Daily Economic & Fixed Income Report

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

SAMUEL SEKURITAS INDONESIA

Economic & Fixed Income Analysis

26 May 2023

Economic and Fixed Income Indicators

Currencies	5/25/2023	Daily (%)	MTD (%)	YTD (%)
EUR/USD	1.07	(0.2)	(2.7)	0.2
GBP/USD	1.23	(0.4)	(2.0)	2.0
AUD/USD	0.65	(0.6)	(1.7)	(4.5)
USD/CHF	0.91	0.1	1.2	(2.0)
USD/JPY	140.1	0.4	2.8	6.8
Dollar Index	104.3	0.4	2.5	0.7
Bloomberg Asia Dollar Index	92.7	(0.3)	(1.5)	(2.0)
USD/KRW	1,326	0.7	(0.9)	4.8
USD/SGD	1.35	0.4	1.5	1.1
USD/CNY	7.08	0.3	2.4	2.6
USD/INR	82.7	0.1	1.1	0.0
USD/IDR	14,950	0.3	1.9	(4.0)
USD/IDR 1 Month NDF	14,977	0.2	2.1	(3.6)
USD/MYR	4.63	0.7	3.7	5.1
USD/THB	34.6	0.2	1.4	0.0
USD/PHP	56.1	0.5	1.3	0.6
Rates	**5/25/2023**	**Daily (bp)**	**MTD (bp)**	**YTD (bp)**
US Treasuries 10-Year	3.82	7.6	39.5	(5.7)
Germany Bund 10-Year	2.52	5.0	20.9	(4.9)
Japan JGB 10-Year	0.43	1.3	3.3	0.5
LIBOR Overnight	5.06	0.0	25.1	74.4
LIBOR 1-Month	5.14	0.0	7.9	74.9
Indonesia INDOGB 10-Year	6.43	0.7	(10.1)	(50.9)
Indonesia INDOGB 5-Year	6.08	(0.1)	(20.4)	(12.9)
Indonesia INDOGB 2-Year	5.85	0.8	(34.0)	(22.6)
INDOGB-UST (bp)	261.36	(6.9)	(49.6)	(45.2)
Indonesia INDON 10-Year	4.79	5.5	10.8	(0.3)
Indonesia INDON 5-Year	4.67	7.6	21.6	(1.3)
Indonesia INDON 2-Year	4.84	11.3	38.6	4.7
INDON-UST (bp)	97.56	(2.1)	(28.7)	5.4
Indonesia Corporate AAA 10-Year	7.15	0.7	(7.1)	(60.0)
Indonesia Corporate AAA 5-Year	6.71	(0.1)	(17.3)	(9.7)
Indonesia Corporate AAA 2-Year	6.40	0.8	(35.0)	(8.8)
INDONIA	5.49	2.4	(22.3)	46.3
JIBOR 1-Month	6.40	0.0	0.1	20.0
Bond Indexes	**5/25/2023**	**Daily (%)**	**MTD (%)**	**YTD (%)**
S&P Global Bond Developed Index	178.5	(0.3)	(1.5)	1.5
EMBI Global Index	776.8	(0.1)	(1.6)	1.1
iShare USD EMBI Index	84.0	(0.2)	(1.9)	(0.9)
ICBI Index	361.7	0.1	1.4	4.9
IDMA Index	100.1	0.0	0.9	2.8
INDOBeX Government Bond Index	354.0	0.1	1.4	5.0
INDOBeX Corporate Bond Index	407.8	0.0	1.1	4.0
Prices	**5/25/2023**	**Daily (%)**	**MTD (%)**	**YTD (%)**
ID CDS 5-Year	92.4	2.4	(3.7)	(7.2)
JCI	6,704	(0.6)	(3.1)	(2.1)
S&P-Goldman Sachs Commodity Index	541.8	(1.5)	(3.9)	(11.2)
FR0095	101.43	0.0	0.9	2.3
FR0096	104.18	(0.0)	0.7	3.6
FR0097	104.04	(0.0)	1.5	3.9
FR0098	104.11	0.0	1.6	3.6

