Daily Economic & Fixed Income Report

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

Economic & Fixed Income Analysis

27 June 2023

Economic and Fixed Income Indicators

Currencies	6/26/2023	Daily (%)	MTD (%)	YTD (%)
EUR/USD	1.09	0.1	2.0	1.9
GBP/USD	1.27	(0.0)	2.2	5.2
AUD/USD	0.67	(0.1)	2.6	(2.0)
USD/CHF	0.90	(0.1)	(1.6)	(3.1)
USD/JPY	143.5	(0.1)	3.0	9.4
Dollar Index	102.7	(0.2)	(1.6)	(0.8)
Bloomberg Asia Dollar Index	91.8	(0.4)	(0.7)	(2.9)
USD/KRW	1,306	0.1	(1.5)	3.2
USD/SGD	1.35	0.1	0.1	1.0
USD/CNY	7.24	0.8	1.9	5.0
USD/INR	82.0	0.0	(0.8)	(0.8)
USD/IDR	15,015	0.1	0.1	(3.6)
USD/IDR 1 Month NDF	15,059	0.0	0.4	(3.1)
USD/MYR	4.68	(0.1)	1.3	6.2
USD/THB	35.2	(0.1)	1.1	1.7
USD/PHP	55.7	(0.1)	(0.8)	(0.0)
Rates	**6/26/2023**	**Daily (bp)**	**MTD (bp)**	**YTD (bp)**
US Treasuries 10-Year	3.72	(1.4)	7.9	(15.4)
Germany Bund 10-Year	2.31	(4.4)	2.7	(26.2)
Japan JGB 10-Year	0.36	(0.8)	(7.5)	(6.1)
LIBOR Overnight	5.07	0.0	0.4	75.0
LIBOR 1-Month	5.15	0.0	(4.5)	75.7
Indonesia INDOGB 10-Year	6.30	(0.5)	(7.5)	(64.5)
Indonesia INDOGB 5-Year	5.94	(0.1)	(9.2)	(26.8)
Indonesia INDOGB 2-Year	5.88	(1.8)	22.8	(19.5)
INDOGB-UST (bp)	257.38	0.9	(15.4)	(49.1)
Indonesia INDON 10-Year	4.81	0.7	11.1	1.6
Indonesia INDON 5-Year	4.78	(1.0)	14.8	9.8
Indonesia INDON 2-Year	5.23	1.0	23.8	44.0
INDON-UST (bp)	109.08	2.1	3.2	17.0
Indonesia Corporate AAA 10-Year	7.24	(0.5)	13.0	(50.6)
Indonesia Corporate AAA 5-Year	6.72	(0.1)	4.5	(8.0)
Indonesia Corporate AAA 2-Year	6.53	(1.8)	30.7	5.0
INDONIA	5.65	4.1	2.0	62.3
JIBOR 1-Month	6.39	0.6	(0.6)	19.4
Bond Indexes	**6/26/2023**	**Daily (%)**	**MTD (%)**	**YTD (%)**
S&P Global Bond Developed Index	180.0	0.0	(0.1)	2.4
EMBI Global Index	798.3	0.2	2.0	3.9
iShare USD EMBI Index	86.0	0.2	1.7	1.6
ICBI Index	366.7	0.1	0.9	6.4
IDMA Index	101.0	(0.0)	0.7	3.7
INDOBeX Government Bond Index	359.1	0.1	0.9	6.5
INDOBeX Corporate Bond Index	410.3	0.1	0.6	4.6
Prices	**6/26/2023**	**Daily (%)**	**MTD (%)**	**YTD (%)**
ID CDS 5-Year	90.6	3.1	2.0	(9.0)
JCI	6,665	0.4	0.5	(2.7)
S&P-Goldman Sachs Commodity Index	544.0	(0.7)	2.8	(10.8)
FR0095	102.06	0.0	0.4	3.0
FR0096	105.19	0.0	0.6	4.6
FR0097	105.86	0.0	0.7	5.7
FR0098	105.98	0.0	0.7	5.5

Source: Bloomberg, SSI Research

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Beware of rupiah depreciation ahead of long holiday

The domestic bond market experienced a sideways session ahead of the long holiday. Meanwhile, rupiah depreciated and broke its psychological and resistance level of IDR 15,000 per USD. We consider this as an easing of BI's intervention in the foreign exchange market in anticipation of potential foreign capital inflow at today's SBN auction. Although the release of the 5M23 budget surplus could be a positive catalyst for today's SBN auction (see domestic economic news), we expect a decline in demand at today's SBN auction as global investors make some moves to anticipate a Fed rate hike in July (see fixed income news). We expect the INDOGB 10Y yield to move sideways today and stay within the range of 6.3-6.4%, while rupiah might depreciate to IDR 15,000-15,100 per USD.

