Daily Economic & Fixed Income Report

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

SAMUEL SEKURITAS INDONESIA
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Economic & Fixed Income Analysis

14 August 2023

US PPI inflation rebound raises some concerns

The slightly hotter-than-expected US PPI inflation data raised concerns about the possibility of another Fed rate hike in 4Q23 (see Global Economic News). Investors responded to this situation with a sell-off in the global bond market, as reflected in the decline of the S&P bond indexes (for developed markets) and EMBI (for emerging markets) by -0.3%, and the increase in UST 10Y and Bund yields, each by 5 and 10 bps to 4.15% and 2.62%. This sentiment negatively impacted INDON 10Y and 5Y yields, both of which rose by 6 and 5 bps to 4.98% and 4.99%. Meanwhile, INDOGB yields were relatively unaffected, due to the decline in 7M23 net SBN issuance (-17.8% yoy) thanks to 7M23 budget surplus, which stayed at 0.72% (see Domestic Economic News and Fixed Income News). We expect the INDOGB 10Y yield to stay within the range of 6.3-6.4% today, while rupiah might depreciate towards the range of IDR 15,200-300 per USD.

Fixed Income News: Net SBN issuance fell -17.8% yoy to IDR 184.1tn (25.8% of the 2023 State Budget target of IDR 712.9tn) in 7M23. The decline was mainly caused by the Ministry of Finance's policy to limit the issuance of new SBNs. Although the total incoming bids made at SBN auctions in 7M23 reached IDR 1,210.6tn (7M22: IDR 1,200.4tn), the total SBN issuance value was only IDR 474.2tn (7M22: IDR 549.7tn). In our opinion, this policy will help maintain the domestic bond market's bullish momentum, keeping INDOGB 10Y yield at 6.2-6.4%. (*DJPK*)

Global Economic News: Slightly hotter-than-expected US PPI inflation in July (0.8% yoy; Jun: 0.2% yoy; Cons: 0.7% yoy). The mom figure came in at 0.3% mom (Jun 0% mom; Cons: 0.2% mom). The hotter-than-expected data sparked concerns among market players that the disinflationary momentum in the United States was weaker than what was indicated by the CPI inflation data. Market players responded to the data by increasing the probability of a second Fed rate hike (25 bps) in 2H23 to 34% (November; prev: 28%) and 30% (December; prev: 26%). However, the probability for September hike dropped to 10% (Prev: 14%). We believe that the situation could hurt global and domestic bond markets. (*CNBC*)

Domestic Economic News: 7M23 budget surplus came in at IDR 153.5tn or 0.72% of GDP (6M23: IDR 152.3tn or 0.71%; 7M22: IDR 106.6tn or 0.54%). The growth in state spending (1.1% yoy to IDR 1,461.2tn) was slower than in state revenues (4.1% yoy to IDR 1,614.8tn), which helped boost the surplus. We believe the data shows that the government has sufficient fiscal space to provide fiscal stimulus well into 4Q23. (*Kemenkeu*)

Recommendation: FR0037, FR0040, FR0056, FR0084, FR0086, FR0090, PBS032, PBS036.