Source: Bloomberg, SSI Research

Global bond market freefall, underweight INDON

Global bond market experienced a sharp correction last night (5/26) as more and more market players believe that the Fed will raise its terminal rate to 5.5%. This was reflected in the decline of S&P bond index of developed countries of -0.3%, while the UST and 10-year Bund yields rose 8 and 5 bps to 3.82 and 2.52%, respectively. Developing countries' bond indices were also affected, especially the USD-denominated ones (iShare EMBI), which fell by -0.2%. The same thing happened in Indonesia; yield on INDON instruments went up, with short-term ones (2-year) experiencing the largest yield increase of 11 bps to 4.84%, followed by mid-term (5-year, 8 bps to 4.67%) and long-term ones (10-year, 6 bps to 4.79%). This led to an inverted INDON yield curve. We advise investors to underweight INDON instruments, while INDOGB instruments are quite sturdy, as reflected by their flattish movement. We predict that the 10-year INDOGB yield will consolidate at 6.4-6.5%, while rupiah might depreciate towards the range of IDR 14,950-15,050 per USD following the spike in the USD index (0.4% to 104.3).

Fixed Income News: The government conducted SBN private placement on Thursday (5/25). The government absorbed USD 259.6bn and USD 3.2mn from the issuance of SBN FR0099 and USDFR0003. The yields offered in this program are 6.15% (FR0099) and 4.43% (USDFR0003).. (*DJPPR*)

Global Economic News: Germany falls into a recession. German economy plunged into recession after reporting GDP contraction in 1Q23 and 4Q22 by -0.3% qoq sa or -0.2% yoy (Cons 1Q23: -0.1% qoq sa or 0.2% yoy), and -0.4% qoq sa or 0.3 % yoy. The recession raises doubts among market players regarding the German government's FY23 GDP growth projection (0.4%). We believe the recession might help reduce inflation in the Eurozone. (*Reuters*)

Domestic Economic News: The government sets an FY24 state budget deficit of 2.16-2.64% of GDP. In addition, the government has set an ambitious economic growth target of 5.3-5.7%. Meanwhile, the inflation target is set at 1.5-3.5%, and the USD/IDR exchange rate target range is set at IDR 14,700-15,300 per USD. The INDOGB yield target range is set at 6.49-6.91%. (*Bisnis Indonesia*)

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

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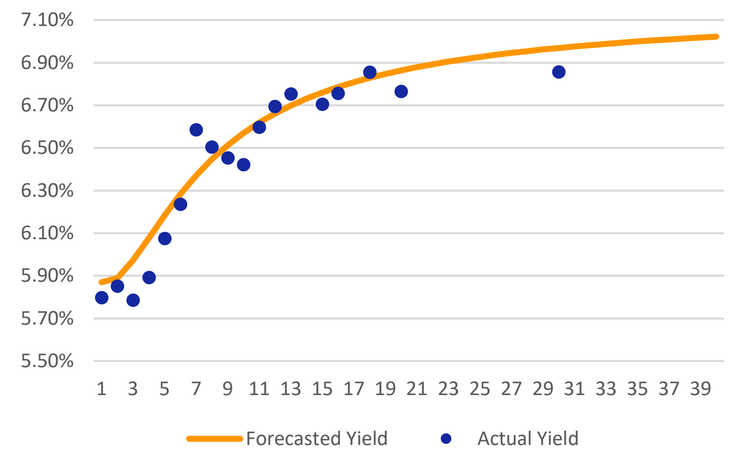
Economic Calender

Time (Jakarta)	Country	Data and Event	Period	Survey	Prior
05/26/2023 06:30	JN	Tokyo CPI YoY	May	3.40%	3.50%
05/26/2023 06:50	JN	PPI Services YoY	Apr	1.40%	1.60%
05/26/2023 19:30	US	PCE Deflator YoY	Apr	4.30%	4.20%
05/26/2023 19:30	US	PCE Core Deflator YoY	Apr	4.60%	4.60%

