.82 months)	-4.4%

**Downturn : From the start of war to the lowest level*

S&P500 Movement from the Lowest to the Pre-War Lvl.
S&P500 managed to record positive return by the end of war

War	Start of War Lvl.	Lowest Lvl.	Duration from the Lowest Lvl. to the Pre-War Lvl.
Iraq War	875	848	Mar-Apr'03 (0.10 months)
Persian Gulf War	351	296	Dec'90-Feb'91 (3.88 months)
Israel – Palestine Conflict	4308	4117	Nov-Nov'23 (0.20 months)

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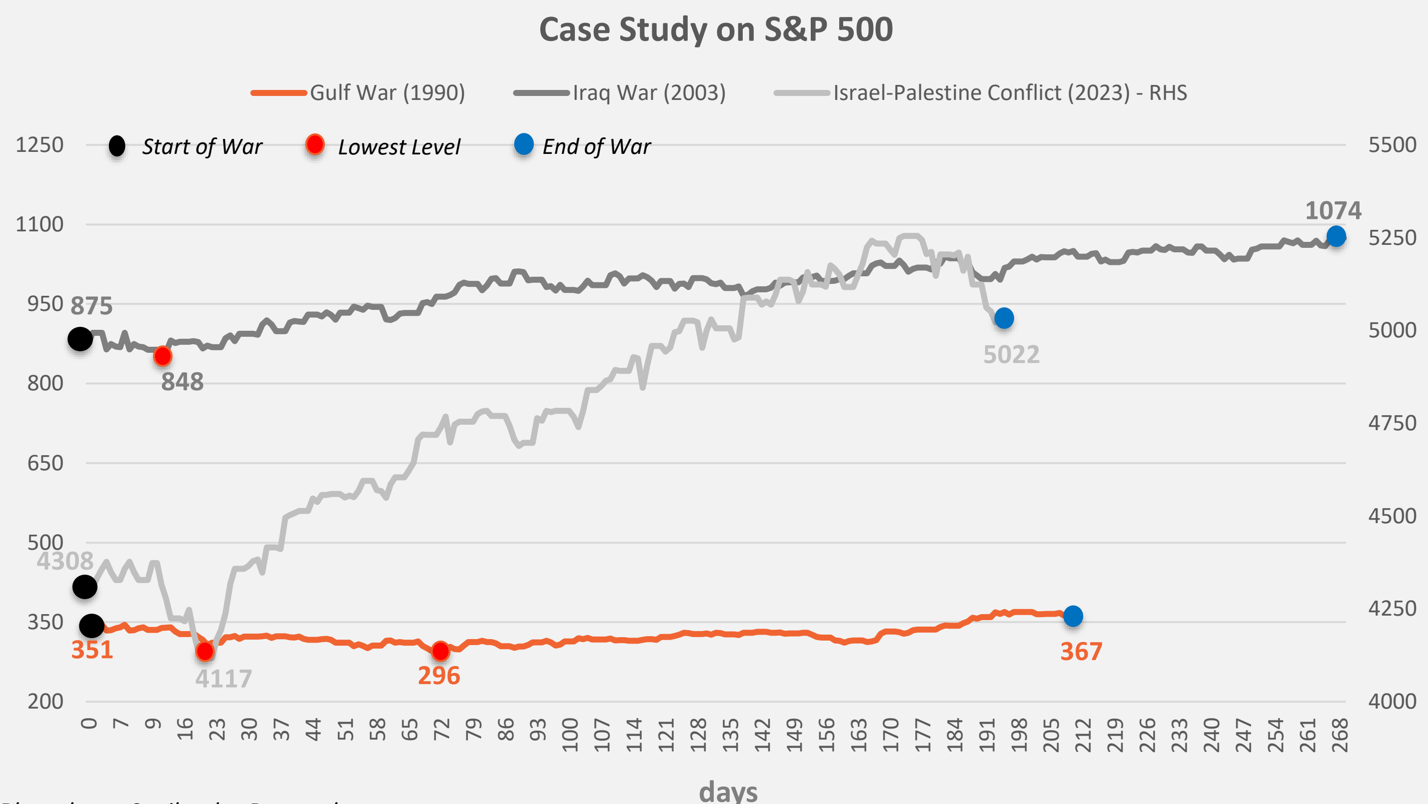
Case Study on S&P 500
S&P500 managed to record positive return by the end of war



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Oil Price Rise is Temporary

Komoditas *oil* **cukup sensitif** tiap kali terjadi **perang** dan **cenderung** naik tiap terjadi perang.