Economic and Fixed Income Indicators

Currencies	8/11/2023	Daily (%)	MTD (%)	YTD (%)
EUR/USD	1.09	(0.3)	(0.4)	2.3
GBP/USD	1.27	0.2	(1.1)	5.1
AUD/USD	0.65	(0.3)	(3.3)	(4.7)
USD/CHF	0.88	(0.0)	0.6	(5.2)
USD/JPY	145.0	0.1	1.9	10.6
Dollar Index	102.8	0.3	1.0	(0.7)
Bloomberg Asia Dollar Index	91.5	(0.3)	(1.6)	(3.3)
USD/KRW	1,325	0.7	3.9	4.7
USD/SGD	1.35	0.2	1.7	0.9
USD/CNY	7.24	0.3	1.4	4.9
USD/INR	82.8	0.1	0.7	0.1
USD/IDR	15,215	0.2	0.9	(2.3)
USD/IDR 1 Month NDF	15,289	0.2	1.2	(1.6)
USD/MYR	4.59	0.4	1.8	4.2
USD/THB	35.1	(0.1)	2.5	1.4
USD/PHP	56.3	0.1	2.6	1.1
Rates	**8/11/2023**	**Daily (bp)**	**MTD (bp)**	**YTD (bp)**
US Treasuries 10-Year	4.15	4.7	19.3	27.7
Germany Bund 10-Year	2.62	9.5	13.1	5.2
Japan JGB 10-Year	0.58	0.0	(2.8)	16.2
US SOFR Overnight	5.30	0.0	(1.0)	100.0
LIBOR 1-Month	5.43	0.0	(0.5)	103.5
Indonesia INDOGB 10-Year	6.33	0.4	8.4	(60.6)
Indonesia INDOGB 5-Year	6.05	0.4	6.0	(15.3)
Indonesia INDOGB 2-Year	6.06	1.6	(0.7)	(1.3)
INDOGB-UST (bp)	218.18	(4.3)	(10.9)	(88.3)
Indonesia INDON 10-Year	4.98	6.3	8.5	18.8
Indonesia INDON 5-Year	4.99	4.6	8.4	30.3
Indonesia INDON 2-Year	5.28	3.0	(1.1)	49.1
INDON-UST (bp)	83.18	1.6	(10.8)	(8.9)
Indonesia Corporate AAA 10-Year	7.13	(0.2)	1.6	(61.5)
Indonesia Corporate AAA 5-Year	6.72	(0.4)	(0.9)	(8.4)
Indonesia Corporate AAA 2-Year	6.63	0.8	(6.8)	14.3
INDONIA	5.61	(2.8)	(8.4)	58.4
JIBOR 1-Month	6.40	0.0	0.0	20.0
Bond Indexes	**8/11/2023**	**Daily (%)**	**MTD (%)**	**YTD (%)**
S&P Global Bond Developed Index	177.5	(0.3)	(0.8)	0.9
EMBI Global Index	801.4	(0.3)	(1.1)	4.3
iShare USD EMBI Index	85.9	(0.2)	(1.6)	1.4
ICBI Index	369.5	(0.0)	0.1	7.2
IDMA Index	101.3	(0.0)	(0.7)	4.0
INDOBeX Government Bond Index	361.8	(0.0)	0.1	7.3
INDOBeX Corporate Bond Index	413.4	(0.0)	0.2	5.4
Prices	**8/11/2023**	**Daily (%)**	**MTD (%)**	**YTD (%)**
ID CDS 5-Year	80.4	0.1	9.7	(19.3)
JCI	6,880	(0.2)	(0.7)	0.4
S&P-Goldman Sachs Commodity Index	591.4	0.2	(0.5)	(3.1)
FR0095	101.52	0.0	(0.3)	2.4
FR0096	104.86	(0.0)	(0.6)	4.3
FR0097	106.17	(0.0)	(1.0)	6.0
FR0098	106.21	(0.0)	(0.5)	5.7

Source: Bloomberg, SSI Research

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Economic Calender

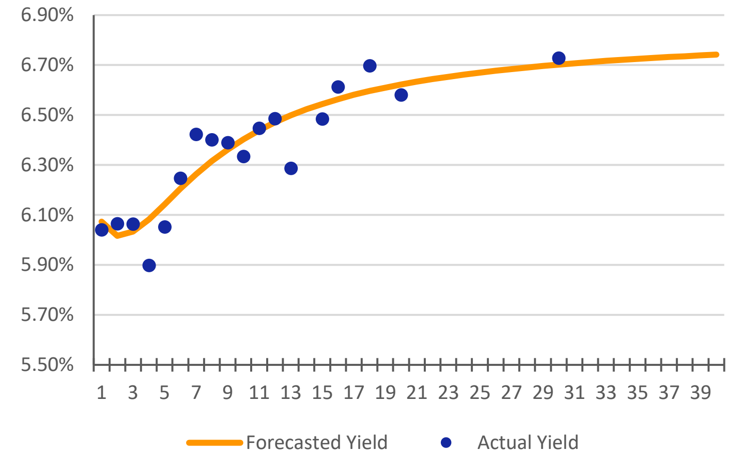
Time (Jakarta)	Country	Data and Event	Period	Survey	Prior
08/14/2023 13:00	GE	Wholesale Price Index MoM	Jul	--	-0.20%
08/14/2023 13:00	GE	Wholesale Price Index YoY	Jul	--	-2.90%
08/14/2023 13:30	EC	Bloomberg Aug. Eurozone Economic Survey			
08/14/2023 14:30	UK	Bloomberg Aug. United Kingdom Economic Survey			

