

Daily Economic & Fixed Income Report

Economic-Currencies-Commodities-Fixed Income-Politics-Policies



Economic & Fixed Income Analysis

1 March 2023

Economic and Fixed Income Indicators

Currencies	2/28/2023	Daily (%)	MTD (%)	YTD (%)
EUR/USD	1.06	(0.3)	0.0	(1.2)
GBP/USD	1.20	(0.3)	0.0	(0.5)
AUD/USD	0.67	(0.1)	0.0	(1.2)
USD/CHF	0.94	0.7	0.0	1.9
USD/JPY	136.2	(0.0)	0.0	3.9
Dollar Index	104.9	0.2	0.0	1.3
Asia Dollar Index	100.3	(0.1)	0.0	(0.9)
USD/KRW	1,323	(0.0)	0.0	4.5
USD/SGD	1.35	0.1	0.0	0.7
USD/CNY	6.94	(0.1)	0.0	0.5
USD/INR	82.7	(0.2)	0.0	(0.1)
USD/IDR	15,250	(0.1)	0.0	(2.0)
USD/IDR 1 Month NDF	15,256	0.1	0.0	(1.8)
USD/MYR	4.49	0.2	0.0	1.9
USD/THB	35.4	0.7	0.0	2.2
USD/PHP	55.3	(0.4)	0.0	(0.7)

Rates	2/28/2023	Daily (bp)	MTD (bp)	YTD (bp)
US Treasuries 10-Year	3.92	0.6	0.0	4.5
Germany Bund 10-Year	2.65	6.9	0.0	8.0
Japan JGB 10-Year	0.51	(0.2)	0.0	8.3
LIBOR Overnight	4.56	0.0	0.0	23.8
LIBOR 1-Month	4.66	0.0	0.0	27.0
Indonesia INDOGB 10-Year	6.90	3.5	0.0	(4.1)
Indonesia INDOGB 5-Year	6.59	2.3	0.0	38.9
Indonesia INDOGB 2-Year	6.50	3.1	0.0	42.4
INDOGB-UST (bp)	297.90	2.9	0.0	(8.6)
Indonesia INDON 10-Year	5.11	(3.8)	0.0	31.4
Indonesia INDON 5-Year	5.05	(3.6)	0.0	35.9
Indonesia INDON 2-Year	5.14	2.1	0.0	34.5
INDON-UST (bp)	119.00	(4.4)	0.0	26.9
Indonesia Corporate AAA 10-Year	7.73	3.8	0.0	(1.8)
Indonesia Corporate AAA 5-Year	7.23	2.4	0.0	43.0
Indonesia Corporate AAA 2-Year	7.00	4.7	0.0	51.3
INDONIA	5.62	3.9	0.0	59.6
JIBOR 1-Month	6.40	0.0	0.0	19.8

Bond Indexes	2/28/2023	Daily (%)	MTD (%)	YTD (%)
S&P Global Bond Developed Index	176.6	0.0	0.0	0.4
EMBI Global Index	774.7	(0.1)	0.0	0.8
iShare USD EMBI Index	85.0	(0.2)	0.0	0.4
ICBI Index	349.8	0.0	0.0	1.5
IDMA Index	98.1	(0.0)	0.0	0.7
INDOBeX Government Bond Index	342.2	0.0	0.0	1.5
INDOBeX Corporate Bond Index	397.3	0.0	0.0	1.3

Prices	2/28/2023	Daily (%)	MTD (%)	YTD (%)
ID CDS 5-Year	93.8	(0.7)	0.0	(5.8)
JCI	6,843	(0.2)	0.0	(0.1)
S&P-Goldman Sachs Commodity Index	580.6	0.7	0.0	(4.8)
FR0095	99.17	(0.1)	0.0	0.0
FR0096	100.87	(0.2)	0.0	0.3
FR0097	100.05	(0.1)	0.0	(0.1)
FR0098	100.09	(0.2)	0.0	(0.4)

Source: Bloomberg, SSI Research

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MARKET PREVIEW

- Global financial markets ended a difficult February with another correction, which was triggered by US macro data and business indicators that haven't shown any significant impact of the Fed's tight monetary policy. This, coupled with Fed officials's statements regarding Fed's hawkish approach, prompted the market to project that the Fed's rate hike cycle will last longer than previously estimated.
- The UST 10Y yield rose 3bps to 3.94%, especially after Bank of America released its outlook on the Fed's benchmark interest rate, which could rise to 6% given the tight US labor market.
- In Europe, hotter-than-expected inflation France and Spain will put more pressure on the European Central Bank to maintain a hawkish monetary policy stance by raising its benchmark interest rate by 50 bps at its next meeting.
- Thus, we project that the yield on 10Y SUN will remain sideways, staying at around 6.89%, while rupiah is expected to reach IDR 15,270/USD amid external uncertainties.

