

Morning Brief

Today's Outlook:

Government Bonds

Speculation of year-end economic pressures, weighed on the domestic bond market last Friday. A number of market players have realized profits in line with the tightening of Large-Scale Social Restrictions (PSBB) in DKI Jakarta. This policy regulates business actors and offices until a maximum of 19.00 WIB, with a maximum capacity of 50% of people. That way, this applies to business fields such as shopping centers, cafes, restaurants to tourist attractions. There is concern that this policy will put pressure on the economy at the end of the year, which has historically been the second largest national consumption growth after fasting and Eid. Last weekend, the yield on the benchmark FR0082 surpassed the 6% psychological level. In more detail, the yield FR0082 closed at the level of 5.97% or the lowest level in 2013.

Corporate Bonds

Average Corporate Debt Coupon Declines in 2020. Based on data from the Indonesian Securities Rating Agency (Pefindo), the average corporate bond coupons rated up to November 30, 2020 are lower than the average coupon of the previous year. Pefindo noted that the average corporate bond coupon with a 1-year AAA rating is 6.5 percent. This position is the lowest in at least the last six years. For comparison, in 2019 it was 7.5%; 2018 amounted to 7.1%; 2017 at 6.8%, 2016 at 7.7%; and in 2015 it was 8.6%. Likewise for corporate debt securities with a 3-year tenor in the range of 7.5%; whereas in 2019 the average was 8.4%. (Investor Daily)

Domestic Issue

Tax Holiday for Pulp and Asphalt Industry. The Investment Coordinating Board (BKPM) issued a new regulation detailing the business sectors that can get a tax holiday. This regulation is in the form of BKPM Regulation Number 7 of 2020. This latest BKPM regulation states that there are 185 KBLIs that can apply for tax holidays to the government, such as polyacrilik staple fiber. Industries that produce polyethylene film, and industries that produce bitumen. Then, additional KBLI is also in the field of agricultural, plantation, or forestry product-based processing industries which produce pulp without or with their derivatives. (Kontan)

Recommendation

Positive Sentiment Democratic Republican Agrees on USD 900 Billion Stimulus. The USD 900 billion economic stimulus deal provides official aid to US citizens. US Congressional senior lawmakers alike reached a compromise on the strength of an emergency loan from the Federal Reserve on Saturday evening (19/12) US time. Previously, the stimulus negotiations were still faced with the proposal of Senator Patrick Toomey from the Republican Party to stop the US central bank's loan program or the Fed. In the short term, investors can look back at the FR0086, FR0087, FR0080, and FR0083. At the end of the week, the rupiah exchange rate was closed stagnant at IDR 14,110 / USD on the spot market. Meanwhile, BI's middle rate was also stagnant to the level of IDR 14,146 / USD.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	3.75%	4.00%	Real GDP	-3.49%	-5.32%
FX Reserve (USD bn)	133.66	135.15	Current Acc (USD bn)	0.96	(2.94)
Trd Balance (USD bn)	2.61	3.61	Govt. Spending Yoy	9.76%	-6.90%
Exports Yoy	9.54%	-3.29%	FDI (USD bn)	3.92	4.56
Imports Yoy	-17.46%	-26.93%	Business Confidence	104.82	105.33
Inflation Yoy	1.59%	1.44%	Cons. Confidence*	92.00	79.00

PRICE OF BENCHMARK SERIES

FR0081 (5yr): +5.1 Bps to 105.38 (5.13%)
FR0082 (10yr): +1.5 Bps to 107.64 (5.95%)
FR0080 (15yr): +4.5 Bps to 111.50 (6.27%)
FR0083 (20yr): +2.0 Bps to 111.60 (6.44%)

FR0086 (6yr): +4.6 Bps to 101.79 (5.10%)
FR0087 (11yr): +4.0 Bps to 104.64 (5.88%)

CDS of Indonesia Bonds

CDS 2yr: +0.55% to 24.51
CDS 5yr: -1.32% to 67.23 (as of Dec. 17, 2020)
CDS 10yr: +0.35% to 126.68

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	5.99%	0.02%
USDIDR	14,110	0.01%
KRWIDR	12.86	-0.39%

Global Indices

Index	Last	Chg.	%
Dow Jones	30,179.05	(124.32)	-0.41%
S&P 500	3,709.41	(13.07)	-0.35%
FTSE 100	6,529.18	(21.88)	-0.33%
DAX	13,630.51	(36.74)	-0.27%
Nikkei	26,763.39	(43.28)	-0.16%
Hang Seng	26,498.60	(179.78)	-0.67%
Shanghai	3,394.90	(9.98)	-0.29%
KOSPI	2,772.18	1.75	0.06%
EIDO	23.96	(0.13)	-0.54%

Commodities

Commodity	Last	Chg.	%
Gold (USD/t oz)	1,881.4	(4.1)	-0.22%
Crude Oil (USD/B)	49.10	0.74	1.53%
ICE NewCastle (USD/ton)	83.30	0.30	0.36%
LME Nickel (USD/MT)	17,484	(33.0)	-0.19%
LME Tin (USD/MT)	20,059	59.0	0.30%
CPO (MYR/ton)	3,444	66.0	1.95%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 21 - Dec	EC	22:00	Consumer Confidence	Dec		--	-17.6
Tuesday 22 - Dec	UK	14:00	GDP QoQ	3Q20		--	15.50%
	UK	14:00	GDP YoY	3Q20		--	-9.60%
	US	20:30	GDP Price Index	3Q20		3.60%	3.60%
	US	22:00	Conf. Board Consumer Confidence	Dec		97.5	96.1
Wednesday 23 - Dec	US	19:00	MBA Mortgage Applications	Dec		--	1.10%
	US	20:30	Initial Jobless Claims	Dec		--	--
	US	20:30	Durable Goods Orders	Nov		0.70%	1.30%
	US	20:30	Personal Income	Nov		-0.20%	-0.70%
	US	20:30	Personal Spending	Nov		0.30%	0.50%
	US	22:00	New Home Sales	Nov		990k	999k

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