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	FR70	8/29/2013	3/15/2024	0.59	8.4%	101.43	5.8%	3.3%	102.94	250.73	Cheap	0.58
2	FR77	9/27/2018	5/15/2024	0.76	8.1%	101.59	5.9%	3.5%	103.46	241.63	Cheap	0.73
3	FR44	4/19/2007	9/15/2024	1.10	10.0%	104.37	5.8%	3.8%	106.59	196.13	Cheap	1.04
4	FR81	8/1/2019	6/15/2025	1.85	6.5%	100.85	6.0%	4.5%	103.48	148.56	Cheap	1.74
5	FR40	9/21/2006	9/15/2025	2.10	11.0%	109.79	5.9%	4.7%	112.43	122.04	Cheap	1.88
6	FR84	5/4/2020	2/15/2026	2.52	7.3%	102.84	6.0%	5.0%	105.27	101.24	Cheap	2.28
7	FR86	8/13/2020	4/15/2026	2.68	5.5%	98.81	6.0%	5.1%	101.01	89.31	Cheap	2.50
8	FR56	9/23/2010	9/15/2026	3.10	8.4%	106.59	6.0%	5.3%	108.65	68.89	Cheap	2.74
9	FR37	5/18/2006	9/15/2026	3.10	12.0%	116.66	6.0%	5.3%	118.88	68.79	Cheap	2.63
10	FR90	7/8/2021	4/15/2027	3.68	5.1%	97.45	5.9%	5.6%	98.60	35.45	Cheap	3.36
11	FR59	9/15/2011	5/15/2027	3.76	7.0%	103.19	6.0%	5.6%	104.76	45.27	Cheap	3.29
12	FR42	1/25/2007	7/15/2027	3.93	10.3%	115.25	5.8%	5.6%	116.06	19.92	Cheap	3.31
13	FR94	3/4/2022	1/15/2028	4.43	5.6%	98.11	6.1%	5.8%	99.30	31.30	Cheap	3.93
14	FR47	8/30/2007	2/15/2028	4.52	10.0%	115.37	6.0%	5.8%	116.47	24.51	Cheap	3.68
15	FR64	8/13/2012	5/15/2028	4.76	6.1%	100.28	6.1%	5.9%	101.08	19.15	Cheap	4.10
16	FR95	8/19/2022	8/15/2028	5.02	6.4%	101.52	6.0%	5.9%	101.97	10.20	Cheap	4.27
17	FR99	1/27/2023	1/15/2029	5.44	6.4%	101.29	6.1%	6.0%	101.85	11.87	Cheap	4.61
18	FR71	9/12/2013	3/15/2029	5.60	9.0%	113.18	6.2%	6.0%	113.97	14.79	Cheap	4.48
19	FR78	9/27/2018	5/15/2029	5.76	8.3%	109.72	6.2%	6.1%	110.57	16.07	Cheap	4.62
20	FR52	8/20/2009	8/15/2030	7.02	10.5%	123.42	6.3%	6.2%	124.09	9.63	Cheap	5.17
21	FR82	8/1/2019	9/15/2030	7.10	7.0%	103.35	6.4%	6.2%	104.41	18.10	Cheap	5.62
22	FRSDG1	10/27/2022	10/15/2030	7.18	7.4%	104.75	6.5%	6.2%	106.55	30.19	Cheap	5.65
23	FR87	8/13/2020	2/15/2031	7.52	6.5%	100.61	6.4%	6.3%	101.40	13.26	Cheap	5.91
24	FR85	5/4/2020	4/15/2031	7.68	7.8%	108.17	6.4%	6.3%	108.87	10.53	Cheap	5.91
25	FR73	8/6/2015	5/15/2031	7.76	8.8%	114.47	6.4%	6.3%	114.96	6.82	Cheap	5.76
