Daily Economic & Fixed Income Report

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

Economic & Fixed Income Analysis

17 May 2023

Economic and Fixed Income Indicators

Currencies	5/16/2023	Daily (%)	MTD (%)	YTD (%)
EUR/USD	1.09	(0.1)	(1.4)	1.5
GBP/USD	1.25	(0.3)	(0.6)	3.4
AUD/USD	0.67	(0.7)	0.6	(2.3)
USD/CHF	0.90	0.1	0.2	(3.0)
USD/JPY	136.4	0.2	0.1	4.0
Dollar Index	102.6	0.1	0.9	(0.9)
Bloomberg Asia Dollar Index	93.5	(0.2)	(0.6)	(1.1)
USD/KRW	1,339	0.2	0.0	5.8
USD/SGD	1.34	0.3	0.4	0.1
USD/CNY	6.98	0.4	0.9	1.1
USD/INR	82.2	(0.1)	0.5	(0.6)
USD/IDR	14,820	0.1	1.0	(4.8)
USD/IDR 1 Month NDF	14,886	0.6	1.5	(4.2)
USD/MYR	4.50	0.0	0.8	2.2
USD/THB	34.0	0.5	(0.5)	(1.9)
USD/PHP	56.1	(0.0)	1.3	0.6
Rates	**5/16/2023**	**Daily (bp)**	**MTD (bp)**	**YTD (bp)**
US Treasuries 10-Year	3.53	3.2	11.2	(34.1)
Germany Bund 10-Year	2.35	4.4	4.0	(21.8)
Japan JGB 10-Year	0.40	(1.0)	0.3	(2.5)
LIBOR Overnight	5.06	0.0	25.1	74.4
LIBOR 1-Month	5.11	0.0	4.6	71.6
Indonesia INDOGB 10-Year	6.43	(0.5)	(10.3)	(51.1)
Indonesia INDOGB 5-Year	6.09	(2.6)	(19.4)	(11.9)
Indonesia INDOGB 2-Year	5.91	(5.4)	(28.3)	(16.9)
INDOGB-UST (bp)	289.51	(3.7)	(21.5)	(17.0)
Indonesia INDON 10-Year	4.56	(1.3)	(12.5)	(23.6)
Indonesia INDON 5-Year	4.36	(1.2)	(9.3)	(32.2)
Indonesia INDON 2-Year	4.49	3.2	3.6	(30.3)
INDON-UST (bp)	102.61	(4.5)	(23.7)	10.5
Indonesia Corporate AAA 10-Year	7.07	3.3	(14.8)	(67.7)
Indonesia Corporate AAA 5-Year	6.67	(0.5)	(20.6)	(13.0)
Indonesia Corporate AAA 2-Year	6.42	(4.0)	(32.2)	(6.0)
INDONIA	5.55	(3.1)	(16.4)	52.2
JIBOR 1-Month	6.40	0.0	0.1	20.0
Bond Indexes	**5/16/2023**	**Daily (%)**	**MTD (%)**	**YTD (%)**
S&P Global Bond Developed Index	180.6	(0.2)	(0.3)	2.7
EMBI Global Index	783.4	(0.2)	(0.8)	2.0
iShare USD EMBI Index	84.6	(0.2)	(1.2)	(0.1)
ICBI Index	361.3	0.2	1.3	4.8
IDMA Index	100.2	0.1	1.0	2.9
INDOBeX Government Bond Index	353.6	0.2	1.3	4.9
INDOBeX Corporate Bond Index	407.0	0.1	0.9	3.8
Prices	**5/16/2023**	**Daily (%)**	**MTD (%)**	**YTD (%)**
ID CDS 5-Year	95.6	0.6	(0.3)	(4.0)
JCI	6,677	(0.5)	(3.5)	(2.5)
S&P-Goldman Sachs Commodity Index	542.7	(0.5)	(3.8)	(11.0)
FR0095	101.39	0.1	0.8	2.3
FR0096	104.30	0.0	0.8	3.7
FR0097	104.52	0.0	2.0	4.3
FR0098	104.73	0.1	2.2	4.2

Source: Bloomberg, SSI Research

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Short-term bond rally continues despite global uncertainty

