

## Overview

The government is set to allocate IDR 71 trillion (USD 4.33 billion) for President-elect Prabowo Subianto's student meals program, aiming to maintain the 2025 fiscal deficit within a 3% cap, despite concerns from international bodies about future state spending. Bank Indonesia is holding off on interest rate adjustments, focusing on market interventions to stabilize the rupiah amidst a minor budget deficit of 0.10% of GDP and declining state revenues. Meanwhile, the World Bank has upgraded Indonesia's GDP growth forecast to 5.1% annually through 2026. In the corporate sector, significant developments include the cancellation of a USD 2.6 billion investment by Eramet and BAS and Pertamina's expansion in Iraq's oil and gas fields. Additionally, the insurance sector and the Indonesia Stock Exchange are experiencing robust growth, with new incentives promoting green hydrogen development and careful integration of OECD's transfer pricing standards. Politically, the nation braces for a smooth transition of power while addressing serious cybersecurity threats and geopolitical tensions, particularly concerning actions in the South China Sea and advancing nuclear energy collaborations with global powers.

## Key Comments

### Business, Economics and Finance

**Indonesia's Budget Plans for 2025:** The government will allocate IDR 71 trillion (USD 4.33 billion) to implement President-elect Prabowo Subianto's free meals program for students, aiming to maintain the 2025 deficit target within a 3% cap.

**Fiscal Stability Measures:** Amidst World Bank and IMF concerns regarding Indonesia's future state spending, Prabowo's team has vowed to maintain fiscal prudence to protect the country's financial stability.

**Bank Indonesia on Interest Rates:** The central bank sees no immediate need to adjust interest rates, preferring market interventions to stabilize the rupiah, despite ongoing concerns over fiscal sustainability.

**State Budget:** Indonesia's state revenue has fallen by 7.1% to IDR 1,123.5 trillion (USD 68.4 billion) as of 31 May 2024. The budget deficit sits at a minimal 0.10% of GDP, amounting to IDR 21.8 trillion.

**GDP Growth Prospects:** The World Bank has revised Indonesia's annual FY24-FY26 GDP growth forecast to an average of 5.1%.

**Corporate Developments:** Eramet and BASF have canceled a USD 2.6 billion investment in a nickel-cobalt refining complex in Weda Bay, citing financial strains.

**Oil and Gas Sector:** Pertamina plans to expand its presence in Iraq by acquiring additional oil and gas blocks. Several gas field projects are advancing toward final investment decisions, including the Mako Field project by Empyrean Energy and Conrad Asia Energy's development in the Duyung PSC.

**Insurance and Stock Market Dynamics:** General insurance premium income significantly increased in Q1 2024, rising by 26.1% year-over-year.

**International Economic Relations:** The government's new incentives aim to encourage the development of green hydrogen as part of its commitment to environmental sustainability. Concerns remain over the implementation of OECD's transfer pricing standards in Indonesia, urging cautious integration by local businesses.

### Political Stability and Security Concerns

**Upcoming Government Transition:** As President Joko Widodo's term concludes, significant emphasis is being placed on maintaining political stability to ensure a smooth transition to President-elect Prabowo Subianto.

**Cybersecurity Incidents:** Recent ransomware attacks have compromised Indonesia's national data center, affecting public services but the government refuses to pay the demanded USD 8 million ransom.

These cyber incidents have raised serious concerns about national security and the integrity of government digital infrastructures.

**Geopolitical Concerns:** The U.S. has expressed concerns over China's actions in the South China Sea, describing them as destabilizing. While at the same time, Indonesia continues to engage with major global players like Russia, Japan, Korea, and the US to advance its nuclear energy program.

## Market Movement

Asian markets closed mixed with Japan's Nikkei gaining momentum at a 0.9% increase to close at 39,173. South Korea's Kospi also saw a positive adjustment, up by 0.3% to 2,774. Conversely, the Shanghai Composite Index declined by 0.4% to 2,950, while Indonesia's JCI slightly dipped by 0.1% to 6,883.