DATA/POLICY UPDATE

BPS will announce February inflation data today. Outlook: We expect price pressure to decline further, except for food (prices of several food commodities went up ahead of Ramadan). Therefore, we predict that inflation will slow down to 0.20% MoM in February (January: 0.34% MoM, consensus: 0.13% MoM), though its YoY level might increase to 5.51% (January: 5.28% YoY, consensus: 5.42% YoY).

GLOBAL ECON

France's inflation rose to 6.2% yoy in February (prev: 6% yoy). Spain's inflation also rose to 6.1% yoy (prev: 5.9% yoy). (Reuters) **Comment:** Hotter-than-expected inflation in France and Spain is bad news for global market players, since it might encourage the European Central Bank (ECB) to adopt a more aggressive monetary policy. At the moment, the market predicts that ECB's benchmark interest rate will peak at 3.5%. With the latest developments, we believe that there is a possibility that the expected peak will be revised to 4%.

Vietnam's inflation fell to 4.3% yoy in February (prev: 4.9% yoy). Vietnam's core inflation also fell to 5% yoy (prev: 5.2% yoy). (Investing) **Comment:** The decline in inflationary pressure in Vietnam is positive news for the Southeast Asian region, and might encourage the Central Bank of Vietnam to hold its benchmark interest rate at around 6%. This might bring more confidence to Bank Indonesia to hold its own benchmark interest rate at 5.75%.

DOMESTIC ECON

Airlangga: The DHE policy will support economic stability. Coordinating Minister for Economic Affairs Airlangga Hartarto stated that the government would finalize the revision of PP No. 1 of 2019 concerning foreign exchange export proceeds (DHE) from natural resource management activities. The new regulation will require that at least 30% of DHE should be held in domestic banks for at least 3 months, which may bring additional foreign exchange reserves for Bank Indonesia to face future external turmoil. (*Investor Daily*)

Comment: The government has not provided any info about when the revised regulation will be implemented. Meanwhile, from our rough calculation, if 30% of DHE enters the domestic banking system, there will be an additional USD 26 billion in foreign exchange, which can strengthen the resilience of macro stability going forward.

FIXED INCOME

The incoming bids at the latest auction reached IDR 46tn, mostly for the benchmark tenors (5Y and 10Y), and the government absorbed as much as IDR 20tn (bid-to-cover ratio: 2.3x) (*DJPPR Kemenkeu*) **Comment:** The large public interest in yesterday's auction did not force the government to take higher yield bids. We see from the budget side, the government has no emergency needs at the moment, so the bids taken by the government were still quite reasonable.

BUY Recommendation: FR0081, FR0047, FR0073, FR0037, FR0088, FR0054.

Economic Calender

Time (Jakarta)	Country	Data and Event	Period	Survey	Prior
03/01/2023	ID	CPI Core YoY	Feb	3.24%	3.27%
03/01/2023	ID	CPI YoY	Feb	5.42%	5.28%
03/01/2023	ID	CPI NSA MoM	Feb	0.13%	0.34%
03/01/2023 07:30	ID	S&P Global Indonesia PMI Mfg	Feb	--	51.30

JN = Japan - US = United States - CH = China - EC = Eurozone Aggregate - ID = Indonesia - GE = Germany - FR = France - UK = United Kingdom

