

SUN Auction Result

CDS moves away, boosts interest for FR0082

Auction for SUN on Tuesday, June 2, 2020

	FR0081	FR0082	FR0080	FR0083	FR0076
Incoming Bids	Rp25.15 Trn.	Rp44.84 Trn.	Rp15.55 Trn.	Rp10.67 Trn.	Rp7.39 Trn.
Highest Yield	7.40%	8.00%	8.25%	8.30%	8.40%
Lowest Yield	6.55%	7.15%	7.65%	7.70%	7.90%
Weighted Avg.	6.63%	7.20%	7.66%	7.70%	7.92%
Amount Won	Rp7.90 Trn.	Rp8.00 Trn	Rp4.30 Trn.	Rp2.15 Trn.	Rp1.65 Trn.
BTC Ratio	3.18x	5.61x	3.62x	4.96x	4.48x

Source: DJPPR, NHKS Research

CDS moves away from 250, boosts interest for FR0082

Indonesian 10-year CDS was closed at 213.32 or an improvement from the highest level of 400 in mid-March 2020. This indicates a lower investment risk profile in Indonesia which in turn pushes incoming bids for FR0082. This 10-year benchmark recorded an incoming bids of IDR 44.84 Trillion or the highest of the seven series offered on SUN Auction on Tuesday (06/02). The high bidding number also signals that interests on SUN have returned. As information, yesterday's total bid of IDR 105.27 Trillion was one of the highest number since February 2020 bid of IDR 127.12 Trillion. From external side, positive news came from bond market-related stimulus in United States, Europe, and Japan, while most Central Banks have adopted easing monetary policy.

FR0081 Bid to Cover Ratio at 3.18x

Government funding needs were shown in bid to cover ratio (BTC) of 3.18x for FR0081 or lower than other series which have ratios between 3.62x to 5.61x. A lower ratio indicates that more amount was won from investor's bid. The government awarded a total amount of IDR 7.90 Trillion of the IDR 25.15 Trillion bids for FR0081. As short-term funding needs lower, cost of fund or average yield for FR0081 also down 85 bps from previous auction. Average yield for this series stood at 6.63% down from 7.48% in last auction. Lower yields also booked in other series, FR0082 by 87 bps, FR0080 by 62 bps, FR0083 by 61 bps, and FR0076 by 45 bps.

FR0082 Expected Yield up to 8.00%

On the other hand, the rising expected yield for 10-year SUN in FR0082 caused the government to be more selective in awarding this series. In yesterday's auction incoming bids for FR0082 yielded at a range between 7.15% to 8.00%. This yield indications were near the lowest bid for previous auction at 8.00% to 9.00%.

Capital Inflow Sentiment Continues

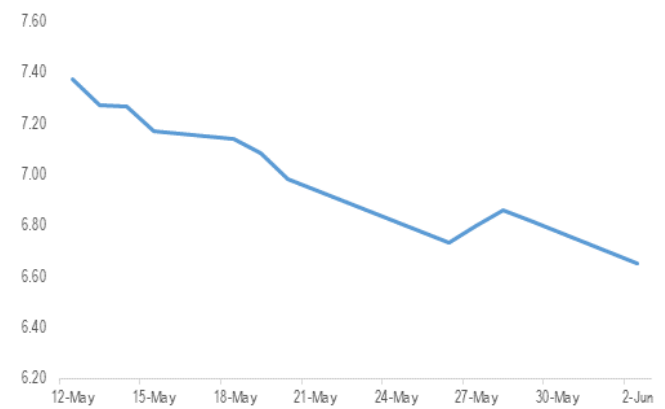
Yesterday's Bond Auction was held in the midst of positive sentiment for foreign Capital Inflow, which projected to keep coming in as IDR/USD rate appreciates. Foreign capital started returning to Indonesia as seen in this auction. This was the first time Bond Auction had bids of more than IDR 100 Trillion since the coronavirus pandemic. Moreover, Investors tend to avoid US Dollar as political tension rises. The worsening relationship between US and China in regards to Hong Kong will hold the USD appreciation. We view that investor's risk appetite have moved to emerging market.

