Daily Economic & Fixed Income Report

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

SAMUEL SEKURITAS INDONESIA

Economic & Fixed Income Analysis

25 July 2023

Economic and Fixed Income Indicators

Currencies	7/24/2023	Daily (%)	MTD (%)	YTD (%)
EUR/USD	1.11	(0.5)	1.4	3.4
GBP/USD	1.28	(0.2)	1.0	6.2
AUD/USD	0.67	0.1	1.1	(1.1)
USD/CHF	0.87	0.5	(2.9)	(5.9)
USD/JPY	141.5	(0.2)	(2.0)	7.9
Dollar Index	101.3	0.3	(1.5)	(2.1)
Bloomberg Asia Dollar Index	92.7	0.0	1.2	(2.0)
USD/KRW	1,280	(0.3)	(2.9)	1.1
USD/SGD	1.33	0.1	(1.5)	(0.6)
USD/CNY	7.19	(0.0)	(0.9)	4.2
USD/INR	81.8	(0.2)	(0.3)	(1.1)
USD/IDR	15,023	(0.0)	0.2	(3.5)
USD/IDR 1 Month NDF	15,030	(0.1)	(0.1)	(3.2)
USD/MYR	4.57	0.1	(2.1)	3.7
USD/THB	34.5	0.0	(2.8)	(0.4)
USD/PHP	54.8	0.0	(0.8)	(1.8)
Rates	**7/24/2023**	**Daily (bp)**	**MTD (bp)**	**YTD (bp)**
US Treasuries 10-Year	3.87	3.8	3.6	(0.2)
Germany Bund 10-Year	2.43	(4.4)	3.3	(14.6)
Japan JGB 10-Year	0.46	1.3	6.2	4.1
LIBOR Overnight	5.06	0.0	0.0	74.4
LIBOR 1-Month	5.41	0.0	19.5	102.1
Indonesia INDOGB 10-Year	6.24	(0.5)	(2.1)	(70.0)
Indonesia INDOGB 5-Year	5.92	1.2	1.3	(28.0)
Indonesia INDOGB 2-Year	6.04	0.3	16.7	(3.9)
INDOGB-UST (bp)	236.75	(4.3)	(5.7)	(69.8)
Indonesia INDON 10-Year	4.83	(1.0)	0.8	3.4
Indonesia INDON 5-Year	4.91	(0.3)	11.9	21.9
Indonesia INDON 2-Year	5.30	(9.4)	7.8	50.6
INDON-UST (bp)	95.75	(4.8)	(2.8)	3.6
Indonesia Corporate AAA 10-Year	7.04	(2.4)	(16.3)	(70.4)
Indonesia Corporate AAA 5-Year	6.63	0.3	(6.7)	(17.2)
Indonesia Corporate AAA 2-Year	6.62	(0.3)	10.1	14.0
INDONIA	5.61	5.5	(30.4)	58.6
JIBOR 1-Month	6.40	0.1	0.5	20.0
Bond Indexes	**7/24/2023**	**Daily (%)**	**MTD (%)**	**YTD (%)**
S&P Global Bond Developed Index	179.6	0.0	0.0	2.1
EMBI Global Index	806.9	0.0	1.2	5.0
iShare USD EMBI Index	86.8	0.0	1.0	2.5
ICBI Index	369.1	0.0	0.6	7.1
IDMA Index	102.0	(0.1)	0.9	4.8
INDOBeX Government Bond Index	361.5	0.0	0.6	7.2
INDOBeX Corporate Bond Index	412.7	0.1	0.5	5.2
Prices	**7/24/2023**	**Daily (%)**	**MTD (%)**	**YTD (%)**
ID CDS 5-Year	82.1	(0.6)	(4.7)	(17.6)
JCI	6,899	0.3	3.6	0.7
S&P-Goldman Sachs Commodity Index	585.8	2.6	8.3	(4.0)
FR0095	102.10	(0.0)	(0.0)	3.0
FR0096	105.55	0.0	0.1	5.0
FR0097	107.71	0.0	1.5	7.5
FR0098	107.33	(0.0)	1.0	6.8

Source: Bloomberg, SSI Research

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INDON 2Y is the choice to face the possibility of a soft recession in 2H23

Global market players warmly welcomed the possibility of a soft recession in developed countries in 2H23. According to the latest PMI data, the manufacturing sector still suffers, while services sector continues its expansion, albeit at a slower pace (see Global Economic News). As a result, the S&P-Goldman Sachs Commodity Index rose 2.6%, and US stock indices also rose by 0.2-0.5%. Meanwhile, signals on the bond market were quite mixed, as reflected by the increase in the UST 10Y yield by 4 bps to 3.87%, even though the 10Y Bund yield fell by -4 bps to 2.43%. We believe that the INDON market could be positively affected by the possibility of a soft recession, especially for the 2Y instrument, whose yield dropped -9 bps to 5.3%. We predict that the INDOGB 10Y and Rupiah yields will move sideways today, staying at 6.2-6.3% and IDR 15,000-15,100 per USD respectively.

