

Macroeconomic Report

Incoming Bid Increase

Figure 1: Govt. Bond Auction Result

	FR0086	FR0087	FR0088	FR0083	FR0089
Incoming Bids	Rp12.3 Trn.	Rp19.6 Trn.	Rp4.3 Trn.	Rp9.5 Trn.	Rp3.3 Trn.
Highest Yield	6.10%	6.80%	6.85%	7.50%	7.25%
Lowest Yield	5.60%	6.42%	6.42%	7.20%	6.92%
Weighted Avg. Yield	5.65%	6.46%	6.47%	7.24%	7.03%
Amount Won	Rp8.0 Trn.	Rp9.5 Trn.	Rp1.2 Trn.	Rp5.4 Trn.	Rp1.7 Trn.
BTC Ratio	1.55x	2.06x	3.64x	1.75x	1.99x

Source: Bloomberg, NHKS Research

Investors' Interests Start to Recover

The incoming bids of some Government Securities (SBN) towards the end of April 2021 indicated recovery in domestic bonds market. In the Government Bond Securities (SUN) Auction on last Tuesday (04/27), the government successfully booked incoming bid of IDR52.7 trillion (Figure 1). This is higher than the previous auction that recorded IDR 42.9 trillion. The easing of UST yield volatility to 1.5% (Figure 4) as the auction approach increased investor trust. In more detail, FR087 managed to gain the highest bid at almost IDR 20 trillion. It was followed by FR086 with more than IDR 12 trillion. Investors' interest in the short and medium tenor shows that they are still taking a wait and see stance, as they have not fully entered the long tenors. Hence, in this SUN auction the government successfully absorbed IDR 28 trillion.

Indonesia's Debt Rating Supports SUN Auction

The positive sentiments for the SUN auction came from Indonesia's debt rating. The global debt rating agency Standard and Poor's (S&P) maintained the Sovereign Credit Rating of Indonesia at BBB with a negative outlook on April 22, 2021. S&P maintained the rating due to the Indonesia's strong economic growth prospect and prudent monetary and fiscal politics. The sentiment boosted the incoming bids for the latest SUN auction by almost 23% compared to the previous auction. Meanwhile, the market recovery also led to the decrease in government cost of fund, seen from the decline of average weighted yield by 3bps to 9bps on almost every auctioned series. As a note, S&P previously maintained the Sovereign Credit Rating at BBB and revised the outlook from stable to negative on April 17, 2020.

The Fed's Commitment to Curb USD Index

NHKS Research sees that SUN Auction can do better in the future. The Fed's low interest rate commitment will boost foreign capital inflow to Indonesia. The Fed has once again kept the Fed Fund Rate (FFR) low, although the US economy is recovering faster than expected. The interest rate is still at 0.25% and the Fed is committed to maintain it until 2023. This has led the USD index down to 90.61 or the lowest since the end of February (Figure 5). The statement also boosted the capital inflow to Indonesian bond market. Foreign investor holding in SBN increased by IDR 6 trillion in two weeks, or a capital inflow of almost IDR 9 trillion in April 2021, according to DJPPR data (Figure 6). Meanwhile, US Gross Domestic Product (GDP) recorded a recovery from the impact of Covid-19. US economic growth in 1Q21 was booked at 6.4% YoY, or continuing the expansion from the previous quarter which was at 4.3%.

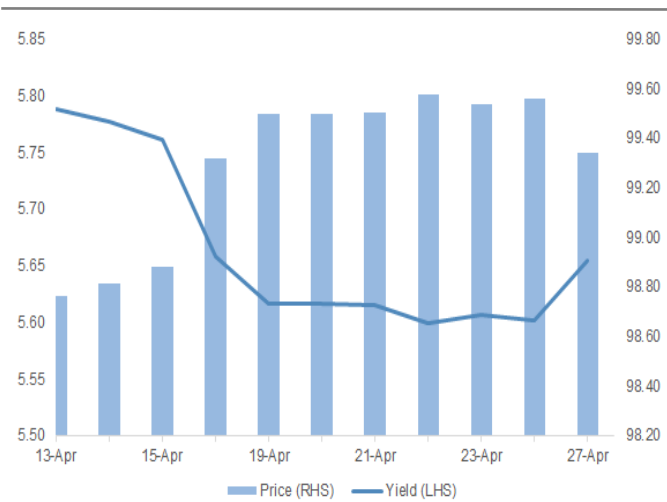
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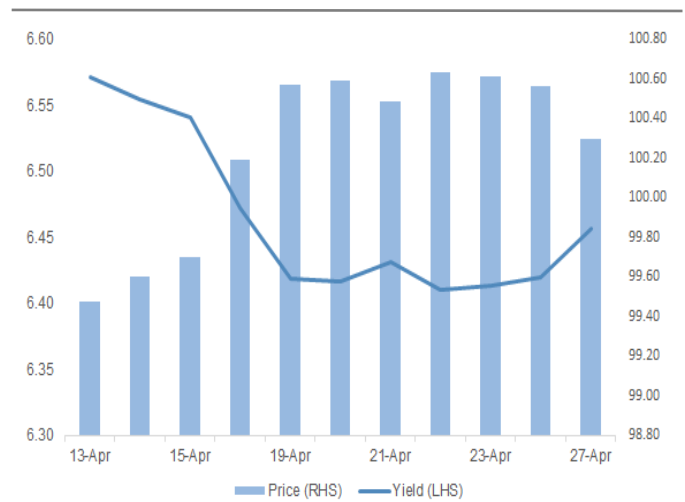
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Figure 2: FR0086 | Apr. 13 - 27, 2021