26	FR54	7/22/2010	7/15/2031	7.93	9.5%	119.40	6.3%	6.3%	119.74	4.37	Cheap	5.84
27	FR91	7/8/2021	4/15/2032	8.68	6.4%	100.33	6.3%	6.4%	100.12	(3.42)	Expensive	6.70
28	FR58	7/21/2011	6/15/2032	8.85	8.3%	112.64	6.4%	6.4%	112.58	(1.19)	Expensive	6.45
29	FR74	11/10/2016	8/15/2032	9.02	7.5%	107.69	6.4%	6.4%	107.60	(1.49)	Expensive	6.62
30	FR96	8/19/2022	2/15/2033	9.52	7.0%	104.85	6.3%	6.4%	104.16	(9.73)	Expensive	6.98
31	FR65	8/30/2012	5/15/2033	9.77	6.6%	102.02	6.3%	6.4%	101.44	(8.15)	Expensive	7.18
32	FR68	8/1/2013	3/15/2034	10.60	8.4%	114.82	6.4%	6.5%	114.48	(4.40)	Expensive	7.30
33	FR80	7/4/2019	6/15/2035	11.85	7.5%	108.44	6.5%	6.5%	108.02	(5.15)	Expensive	8.04
34	FR72	7/9/2015	5/15/2036	12.77	8.3%	114.73	6.5%	6.6%	114.55	(2.19)	Expensive	8.21
35	FR88	1/7/2021	6/15/2036	12.85	6.3%	99.92	6.3%	6.6%	97.39	(29.58)	Expensive	8.84
36	FR45	5/24/2007	5/15/2037	13.77	9.8%	127.77	6.6%	6.6%	128.42	5.67	Cheap	8.29
37	FR93	1/6/2022	7/15/2037	13.94	6.4%	100.39	6.3%	6.6%	98.10	(25.35)	Expensive	9.30
38	FR75	8/10/2017	5/15/2038	14.77	7.5%	108.65	6.6%	6.6%	108.35	(3.31)	Expensive	9.15
39	FR98	9/15/2022	6/15/2038	14.85	7.1%	106.21	6.5%	6.6%	104.84	(14.24)	Expensive	9.36
40	FR50	1/24/2008	7/15/2038	14.94	10.5%	136.74	6.6%	6.6%	136.57	(1.81)	Expensive	8.69
41	FR79	1/7/2019	4/15/2039	15.69	8.4%	117.18	6.6%	6.6%	116.89	(2.96)	Expensive	9.36
42	FR83	11/7/2019	4/15/2040	16.69	7.5%	108.58	6.6%	6.6%	108.52	(0.73)	Expensive	9.90
43	FR57	4/21/2011	5/15/2041	17.77	9.5%	129.09	6.7%	6.7%	129.25	0.95	Cheap	9.63
44	FR62	2/9/2012	4/15/2042	18.69	6.4%	98.48	6.5%	6.7%	96.76	(16.54)	Expensive	10.93
45	FR92	7/8/2021	6/15/2042	18.86	7.1%	105.14	6.6%	6.7%	104.69	(4.22)	Expensive	10.61
46	FR97	8/19/2022	6/15/2043	19.86	7.1%	106.17	6.6%	6.7%	104.66	(13.43)	Expensive	10.93
47	FR67	7/18/2013	2/15/2044	20.53	8.8%	121.67	6.8%	6.7%	122.61	7.23	Cheap	10.48
48	FR76	9/22/2017	5/15/2048	24.78	7.4%	107.25	6.8%	6.8%	107.47	1.57	Cheap	11.78
49	FR89	1/7/2021	8/15/2051	28.03	6.9%	102.11	6.7%	6.8%	101.25	(6.79)	Expensive	12.55