As we previously expected, the bullish rally of short-term bonds (2-year) continued, as reflected by the drop in 2-year INDOGB yield (-5 bps to 5.91%), which led to an increase in the spread between 10-year INDOGB and 2-year INDOGB to 52 bps yesterday (5/16). In our opinion, this movement shows investors' anticipatory action against the possibility of BI starting to cut its 7DRRR in 3Q23, even though global bond markets, especially developing countries, felt some pressure from China's latest economic data (see Global Economic News) and prolonged negotiations over US debt ceiling. We advise investors to take 'long' position in short-term instruments. We expect 10-year INDOGB yield and rupiah to consolidate today, staying within the range of 6.4-6.5% and IDR 14,750-14,850 per USD, respectively.

Fixed Income News: The Ministry of Finance issued IDR 15tn worth of SUNs at the SUN auction on Tuesday (5/16). Just as we predicted, the government reduced the supply of new SUN amid high investor demand, as reflected in total incoming bids (IDR 65.45tn), much higher than the previous SUN auction in April (4/11; IDR 45tn). Seeing the data, we believe that bullish sentiment on domestic bonds will continue for a while. (*DJPPR*)

Global Economic News: China's post-pandemic economic recovery lost some steam in April, as shown by the lower-than-expected industrial production growth (5.6% yoy, Mar: 3.9% yoy, Cons Apr: 10.9% yoy), retail sales growth (18.4% yoy, Mar: 10.6) % yoy, Cons Apr: 21% yoy) and fixed asset investment growth (4.7% yoy, Mar: 5.1% yoy, Cons Apr: 5.5% yoy). We believe that the decline had been expected by foreign investors, as shown by the sell-off in emerging bond markets, which started two days ago (5/15) and continues to this day, although with lower intensity. In our opinion, the data will have a negative impact on commodity stocks in the JCI. (*Nikkei*)

Domestic Economic News: Coal reference price fell to USD 206.16 per metric ton (Apr: USD 265.26 per MT) in May. In our opinion, the decline is consistent with the global market developments. Newcastle coal price fell -12.8% mtd to USD 161 per MT. Considering China's slower-than-expected economic growth, we expect coal sector's prospects will be further eroded. (*Kontan*)

Recommendation: FR0096, FR0097, FR0050, FR0075, FR0079, PBS007, PBS034, PBS035.

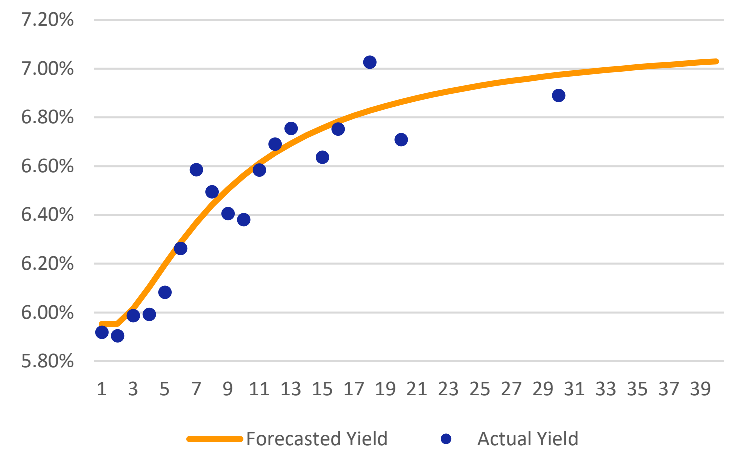
Economic Calender

Time (Jakarta)	Country	Data and Event	Period	Survey	Prior
05/17/2023 06:50	JN	GDP Annualized SA QoQ	1Q P	0.80%	0.10%
05/17/2023 06:50	JN	GDP SA QoQ	1Q P	0.20%	0.00%
05/17/2023 19:30	US	Housing Starts	Apr	1400k	1420k
05/17/2023 19:30	US	Building Permits	Apr	1430k	1430k