Fixed Income News: Ministry of Finance will hold a SUN auction today with an indicative target of IDR 14tn. Considering the increase in incoming bids at the previous SUN auction (7/11) to IDR 47.8tn (6/27: IDR 37.6tn), we predict the level of demand at today's SUN auction (25/7) to reach IDR 50-55tn. However, we are aware that there is a risk of a decline in decline, just like in in the previous SBSN auction (7/18) (IDR 24.3tn, 7/4: IDR 34tn) due to the INDOGB 10Y yield anomaly (the yield is now lower than the floor of the JIBOR 1M rate). (*DJPPR*)

Global Economic News: Manufacturing slump in the US and Europe continues, while services sector expands further. This is reflected in the manufacturing and services PMI data released last night. Manufacturing PMIs in the Eurozone and the UK fell to 42.7 and 45 respectively in July (Jun: 43.4 and 46.5; Cons Jul: 43.5 and 46.1). Meanwhile, the US manufacturing PMI rose to 49 (Jun: 46.3; Cons Jul: 46.4), though it still stuck in the contraction zone. Eurozone, UK, and US service sector PMIs fell lower than consensus to 51.1, 51.5, and 52.4 respectively (Jun: 52, 53.7, and 54.4; Cons Jun: 51.5, 53, and 54).(*Investing*)

Domestic Economic News: The government reported a budget surplus of IDR 152.3tn (0.71% of GDP) in 6M23 (5M23: IDR 204.3tn or 0.97% of GDP). The 6M23 budget surplus was larger than the 6M22 budget surplus (0.47% of GDP). Considering the conditions in the previous year, we predict that the FY23 budget deficit will be lower than the government's budget deficit target of -2.5% of GDP (state budget: -2.8%). A lower-than-expected budget deficit will strengthen investors' bullish sentiment toward the domestic bond market. (*Kontan*)

Recommendation: FR0040, FR0081, FR0084, FR0086, FR0089, FR0094, PBS017, PBS036.

Economic Calender

Time (Jakarta)	Country	Data and Event	Period	Survey	Prior
07/25/2023 14:20	ID	Bank Indonesia 7D Reverse Repo	24-Jul	5.75%	5.75%
07/25/2023 20:00	US	FHFA House Price Index MoM	May	0.60%	0.70%
07/25/2023 21:00	US	Conf. Board Consumer Confidence	Jul	112.00	109.70
07/25/2023 21:00	US	Richmond Fed Manufact. Index	Jul	(10.00)	(7.00)