### Currency and Commodities:

The USD/IDR pair edged higher by 0.1%, settling at 16,375. In commodities, Gold prices saw a marginal decrease of 0.1%, closing at USD 2,333 per ounce. Brent Oil also experienced a decline, dropping by 0.3% to USD 86 per barrel.

### Market News:

The Jakarta Composite Index (JCI) ended the day lower at 6,882.7, a slight decrease of 0.09%. The Indonesia Sharia Stock Index (ISSI) followed suit, closing down by 0.08% at 205.0. The day's trading volume was dominated by foreign investors with significant net sells in the regular market, amounting to IDR 7437.4 billion, and net buys in the negotiated market totaling IDR 8693.7 billion.

### Sector Performance:

The cyclical sector index (IDXCYC) emerged as the top gainer, whereas the property sector index (IDXPROP) lagged behind, marking the most significant drop.

### Stock Movements:

Leading the gains today were BREN, TPIA, and CPIN, while BMRI, and BBRI were among the top laggards. Notably, AMMN and TPIA were active in foreign net buys, whereas BBRI, BMRI, and BBNI featured prominently in foreign net sells.

### Top Value Stocks:

BBRI, BMRI, and BBNI topped the list for value stocks, with TLKM also showing strong performance.

### Conclusion:

The market reflects a cautious optimism in some sectors, balanced by reticence in others. The significant foreign investment activities suggest a dynamic interplay of market forces, particularly in Indonesia's financial sectors.

## Fixed Income

### Bond Prices

In Tuesday's trading, Rupiah-denominated bond prices strengthened, continuing their recent gains alongside a strengthening Rupiah. The benchmark 10-year Government Securities (SBN FR0100) saw its yield drop to 7.06%, indicating a stronger bond price compared to previous trading sessions. The Indonesia Composite Bond Index (ICBI) also moved upwards by 0.10%, bringing its year-to-date return to 1.23%.

### Currency Impact

The Indonesian Rupiah strengthened by 19 points, closing at Rp 16,375 against the US dollar. This movement in the forex market has positively influenced the local bond market, as foreign investors find Rupiah-denominated bonds more attractive with a stronger local currency.

### Comparison with U.S. Treasury Bonds

There is a notable comparison with international benchmarks where the U.S. Treasury 10-year bond yield decreased by 0.020 points to 4.228%. This decline in U.S. yields can make Indonesian bonds more appealing to global investors seeking higher returns.

### Trading Activity

Trading volume in the bond market showed a significant increase, up by 50.72% to Rp 53.18 trillion from the previous session's Rp 34.62 trillion. However, the frequency of transactions saw a decline, dropping by 27.00% from 5,507 to 4,020 transactions. This suggests a higher average transaction size, pointing to increased participation by larger institutional investors.

All in all we see the Indonesian bond market exhibited robust performance, driven by a strong local currency and favorable comparisons to global benchmarks like U.S. Treasuries. Investors showed greater interest in higher-value transactions, despite a decrease in the number of trades, signaling strong institutional confidence in Indonesian debt securities.

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### **Strategy**

*The 10-year benchmark government bond yield reached its highest point since October 2023, followed by a correction. As long as it does not break above 7.25, there is potential for the yield to weaken towards 7.0 to 6.9.*

*According to the RRG (Relative Rotation Graph) chart, yields for bonds with tenors below 5 years are experiencing weakened momentum and are strengthening below the 10-year benchmark. Bonds with 5 to 11-year tenors, on the other hand, are seeing momentum strengthening, catching up with the 10-year benchmark yield, although they are still lagging except for the 5-year bonds, which are leading against the 10-year benchmark. Bonds above the 10-year benchmark continue to lose momentum and are increasingly lagging compared to the 10-year benchmark.*

