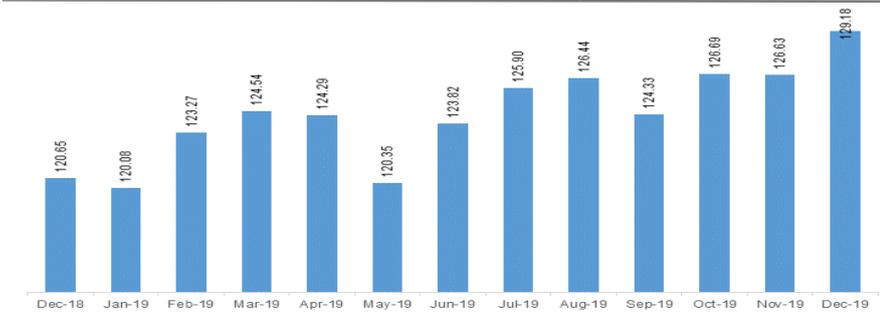


# Reserve Assets

## Omnibus Law Drives Capital Inflows

### Indonesia's Official Reserve Assets (USD Bn)



Source: Bloomberg, NHKS Research

#### SBNs Domination over Capital Inflows Proportion

Bank Indonesia (BI) recorded Indonesia's Dec. official reserve assets of USD129.2 billion or the second-highest figure after Jan's 2018 figure of USD131.9 billion. Dec's soaring number was contributed by capital inflows of IDR224.2 trillion the first-largest proportion of which was worth IDR168.6 trillion contributed by government securities (SBNs). The second-largest contributor was equities to make up USD50 trillion, while the corporate bonds and BI promissory notes (SBIs) accounting for respectively IDR3 trillion and IDR2.6 trillion to the total proportion. Dec's pick up made up the 2019 total official reserve assets to increase by USD8.53 billion to leave Dec's figure higher than that of USD120.7 billion per Dec. 2018. Dec' rising data attributed to oil & gas foreign exchange receipts, withdrawal of government foreign loans, and other foreign exchange receipts.

#### Yields Spread between 10-Year Tenor SBNs and 10-Year Tenor UST

Surging capital inflows into SBNs showed investors' responses to highly volatile equities and corporate bonds to generate higher-investment returns than that of SBI's returns as investors retained wait-and-see stance to anticipate the mutual trades, marked by the signing of the US-China first phase trade deal on the mid of Jan's 2020. Besides, yields of government bonds (SUNs) caused spread between Indonesian sovereign bonds with 10-year tenor and US treasury (UST) with 10-year tenor to equally fall short in the range of 512-540 Bps. Indonesian SBNs spread was much wider than that of Malaysia's 138-166 Bps and Philippine's 243-293 Bps in December 2019.

#### Omnibus Law Drives Capital Inflows

Revised bills of omnibus law on job creation the progress of which has reached 95% is at the final preparation for submission to the parliament (DPR). The omnibus law whose 11 clusters of issues have been approved leaves (i.e. flexible working hours, easy hiring, easy firing) on the Indonesia Ministry of Labor's review as 82 laws and 1,194 articles are subject to adjustment to the omnibus law. We believe that the omnibus law is likely to stimulate Indonesian economic growth.

#### The Fed's Dovish Stance

An external snapshot, the 2020's official reserve assets as what we estimate will continue to rise along with the Fed's looser FFR of 2% after standing at 3%. Despite the Fed's 2020 easing stance, investors are still cautiously eying Brexit's progress and subsequent phases of the US-China trade deals.

**Arief Machrus**

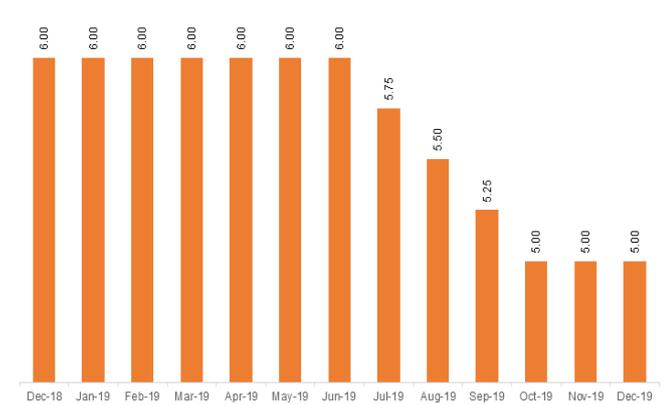
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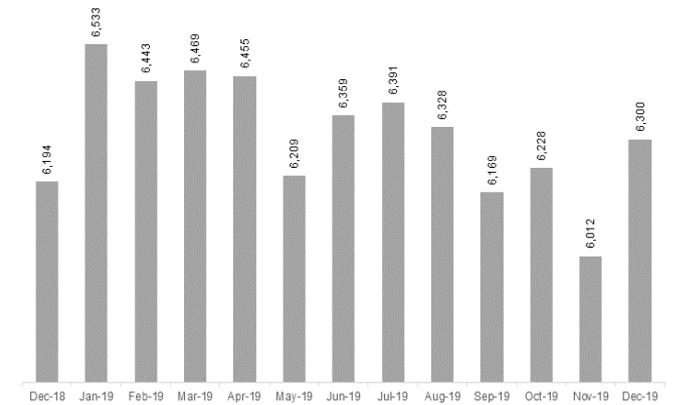
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Indonesia's BI 7-DRRR (%) | Dec. 18 - Dec. 19



