

Daily Economic & Fixed Income Report

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



Economic & Fixed Income Analysis

23 May 2023

Economic and Fixed Income Indicators

Currencies	5/22/2023	Daily (%)	MTD (%)	YTD (%)
EUR/USD	1.08	0.1	(1.9)	1.0
GBP/USD	1.24	(0.1)	(1.0)	2.9
AUD/USD	0.67	0.0	0.6	(2.3)
USD/CHF	0.90	(0.2)	0.4	(2.9)
USD/JPY	138.6	0.4	1.7	5.7
Dollar Index	103.2	0.0	1.5	(0.3)
Bloomberg Asia Dollar Index	93.2	(0.1)	(1.0)	(1.4)
USD/KRW	1,318	(0.6)	(1.5)	4.2
USD/SGD	1.35	0.2	0.9	0.5
USD/CNY	7.03	0.3	1.7	1.9
USD/INR	82.8	0.2	1.2	0.1
USD/IDR	14,890	(0.2)	1.5	(4.4)
USD/IDR 1 Month NDF	14,896	(0.3)	1.5	(4.1)
USD/MYR	4.55	0.3	1.9	3.3
USD/THB	34.5	0.2	0.9	(0.4)
USD/PHP	55.8	0.3	0.9	0.2
Rates	5/22/2023	Daily (bp)	MTD (bp)	YTD (bp)
US Treasuries 10-Year	3.71	4.2	29.3	(16.0)
Germany Bund 10-Year	2.46	3.1	14.6	(11.2)
Japan JGB 10-Year	0.39	(0.5)	(0.1)	(2.9)
LIBOR Overnight	5.07	0.0	25.4	74.7
LIBOR 1-Month	5.14	0.0	7.8	74.8
Indonesia INDOGB 10-Year	6.43	(0.8)	(10.2)	(51.0)
Indonesia INDOGB 5-Year	6.11	(0.2)	(17.0)	(9.5)
Indonesia INDOGB 2-Year	5.90	(4.3)	(28.9)	(17.5)
INDOGB-UST (bp)	271.52	(5.0)	(39.5)	(35.0)
Indonesia INDON 10-Year	4.71	1.0	2.3	(8.8)
Indonesia INDON 5-Year	4.57	3.3	11.7	(11.2)
Indonesia INDON 2-Year	4.68	2.7	23.0	(10.9)
INDON-UST (bp)	99.32	(3.2)	(27.0)	7.2
Indonesia Corporate AAA 10-Year	7.15	(0.8)	(7.1)	(60.1)
Indonesia Corporate AAA 5-Year	6.74	(0.2)	(13.9)	(6.3)
Indonesia Corporate AAA 2-Year	6.45	(4.3)	(29.9)	(3.7)
INDONIA	5.56	4.4	(15.3)	53.3
JIBOR 1-Month	6.40	0.0	0.1	20.0
Bond Indexes	5/22/2023	Daily (%)	MTD (%)	YTD (%)
S&P Global Bond Developed Index	179.4	(0.1)	(1.0)	2.0
EMBI Global Index	778.3	(0.1)	(1.4)	1.3
iShare USD EMBI Index	84.1	(0.2)	(1.7)	(0.7)
ICBI Index	361.2	0.1	1.2	4.8
IDMA Index	100.0	(0.0)	0.9	2.7
INDOBeX Government Bond Index	353.5	0.1	1.3	4.8
INDOBeX Corporate Bond Index	407.3	0.1	1.0	3.8
Prices	5/22/2023	Daily (%)	MTD (%)	YTD (%)
ID CDS 5-Year	91.1	(0.5)	(5.0)	(8.5)
JCI	6,730	0.4	(2.7)	(1.8)
S&P-Goldman Sachs Commodity Index	544.5	0.1	(3.4)	(10.8)
FR0095	101.32	0.1	0.8	2.2
FR0096	104.24	0.1	0.7	3.7
FR0097	104.19	(0.2)	1.7	4.0
FR0098	104.18	(0.3)	1.6	3.7