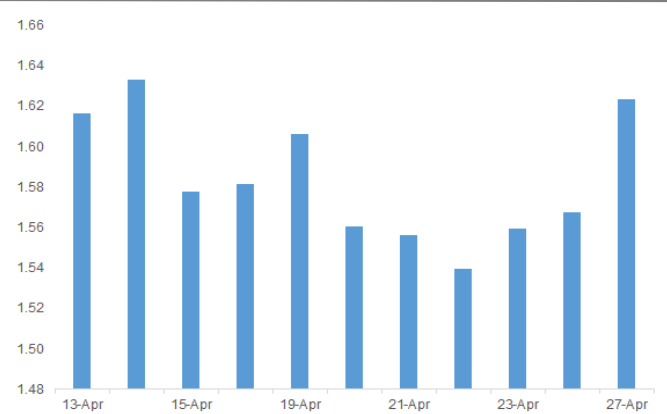
Source: Bloomberg, NHKS Research

Figure 3: FR0087 | Apr. 13 - 27, 2021



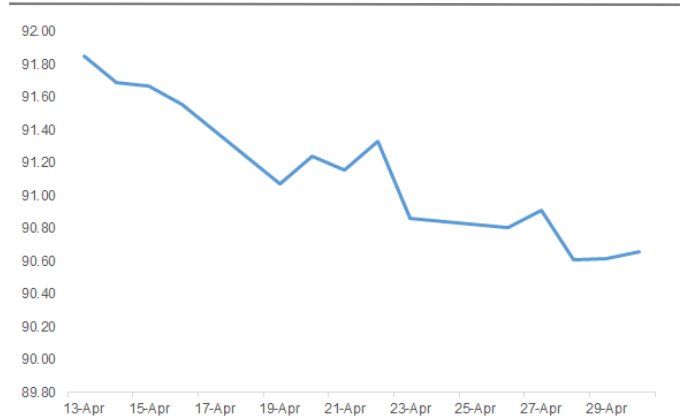
Source: Bloomberg, NHKS Research

Figure 4: UST10Y | Apr. 13 - 27, 2021



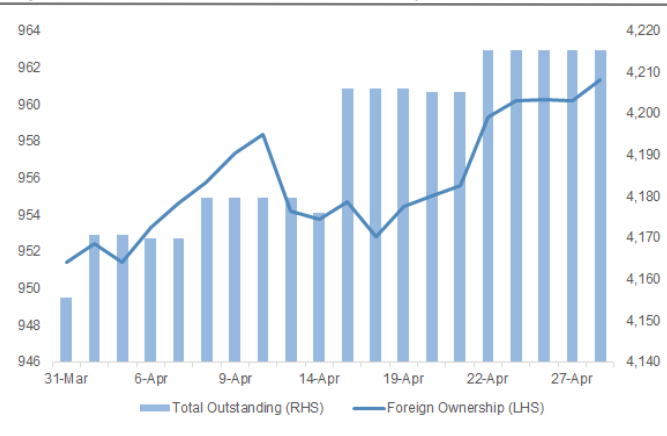
Source: Indonesia Statistics, NHKS Research

Figure 5: DXY | Apr. 13 - 27, 2021



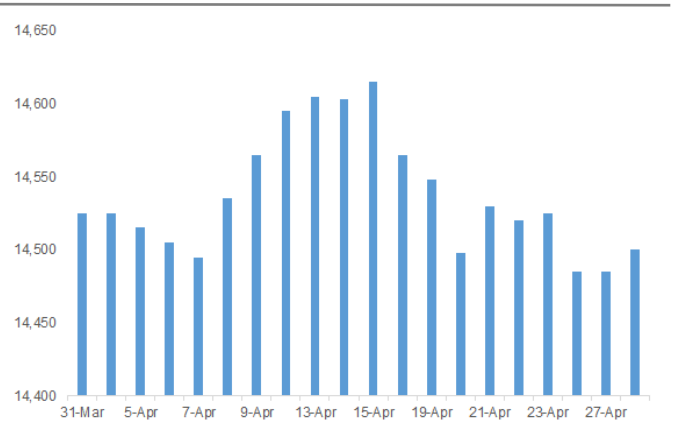
Source: Bloomberg, NHKS Research

Figure 6: Indonesia Government Securities | Mar. 31 - Apr. 28, 2021



Source: Bloomberg, NHKS Research

Figure 7: USDIDR | Mar. 31 - Apr. 28, 2021



Source: Bloomberg, NHKS Research

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