

Macroeconomic Report

Burden Sharing Scheme Shores First Bond Auction in 3Q20

SUN Auction Result on Tuesday, July 14, 2020

	FR0081	FR0082	FR0080	FR0083	FR0076
Incoming Bids	Rp25.1 Trn.	Rp15.5 Trn.	Rp9.0 Trn.	Rp5.5 Trn.	Rp4.0 Trn.
Highest Yield	6.50%	7.20%	7.67%	7.90%	7.85%
Lowest Yield	6.25%	7.00%	7.51%	7.52%	7.60%
Weighted Avg. Yield	6.28%	7.04%	7.54%	7.56%	7.63%
Amount Won	Rp8.1 Trn.	Rp6.8 Trn.	Rp3.7 Trn.	Rp2.1 Trn.	Rp1.5 Trn.
BTC Ratio	3.12x	2.29x	2.44x	2.67x	2.77x

Source: DJPPR, NHKSI Research

Incoming Bid IDR 61.2 Trillion

Based on data from Directorate General of Budget Financing and Risk Management, results from bond auction on Tuesday (07/14), recorded incoming bids of IDR 61.2 Trillion. Wait and see approach from Foreign Investors, as the biggest holders of SBN, contributed to the lower incoming bids compared to previous auction. On the other hand, government awarded all fixed rate series, which are: FR0081, FR0082, FR0080, FR0083, and FR0076 during this first auction in 3Q20. The most sought after series was FR0081 with amount of IDR 25.1 Trillion. Followed by FR0082 with IDR 15.5 Trillion. However, the lack of interest in short-term bond, caused no Treasury Bond to be awarded. Series SPN03201015, recorded the lowest bids of IDR 300 Billion, followed by SPN12210429 with IDR 1.75 trillion. Investors are currently showing little interest in treasury bonds amidst low yields era. NHKSI Research views this auction to predominantly by domestic Investors and Bank Indonesia. Aside from Burden Sharing scheme, Government Decree No: 1/2020 has given BI the rights to buy SBN from primary market.

Burden Sharing Scheme aims to Accelerate Economic Recovery

Under the burden sharing scheme, BI will bear financing for public goods through purchases of SBN under private placement mechanism based on BI 7-DRRR. As a note, BI's ownership portion in SBN are 8.3% or the fourth largest after foreign investors, banks, and insurances. BI recorded a net buy of IDR 41.8 Trillion since the start of the year. The central bank has also acted as standby buyer for SUN auction in the last 2 months with portion of 9%-10%. Funds received from this SBN auction will be used by the government to support the National Economic Recovery program.

Net Sell from Foreign Investors reached IDR 126.7 Trillion

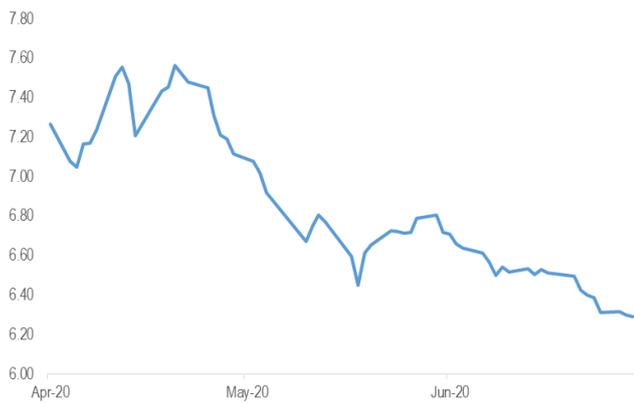
The Directorate General Of Budget Financing and Risk Management recorded net sell from foreign investors in government bond has reached IDR 126.7 Trillion during 2020. Foreign ownership in SBN is currently at IDR 936.58 Trillion or under 30% of all outstanding SBN. This is far lower than foreign ownership portion at the start of the year which stood at 39%. Other than safe haven assets such as Gold, NHKSI views that foreign investors are more attracted to bonds from countries such as the United States. Investors also keeping an eye to the recession in Singapore, and the indicative target for Bond Auction in 3Q20 which is higher than previous quarter. The Government has set a target of 3Q20 auction at IDR 211 Trillion, up from 2Q20 and 1Q20 targets of IDR 166.3 Trillion and IDR 180.9 Trillion respectively. A higher indicative targets may put pressure on the price of SUN in secondary market.