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	PBS31	7/29/2021	7/15/2024	0.93	4.0%	98.58	5.6%	5.7%	98.45	(12.68)	Expensive	0.91
2	PBS26	10/17/2019	10/15/2024	1.18	6.6%	100.95	5.8%	5.7%	101.00	2.14	Cheap	1.14
3	PBS36	8/25/2022	8/15/2025	2.01	5.4%	98.85	6.0%	5.8%	99.26	22.05	Cheap	1.89
4	PBS17	1/11/2018	10/15/2025	2.18	6.1%	100.81	5.7%	5.8%	100.70	(6.15)	Expensive	2.05
5	PBS32	7/29/2021	7/15/2026	2.93	4.9%	97.02	6.0%	5.8%	97.45	16.76	Cheap	2.73
6	PBS21	12/5/2018	11/15/2026	3.27	8.5%	107.45	5.9%	5.9%	107.74	8.03	Cheap	2.84
7	PBS3	2/2/2012	1/15/2027	3.43	6.0%	100.43	5.9%	5.9%	100.39	(1.78)	Expensive	3.11
8	PBS20	10/22/2018	10/15/2027	4.18	9.0%	111.15	5.9%	5.9%	111.19	(0.17)	Expensive	3.55
9	PBS18	6/4/2018	5/15/2028	4.76	7.6%	106.73	6.0%	6.0%	106.69	(1.51)	Expensive	3.99
10	PBS30	6/4/2021	7/15/2028	4.93	5.9%	100.44	5.8%	6.0%	99.45	(23.40)	Expensive	4.30
11	PBSG1	9/22/2022	9/15/2029	6.10	6.6%	103.06	6.0%	6.1%	102.61	(9.12)	Expensive	5.03
12	PBS23	5/15/2019	5/15/2030	6.76	8.1%	110.69	6.2%	6.2%	110.73	0.07	Cheap	5.26
13	PBS12	1/28/2016	11/15/2031	8.27	8.9%	116.05	6.3%	6.3%	116.57	6.81	Cheap	6.02
14	PBS24	5/28/2019	5/15/2032	8.77	8.4%	114.07	6.3%	6.3%	113.74	(5.14)	Expensive	6.36
15	PBS25	5/29/2019	5/15/2033	9.77	8.4%	114.67	6.3%	6.4%	114.37	(4.18)	Expensive	6.87
16	PBS29	1/14/2021	3/15/2034	10.60	6.4%	100.33	6.3%	6.4%	99.62	(9.39)	Expensive	7.71
17	PBS22	1/24/2019	4/15/2034	10.68	8.6%	114.62	6.7%	6.4%	116.78	25.46	Cheap	7.31
18	PBS37	1/12/2023	3/15/2036	12.60	6.9%	103.52	6.5%	6.5%	102.97	(6.39)	Expensive	8.52
19	PBS4	2/16/2012	2/15/2037	13.53	6.1%	97.50	6.4%	6.6%	95.87	(18.59)	Expensive	9.10
20	PBS34	1/13/2022	6/15/2039	15.85	6.5%	99.94	6.5%	6.6%	98.56	(14.37)	Expensive	9.90
21	PBS7	9/29/2014	9/15/2040	17.11	9.0%	122.29	6.8%	6.7%	123.37	9.09	Cheap	9.56
22	PBS35	3/30/2022	3/15/2042	18.61	6.8%	101.46	6.6%	6.7%	100.26	(11.33)	Expensive	10.68
23	PBS5	5/2/2013	4/15/2043	19.69	6.8%	100.95	6.7%	6.7%	100.00	(8.86)	Expensive	11.02
24	PBS28	7/23/2020	10/15/2046	23.19	7.8%	111.93	6.7%	6.8%	110.82	(8.96)	Expensive	11.51
25	PBS33	1/13/2022	6/15/2047	23.86	6.8%	100.89	6.7%	6.8%	99.12	(15.18)	Expensive	11.94
26	PBS15	7/21/2017	7/15/2047	23.94	8.0%	110.50	7.1%	6.8%	113.74	25.57	Cheap	11.36