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	FR39	8/24/2006	8/15/2023	0.06	11.8%	100.60	0.3%	2.9%	100.53	(259.27)	Expensive	0.06
2	FR70	8/29/2013	3/15/2024	0.64	8.4%	101.60	5.8%	3.4%	103.15	235.82	Cheap	0.63
3	FR77	9/27/2018	5/15/2024	0.81	8.1%	101.77	5.8%	3.6%	103.56	218.63	Cheap	0.78
4	FR44	4/19/2007	9/15/2024	1.15	10.0%	104.60	5.7%	4.1%	106.56	165.62	Cheap	1.09
5	FR81	8/1/2019	6/15/2025	1.90	6.5%	100.91	6.0%	4.9%	102.91	110.04	Cheap	1.79
6	FR40	9/21/2006	9/15/2025	2.15	11.0%	110.28	5.8%	5.1%	111.93	74.10	Cheap	1.93
7	FR84	5/4/2020	2/15/2026	2.57	7.3%	103.16	5.9%	5.3%	104.57	57.37	Cheap	2.33
8	FR86	8/13/2020	4/15/2026	2.73	5.5%	98.99	5.9%	5.4%	100.24	50.09	Cheap	2.55
9	FR56	9/23/2010	9/15/2026	3.15	8.4%	107.05	5.9%	5.6%	107.97	29.77	Cheap	2.79
10	FR37	5/18/2006	9/15/2026	3.15	12.0%	117.45	5.8%	5.6%	118.31	24.58	Cheap	2.68
11	FR90	7/8/2021	4/15/2027	3.73	5.1%	97.90	5.8%	5.8%	97.89	(0.56)	Expensive	3.41
12	FR59	9/15/2011	5/15/2027	3.81	7.0%	103.51	6.0%	5.8%	104.10	16.56	Cheap	3.34
13	FR42	1/25/2007	7/15/2027	3.98	10.3%	115.07	5.9%	5.8%	115.51	10.47	Cheap	3.36
14	FR94	3/4/2022	1/15/2028	4.48	5.6%	98.39	6.0%	5.9%	98.71	8.27	Cheap	3.98
15	FR47	8/30/2007	2/15/2028	4.57	10.0%	116.05	5.9%	5.9%	116.00	(2.36)	Expensive	3.73
16	FR64	8/13/2012	5/15/2028	4.81	6.1%	100.42	6.0%	6.0%	100.55	2.91	Cheap	4.15
17	FR95	8/19/2022	8/15/2028	5.07	6.4%	102.11	5.9%	6.0%	101.49	(14.43)	Expensive	4.32
18	FR99	1/27/2023	1/15/2029	5.48	6.4%	101.71	6.0%	6.1%	101.44	(6.03)	Expensive	4.66
19	FR71	9/12/2013	3/15/2029	5.65	9.0%	113.84	6.1%	6.1%	113.64	(4.48)	Expensive	4.53
20	FR78	9/27/2018	5/15/2029	5.81	8.3%	110.17	6.1%	6.1%	110.26	0.96	Cheap	4.67
21	FR52	8/20/2009	8/15/2030	7.07	10.5%	124.23	6.2%	6.2%	124.03	(3.72)	Expensive	5.22
22	FR82	8/1/2019	9/15/2030	7.15	7.0%	104.10	6.3%	6.2%	104.28	2.73	Cheap	5.68
23	FRSDG1	10/27/2022	10/15/2030	7.23	7.4%	104.75	6.5%	6.3%	106.44	28.19	Cheap	5.70
24	FR87	8/13/2020	2/15/2031	7.57	6.5%	101.17	6.3%	6.3%	101.32	2.40	Cheap	5.97
25	FR85	5/4/2020	4/15/2031	7.73	7.8%	108.99	6.3%	6.3%	108.84	(2.74)	Expensive	5.97
26	FR73	8/6/2015	5/15/2031	7.81	8.8%	115.06	6.3%	6.3%	114.98	(1.69)	Expensive	5.82
27	FR54	7/22/2010	7/15/2031	7.98	9.5%	120.42	6.2%	6.3%	119.81	(9.33)	Expensive	5.90
28	FR91	7/8/2021	4/15/2032	8.73	6.4%	100.67	6.3%	6.3%	100.20	(7.31)	Expensive	6.76
29	FR58	7/21/2011	6/15/2032	8.90	8.3%	112.81	6.3%	6.4%	112.75	(1.22)	Expensive	6.51
30	FR74	11/10/2016	8/15/2032	9.07	7.5%	107.93	6.3%	6.4%	107.76	(2.67)	Expensive	6.67
31	FR96	8/19/2022	2/15/2033	9.57	7.0%	105.55	6.2%	6.4%	104.37	(16.26)	Expensive	7.04
32	FR65	8/30/2012	5/15/2033	9.82	6.6%	102.17	6.3%	6.4%	101.67	(7.04)	Expensive	7.23
33	FR68	8/1/2013	3/15/2034	10.65	8.4%	115.59	6.3%	6.4%	114.89	(8.67)	Expensive	7.36
34	FR80	7/4/2019	6/15/2035	11.90	7.5%	109.00	6.4%	6.5%	108.54	(5.56)	Expensive	8.10
35	FR72	7/9/2015	5/15/2036	12.82	8.3%	115.47	6.5%	6.5%	115.22	(2.93)	Expensive	8.27
36	FR88	1/7/2021	6/15/2036	12.90	6.3%	100.02	6.2%	6.5%	97.96	(23.86)	Expensive	8.89
37	FR45	5/24/2007	5/15/2037	13.82	9.8%	122.91	7.1%	6.5%	129.29	60.94	Cheap	8.22
38	FR93	1/6/2022	7/15/2037	13.99	6.4%	100.13	6.4%	6.5%	98.79	(14.81)	Expensive	9.34
39	FR75	8/10/2017	5/15/2038	14.82	7.5%	109.28	6.5%	6.5%	109.19	(1.17)	Expensive	9.21
40	FR98	9/15/2022	6/15/2038	14.90	7.1%	107.38	6.4%	6.5%	105.66	(17.45)	Expensive	9.44
41	FR50	1/24/2008	7/15/2038	14.99	10.5%	136.45	6.6%	6.5%	137.63	9.77	Cheap	8.73
42	FR79	1/7/2019	4/15/2039	15.74	8.4%	117.59	6.6%	6.5%	117.88	2.42	Cheap	9.42
43	FR83	11/7/2019	4/15/2040	16.74	7.5%	108.28	6.7%	6.6%	109.54	11.70	Cheap	9.94
44	FR57	4/21/2011	5/15/2041	17.82	9.5%	129.48	6.6%	6.6%	130.55	8.23	Cheap	9.69
45	FR62	2/9/2012	4/15/2042	18.74	6.4%	98.39	6.5%	6.6%	97.84	(5.32)	Expensive	10.98
46	FR92	7/8/2021	6/15/2042	18.91	7.1%	105.57	6.6%	6.6%	105.86	2.50	Cheap	10.68
47	FR97	8/19/2022	6/15/2043	19.91	7.1%	107.72	6.4%	6.6%	105.90	(15.80)	Expensive	11.04
48	FR67	7/18/2013	2/15/2044	20.58	8.8%	121.60	6.8%	6.6%	124.08	19.05	Cheap	10.53
49	FR76	9/22/2017	5/15/2048	24.83	7.4%	106.65	6.8%	6.6%	109.05	18.76	Cheap	11.79
50	FR89	1/7/2021	8/15/2051	28.08	6.9%	102.28	6.7%	6.6%	102.92	4.87	Cheap	12.61