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	0.14	9.5%	100.60	4.6%	4.6%	100.68	5.45	Cheap	0.14
2	FR39	8/24/2006	8/15/2023	0.22	11.8%	101.45	4.7%	4.6%	101.59	12.86	Cheap	0.22
3	FR70	8/29/2013	3/15/2024	0.81	8.4%	102.02	5.7%	4.7%	102.85	97.03	Cheap	0.78
4	FR77	9/27/2018	5/15/2024	0.98	8.1%	102.20	5.7%	4.8%	103.12	91.64	Cheap	0.94
5	FR44	4/19/2007	9/15/2024	1.31	10.0%	105.05	5.9%	5.0%	106.33	91.74	Cheap	1.22
6	FR81	8/1/2019	6/15/2025	2.06	6.5%	101.33	5.8%	5.3%	102.33	50.47	Cheap	1.92
7	FR40	9/21/2006	9/15/2025	2.31	11.0%	110.74	5.9%	5.4%	112.03	51.69	Cheap	2.04
8	FR84	5/4/2020	2/15/2026	2.73	7.3%	103.05	6.0%	5.6%	104.25	45.75	Cheap	2.49
9	FR86	8/13/2020	4/15/2026	2.89	5.5%	99.37	5.7%	5.6%	99.71	13.05	Cheap	2.68
10	FR56	9/23/2010	9/15/2026	3.31	8.4%	107.14	5.9%	5.7%	107.85	21.07	Cheap	2.89
11	FR37	5/18/2006	9/15/2026	3.31	12.0%	117.68	6.0%	5.7%	118.64	25.96	Cheap	2.77
12	FR90	7/8/2021	4/15/2027	3.89	5.1%	97.49	5.9%	5.9%	97.36	(3.68)	Expensive	3.53
13	FR59	9/15/2011	5/15/2027	3.98	7.0%	103.48	6.0%	5.9%	103.81	8.76	Cheap	3.51
14	FR42	1/25/2007	7/15/2027	4.14	10.3%	115.13	6.0%	5.9%	115.58	10.01	Cheap	3.45
15	FR94	3/4/2022	1/15/2028	4.65	5.6%	97.88	6.1%	6.1%	98.19	8.10	Cheap	4.09
16	FR47	8/30/2007	2/15/2028	4.73	10.0%	115.63	6.1%	6.1%	115.97	6.10	Cheap	3.89
17	FR64	8/13/2012	5/15/2028	4.98	6.1%	100.27	6.1%	6.1%	100.07	(4.82)	Expensive	4.32
18	FR95	8/19/2022	8/15/2028	5.23	6.4%	101.43	6.0%	6.1%	100.99	(10.11)	Expensive	4.48
19	FR99	1/27/2023	1/15/2029	5.65	6.4%	101.16	6.2%	6.2%	100.89	(5.78)	Expensive	4.75
20	FR71	9/12/2013	3/15/2029	5.81	9.0%	113.25	6.2%	6.2%	113.33	0.63	Cheap	4.60
21	FR78	9/27/2018	5/15/2029	5.98	8.3%	110.02	6.2%	6.3%	109.84	(4.04)	Expensive	4.83
22	FR52	8/20/2009	8/15/2030	7.23	10.5%	124.00	6.3%	6.4%	123.57	(7.52)	Expensive	5.38
23	FR82	8/1/2019	9/15/2030	7.32	7.0%	103.66	6.4%	6.4%	103.54	(2.33)	Expensive	5.74
24	FRSDG1	10/27/2022	10/15/2030	7.40	7.4%	104.77	6.5%	6.4%	105.72	15.36	Cheap	5.76
25	FR87	8/13/2020	2/15/2031	7.73	6.5%	100.59	6.4%	6.4%	100.48	(1.91)	Expensive	6.13
26	FR85	5/4/2020	4/15/2031	7.90	7.8%	107.58	6.5%	6.4%	108.06	7.25	Cheap	6.01