Chart 1. Samuel's Yield Curve Forecast

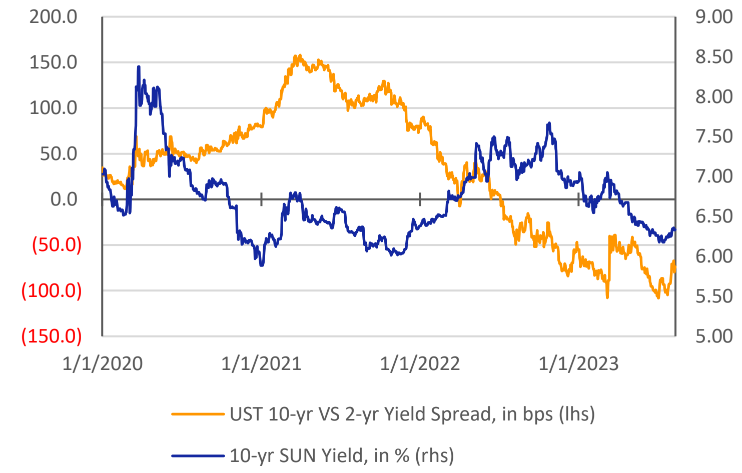


Source: Bloomberg

Chart 2. Leading Indicator for Indonesian Economic Recession

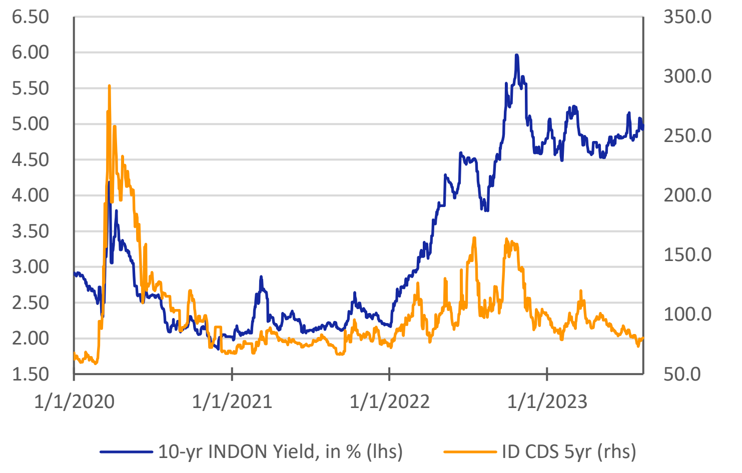
Source: Bloomberg

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



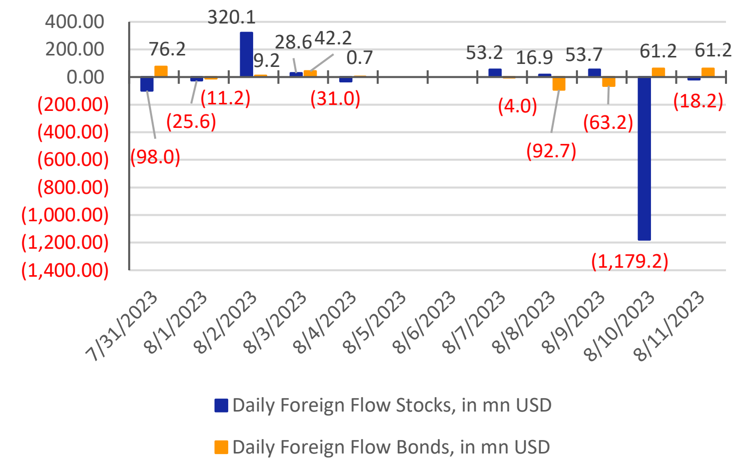
Source: Bloomberg

Chart 4. Leading Indicator for Bond Market Volatility



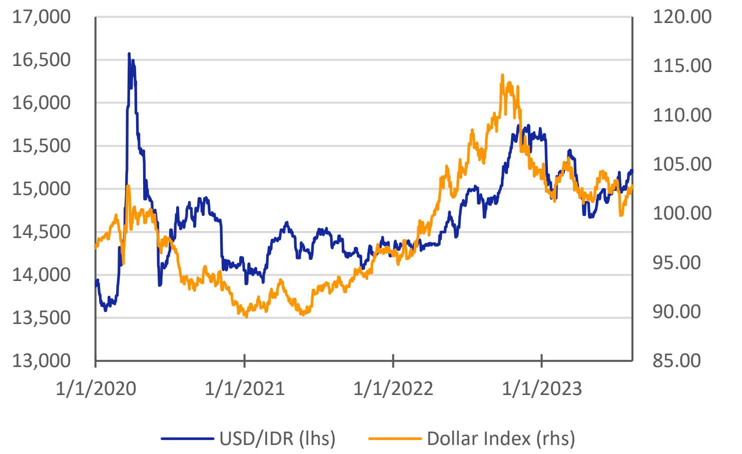
Source: Bloomberg

Chart 5. Foreign Capital Flow Indicator



Source: Bloomberg

Chart 6. Exchange Rate Indicator



Source: Bloomberg

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