Source: Bloomberg, SSI Research

Bullish sentiment continues despite market volatility

Bullish sentiment in the Indonesian bond market remained strong yesterday (5/22), as indicated by the flattish 10-year INDOGB yield (-1 bps to 6.43%) and the -4 bps drop in 2-year INDOGB yield to 5.9%. However, the same cannot be said for the global bond market, as reflected by the decline in the S&P index for developed countries' bonds and the EMBI for developing countries' bonds (each by -0.1%) and the increase in UST and 10-year Bund yields of 4 and 3 bps to 3.71% and 2.46%. We believe that the decline was triggered by precautionary measures taken by global investors ahead of the release of manufacturing and services PMI data for developed countries later tonight (5/22) and US PCE inflation data for April on Friday (26/5). We expect the 10-year INDOGB yield to consolidate at 6.4-6.5%, and rupiah to consolidate within the range of IDR 14,850-14,950 per USD ahead of the release of Bank Indonesia's 1Q23 balance of payments data later today.

Fixed Income News: The Ministry of Finance will hold a SBSN auction today with an indicative target of IDR 9tn. We believe that investor interest in Indonesian bonds on the auction market will remain high, even higher than in the secondary market, due to unfavorable global market conditions. We also expect to see incoming bids of at least IDR 40tn in today's auction, relatively the same as in the previous SBSN auction (5/9) (DJPPR)

Global Economic News: Fed officials indicate a conditional FFR terminal rate of 5.25%. This was stated by Minneapolis Fed President Neel Kashkari, Atlanta Fed President Raphael Bostic, and Richmond Fed President Thomas Barkin. We don't think the Fed will announce a rate hike in June, just like Fed Chair Jerome Powell said last Friday. However, discussions regarding more Fed rate hikes will continue in the following months. This might affect investors' expectations of the possibility of a Fed Pivot in 4Q23. (Reuters)

Domestic Economic News: Indonesia reported a state budget surplus of 1.12% of GDP (3M23: 0.61%; 4M22: 0.52%) in 4M23. The surplus was equivalent to IDR 234.7tn (3M23: IDR 128.5tn; 4M22: IDR 102.7tn). The increase in surplus was due to the +17.3% yoy growth in state revenues to IDR 1,000.5tn (3M23: IDR 647.2tn; 4M22: IDR 853.2tn) with tax and duty revenue growth of +15.8% yoy to IDR 782.7tn (3M23: IDR 504.5tn; 4M22: IDR 675.7tn). Meanwhile, state expenditure only went up +2% yoy to IDR 765.8tn (3M23: IDR 518.7tn; 4M22: IDR 750.5tn). We believe that this might be a positive catalyst for the Indonesian bond market. (Kontan)

Recommendation: FR0098, FR0050, FR0079, FR0081, FR0040, FR0084, FR0086, PBS017.

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Economic Calendar

Time (Jakarta)	Country	Data and Event	Period	Survey	Prior
05/22/2023 08:15	CH	5-Year Loan Prime Rate	22-May	4.30%	4.30%
05/22/2023 08:15	CH	1-Year Loan Prime Rate	22-May	3.65%	3.65%
05/22/2023 16:00	EC	Construction Output MoM	Mar	--	2.30%
05/22/2023 21:00	EC	Consumer Confidence	May P	(16.90)	(17.50)