27	FR73	8/6/2015	5/15/2031	7.98	8.8%	113.97	6.5%	6.4%	114.25	3.87	Cheap	5.97
28	FR54	7/22/2010	7/15/2031	8.15	9.5%	118.13	6.6%	6.4%	119.10	13.35	Cheap	5.92
29	FR91	7/8/2021	4/15/2032	8.90	6.4%	99.60	6.4%	6.5%	99.19	(6.29)	Expensive	6.80
30	FR58	7/21/2011	6/15/2032	9.07	8.3%	111.95	6.5%	6.5%	111.81	(2.29)	Expensive	6.54
31	FR74	11/10/2016	8/15/2032	9.23	7.5%	106.97	6.5%	6.5%	106.76	(3.20)	Expensive	6.82
32	FR96	8/19/2022	2/15/2033	9.74	7.0%	104.23	6.4%	6.5%	103.28	(13.26)	Expensive	7.18
33	FR65	8/30/2012	5/15/2033	9.98	6.6%	101.05	6.5%	6.6%	100.54	(7.05)	Expensive	7.38
34	FR68	8/1/2013	3/15/2034	10.81	8.4%	113.75	6.6%	6.6%	113.69	(1.17)	Expensive	7.36
35	FR80	7/4/2019	6/15/2035	12.07	7.5%	106.74	6.7%	6.6%	107.16	4.71	Cheap	8.07
36	FR72	7/9/2015	5/15/2036	12.98	8.3%	112.90	6.7%	6.7%	113.72	8.59	Cheap	8.38
37	FR88	1/7/2021	6/15/2036	13.07	6.3%	98.85	6.4%	6.7%	96.48	(27.69)	Expensive	8.88
38	FR45	5/24/2007	5/15/2037	13.98	9.8%	126.63	6.8%	6.7%	127.62	9.06	Cheap	8.47
39	FR93	1/6/2022	7/15/2037	14.15	6.4%	98.38	6.6%	6.7%	97.20	(13.20)	Expensive	9.31
40	FR75	8/10/2017	5/15/2038	14.98	7.5%	106.73	6.8%	6.7%	107.47	7.51	Cheap	9.30
41	FR98	9/15/2022	6/15/2038	15.07	7.1%	104.09	6.7%	6.7%	103.96	(1.40)	Expensive	9.35
42	FR50	1/24/2008	7/15/2038	15.15	10.5%	133.50	6.9%	6.7%	135.76	19.12	Cheap	8.66
43	FR79	1/7/2019	4/15/2039	15.90	8.4%	115.82	6.7%	6.7%	116.03	1.68	Cheap	9.36
44	FR83	11/7/2019	4/15/2040	16.90	7.5%	106.81	6.8%	6.7%	107.64	7.76	Cheap	9.88
45	FR57	4/21/2011	5/15/2041	17.99	9.5%	127.21	6.8%	6.8%	128.37	9.20	Cheap	9.78
46	FR62	2/9/2012	4/15/2042	18.90	6.4%	97.18	6.6%	6.8%	95.88	(12.56)	Expensive	10.92
47	FR92	7/8/2021	6/15/2042	19.07	7.1%	103.58	6.8%	6.8%	103.81	2.02	Cheap	10.58
48	FR97	8/19/2022	6/15/2043	20.07	7.1%	104.10	6.7%	6.8%	103.77	(2.96)	Expensive	10.86
49	FR67	7/18/2013	2/15/2044	20.74	8.8%	118.75	7.0%	6.8%	121.70	23.19	Cheap	10.57
50	FR76	9/22/2017	5/15/2048	24.99	7.4%	104.96	7.0%	6.8%	106.58	13.04	Cheap	11.86
51	FR89	1/7/2021	8/15/2051	28.24	6.9%	100.30	6.8%	6.8%	100.39	0.64	Cheap	12.63