Fixed Income News: The Ministry of Finance will hold an SBN auction today with an indicative target of IDR 15tn. Reflecting on the decline in incoming bids at the SBSN auction held last week (6/20) to IDR 41.4tn (6/6: IDR 60tn), we estimate that demand at the SBN auction today will also drop towards the range of IDR 55-65tn (6/13: IDR 72tn) due to global investors' efforts to anticipate the Fed's terminal rate hike in July. (*Emitennews*)

Global Economic News: Investors and businesses are concerned about the prospects of the German economy in 2H23. This concern was reflected in the results of the June IFO business climate survey, which fell to 88.5 (May: 91.5; Cons Jun: 90.7). This decline was caused by concerns about the prospects of the German economy in the next 6 months, which was reflected in the decline in the business expectations index to 83.6 (May: 88.3; Cons Jun: 88). Meanwhile, the economic valuation index only fell slightly to 93.7 (May: 94.8; Cons Jun: 93.5). We believe that the results of this survey are consistent with the manufacturing and services PMI data from the Eurozone, which slowed down in June.(*Investing*)

Domestic Economic News: The government kept a budget surplus in 5M23 and reduced net SBN issuance by IDR -95.5tn. The Ministry of Finance reported a budget surplus of IDR 204.3tn in 5M23 or 0.97% of GDP (4M23: IDR 234.7tn or 1.12% of GDP). Even though the budget surplus dropped somewhat, the government has also succeeded in reducing the issuance of new SUNs, reducing the net SBN amount by IDR -95.5tn to IDR 144.5tn (4M23: IDR 240tn). We see this as positive news for the Indonesian bond market, and we expect tighter government bond supply in the coming months to keep the INDOGB 10Y yield at 6.3-6.5% in July. (*Ministry of Finance*)

Recommendation: FR0067, FR0076, FR0089, FR0081, FR0040, FR0084, FR0086, PBS017.

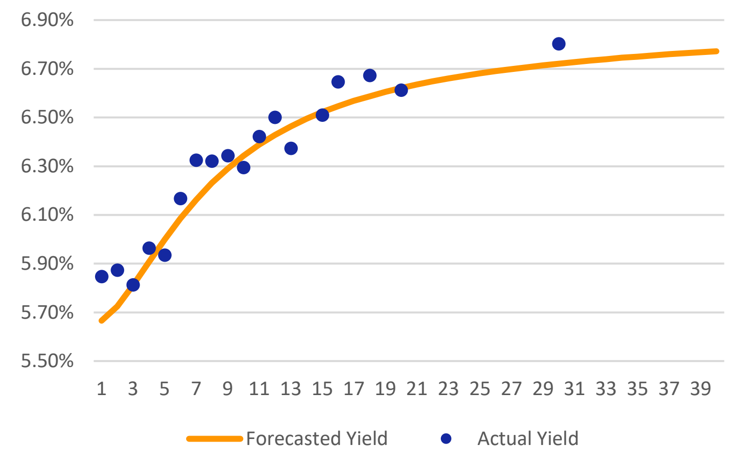
Economic Calender

Time (Jakarta)	Country	Data and Event	Period	Survey	Prior
06/27/2023 19:30	US	Durable Goods Orders	May P	-0.90%	1.10%
06/27/2023 21:00	US	New Home Sales	May	675k	683k
06/27/2023 21:00	US	Conf. Board Consumer Confidence	Jun	104.00	102.30
06/27/2023 21:00	US	Richmond Fed Manufact. Index	Jun	(12.00)	(15.00)