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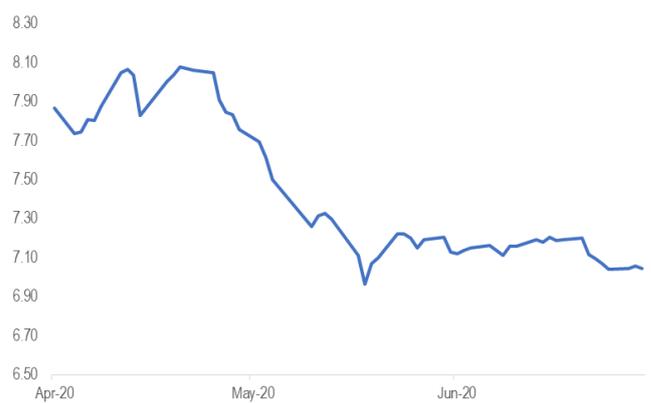
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Indonesia FR0081 Yield Movement | Apr. 17 - July 14, 2020



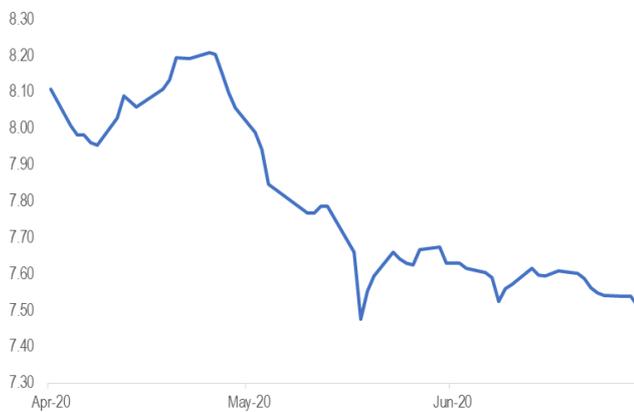
Source: Bloomberg, NHKS Research

Indonesia FR0082 Yield Movement | Apr. 17 - July 14, 2020



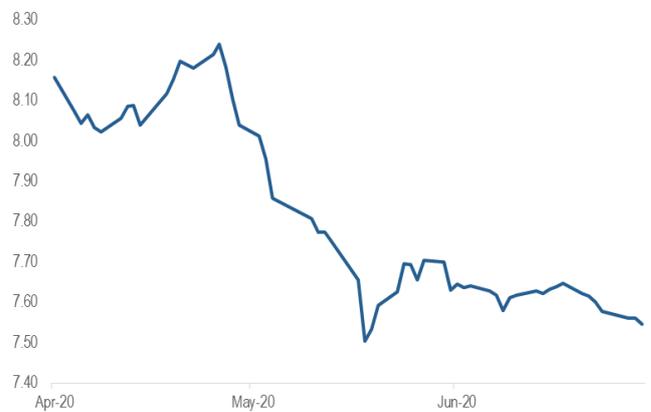
Source: Bloomberg, NHKS Research

Indonesia FR0080 Yield Movement | Apr. 17 - July 14, 2020



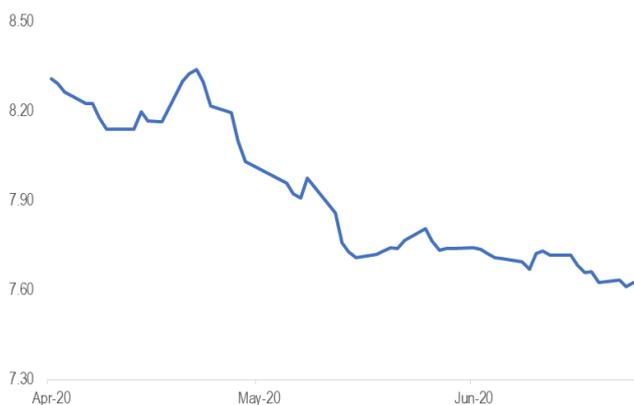
Source: Bloomberg, NHKS Research

Indonesia FR0083 Yield Movement | Apr. 17 - July 14, 2020



Source: Bloomberg, NHKS Research

Indonesia FR0076 Yield Movement | Apr. 17 - July 14, 2020



Source: Bloomberg, NHKS research

Foreign Ownership in Government Securities | Apr. 17 - July 14, 2020



Source: Bloomberg, NHKS research

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