*Therefore we recommend the following:*

**INDOGB: FR80 FR72 FR88**

**INDOIS: PBS17 PBS32**

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**Currencies**

Currency Pair	Index, Last	Currency Pair	Index, Last
AUD / USD	0.6	AUD / IDR	10,922
CNY / USD	7.2	CNY / IDR	2,255
EUR / USD	1.0	EUR / IDR	17,570
GBP / USD	1.2	GBP / IDR	20,801
HKD / USD	7.8	HKD / IDR	2,097
JPY / USD	159.4	JPY / IDR	103
MYR / USD	4.7	MYR / IDR	3,481
NZD / USD	0.6	NZD / IDR	10,033
SAR / USD	3.7	SAR / IDR	4,365
SGD / USD	1.3	SGD / IDR	12,110
		USD / IDR	16,379

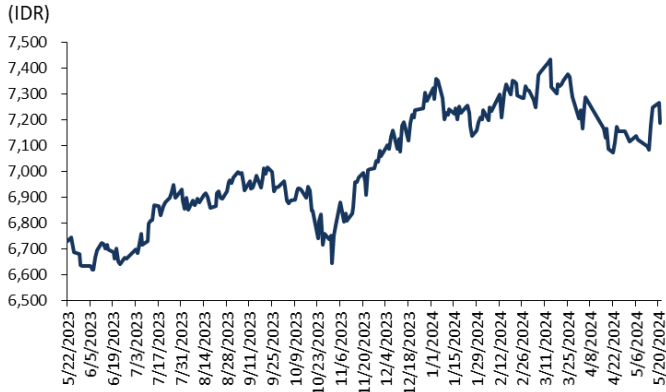
Source: SSI Research

**Macro Forecasts**

Macro	2023A	2024F	2025F
GDP (% YoY)	5.1	4.8	4.9
Inflation (% YoY)	2.6	3.5	3.6
Current Account Balance (% GDP)	-0.1	-0.7	-1.2
Fiscal Balance (% to GDP)	-1.7	-2.6	-2.9
BI 7DRRR (%)	6.0	6.5	6.0
10Y. Government Bond Yield (%)	6.6	6.9	7.2
Exchange Rate (USD/IDR)	15,252	15,900	15,950

Source: SSI Research

**IHSG Chart Intraday**



Source: SSI Research

**Net Foreign Flow: IDR 7.9tn Inflow**

Stock	% TVAL	Last	% CHG	% MTD	% YTD	NVAL (IDR bn)
TPIA	0.2	8,925	1.1	-2.7	70.0	56
BRIS	0.1	2,500	-0.3	13.6	43.6	41
BBCA	2.4	9,600	0.0	3.7	2.1	40
TLKM	0.8	2,990	1.3	3.1	-24.3	16
BUKA	0.0	132	-2.2	1.5	-38.8	14
FILM	0.0	4,380	-14.1	3.3	10.6	12
PGAS	0.0	1,555	1.6	-1.5	37.6	12
SIDO	0.0	765	2.0	7.7	45.7	9
BIPI	0.0	67	0.0	8.0	-36.1	7
ELSA	0.0	448	3.2	10.3	15.4	7

Source: SSI Research

**Index Stock Mover Summary**

Stock	% CHG	JCI (+)	M.CAP (IDR tn)	Stock	% CHG	JCI (+)	M.CAP (IDR tn)
BREN	2.6	29.99	1,291	BMRI	-1.2	-6.21	547
TPIA	1.1	7.75	772	FILM	-14.1	-6.14	42
AMMN	0.6	4.87	789	BBRI	-0.4	-2.69	657
TLKM	1.3	3.55	296	MSIN	-7.4	-2.39	33
MDKA	3.4	1.75	59	BBNI	-1.3	-1.98	165
PANI	2.5	1.75	79	ICBP	-1.6	-1.83	118
DNET	2.4	1.52	71	BRPT	-2.0	-1.68	89
MTEL	2.3	1.12	55	ARTO	-4.0	-1.10	29
BBSI	6.3	0.81	15	CPIN	-1.4	-1.08	82
SMMA	0.8	0.71	94	ASII	-0.6	-1.08	178