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

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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	0.15	9.5%	100.60	5.2%	4.6%	100.73	58.07	Cheap	0.15
2	FR39	8/24/2006	8/15/2023	0.24	11.8%	101.45	5.2%	4.6%	101.66	60.72	Cheap	0.23
3	FR70	8/29/2013	3/15/2024	0.82	8.4%	102.00	5.8%	4.7%	102.88	104.87	Cheap	0.79
4	FR77	9/27/2018	5/15/2024	0.99	8.1%	102.21	5.8%	4.8%	103.15	94.60	Cheap	0.95
5	FR44	4/19/2007	9/15/2024	1.32	10.0%	105.15	5.8%	5.0%	106.37	88.37	Cheap	1.23
6	FR81	8/1/2019	6/15/2025	2.07	6.5%	101.26	5.8%	5.3%	102.33	53.91	Cheap	1.93
7	FR40	9/21/2006	9/15/2025	2.32	11.0%	110.78	5.9%	5.4%	112.07	52.99	Cheap	2.05
8	FR84	5/4/2020	2/15/2026	2.74	7.3%	102.81	6.1%	5.6%	104.25	55.28	Cheap	2.51
9	FR86	8/13/2020	4/15/2026	2.90	5.5%	99.05	5.9%	5.6%	99.70	24.56	Cheap	2.69
10	FR56	9/23/2010	9/15/2026	3.32	8.4%	107.22	5.9%	5.7%	107.86	19.31	Cheap	2.90
11	FR37	5/18/2006	9/15/2026	3.32	12.0%	117.93	5.9%	5.7%	118.69	20.47	Cheap	2.78
12	FR90	7/8/2021	4/15/2027	3.90	5.1%	97.24	5.9%	5.9%	97.35	3.18	Cheap	3.54
13	FR59	9/15/2011	5/15/2027	3.99	7.0%	103.33	6.0%	5.9%	103.81	12.90	Cheap	3.52
14	FR42	1/25/2007	7/15/2027	4.15	10.3%	115.09	6.1%	6.0%	115.61	12.09	Cheap	3.46
15	FR94	3/4/2022	1/15/2028	4.66	5.6%	97.88	6.1%	6.1%	98.18	7.71	Cheap	4.10
16	FR47	8/30/2007	2/15/2028	4.74	10.0%	116.03	6.0%	6.1%	115.99	(2.03)	Expensive	3.90
17	FR64	8/13/2012	5/15/2028	4.99	6.1%	100.29	6.1%	6.1%	100.06	(5.57)	Expensive	4.33
18	FR95	8/19/2022	8/15/2028	5.24	6.4%	101.27	6.1%	6.2%	100.99	(6.57)	Expensive	4.49
19	FR99	1/27/2023	1/15/2029	5.66	6.4%	101.10	6.2%	6.2%	100.89	(4.66)	Expensive	4.76
20	FR71	9/12/2013	3/15/2029	5.82	9.0%	113.29	6.2%	6.2%	113.34	0.30	Cheap	4.61
21	FR78	9/27/2018	5/15/2029	5.99	8.3%	109.88	6.2%	6.3%	109.85	(0.98)	Expensive	4.84
22	FR52	8/20/2009	8/15/2030	7.24	10.5%	124.78	6.2%	6.4%	123.59	(18.70)	Expensive	5.40
23	FR82	8/1/2019	9/15/2030	7.33	7.0%	103.76	6.3%	6.4%	103.54	(3.99)	Expensive	5.75
24	FRSDG1	10/27/2022	10/15/2030	7.41	7.4%	104.77	6.5%	6.4%	105.72	15.49	Cheap	5.77
25	FR87	8/13/2020	2/15/2031	7.75	6.5%	100.79	6.4%	6.4%	100.48	(5.27)	Expensive	6.14
26	FR85	5/4/2020	4/15/2031	7.91	7.8%	108.00	6.4%	6.4%	108.07	0.74	Cheap	6.02
27	FR73	8/6/2015	5/15/2031	7.99	8.8%	114.21	6.4%	6.4%	114.26	0.55	Cheap	5.98
28	FR54	7/22/2010	7/15/2031	8.16	9.5%	118.17	6.6%	6.4%	119.11	12.97	Cheap	5.94
29	FR91	7/8/2021	4/15/2032	8.91	6.4%	99.75	6.4%	6.5%	99.19	(8.53)	Expensive	6.82
30	FR58	7/21/2011	6/15/2032	9.08	8.3%	111.78	6.5%	6.5%	111.82	0.24	Cheap	6.54
31	FR74	11/10/2016	8/15/2032	9.24	7.5%	106.87	6.5%	6.5%	106.76	(1.84)	Expensive	6.83
32	FR96	8/19/2022	2/15/2033	9.75	7.0%	104.16	6.4%	6.5%	103.28	(12.29)	Expensive	7.19
33	FR65	8/30/2012	5/15/2033	9.99	6.6%	101.13	6.5%	6.6%	100.54	(8.22)	Expensive	7.39
34	FR68	8/1/2013	3/15/2034	10.82	8.4%	114.20	6.5%	6.6%	113.69	(6.41)	Expensive	7.38
35	FR80	7/4/2019	6/15/2035	12.08	7.5%	106.64	6.7%	6.6%	107.16	5.94	Cheap	8.08
36	FR72	7/9/2015	5/15/2036	12.99	8.3%	113.08	6.7%	6.7%	113.72	6.76	Cheap	8.39
37	FR88	1/7/2021	6/15/2036	13.08	6.3%	98.35	6.4%	6.7%	96.47	(21.98)	Expensive	8.88
38	FR45	5/24/2007	5/15/2037	13.99	9.8%	125.03	6.9%	6.7%	127.63	24.56	Cheap	8.44
39	FR93	1/6/2022	7/15/2037	14.16	6.4%	100.85	6.3%	6.7%	97.20	(40.20)	Expensive	9.39
40	FR75	8/10/2017	5/15/2038	14.99	7.5%	106.91	6.8%	6.7%	107.48	5.72	Cheap	9.32
41	FR98	9/15/2022	6/15/2038	15.08	7.1%	104.48	6.6%	6.7%	103.96	(5.51)	Expensive	9.37
42	FR50	1/24/2008	7/15/2038	15.16	10.5%	135.05	6.8%	6.7%	135.77	5.82	Cheap	8.71
43	FR79	1/7/2019	4/15/2039	15.91	8.4%	115.99	6.7%	6.7%	116.03	0.15	Cheap	9.38
44	FR83	11/7/2019	4/15/2040	16.92	7.5%	107.12	6.8%	6.7%	107.64	4.79	Cheap	9.90
45	FR57	4/21/2011	5/15/2041	18.00	9.5%	125.28	7.0%	6.8%	128.38	25.32	Cheap	9.73
46	FR62	2/9/2012	4/15/2042	18.92	6.4%	96.33	6.7%	6.8%	95.88	(4.41)	Expensive	10.89
47	FR92	7/8/2021	6/15/2042	19.08	7.1%	104.30	6.7%	6.8%	103.81	(4.57)	Expensive	10.62
48	FR97	8/19/2022	6/15/2043	20.08	7.1%	104.36	6.7%	6.8%	103.77	(5.32)	Expensive	10.88
49	FR67	7/18/2013	2/15/2044	20.75	8.8%	118.68	7.0%	6.8%	121.70	23.79	Cheap	10.58
50	FR76	9/22/2017	5/15/2048	25.00	7.4%	104.83	7.0%	6.8%	106.58	14.16	Cheap	11.86
51	FR89	1/7/2021	8/15/2051	28.25	6.9%	99.98	6.9%	6.8%	100.39	3.22	Cheap	12.62

