

Macroeconomic Report

SUN Incoming Bids Down and Inflation Trend Changes

SUN Auction on Tuesday, June 30, 2020

	FR0081	FR0082	FR0080	FR0083	FR0076
Incoming Bids	Rp27.94 Trn.	Rp23.47 Trn.	Rp8.68 Trn.	Rp5.02 Trn.	Rp5.79 Trn.
Highest Yield	6.75%	7.50%	7.72%	7.79%	7.86%
Lowest Yield	6.47%	7.13%	7.53%	7.57%	7.66%
Weighted Avg. Yield	6.51%	7.19%	7.61%	7.63%	7.75%
Amount Won	Rp7.40 Trn.	Rp5.41 Trn.	Rp3.05 Trn.	Rp2.25 Trn.	Rp1.75 Trn.
BTC Ratio	3.78x	4.34x	2.85x	2.24x	3.31x

Source: DJPPR, NHKS Research

FR0081 Yield Down and Still Preferred

The government offered 7 series of Government Bonds (SUN) at an auction held on 30 June 2020. Of the 7 series offered, FR0081 with 5-year tenure is still the preferred SUN series with an incoming bid of IDR27.9 trillion. This amount was followed by the decrease in yield by 16 bps to 6.51% from the previous 6.67%. In second place is FR0082 with an incoming bid of IDR23.5 trillion. Meanwhile, the yields of SUN with 10-year tenure is experiencing an increase of 8 bps to 7.19%. At the auction, 2 new series were offered: SPN03201001 (3 months) and SPN12210701 (12 months). However, the enthusiasm for these two series is still minimal. SPN12210701 only received an incoming bid of IDR1.1 trillion, while the SPN03201001 did not receive any incoming bid. This proves the difficulty of attracting investors to bond with tenure of up to 12 months.

Incoming Bids Low but Results are Still Above Target

From this auction, the government managed to reap funding of IDR20.5 trillion or slightly above the planned indicative target at IDR20 trillion. The total of incoming bids reached IDR72.03 trillion or down by 15% compared to the previous auction. However, this amount is quiet encouraging as it was oversubscribed by 3.6 times. The result of this auction shows that investors have started to switch to fixed income asset types, due to the still heavy outflow of foreign funds occurring on the stock market.

This Year's Inflation Showing Different Pattern

Central Bureau of Statistics (BPS) recorded inflation in June to be 0.18% or increased from inflation in May which was 0.07%. This marks a unique pattern change compared to the previous years where inflation usually peaks in the Ramadan – Eid al Fitr period. This year, inflation still rises after Eid al Fitr, as the Eid period in May was also marked with the large-scale social restriction period where consumption was very depressed.

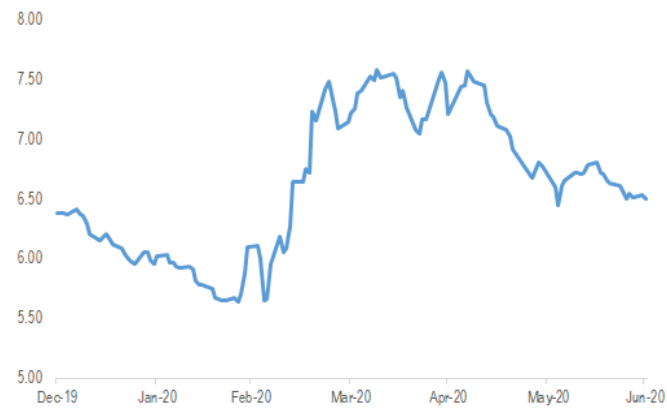
With the June 2020 inflation rate, the inflation rate since the beginning of the year (year to date) is on 1.09%, while on an annual basis (year on year) is at the level of 1.96%. The biggest contributor to inflation in June was purebred chicken by 0.14%. Meanwhile, the commodity with the biggest deflation is garlic with a change of -0.04% on a monthly basis.

Arief Machrus

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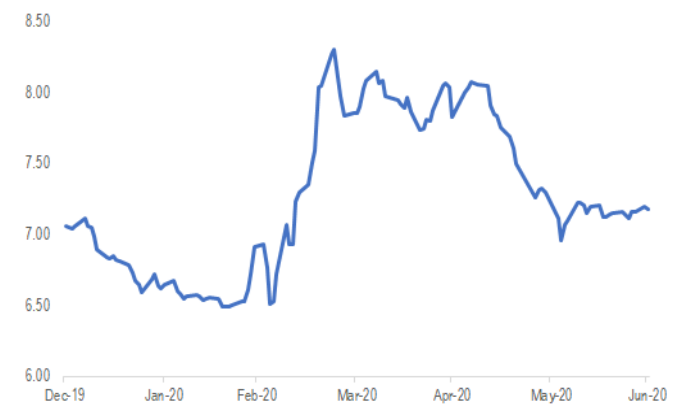
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Indonesia FR0081 Yield Movement (%) | Dec. 19 - June 20



Source: Bloomberg, NHKS Research

Indonesia FR0082 Yield Movement (%) | Dec. 19 - June 20



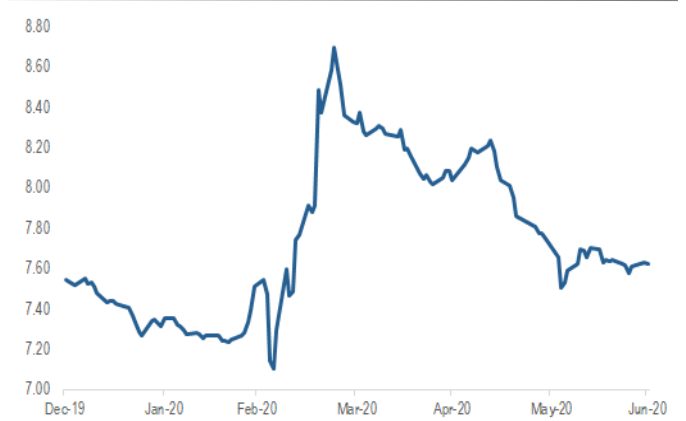
Source: Bloomberg, NHKS Research

Indonesia FR0080 Yield Movement (%) | Dec. 19 - June 20



Source: Bloomberg, NHKS Research

Indonesia FR0083 Yield Movement (%) | Dec. 19 - June 20



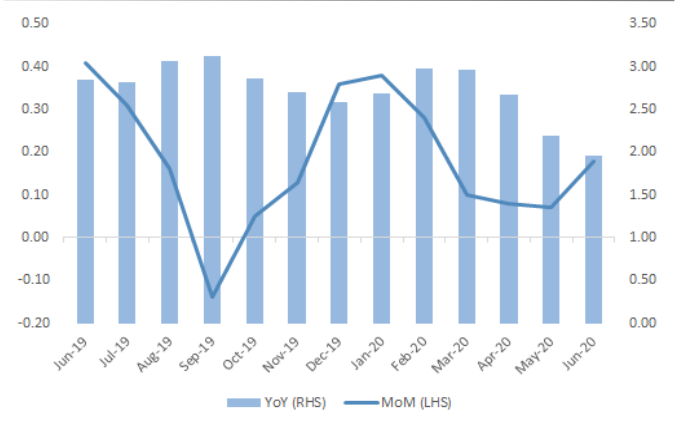
Source: Bloomberg, NHKS Research

Indonesia FR0076 Yield Movement (%) | Dec. 19 - June 20



Source: Bloomberg, NHKS research

Indonesia CPI Movement | June 19 - June 20



Source: Bloomberg, NHKS research

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