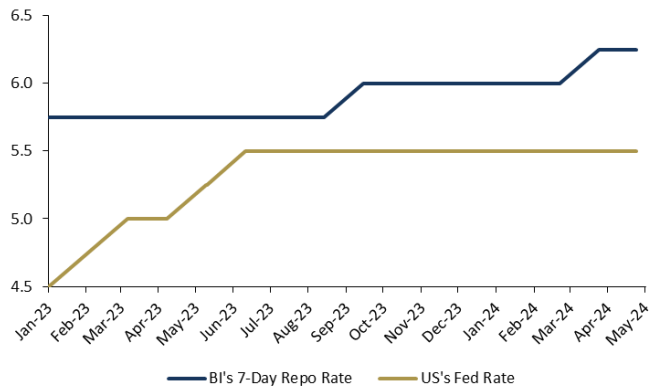
Source: SSI Research

**Sector Statistic**

SECTOR	TVAL	%TVAL	FNVAL	FBVAL	DBVAL	FSVAL	DSVAL
IDXENERGY	630.8B	2.3	-12.2B	144.4B	486.4B	156.6B	474.2B
IDX BASIC	19.1T	70.4	8,132.7B	9.0T	10.0T	963.2B	18.2T
IDXINDUST	388.8B	1.4	-31.5B	199.3B	189.5B	230.9B	157.9B
IDXNONCYC	407.1B	1.5	-44.7B	144.7B	262.3B	189.5B	217.5B
IDXCYCLIC	385.1B	1.4	17.0B	98.9B	286.2B	81.8B	303.3B
IDXHEALTH	147.4B	0.5	-3.4B	51.9B	95.4B	55.3B	92.0B
IDXFİNANCE	4.8T	17.7	-27.4B	2.8T	2.0T	2.8T	2.0T
IDXPROPERT	123.6B	0.4	-20.7B	10.8B	112.7B	31.6B	92.0B
IDXTECHNO	261.5B	0.9	-33.7B	50.4B	211.0B	84.1B	177.3B
IDXINFRA	730.0B	2.6	-17.4B	394.1B	335.9B	411.5B	318.5B
IDXTRANS	43.1B	0.1	-2.8B	2.9B	40.1B	5.7B	37.3B
COMPOSITE	27.1T	100.0		12.9T	14.1T	5.0T	22.1T

