

Sukuk Auction Result

Green Shoe Option Ends 3Q20 Sharia Bond Auction

Tuesday's Government Sukuk Auction

	SPNS02032021	PBS027	PBS026	PBS025	PBS028
Incoming Bid	Rp1.32 Trn.	Rp2.17 Trn.	Rp2.99 Trn.	Rp6.71 Trn.	Rp6.44 Trn.
Highest Incoming Bid Yield	4.50%	5.00%	5.75%	7.31%	7.68%
Lowest Incoming Bid Yield	3.09%	4.53%	5.18%	7.12%	7.46%
Weighted Average Yield	3.11%	4.56%	5.29%	7.12%	7.49%
Nominal Won	Rp0.70 Trn.	Rp1.20 Trn	Rp1.60 Trn.	Rp0.90 Trn.	Rp2.00 Trn.
Bid-to-cover-ratio	1.89x	1.81x	1.87x	7.47x	3.22x

Source: DJPPR, NHKS Research

Undersubscribed, Government Performs Green Shoe Option

Due to low interest in PBS003, the government only sold IDR6.4 trillion Government Sharia Bond (sukuk) on Tuesday (29/09) or under the indicative target of IDR10 trillion. With lower return at 6% and less liquidity in PBS003, caused investors to be more interested in return of 6.50% (PBS027) to 8.375% (PBS025) in the last sukuk auction of 3Q20. As a response, the government performed an additional auction (green shoe option) on Wednesday (30/09). However, the government still offered PBS027, PBS026, PBS025, dan PBS028 series in the additional auction.

PBS003 Not Offered

Investors closely watched the short-term sukuk such as PBS027 and PBS026 that was mostly sold by the government on Tuesday's auction. Various needs in short term funding mean those sukuk were mostly sold on Tuesday. The government sold PBS027 of IDR1.2 trillion (1.81x bid to cover ratio) and PBS026 of IDR1.6 trillion (1.87x bid to cover ratio). On the other hand, investors predict that the yield will be higher for PBS027 and PBS026, with the average yield recorded at 4.56% and 5.29%. The yield slightly increased by 3 to 7bps from the previous sukuk auction mid-September, which was at 4.53% and 5.22%. As a note, the government did not offer PSB003 amid the weak interest of investors on this auction. The sukuk auction is done amidst Rupiah's appreciation. IDR/USD exchange rate slightly went up by 0.03% to level 14,895/USD in the spot market. Meanwhile, JISDOR increased by 0.26% to 14,920/USD.

Government Aggressively Selling PBS028

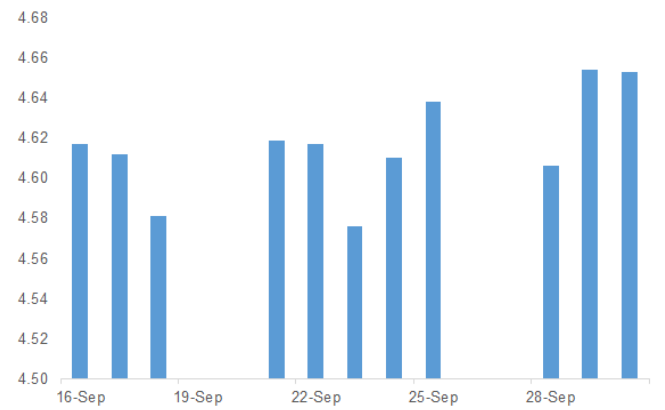
PBS028 Weighted Average Yield (WAY) is 4 bps lower than the previous auction. This made the government approved all of the PBS028 bids in the Green Shoe Option sukuk auction on Wednesday worth IDR 3.61 trillion (bid to cover ratio 1x). The government is offering WAY PBS028 at a level of 7.49%, compared to the mid-September sukuk auction at 7.53% level. Overall, the government managed to absorb IDR 5.60 trillion in funds in this additional auction or IDR 12 trillion in the last two days of auctions. This figure also meets the indicative target set by the government of IDR 10 trillion.