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

No.	Series	Issue Date	Maturity Date	Tenure (Year)	Coupon Rate	Actual Price	Yield to Maturity	Yield Curve	Valuation Price	Spread to YC (bps)	Recommendation	Duration
1	FR46	7/19/2007	7/15/2023	0.16	9.5%	100.55	5.6%	5.9%	100.58	(30.74)	Expensive	0.17
2	FR39	8/24/2006	8/15/2023	0.25	11.8%	101.45	5.3%	5.9%	101.42	(57.84)	Expensive	0.25
3	FR70	8/29/2013	3/15/2024	0.83	8.4%	102.03	5.8%	6.0%	101.94	(18.23)	Expensive	0.80
4	FR77	9/27/2018	5/15/2024	1.00	8.1%	102.19	5.8%	6.0%	102.06	(17.59)	Expensive	0.97
5	FR44	4/19/2007	9/15/2024	1.34	10.0%	105.20	5.8%	6.0%	105.08	(17.09)	Expensive	1.24
6	FR81	8/1/2019	6/15/2025	2.08	6.5%	101.27	5.8%	6.0%	100.88	(20.85)	Expensive	1.94
7	FR40	9/21/2006	9/15/2025	2.34	11.0%	110.88	5.9%	6.1%	110.60	(16.74)	Expensive	2.07
8	FR84	5/4/2020	2/15/2026	2.76	7.3%	102.84	6.1%	6.1%	102.89	0.56	Cheap	2.52
9	FR86	8/13/2020	4/15/2026	2.92	5.5%	98.93	5.9%	6.1%	98.41	(20.03)	Expensive	2.70
10	FR56	9/23/2010	9/15/2026	3.34	8.4%	107.26	5.9%	6.1%	106.67	(20.58)	Expensive	2.92
11	FR37	5/18/2006	9/15/2026	3.34	12.0%	118.00	5.9%	6.1%	117.46	(20.11)	Expensive	2.80
12	FR90	7/8/2021	4/15/2027	3.92	5.1%	97.17	5.9%	6.2%	96.41	(22.49)	Expensive	3.55
13	FR59	9/15/2011	5/15/2027	4.00	7.0%	103.44	6.0%	6.2%	102.88	(16.15)	Expensive	3.53
14	FR42	1/25/2007	7/15/2027	4.17	10.3%	115.07	6.1%	6.2%	114.72	(10.68)	Expensive	3.47
15	FR94	3/4/2022	1/15/2028	4.67	5.6%	97.88	6.1%	6.2%	97.52	(8.99)	Expensive	4.11
16	FR47	8/30/2007	2/15/2028	4.76	10.0%	116.18	6.0%	6.2%	115.34	(20.66)	Expensive	3.91
17	FR64	8/13/2012	5/15/2028	5.00	6.1%	100.32	6.0%	6.2%	99.51	(19.17)	Expensive	4.34
18	FR95	8/19/2022	8/15/2028	5.25	6.4%	101.40	6.1%	6.3%	100.53	(20.07)	Expensive	4.51
19	FR99	1/27/2023	1/15/2029	5.67	6.4%	101.09	6.2%	6.3%	100.56	(11.53)	Expensive	4.78
20	FR71	9/12/2013	3/15/2029	5.84	9.0%	113.30	6.2%	6.3%	113.06	(5.58)	Expensive	4.63
21	FR78	9/27/2018	5/15/2029	6.00	8.3%	109.96	6.2%	6.3%	109.62	(7.11)	Expensive	4.86
22	FR52	8/20/2009	8/15/2030	7.25	10.5%	125.23	6.1%	6.4%	123.69	(24.38)	Expensive	5.41
23	FR82	8/1/2019	9/15/2030	7.34	7.0%	103.96	6.3%	6.4%	103.61	(6.20)	Expensive	5.77
24	FRSDG1	10/27/2022	10/15/2030	7.42	7.4%	104.76	6.6%	6.4%	105.81	17.02	Cheap	5.79