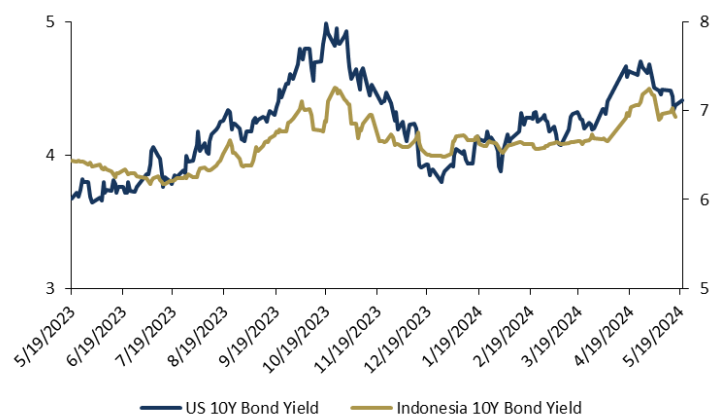
Source: STAR, SSI Research

**Monetary Policy**



Source: Bloomberg, SSI Research

**Indonesia 10Y Bond Yield vs. U.S. 10Y Treasury Yield**



Source: Trading Economic, SSI Research



**INDOGB Bonds Valuation**

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	(0.28)	8.4%	0.00	0.0%	6.6%	99.52	0.00	0	0.00
2	FR77	9/27/2018	5/15/2024	(0.11)	8.1%	0.00	0.0%	6.6%	99.84	0.00	0	0.00
3	FR44	4/19/2007	9/15/2024	0.23	10.0%	100.83	6.0%	6.6%	100.75	(65.26)	Expensive	0.23
4	FR81	8/1/2019	6/15/2025	0.98	6.5%	99.85	6.7%	6.6%	99.90	4.77	Cheap	0.95
5	FR40	9/21/2006	9/15/2025	1.23	11.0%	105.01	6.6%	6.6%	105.09	2.09	Cheap	1.16
6	FR84	5/4/2020	2/15/2026	1.65	7.3%	100.73	6.8%	6.6%	100.97	14.28	Cheap	1.55
7	FR86	8/13/2020	4/15/2026	1.81	5.5%	97.97	6.7%	6.6%	98.12	8.84	Cheap	1.71
8	FR56	9/23/2010	9/15/2026	2.23	8.4%	103.19	6.8%	6.6%	103.56	16.45	Cheap	2.05
9	FR37	5/18/2006	9/15/2026	2.23	12.0%	110.39	6.9%	6.6%	110.95	22.61	Cheap	1.99
10	FR90	7/8/2021	4/15/2027	2.81	5.1%	95.71	6.8%	6.6%	96.17	18.78	Cheap	2.60
11	FR59	9/15/2011	5/15/2027	2.89	7.0%	100.62	6.8%	6.6%	100.92	11.05	Cheap	2.62
12	FR42	1/25/2007	7/15/2027	3.06	10.3%	109.17	6.9%	6.6%	109.82	21.66	Cheap	2.64
13	FR94	3/4/2022	1/15/2028	3.56	5.6%	96.09	6.9%	6.7%	96.69	20.01	Cheap	3.21
14	FR47	8/30/2007	2/15/2028	3.65	10.0%	110.02	6.8%	6.7%	110.66	17.57	Cheap	3.10
15	FR64	8/13/2012	5/15/2028	3.89	6.1%	97.45	6.9%	6.7%	98.18	21.76	Cheap	3.46
16	FR95	8/19/2022	8/15/2028	4.15	6.4%	98.53	6.8%	6.7%	98.95	11.79	Cheap	3.64
17	FR99	1/27/2023	1/15/2029	4.56	6.4%	98.19	6.9%	6.7%	98.93	19.28	Cheap	3.93
18	FR71	9/12/2013	3/15/2029	4.73	9.0%	108.08	7.0%	6.7%	109.28	27.95	Cheap	3.93
19	FR78	9/27/2018	5/15/2029	4.89	8.3%	105.05	7.0%	6.7%	106.46	32.64	Cheap	4.06
20	FR52	8/20/2009	8/15/2030	6.15	10.5%	117.36	7.0%	6.7%	118.90	27.30	Cheap	4.69
21	FR82	8/1/2019	9/15/2030	6.23	7.0%	99.92	7.0%	6.7%	101.52	31.44	Cheap	5.09
22	FR	10/27/2022	10/15/2030	6.31	7.4%	102.11	7.0%	6.7%	103.43	25.30	Cheap	5.05
23	FR87	8/13/2020	2/15/2031	6.65	6.5%	97.32	7.0%	6.7%	98.92	30.68	Cheap	5.39