Kenaikan terbesar **terjadi saat Persian Gulf War +82,9%** dalam **waktu singkat hanya 2,24 bulan.**

Makin tinggi **lonjakan harga *oil*,** maka **tekanan ke pasar saham makin besar** (lihat **koreksi IHSG dan S&P 500 saat Persian Gulf War**).

Pada konflik Israel vs Iran, kenaikan **Brent relatif minim** yakni ke **$87/b (+0,26%MoM)** dan **WTI** ke **$82/b (+1,19%MoM)** sehingga **tekanan ke IHSG diperkirakan juga terbatas.**

Market Risk during War to Oil Price
War will typically trigger oil price spikes

War	War Period	Oil Shock Period*	Oil Price ($/b)		Oil Price Chg.
			From	To Highest	
Iraq War	Mar–Dec'03 (8.84 months)	Mar – Oct'03 (6.90 months)	25.5	31.1	+22,0%
Persian Gulf	Aug'90–Feb'91 (6.90 months)	Aug – Oct '90 (2.24 months)	21.9	40.2	+82,9%
Israel – Palestine Conflict	Oct'23–Apr'24 (6.33 months)	Oct' – Oct'23 (0.39 months)	84.6	92.4	+9,2%

**Shock Period : From the start of war to the highest level*

Duration of Oil Price to Normalize to the Pre-War Level
Gulf War took the longer time to normalize

War	Start of War Lvl.	Highest Lvl.	Duration from the Highest Lvl. to the Pre-War Lvl.
Iraq War	25.5	31.1	Oct'03-Nov'03 (0.62 months)
Persian Gulf War	21.9	40.2	Oct'90-Jan'91 (3.45 months)
Israel – Palestine Conflict	84.6	92.4	Oct'23-Nov'23 (0.49 months)

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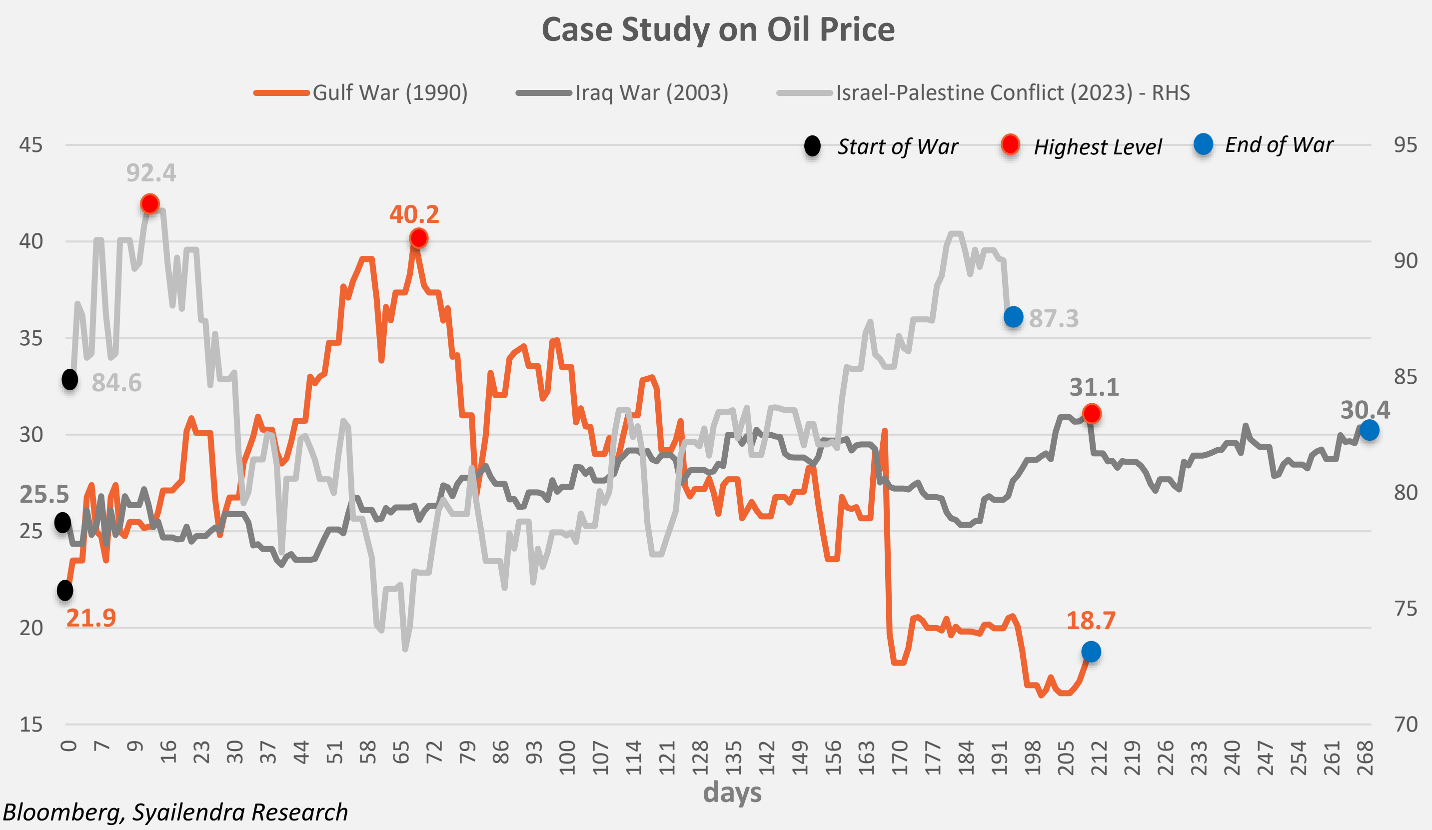
Case Study on Oil Price
The highest spike of oil price happened during the Gulf War in 1990