Arief Machrus

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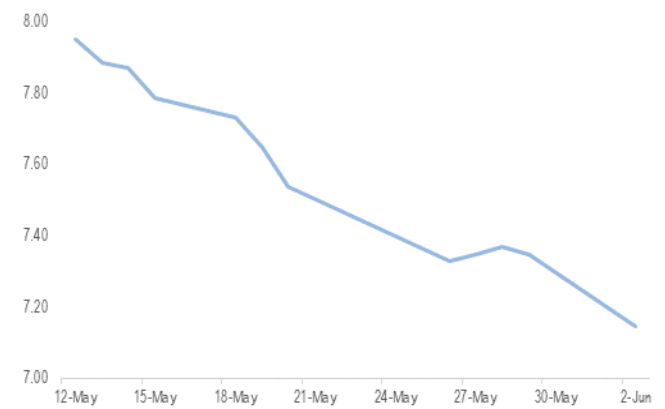
Please consider important disclaimer

Indonesia 5-Years Yield Movement | May 12 - June 2, 2020



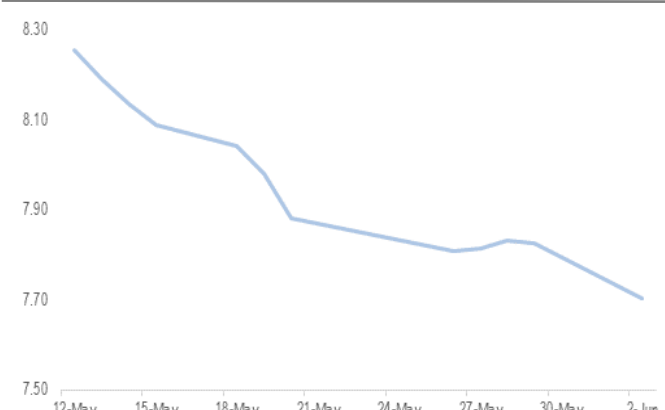
Source: Bloomberg, NHKS Research

Indonesia 10-Years Yield Movement | May 12 - June 2, 2020



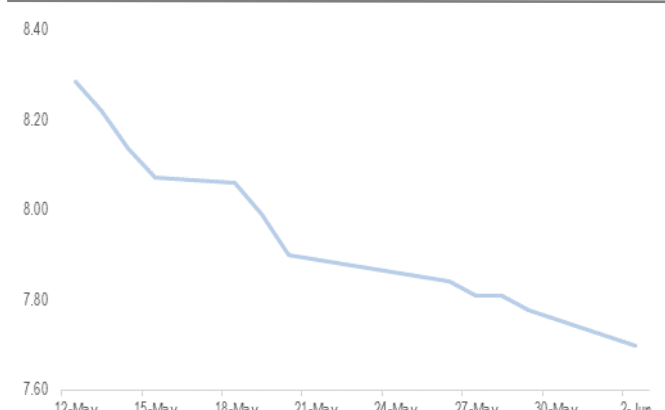
Source: Bloomberg, NHKS Research

Indonesia 15-Years Yield Movement | May 12 - June 2, 2020



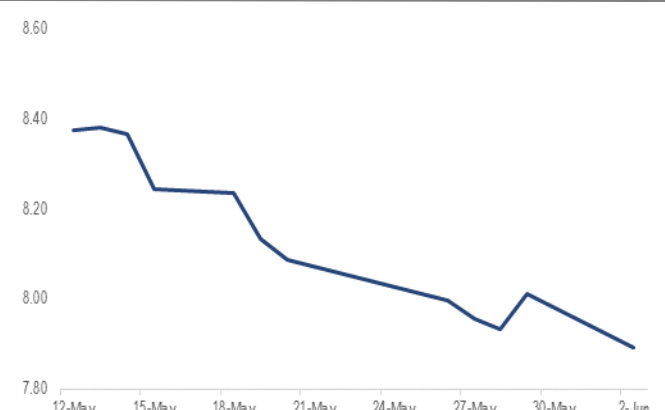
Source: Bloomberg, NHKS Research

Indonesia 20-Years Yield Movement | May 12 - June 2, 2020



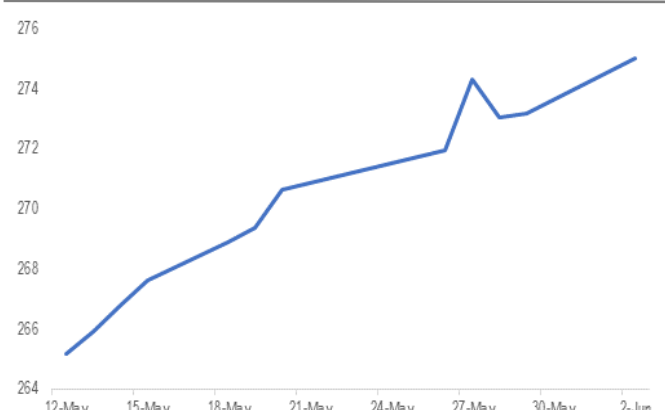
Source: Bloomberg, NHKS Research

Indonesia 30-Years Yield Movement | May 12 - June 2, 2020



Source: Bloomberg, NHKS research

INDOBEx Government Total Return Movement | May 12 - June 2, 2020



Source: Bloomberg, NHKS research

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