24	FR85	5/4/2020	4/15/2031	6.81	7.8%	104.05	7.0%	6.7%	105.64	28.47	Cheap	5.31
25	FR73	8/6/2015	5/15/2031	6.89	8.8%	109.29	7.0%	6.7%	111.14	31.67	Cheap	5.28
26	FR54	7/22/2010	7/15/2031	7.06	9.5%	113.68	7.0%	6.7%	115.50	30.01	Cheap	5.27
27	FR91	7/8/2021	4/15/2032	7.81	6.4%	96.02	7.0%	6.7%	97.97	33.14	Cheap	6.09
28	FR58	7/21/2011	6/15/2032	7.98	8.3%	107.32	7.0%	6.7%	109.37	31.93	Cheap	5.99
29	FR74	11/10/2016	8/15/2032	8.15	7.5%	102.56	7.1%	6.7%	104.86	36.17	Cheap	6.15
30	FR96	8/19/2022	2/15/2033	8.65	7.0%	99.82	7.0%	6.7%	101.82	30.62	Cheap	6.50
31	FR65	8/30/2012	5/15/2033	8.90	6.6%	97.18	7.1%	6.7%	99.36	33.46	Cheap	6.70
32	FR100	8/24/2023	2/15/2034	9.65	6.6%	96.88	7.1%	6.7%	99.29	34.97	Cheap	7.10
33	FR68	8/1/2013	3/15/2034	9.73	8.4%	108.96	7.1%	6.7%	111.63	35.46	Cheap	6.88
34	FR80	7/4/2019	6/15/2035	10.98	7.5%	102.97	7.1%	6.7%	105.89	37.32	Cheap	7.62
35	FR72	7/9/2015	5/15/2036	11.90	8.3%	109.00	7.1%	6.7%	112.26	37.80	Cheap	7.82
36	FR88	1/7/2021	6/15/2036	11.98	6.3%	93.49	7.1%	6.7%	96.04	32.78	Cheap	8.37
37	FR45	5/24/2007	5/15/2037	12.90	9.8%	122.15	7.1%	6.7%	125.67	35.68	Cheap	7.95
38	FR93	1/6/2022	7/15/2037	13.07	6.4%	94.88	7.0%	6.7%	96.86	23.90	Cheap	8.72
39	FR75	8/10/2017	5/15/2038	13.90	7.5%	102.92	7.2%	6.7%	106.77	42.04	Cheap	8.76
40	FR98	9/15/2022	6/15/2038	13.98	7.1%	99.91	7.1%	6.7%	103.43	39.27	Cheap	8.94
41	FR50	1/24/2008	7/15/2038	14.07	10.5%	130.68	7.0%	6.7%	133.80	28.44	Cheap	8.21
42	FR79	1/7/2019	4/15/2039	14.82	8.4%	111.73	7.1%	6.7%	115.12	33.67	Cheap	8.84
43	FR83	11/7/2019	4/15/2040	15.82	7.5%	103.20	7.2%	6.7%	107.25	40.96	Cheap	9.36
44	FR57	4/21/2011	5/15/2041	16.90	9.5%	124.49	7.0%	6.7%	127.48	25.40	Cheap	9.35
45	FR62	2/9/2012	4/15/2042	17.82	6.4%	93.44	7.0%	6.8%	96.14	27.40	Cheap	10.37
46	FR92	7/8/2021	6/15/2042	17.99	7.1%	100.00	7.1%	6.8%	103.86	37.32	Cheap	10.25
47	FR97	8/19/2022	6/15/2043	18.99	7.1%	99.84	7.1%	6.8%	103.95	38.79	Cheap	10.52
48	FR67	7/18/2013	2/15/2044	19.66	8.8%	117.16	7.1%	6.8%	121.55	35.99	Cheap	10.21
49	FR76	9/22/2017	5/15/2048	23.91	7.4%	102.78	7.1%	6.8%	107.26	37.18	Cheap	11.47
50	FR89	1/7/2021	8/15/2051	27.16	6.9%	96.90	7.1%	6.8%	101.41	37.28	Cheap	12.16