Chart 1. Samuel's Yield Curve Forecast

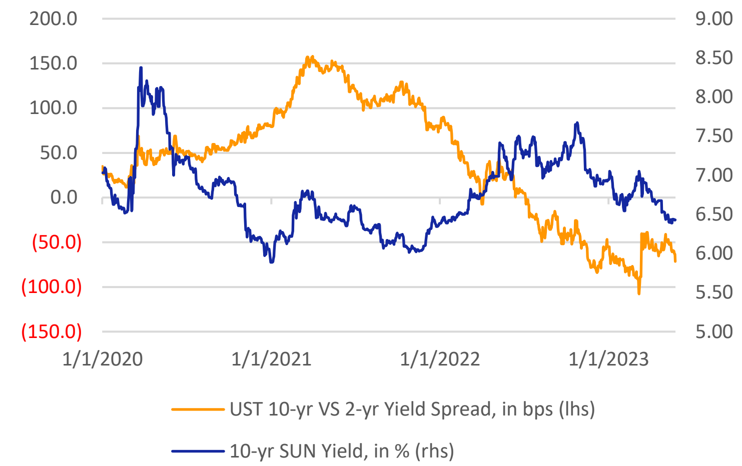


Source: Bloomberg

Chart 2. Leading Indicator for Indonesian Economic Recession

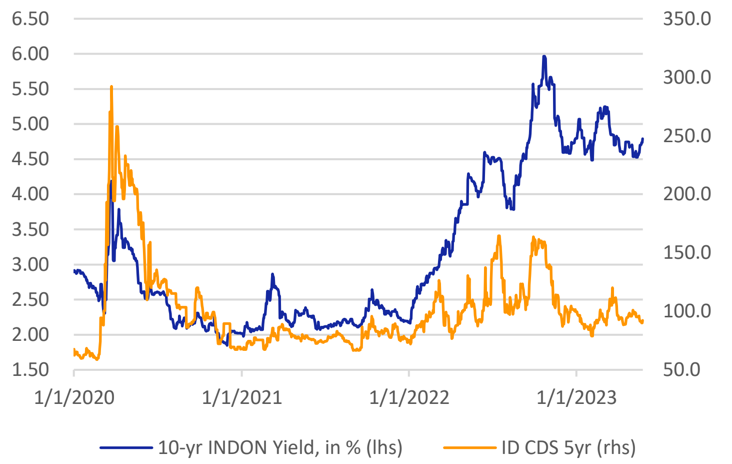
Source: Bloomberg

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



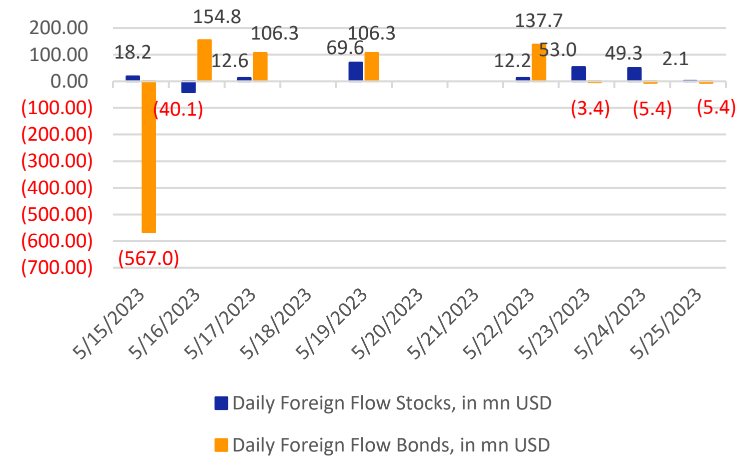
Source: Bloomberg

Chart 4. Leading Indicator for Bond Market Volatility



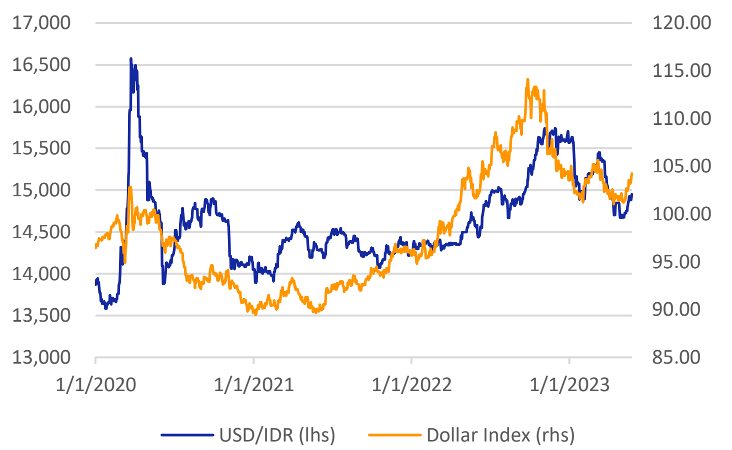
Source: Bloomberg

Chart 5. Foreign Capital Flow Indicator



Source: Bloomberg

Chart 6. Exchange Rate Indicator



Source: Bloomberg

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