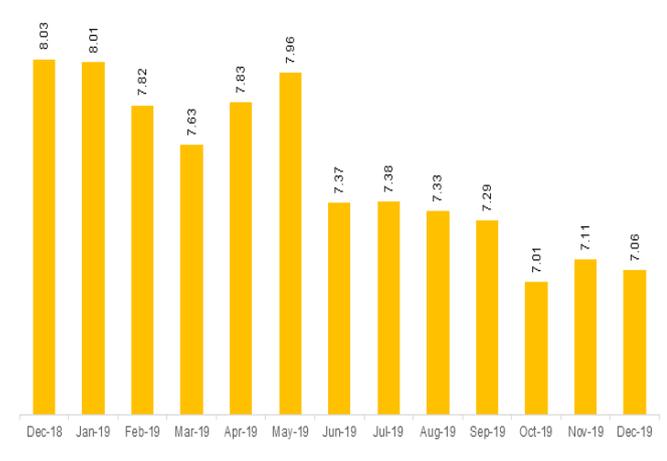
Source: Bloomberg, NHKS Research

Indonesia's JCI | Dec. 18 - Dec. 19



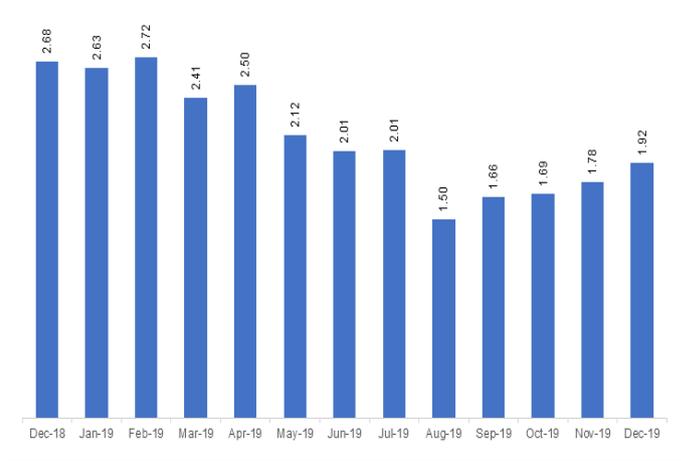
Source: Bloomberg, NHKS Research

Indonesia's 10Y Govt. Bond Yield (%) | Dec. 18 - Dec. 19



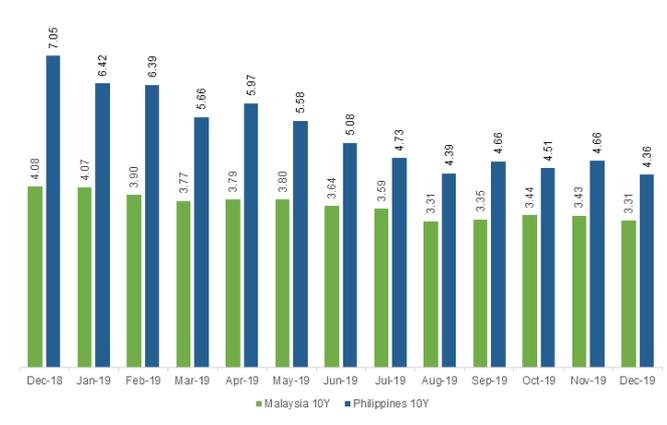
Source: Bloomberg, NHKS Research

UST 10Y (%) | Dec. 18 - Dec. 19



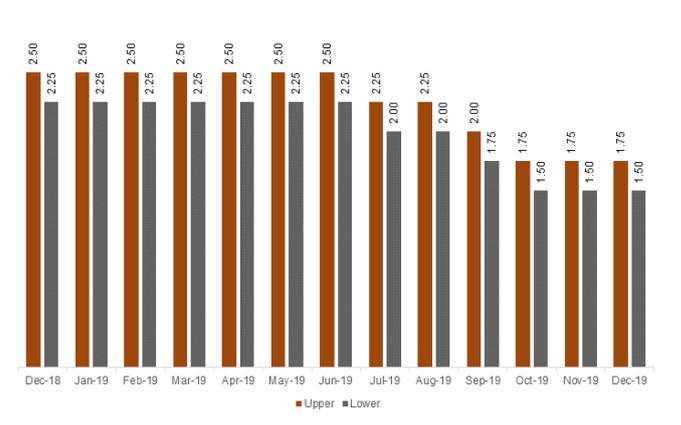
Source: Bloomberg, NHKS Research

Malaysia's 10Y vs. Philippine's 10Y (%) | Dec. 18 - Dec 19



Source: Bloomberg, NHKS research

The Fed Rate | Dec. 18 - Dec 19



Source: Bloomberg, NHKS research

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