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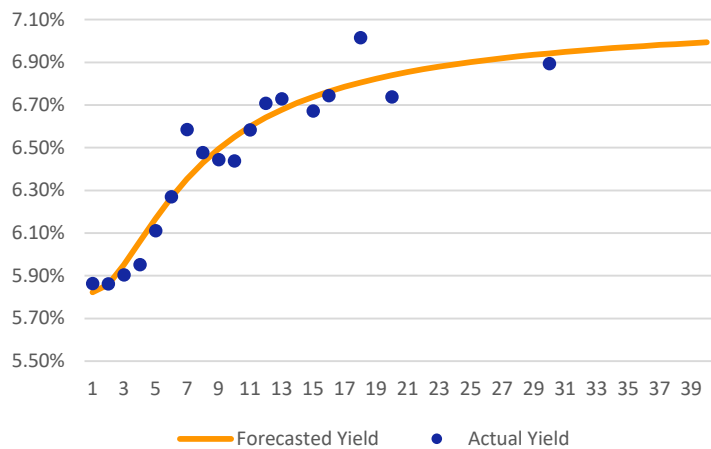
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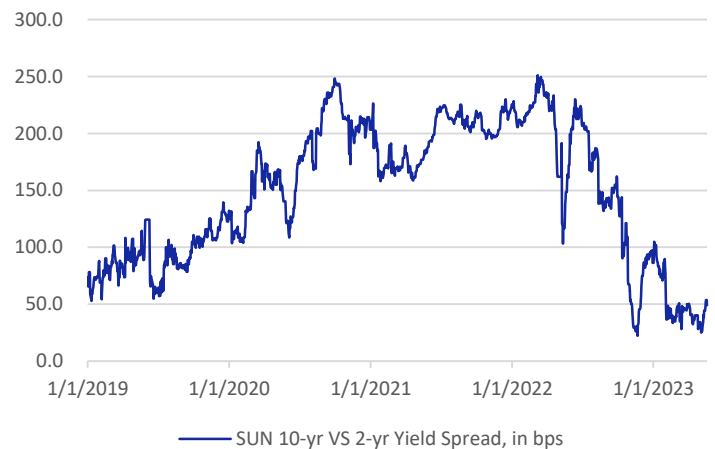
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Chart 1. Samuel's Yield Curve Forecast