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Temporary pressure to the US Gov. Bond

Tiap kali perang dimulai, ***gov.bond yield*** **cenderung naik** yang menandakan **tekanan pada pasar obligasi.**

Namun, tekanan ke aset obligasi **sifatnya hanya temporer.** Tekanan paling minim terjadi saat konflik Israel – Palestina.

Pada konflik Israel-Iran, **US10Y terkerek naik dari 4,5% pada (13/4) ke 4,6%** pada Jumat (19/4). Sebelumnya, US10Y telah reli sejak awal April dari 4,2% yang didorong oleh **rilis berbagai data ekonomi AS yang melebihi ekspektasi.**

Market Risk during War to US10Y
US10Y initially ascends at the beginning of war

War	War Period	Duration to reach the highest of US10Y	US10Y* Movement		US10Y Chg. (bps)
			From	To Highest	
Iraq War	Mar–Dec'03 (8.84 mth.)	Mar – Sep'03 (5.46 mth.)	3.9%	4.6%	+65
Persian Gulf	Aug'90–Feb'91 (6.90 mth.)	Aug'- Aug'90 (0.72 mth.)	8.3%	9.0%	+66
Israel – Palestin e Conflict	Oct'23–Apr'24 (6.33 mth.)	Oct–Oct'23 (0.39 mth.)	4.8%	4.9%	+19

**Yield berkebalikan dengan price. Yield naik = Bond price turun*

Duration of US10Y to Normalize to the Pre-War Level
Gulf War took the longer time to normalize

War	Start of War Lvl.	Highest Lvl.	Duration from the Highest Lvl. to the Pre-War Lvl.
Iraq War	3.9%	4.6%	Sep-Sep'03 (0.92 months)
Persian Gulf War	8.3%	9.0%	Aug-Nov'90 (2.70 months)
Israel – Palestine Conflict	4.8%	4.9%	Oct-Oct'23 (0.16 months)