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1 March 2023

No.	Series	Issue Date	Maturity Date	Tenure (Year)	Coupon Rate	Actual Price	Yield to Maturity	Yield Curve	Valuation Price	Difference (bps)	Recommendation	Duration
1	FR63	8/13/2012	5/15/2023	0.21	5.6%	99.94	5.8%	6.2%	99.89	(36.59)	Expensive	0.21
2	FR46	7/19/2007	7/15/2023	0.38	9.5%	101.33	5.8%	6.2%	101.21	(42.74)	Expensive	0.37
3	FR39	8/24/2006	8/15/2023	0.46	11.8%	102.60	5.9%	6.2%	102.48	(33.94)	Expensive	0.46
4	FR70	8/29/2013	3/15/2024	1.04	8.4%	102.21	6.1%	6.2%	102.12	(10.87)	Expensive	1.00
5	FR77	9/27/2018	5/15/2024	1.21	8.1%	102.24	6.1%	6.3%	102.15	(10.78)	Expensive	1.17
6	FR44	4/19/2007	9/15/2024	1.55	10.0%	105.55	6.2%	6.3%	105.41	(12.73)	Expensive	1.43
7	FR81	8/1/2019	6/15/2025	2.30	6.5%	100.11	6.4%	6.3%	100.36	11.52	Cheap	2.12
8	FR40	9/21/2006	9/15/2025	2.55	11.0%	110.93	6.3%	6.3%	110.80	(7.66)	Expensive	2.23
9	FR84	5/4/2020	2/15/2026	2.97	7.3%	102.65	6.3%	6.4%	102.35	(11.82)	Expensive	2.69
10	FR86	8/13/2020	4/15/2026	3.13	5.5%	97.36	6.4%	6.4%	97.54	6.69	Cheap	2.87
11	FR56	9/23/2010	9/15/2026	3.55	8.4%	106.11	6.4%	6.4%	106.16	0.70	Cheap	3.07
12	FR37	5/18/2006	9/15/2026	3.55	12.0%	117.88	6.3%	6.4%	117.51	(12.71)	Expensive	2.93
13	FR90	7/8/2021	4/15/2027	4.13	5.1%	95.28	6.4%	6.4%	95.30	0.52	Cheap	3.71
14	FR59	9/15/2011	5/15/2027	4.21	7.0%	101.89	6.5%	6.4%	102.02	2.90	Cheap	3.68
15	FR42	1/25/2007	7/15/2027	4.38	10.3%	115.03	6.3%	6.5%	114.28	(19.22)	Expensive	3.61
16	FR94	3/4/2022	1/15/2028	4.88	5.6%	95.80	6.6%	6.5%	96.35	13.68	Cheap	4.26
17	FR47	8/30/2007	2/15/2028	4.97	10.0%	114.00	6.6%	6.5%	114.71	14.84	Cheap	4.04
18	FR64	8/13/2012	5/15/2028	5.21	6.1%	98.31	6.5%	6.5%	98.35	0.72	Cheap	4.49
19	FR95	8/19/2022	8/15/2028	5.47	6.4%	99.17	6.6%	6.5%	99.36	4.04	Cheap	4.64
20	FR71	9/12/2013	3/15/2029	6.05	9.0%	111.89	6.6%	6.5%	112.08	3.06	Cheap	4.73
21	FR78	9/27/2018	5/15/2029	6.21	8.3%	108.34	6.6%	6.6%	108.53	2.93	Cheap	4.97
22	FR52	8/20/2009	8/15/2030	7.47	10.5%	121.25	6.8%	6.6%	122.56	19.44	Cheap	5.48
23	FR82	8/1/2019	9/15/2030	7.55	7.0%	101.69	6.7%	6.6%	102.19	8.37	Cheap	5.86
24	FRSDG1	10/27/2022	10/15/2030	7.63	7.4%	103.95	6.7%	6.6%	104.41	7.26	Cheap	5.89