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

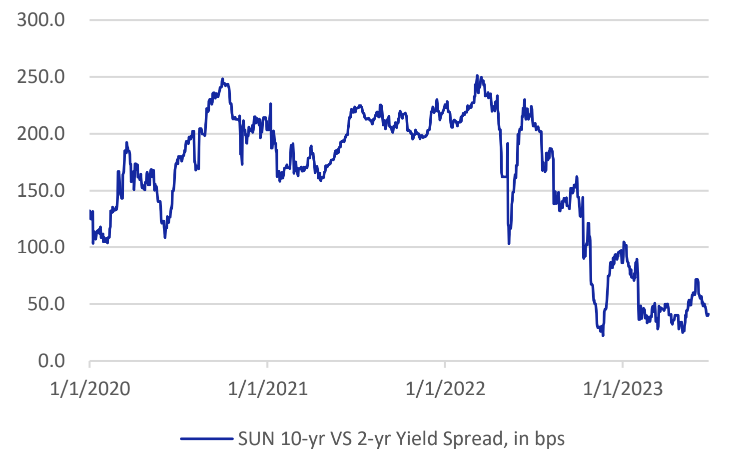
No.	Series	Issue Date	Maturity Date	Tenure (Year)	Coupon Rate	Actual Price	Yield to Maturity	Yield Curve	Valuation Price	Spread to YC (bps)	Recommendation	Duration
1	FR46	7/19/2007	7/15/2023	0.05	9.5%	100.26	0.8%	4.8%	100.24	(391.77)	Expensive	0.05
2	FR39	8/24/2006	8/15/2023	0.14	11.8%	100.83	4.4%	4.8%	100.94	(39.64)	Expensive	0.13
3	FR70	8/29/2013	3/15/2024	0.72	8.4%	101.88	5.6%	4.8%	102.47	71.98	Cheap	0.70
4	FR77	9/27/2018	5/15/2024	0.89	8.1%	102.01	5.7%	4.9%	102.77	80.47	Cheap	0.86
5	FR44	4/19/2007	9/15/2024	1.22	10.0%	104.85	5.7%	5.0%	105.87	73.72	Cheap	1.16
6	FR81	8/1/2019	6/15/2025	1.97	6.5%	101.27	5.8%	5.3%	102.31	54.91	Cheap	1.86
7	FR40	9/21/2006	9/15/2025	2.22	11.0%	110.74	5.7%	5.3%	111.74	39.03	Cheap	2.01
8	FR84	5/4/2020	2/15/2026	2.64	7.3%	103.18	5.9%	5.5%	104.35	45.31	Cheap	2.41
9	FR86	8/13/2020	4/15/2026	2.81	5.5%	99.37	5.7%	5.5%	99.98	23.50	Cheap	2.59
10	FR56	9/23/2010	9/15/2026	3.22	8.4%	107.38	5.8%	5.6%	108.02	18.83	Cheap	2.86
11	FR37	5/18/2006	9/15/2026	3.22	12.0%	117.86	5.8%	5.6%	118.58	17.24	Cheap	2.76
12	FR90	7/8/2021	4/15/2027	3.81	5.1%	98.21	5.7%	5.8%	97.86	(10.30)	Expensive	3.44
13	FR59	9/15/2011	5/15/2027	3.89	7.0%	103.68	5.9%	5.8%	104.21	14.20	Cheap	3.42
14	FR42	1/25/2007	7/15/2027	4.05	10.3%	114.35	6.2%	5.8%	115.83	36.22	Cheap	3.36
15	FR94	3/4/2022	1/15/2028	4.56	5.6%	98.31	6.0%	5.9%	98.80	12.65	Cheap	4.00
16	FR47	8/30/2007	2/15/2028	4.64	10.0%	115.93	6.0%	5.9%	116.36	7.60	Cheap	3.80
17	FR64	8/13/2012	5/15/2028	4.89	6.1%	100.61	6.0%	6.0%	100.69	1.70	Cheap	4.23
18	FR95	8/19/2022	8/15/2028	5.14	6.4%	102.06	5.9%	6.0%	101.64	(9.82)	Expensive	4.40
19	FR99	1/27/2023	1/15/2029	5.56	6.4%	101.75	6.0%	6.1%	101.60	(3.48)	Expensive	4.67
20	FR71	9/12/2013	3/15/2029	5.72	9.0%	114.29	6.0%	6.1%	113.95	(8.00)	Expensive	4.61
21	FR78	9/27/2018	5/15/2029	5.89	8.3%	110.28	6.1%	6.1%	110.51	3.57	Cheap	4.75
22	FR52	8/20/2009	8/15/2030	7.14	10.5%	123.74	6.3%	6.2%	124.35	8.02	Cheap	5.29
23	FR82	8/1/2019	9/15/2030	7.23	7.0%	104.07	6.3%	6.2%	104.41	5.32	Cheap	5.75
24	FRSDG1	10/27/2022	10/15/2030	7.31	7.4%	104.75	6.5%	6.2%	106.59	30.26	Cheap	5.68