Source: Bloomberg, SSI Research

**INDOIS Bonds Valuation**

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	0.06	4.0%	99.88	6.2%	6.9%	99.84	(64.14)	Expensive	0.06
2	PBS26	10/17/2019	10/15/2024	0.31	6.6%	99.97	6.6%	6.8%	99.94	(18.85)	Expensive	0.30
3	PBS36	8/25/2022	8/15/2025	1.14	5.4%	98.35	6.9%	6.7%	98.56	19.75	Cheap	1.11
4	PBS17	1/11/2018	10/15/2025	1.31	6.1%	99.21	6.8%	6.7%	99.30	6.67	Cheap	1.25
5	PBS32	7/29/2021	7/15/2026	2.06	4.9%	96.53	6.7%	6.7%	96.61	4.86	Cheap	1.95
6	PBS21	12/5/2018	11/15/2026	2.39	8.5%	104.11	6.6%	6.7%	104.01	(5.83)	Expensive	2.17
7	PBS3	2/2/2012	1/15/2027	2.56	6.0%	98.15	6.8%	6.7%	98.47	13.87	Cheap	2.36
8	PBS20	10/22/2018	10/15/2027	3.31	9.0%	106.73	6.7%	6.7%	106.82	1.96	Cheap	2.87
9	PBS18	6/4/2018	5/15/2028	3.89	7.6%	103.35	6.6%	6.7%	103.19	(5.12)	Expensive	3.39
10	PBS30	6/4/2021	7/15/2028	4.06	5.9%	97.66	6.5%	6.7%	97.16	(14.44)	Expensive	3.59
11	PBSG1	9/22/2022	9/15/2029	5.23	6.6%	100.07	6.6%	6.7%	99.61	(10.89)	Expensive	4.45
12	PBS23	5/15/2019	5/15/2030	5.89	8.1%	107.22	6.6%	6.7%	106.68	(11.16)	Expensive	4.75
13	PBS12	1/28/2016	11/15/2031	7.40	8.9%	113.82	6.5%	6.8%	112.09	(28.26)	Expensive	5.59
14	PBS24	5/28/2019	5/15/2032	7.90	8.4%	110.86	6.6%	6.8%	109.62	(19.70)	Expensive	5.92
15	PBS25	5/29/2019	5/15/2033	8.90	8.4%	111.54	6.6%	6.8%	110.37	(16.81)	Expensive	6.46
16	PBS29	1/14/2021	3/15/2034	9.73	6.4%	98.13	6.6%	6.8%	96.90	(17.92)	Expensive	7.28
17	PBS22	1/24/2019	4/15/2034	9.81	8.6%	113.75	6.7%	6.8%	112.78	(12.99)	Expensive	6.83
18	PBS37	1/12/2023	3/15/2036	11.73	6.9%	99.93	6.9%	6.8%	100.24	3.76	Cheap	8.13
19	PBS4	2/16/2012	2/15/2037	12.65	6.1%	92.07	7.1%	6.9%	93.67	20.24	Cheap	8.66
20	PBS34	1/13/2022	6/15/2039	14.98	6.5%	98.00	6.7%	6.9%	96.51	(16.36)	Expensive	9.61
21	PBS7	9/29/2014	9/15/2040	16.24	9.0%	123.17	6.6%	6.9%	120.47	(24.35)	Expensive	9.42
22	PBS35	3/30/2022	3/15/2042	17.73	6.8%	99.21	6.8%	6.9%	98.52	(6.95)	Expensive	10.42
23	PBS5	5/2/2013	4/15/2043	18.82	6.8%	99.91	6.8%	6.9%	98.42	(14.47)	Expensive	10.65
24	PBS28	7/23/2020	10/15/2046	22.32	7.8%	108.89	7.0%	6.9%	109.41	4.12	Cheap	11.09
25	PBS33	1/13/2022	6/15/2047	22.99	6.8%	98.30	6.9%	6.9%	98.07	(2.09)	Expensive	11.71
26	PBS15	7/21/2017	7/15/2047	23.07	8.0%	112.45	6.9%	6.9%	112.37	(0.73)	Expensive	11.21

Source: Bloomberg, SSI Research