25	FR87	8/13/2020	2/15/2031	7.97	6.5%	98.49	6.7%	6.6%	99.11	10.14	Cheap	6.25
26	FR85	5/4/2020	4/15/2031	8.13	7.8%	106.25	6.7%	6.7%	106.80	8.19	Cheap	6.12
27	FR73	8/6/2015	5/15/2031	8.21	8.8%	112.37	6.8%	6.7%	113.07	9.92	Cheap	6.07
28	FR54	7/22/2010	7/15/2031	8.38	9.5%	117.56	6.7%	6.7%	117.97	5.44	Cheap	6.03
29	FR91	7/8/2021	4/15/2032	9.13	6.4%	97.17	6.8%	6.7%	97.80	9.43	Cheap	6.90
30	FR58	7/21/2011	6/15/2032	9.30	8.3%	109.74	6.8%	6.7%	110.54	10.65	Cheap	6.62
31	FR74	11/10/2016	8/15/2032	9.47	7.5%	104.95	6.8%	6.7%	105.43	6.55	Cheap	6.92
32	FR96	8/19/2022	2/15/2033	9.97	7.0%	100.87	6.9%	6.7%	101.88	13.83	Cheap	7.25
33	FR65	8/30/2012	5/15/2033	10.22	6.6%	98.70	6.8%	6.7%	99.10	5.26	Cheap	7.46
34	FR68	8/1/2013	3/15/2034	11.05	8.4%	110.80	7.0%	6.8%	112.23	17.22	Cheap	7.40
35	FR80	7/4/2019	6/15/2035	12.30	7.5%	103.80	7.0%	6.8%	105.49	19.76	Cheap	8.10
36	FR72	7/9/2015	5/15/2036	13.22	8.3%	110.57	7.0%	6.9%	111.89	14.08	Cheap	8.41
37	FR88	1/7/2021	6/15/2036	13.30	6.3%	97.18	6.6%	6.9%	94.65	(29.95)	Expensive	8.94
38	FR45	5/24/2007	5/15/2037	14.22	9.8%	124.00	7.0%	6.9%	125.54	14.41	Cheap	8.48
39	FR93	1/6/2022	7/15/2037	14.39	6.4%	97.00	6.7%	6.9%	95.19	(20.55)	Expensive	9.36
40	FR75	8/10/2017	5/15/2038	15.22	7.5%	104.19	7.0%	6.9%	105.26	11.02	Cheap	9.31
41	FR98	9/15/2022	6/15/2038	15.30	7.1%	100.09	7.1%	6.9%	101.75	17.60	Cheap	9.30
42	FR50	1/24/2008	7/15/2038	15.39	10.5%	130.50	7.2%	6.9%	133.34	24.72	Cheap	8.64
43	FR79	1/7/2019	4/15/2039	16.14	8.4%	112.77	7.0%	7.0%	113.55	7.27	Cheap	9.34
44	FR83	11/7/2019	4/15/2040	17.14	7.5%	103.55	7.1%	7.0%	105.02	14.34	Cheap	9.83
45	FR57	4/21/2011	5/15/2041	18.22	9.5%	124.25	7.1%	7.0%	125.25	8.06	Cheap	9.74
46	FR62	2/9/2012	4/15/2042	19.14	6.4%	93.50	7.0%	7.0%	93.00	(5.03)	Expensive	10.81
47	FR92	7/8/2021	6/15/2042	19.31	7.1%	100.60	7.1%	7.1%	100.78	1.61	Cheap	10.50
48	FR97	8/19/2022	6/15/2043	20.31	7.1%	100.06	7.1%	7.1%	100.54	4.40	Cheap	10.72
49	FR67	7/18/2013	2/15/2044	20.98	8.8%	115.40	7.3%	7.1%	117.99	21.42	Cheap	10.48
50	FR76	9/22/2017	5/15/2048	25.23	7.4%	102.63	7.1%	7.2%	102.39	(2.13)	Expensive	11.76
51	FR89	1/7/2021	8/15/2051	28.48	6.9%	97.93	7.0%	7.2%	95.93	(16.92)	Expensive	12.49