25	FR87	8/13/2020	2/15/2031	7.65	6.5%	101.10	6.3%	6.3%	101.41	4.90	Cheap	6.04
26	FR85	5/4/2020	4/15/2031	7.81	7.8%	108.36	6.4%	6.3%	108.98	9.06	Cheap	5.93
27	FR73	8/6/2015	5/15/2031	7.89	8.8%	115.13	6.3%	6.3%	115.16	(0.39)	Expensive	5.89
28	FR54	7/22/2010	7/15/2031	8.06	9.5%	120.85	6.2%	6.3%	120.01	(12.76)	Expensive	5.87
29	FR91	7/8/2021	4/15/2032	8.81	6.4%	100.36	6.3%	6.3%	100.21	(2.43)	Expensive	6.72
30	FR58	7/21/2011	6/15/2032	8.98	8.3%	112.44	6.4%	6.4%	112.83	4.90	Cheap	6.58
31	FR74	11/10/2016	8/15/2032	9.15	7.5%	108.25	6.3%	6.4%	107.80	(6.65)	Expensive	6.75
32	FR96	8/19/2022	2/15/2033	9.65	7.0%	105.19	6.3%	6.4%	104.36	(11.59)	Expensive	7.11
33	FR65	8/30/2012	5/15/2033	9.89	6.6%	101.76	6.4%	6.4%	101.64	(1.81)	Expensive	7.30
34	FR68	8/1/2013	3/15/2034	10.73	8.4%	115.13	6.4%	6.4%	114.87	(3.64)	Expensive	7.43
35	FR80	7/4/2019	6/15/2035	11.98	7.5%	108.42	6.5%	6.5%	108.42	(0.28)	Expensive	8.16
36	FR72	7/9/2015	5/15/2036	12.90	8.3%	115.39	6.5%	6.5%	115.07	(3.80)	Expensive	8.35
37	FR88	1/7/2021	6/15/2036	12.98	6.3%	99.23	6.3%	6.5%	97.76	(17.03)	Expensive	8.95
38	FR45	5/24/2007	5/15/2037	13.90	9.8%	124.11	7.0%	6.5%	129.11	47.16	Cheap	8.32
39	FR93	1/6/2022	7/15/2037	14.06	6.4%	99.98	6.4%	6.5%	98.54	(15.84)	Expensive	9.27
40	FR75	8/10/2017	5/15/2038	14.90	7.5%	108.51	6.6%	6.6%	108.92	3.84	Cheap	9.27
41	FR98	9/15/2022	6/15/2038	14.98	7.1%	105.98	6.5%	6.6%	105.39	(6.12)	Expensive	9.48
42	FR50	1/24/2008	7/15/2038	15.06	10.5%	135.85	6.7%	6.6%	137.39	12.62	Cheap	8.63
43	FR79	1/7/2019	4/15/2039	15.81	8.4%	116.89	6.6%	6.6%	117.58	5.98	Cheap	9.31
44	FR83	11/7/2019	4/15/2040	16.82	7.5%	108.43	6.7%	6.6%	109.19	6.92	Cheap	9.85
45	FR57	4/21/2011	5/15/2041	17.90	9.5%	129.50	6.7%	6.6%	130.14	4.74	Cheap	9.76
46	FR62	2/9/2012	4/15/2042	18.82	6.4%	98.33	6.5%	6.6%	97.42	(8.74)	Expensive	10.88
47	FR92	7/8/2021	6/15/2042	18.98	7.1%	104.63	6.7%	6.6%	105.43	7.07	Cheap	10.72
48	FR97	8/19/2022	6/15/2043	19.98	7.1%	105.86	6.6%	6.6%	105.43	(3.84)	Expensive	11.04
49	FR67	7/18/2013	2/15/2044	20.65	8.8%	119.93	6.9%	6.6%	123.56	28.12	Cheap	10.54
50	FR76	9/22/2017	5/15/2048	24.90	7.4%	106.53	6.8%	6.7%	108.43	14.93	Cheap	11.86
51	FR89	1/7/2021	8/15/2051	28.16	6.9%	101.29	6.8%	6.7%	102.24	7.39	Cheap	12.62