25	FR87	8/13/2020	2/15/2031	7.76	6.5%	100.83	6.4%	6.4%	100.61	(3.93)	Expensive	6.15
26	FR85	5/4/2020	4/15/2031	7.92	7.8%	107.99	6.4%	6.4%	108.24	3.45	Cheap	6.04
27	FR73	8/6/2015	5/15/2031	8.00	8.8%	114.18	6.4%	6.4%	114.46	3.64	Cheap	5.99
28	FR54	7/22/2010	7/15/2031	8.17	9.5%	118.41	6.5%	6.4%	119.34	12.62	Cheap	5.95
29	FR91	7/8/2021	4/15/2032	8.92	6.4%	100.00	6.4%	6.5%	99.43	(8.63)	Expensive	6.83
30	FR58	7/21/2011	6/15/2032	9.09	8.3%	111.78	6.5%	6.5%	112.10	3.97	Cheap	6.56
31	FR74	11/10/2016	8/15/2032	9.26	7.5%	107.01	6.5%	6.5%	107.04	0.07	Cheap	6.85
32	FR96	8/19/2022	2/15/2033	9.76	7.0%	104.58	6.4%	6.5%	103.56	(14.12)	Expensive	7.21
33	FR65	8/30/2012	5/15/2033	10.01	6.6%	101.19	6.5%	6.5%	100.82	(5.13)	Expensive	7.41
34	FR68	8/1/2013	3/15/2034	10.84	8.4%	113.89	6.6%	6.6%	113.99	0.82	Cheap	7.39
35	FR80	7/4/2019	6/15/2035	12.09	7.5%	106.94	6.7%	6.6%	107.35	4.62	Cheap	8.10
36	FR72	7/9/2015	5/15/2036	13.01	8.3%	112.98	6.7%	6.6%	113.83	8.90	Cheap	8.40
37	FR88	1/7/2021	6/15/2036	13.09	6.3%	97.96	6.5%	6.6%	96.55	(16.62)	Expensive	8.89
38	FR45	5/24/2007	5/15/2037	14.01	9.8%	125.60	6.9%	6.7%	127.59	18.58	Cheap	8.47
39	FR93	1/6/2022	7/15/2037	14.18	6.4%	101.35	6.2%	6.7%	97.13	(46.30)	Expensive	9.42
40	FR75	8/10/2017	5/15/2038	15.01	7.5%	106.98	6.8%	6.7%	107.27	2.90	Cheap	9.33
41	FR98	9/15/2022	6/15/2038	15.09	7.1%	104.79	6.6%	6.7%	103.74	(10.90)	Expensive	9.40
42	FR50	1/24/2008	7/15/2038	15.18	10.5%	133.85	6.9%	6.7%	135.51	13.84	Cheap	8.69
43	FR79	1/7/2019	4/15/2039	15.93	8.4%	115.96	6.7%	6.8%	115.64	(3.18)	Expensive	9.39
44	FR83	11/7/2019	4/15/2040	16.93	7.5%	107.14	6.8%	6.8%	107.07	(0.77)	Expensive	9.92
45	FR57	4/21/2011	5/15/2041	18.01	9.5%	125.27	7.0%	6.8%	127.49	18.09	Cheap	9.74
46	FR62	2/9/2012	4/15/2042	18.93	6.4%	96.85	6.7%	6.9%	94.97	(18.37)	Expensive	10.93
47	FR92	7/8/2021	6/15/2042	19.10	7.1%	104.83	6.7%	6.9%	102.81	(18.52)	Expensive	10.65
48	FR97	8/19/2022	6/15/2043	20.10	7.1%	104.69	6.7%	6.9%	102.57	(19.08)	Expensive	10.91
49	FR67	7/18/2013	2/15/2044	20.77	8.8%	118.66	7.0%	6.9%	120.18	11.99	Cheap	10.60
50	FR76	9/22/2017	5/15/2048	25.02	7.4%	104.89	7.0%	7.0%	104.30	(4.85)	Expensive	11.88
51	FR89	1/7/2021	8/15/2051	28.27	6.9%	99.94	6.9%	7.1%	97.61	(19.28)	Expensive	12.63