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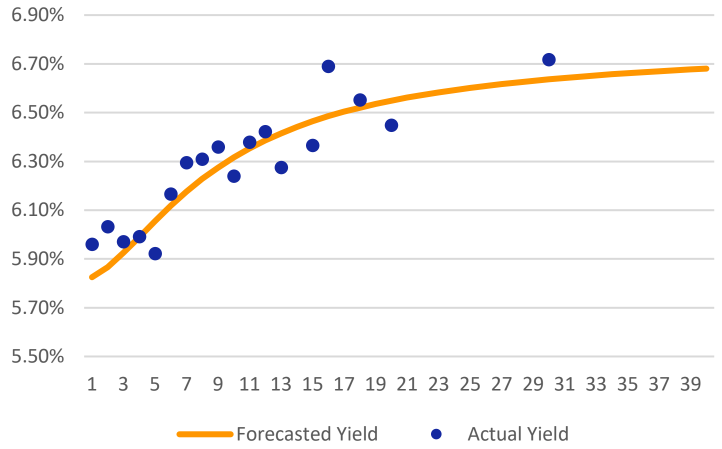
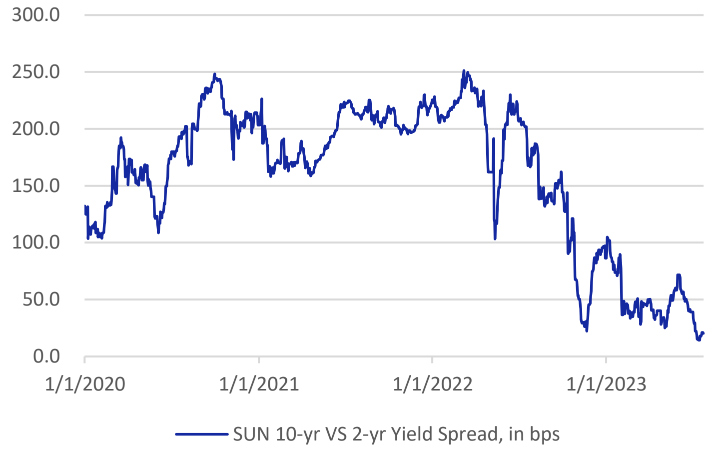
Chart 1. Samuel's Yield Curve Forecast