Chart 1. Samuel's Yield Curve Forecast



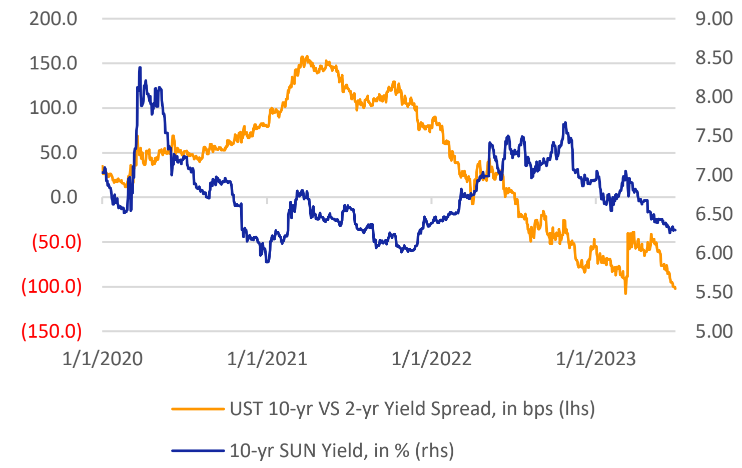
Source: Bloomberg

Chart 2. Leading Indicator for Indonesian Economic Recession



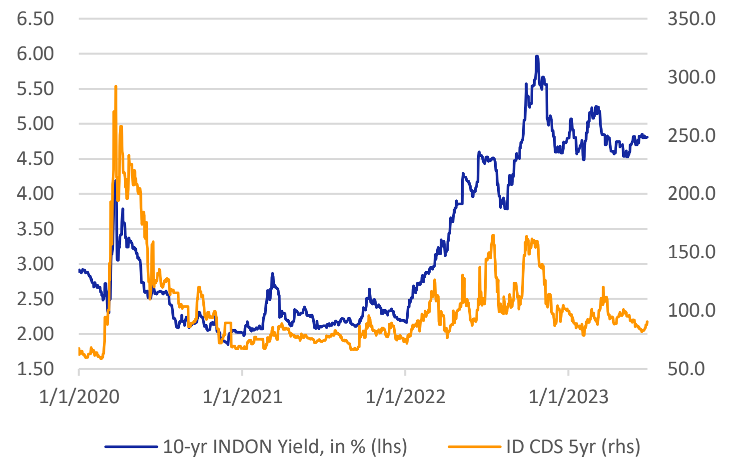
Source: Bloomberg

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



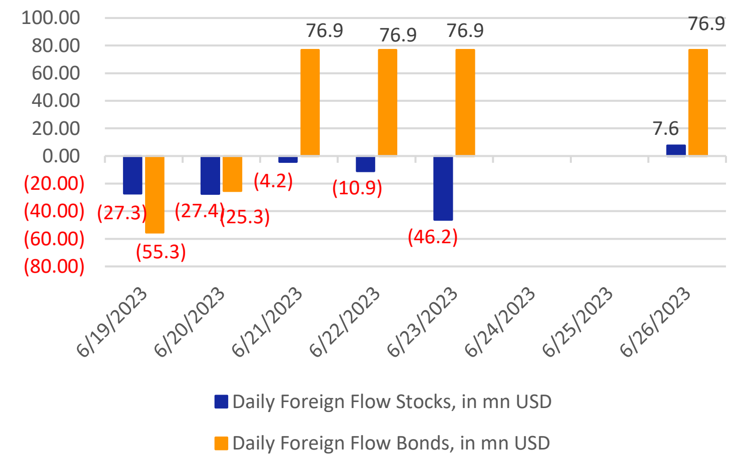
Source: Bloomberg

Chart 4. Leading Indicator for Bond Market Volatility



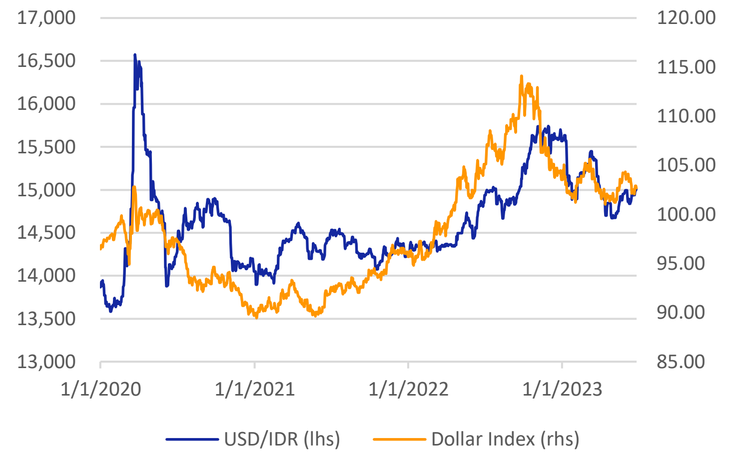
Source: Bloomberg

Chart 5. Foreign Capital Flow Indicator



Source: Bloomberg

Chart 6. Exchange Rate Indicator



Source: Bloomberg

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