Source: Bloomberg

Chart 2. Leading Indicator for Indonesian Economic Recession



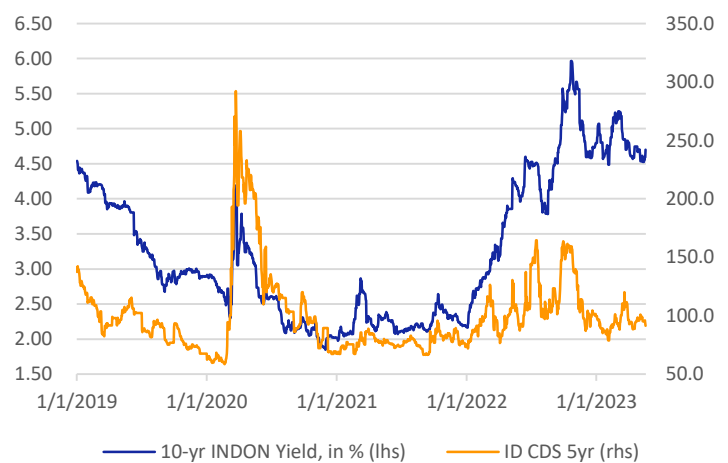
Source: Bloomberg

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



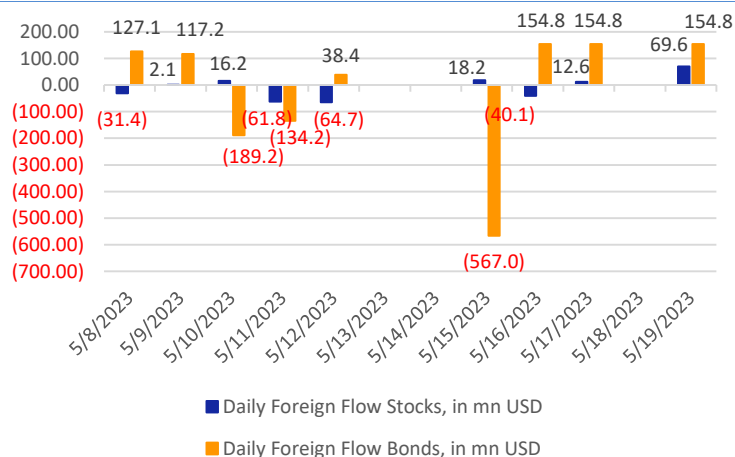
Source: Bloomberg

Chart 4. Leading Indicator for Bond Market Volatility



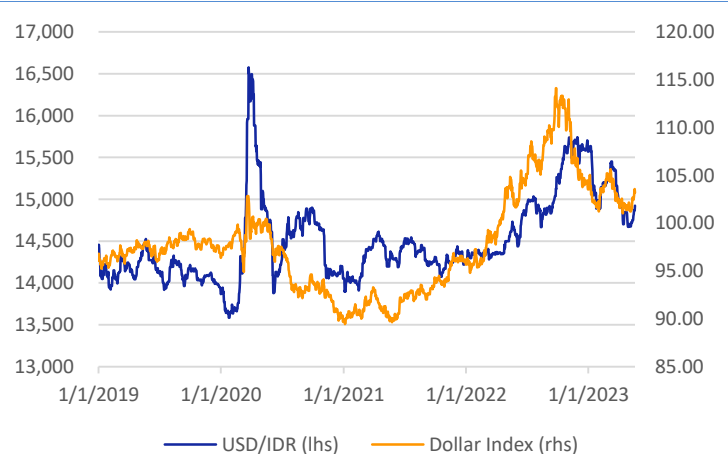
Source: Bloomberg

Chart 5. Foreign Capital Flow Indicator



Source: Bloomberg

Chart 6. Exchange Rate Indicator



Source: Bloomberg

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