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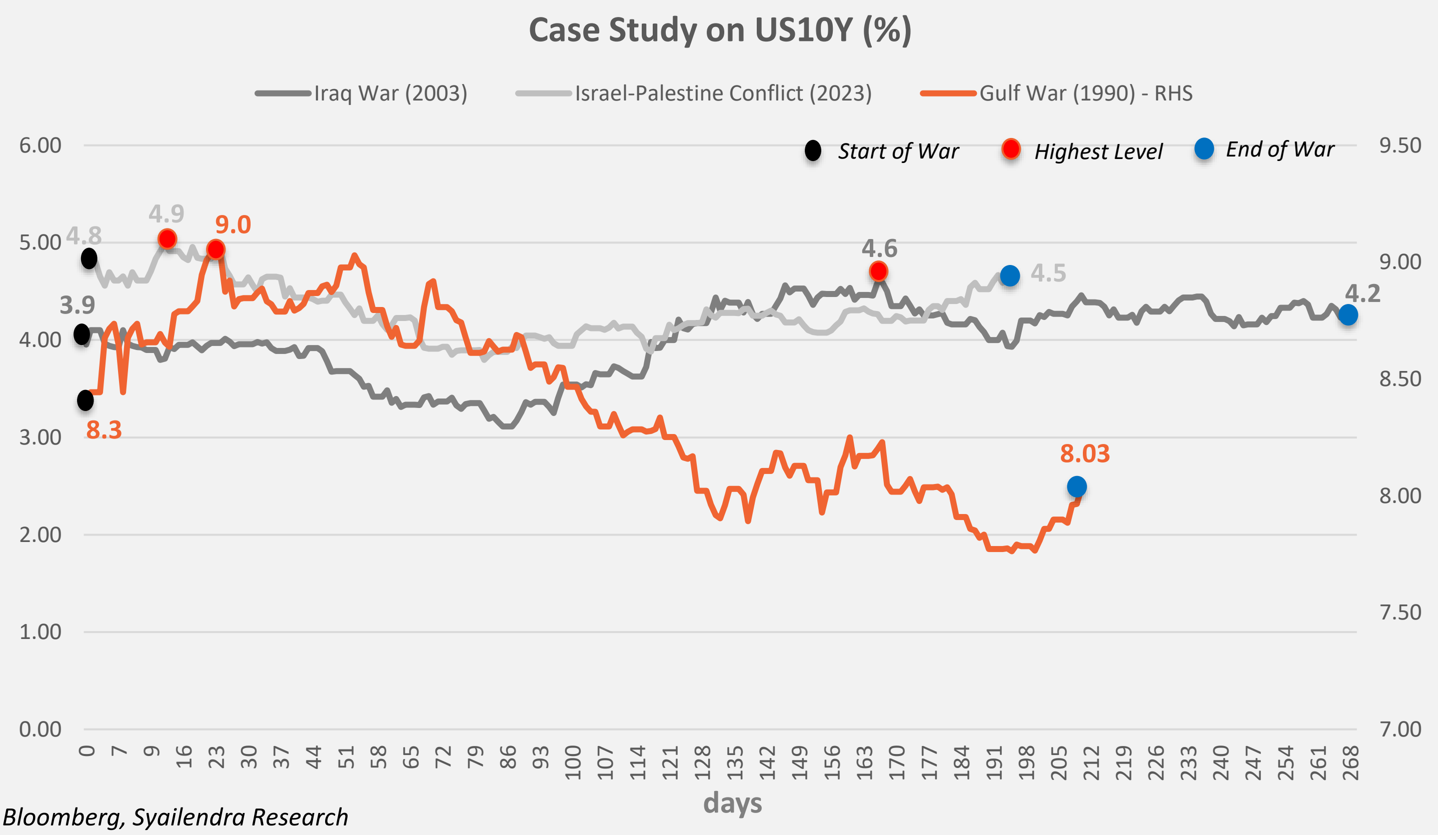
Case Study on US10Y
Gov. Bond correction precedes gradual recovery



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Dollar Index was Muted in Wartime

Transmisi risiko perang terhadap **pergerakan indeks Dolar AS (DXY) sangat minim.** Hal ini menunjukkan bahwa Namun, **penguatan DXY sejak awal 2024 sebesar +4,6%YTD** lebih didorong karena :

- **Ekonomi AS lebih baik daripada perkiraan** investor (*employment, retail consumption,* dan lainnya).
- **Perbaikan *economic growth outlook*** AS dari 2,1% -> 2,7% pada 2024F (by IMF, April'24).
- **Ekspektasi *Fed cut rate*** yang dimulai 2024 (walaupun skala *cut rate* lebih kecil).

Apresiasi terhadap US membuat **DXY menguat dan menekan Rupiah hingga ke IDR 16.250/USD pada Jumat (19/4).**

Market Risk during War to DXY

DXY movement tends to be muted during the wartime

War	War Period	Time taken to reach the highest of DXY	DXY Movement		DXY Chg.
			From	To Highest	
Iraq War	Mar–Dec'03 (8.84 mth.)	Mar – Mar'03 (0.03 mth.)	101.2	102.0	+0,8%
Persian Gulf	Aug'90–Feb'91 (6.90 mth.)	Aug'- Aug'90 (0.23 mth.)	87.7	87.8	+0,1%
Israel – Palestin e Conflict	Oct'23–Apr'24 (6.33 mth.)	Oct'23–Nov'23 (0.82 mth.)	106.4	106.9	+0,5%