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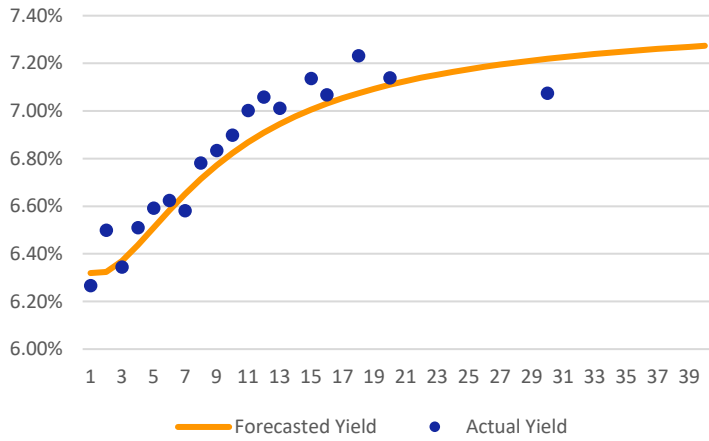
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Economic & Fixed Income Analysis

1 March 2023

Chart 1. Samuel's Yield Curve Forecast



Source: Bloomberg

Chart 2. Leading Indicator for Indonesian Economic Recession



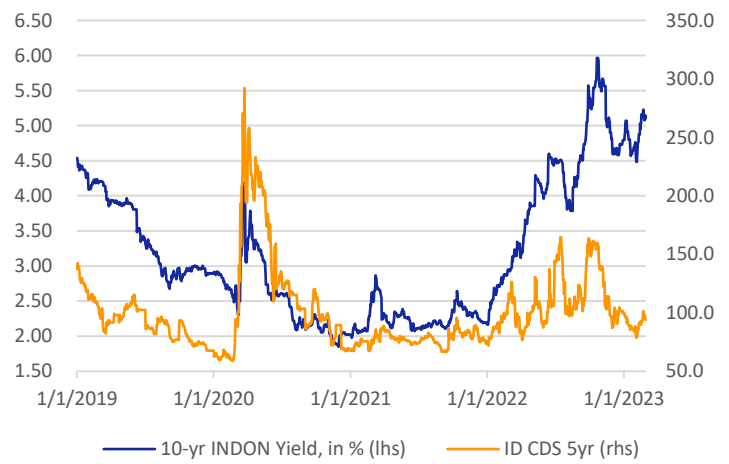
Source: Bloomberg

Chart 3. Leading Indicator for US-Indonesia Bond Market Linkage



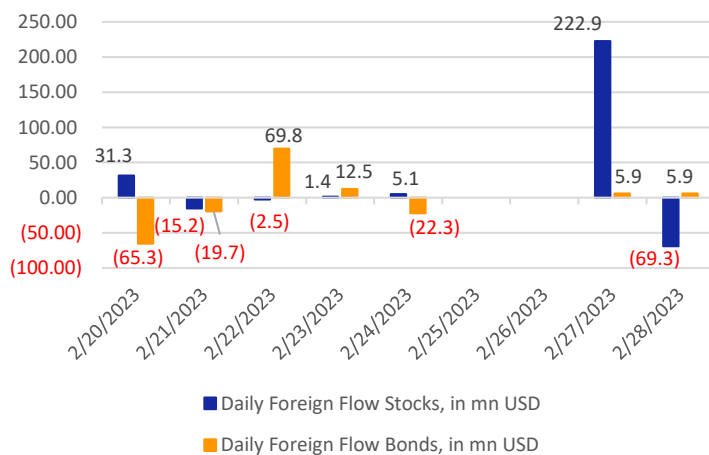
Source: Bloomberg

Chart 4. Leading Indicator for Bond Market Volatility



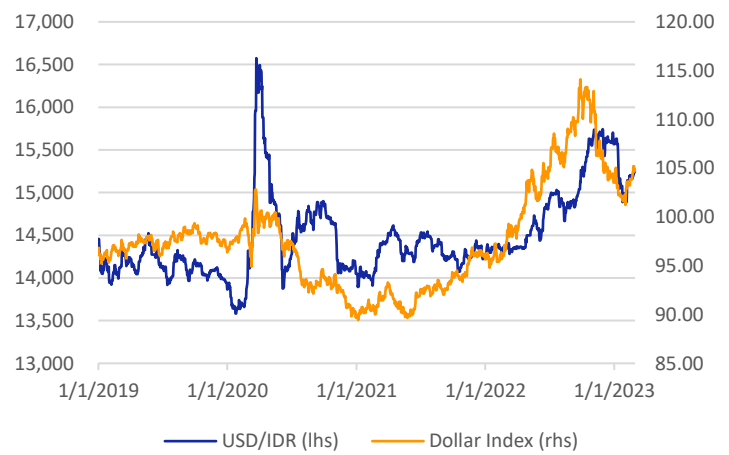
Source: Bloomberg

Chart 5. Foreign Capital Flow Indicator



Source: Bloomberg

Chart 6. Exchange Rate Indicator



Source: Bloomberg

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1 March 2023

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