Arief Machrus

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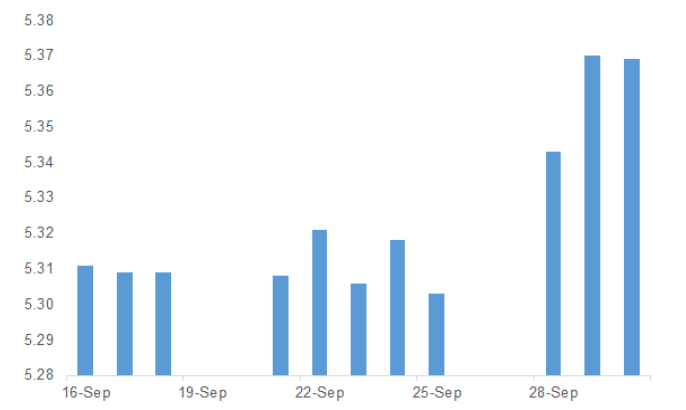
Please consider important disclaimer

PBS027 Yield Movement | Sept. 16th - 30th. 2020



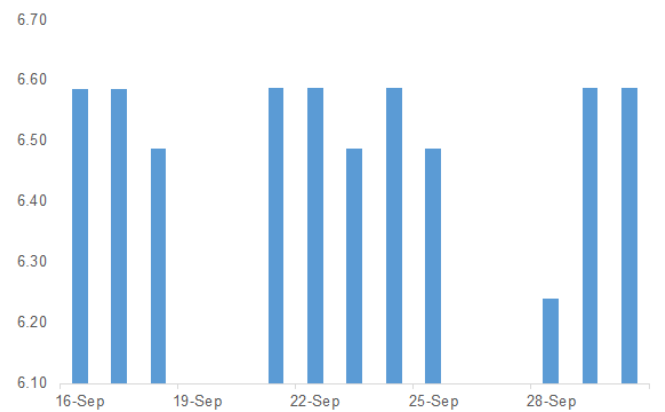
Source: Bloomberg, NHKS Research

PBS026 Yield Movement | Sept. 16th - 30th. 2020



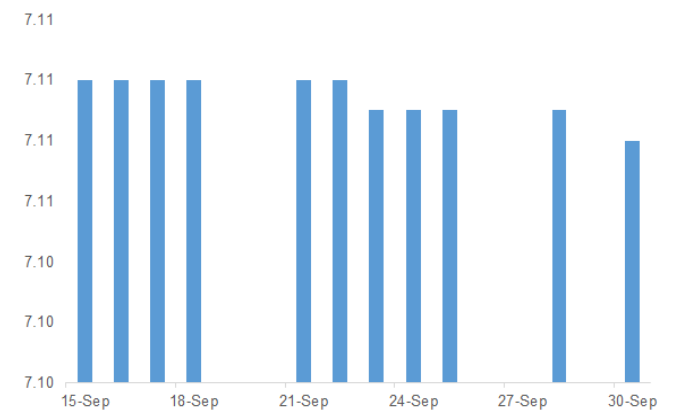
Source: Bloomberg, NHKS Research

PBS003 Yield Movement | Sept. 16th - 30th. 2020



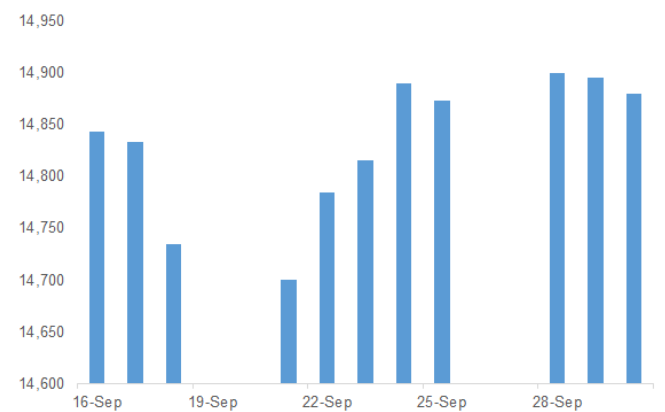
Source: Bloomberg, NHKS Research

PBS025 Yield Movement | Sept. 16th - 30th. 2020



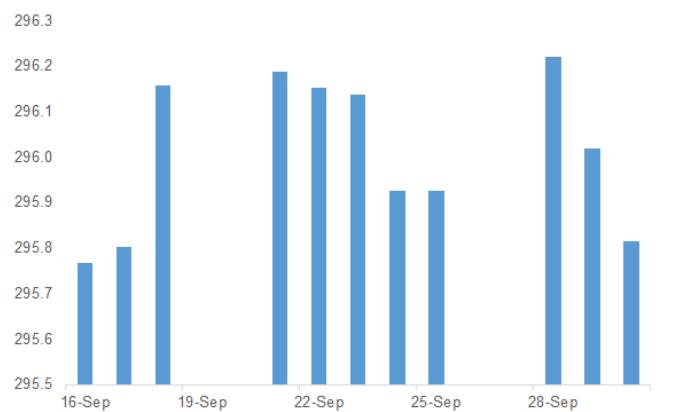
Source: Bloomberg, NHKS Research

USD/IDR Movement | Sept. 16th - 30th. 2020



Source: Bloomberg, NHKS research

ICBI Movement | Sept. 16th - 30th. 2020



Source: Bloomberg, NHKS research

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