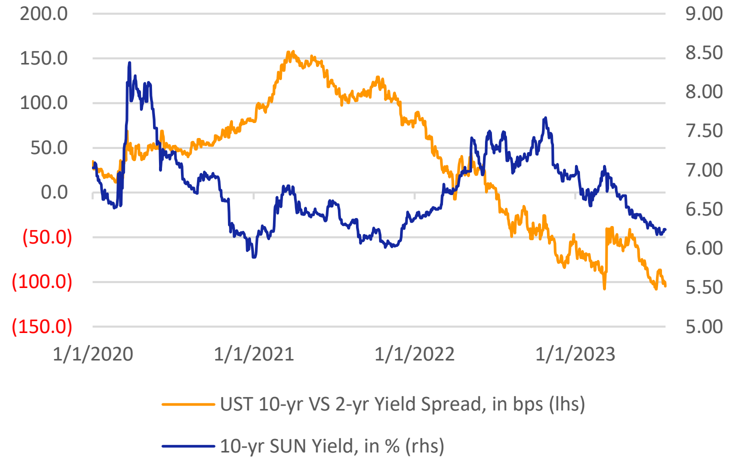
Source: Bloomberg

Chart 2. Leading Indicator for Indonesian Economic Recession



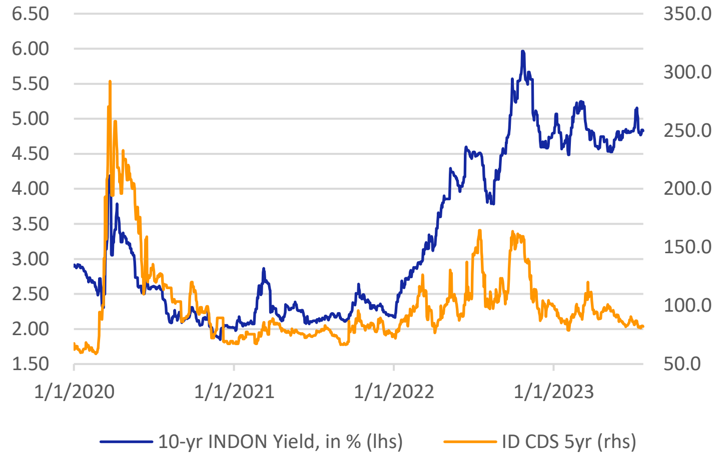
Source: Bloomberg

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



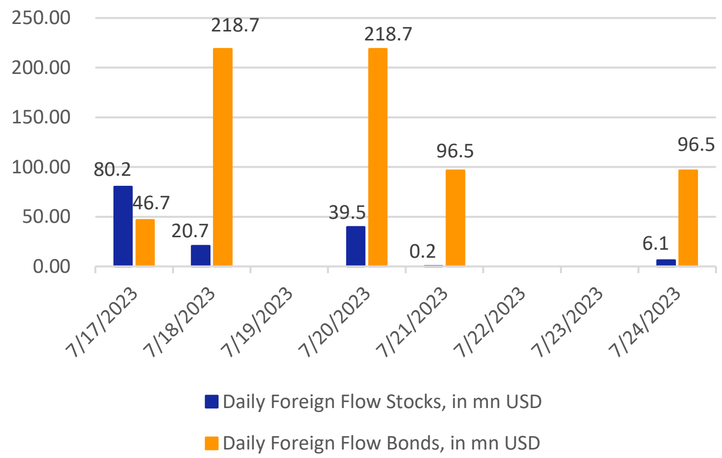
Source: Bloomberg

Chart 4. Leading Indicator for Bond Market Volatility



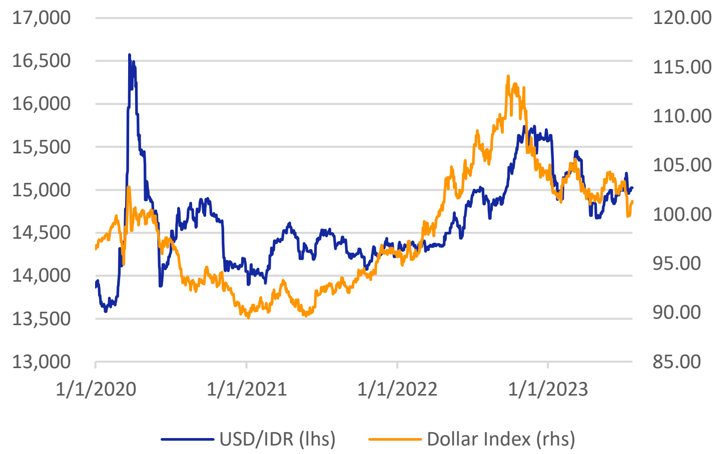
Source: Bloomberg

Chart 5. Foreign Capital Flow Indicator



Source: Bloomberg

Chart 6. Exchange Rate Indicator



Source: Bloomberg

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