Chart 1. Samuel's Yield Curve Forecast

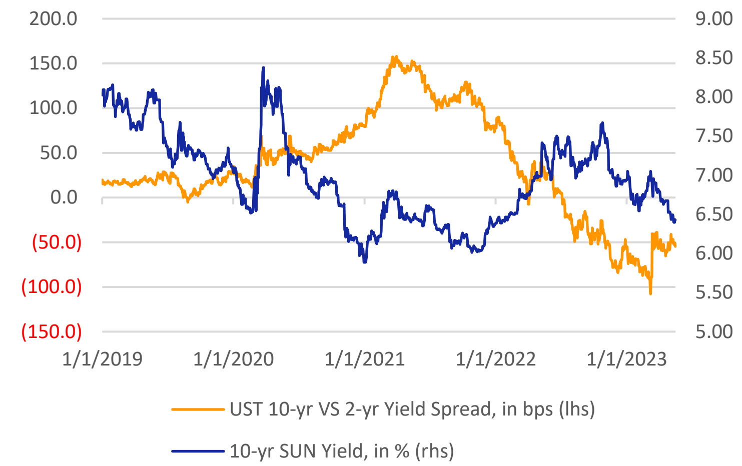


Source: Bloomberg

Chart 2. Leading Indicator for Indonesian Economic Recession

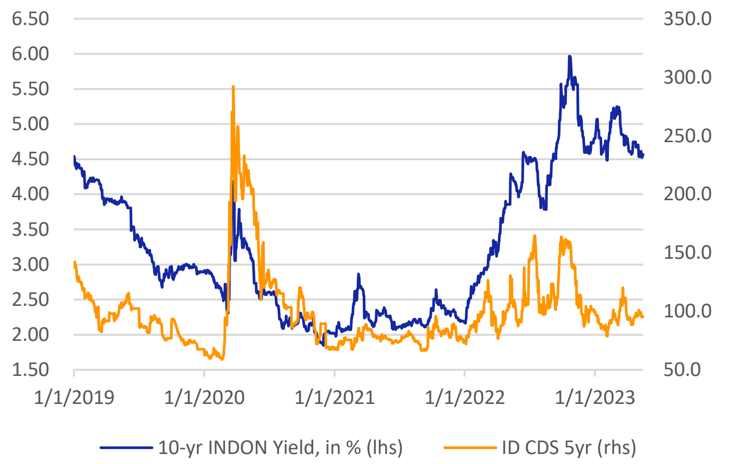
Source: Bloomberg

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



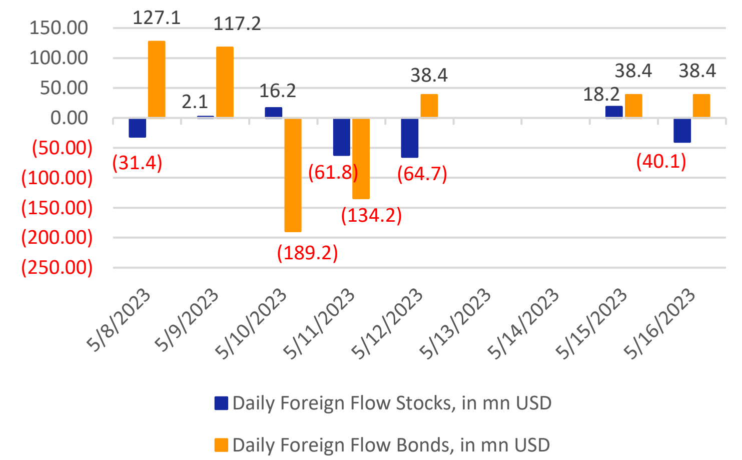
Source: Bloomberg

Chart 4. Leading Indicator for Bond Market Volatility



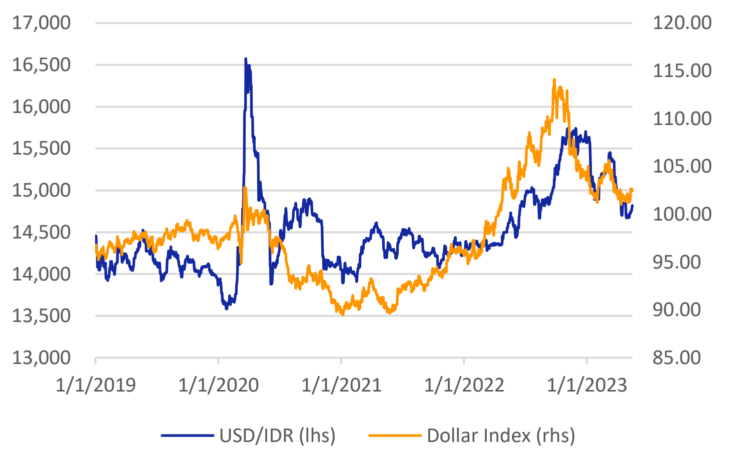
Source: Bloomberg

Chart 5. Foreign Capital Flow Indicator



Source: Bloomberg

Chart 6. Exchange Rate Indicator



Source: Bloomberg

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