Duration of DXY to Normalize to the Pre-War Level

DXY took a short time to be normalized due to the min.impact

War	Start of War Lvl.	Highest Lvl.	Duration from the Highest Lvl. to the Pre-War Lvl.
Iraq War	101.2	102.0	Mar-Mar'03 (0.10 months)
Persian Gulf War	87.7	87.8	Aug-Aug'90 (0.13 months)
Israel – Palestine Conflict	106.4	106.9	Nov-Nov'03 (0.07 months)

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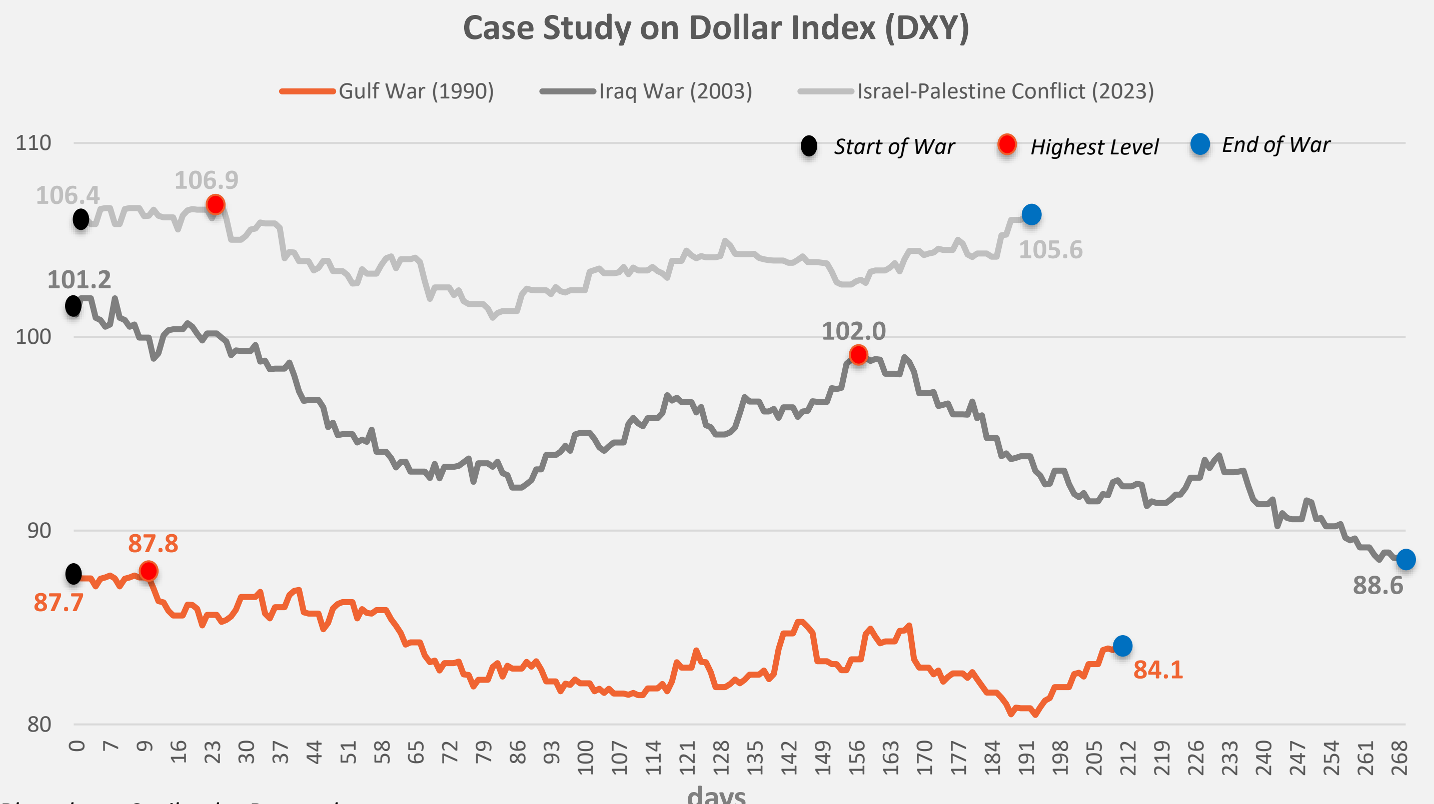
Case Study on Dollar Index (DXY)

War brings less impact to the DXY movement



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