

Morning Brief

Daily | May 27, 2021

Today's Outlook:

Government Bonds

High Liquidity and Attractive Yields Encourage Interest in SUN Auction. The yield on the 10-year FR0087 SUN is around 6.50%, which remains attractive amidst the BI 7-DRRR which remains at 3.50% for the May 2021 period. This has resulted in a spread of real yield of 500 bps, or higher compared to the region. In addition, high bids entered the post -Idul Fitri holiday, indicating fairly good domestic liquidity. In more detail, the bid for the SUN auction last Tuesday (25/05) was valued at IDR 78 trillion. This high bid was supported by the FR0086 and FR0087, recording incoming bids of up to IDR 28 trillion and IDR 26.2 trillion, respectively. In this auction, the government won IDR 32.5 trillion or slightly above the indicative target.

Corporate Bonds

BFIN Issues IDR 600 Billion Bonds with Coupons of Up to 7.75%. BFI Finance Indonesia Tbk (BFIN) will issue bonds with a value of IDR 600 billion. The Sustainable Bond V BFI Finance Indonesia Phase I 2021 is part of the BFI Finance Indonesia V Sustainable Bond with a total target fund of IDR 6 trillion. In the first phase, BFI Finance offers two series. Series A bonds have a principal value of IDR 200 billion. The 370-day bond offers a fixed interest rate of 6% per annum. The series B bonds have a principal value of IDR 400 billion. The bonds with a tenor of three years offer a fixed interest rate of 7.7% per annum. (Investor Daily)

Domestic Issue

Indonesia Holds Key Rate Steady. Indonesia's central bank left its key interest rate unchanged for a third straight month, pledging to rely primarily on liquidity tools amid signs of a tentative recovery in Southeast Asia's largest economy. Bank Indonesia held the seven-day reverse repurchase rate at 3.5% on Tuesday, as all 29 economists in a Bloomberg survey predicted. The central bank has cut the policy rate by 150 basis points since the pandemic began last year. The decision is consistent with the forecast for inflation to remain low, as well as efforts to maintain rupiah exchange rate stability and accelerate economic recovery, Governor Perry Warjiyo said in a briefing. If changes to the policy mix are needed, the bank will turn to liquidity instruments before tinkering with rates, he added. (Bloomberg)

Recommendation

BI 7-DRRR Positive Sentiment and Low Inflation. The domestic SUN market will still be supported by the low BI 7-DRRR 3.50% interest rate, and the low inflation projection for May 2021 of 0.33% MoM. In addition, positive sentiment on the SUN market was supported by liquidity and high demand from market players. On the other hand, investors are keeping a close eye on UST yield volatility, influenced by the release of a number of US economic data.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	3.50%	3.50%	Real GDP	-0.74%	-0.74%
FX Reserve (USD bn)	138.80	137.10	Current Acc (USD bn)	(1.00)	(1.00)
Trd Balance (USD bn)	2.19	1.56	Govt. Spending Yoy	2.96%	2.96%
Exports Yoy	51.94%	30.47%	FDI (USD bn)	4.92	4.92
Imports Yoy	29.93%	25.73%	Business Confidence	104.82	104.82
Inflation Yoy	1.42%	1.37%	Cons. Confidence*	101.50	101.50

PRICE OF BENCHMARK SERIES

FR0086 (5yr): -0.1 Bps to 99.83 (5.53%)
FR0087 (10yr): -1.0 Bps to 100.52 (6.42%)
FR0088 (15yr): +0.8 Bps to 99.40 (6.31%)
FR0083 (20yr): -0.6 Bps to 103.87 (7.12%)

FR0081 (4yr): -0.9 Bps to 104.07 (5.36%)
FR0082 (9yr): -0.6 Bps to 103.88 (6.43%)
FR0080 (14yr): +0.1 Bps to 103.80 (7.06%)

CDS of Indonesia Bonds

CDS 2yr: +2.84% to 30.73
CDS 5yr: +0.21% to 77.24
CDS 10yr: +1.79% to 144.25

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.44%	-0.01%
USDIDR	14,328	-0.19%
KRWIDR	12.77	0.26%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,323.05	10.59	0.03%
S&P 500	4,195.99	7.86	0.19%
FTSE 100	7,026.93	(2.86)	-0.04%
DAX	15,450.72	(14.37)	-0.09%
Nikkei	28,642.19	88.21	0.31%
Hang Seng	29,166.01	255.15	0.88%
Shanghai	3,593.36	12.02	0.34%
KOSPI	3,168.43	(2.89)	-0.09%
EIDO	21.36	0.11	0.52%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,896.7	(2.6)	-0.14%
Crude Oil (\$/bbl)	66.21	0.14	0.21%
Coal (\$/ton)	103.80	(0.50)	-0.48%
Nickel LME (\$/MT)	16,791	(357.0)	-2.08%
Tin LME (\$/MT)	29,530	(220.0)	-0.74%
CPO (MYR/Ton)	3,890	(101.0)	-2.53%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Tuesday 25 - May	GE	13:00	GDP SA QoQ	1Q21	1.8%	-1.7%	-1.7%
	ID	14:20	Bank Indonesia 7D Reverse Repo	May	3.5%	3.5%	3.5%
	GE	15:00	IFO Business Climate	May	99.2	97.8	96.8
	US	21:00	Conf. Board Consumer Confidence	May	117.2	120	121.7
Thursday 27 - May	US	19:30	Durable Goods Orders	Apr		0.80%	0.80%
	US	19:30	GDP Annualized QoQ	1Q21		6.40%	6.40%
	US	19:30	Initial Jobless Claims	May		--	444k
Friday 28 - May	US	19:30	Wholesale Inventories MoM	Apr		--	1.30%
	US	19:30	Personal Income	Apr		-15.00%	21.10%
	US	21:00	U. of Mich. Sentiment	May		83	82.8
	UK		Nationwide House Px NSA YoY	May		--	7.10%

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