

Morning Brief

Daily | May 31, 2021

Today's Outlook:

Government Bonds

US Economic Recovery Sentiment Supports SUN Weekend. Market participants responded positively to the United States (US) unemployment claims data, which only amounted to 406 thousand claims per last week. This figure is better than market players' expectations, which reached 425 thousand. For the record, this unemployment claim is the lowest level in the pandemic era. The positive employment data indicates a recovery in the US economy. The movement of the Government Securities (SUN) market for a week was also amid the rupiah appreciated 0.5% to IDR 14,285/USD, based on Bloomberg data.

Corporate Bonds

Pefindo Assigns idAAA Rating for the SMF Bonds. The Indonesian Securities Rating Agency (Pefindo) affirmed the idAAA rating for Sarana Multigriya Financial's 2020 Series A Sustainable Bond V Phase IV (SMF) worth IDR 1.68 trillion which will mature on July 24, 2021. Pefindo also gave the same rating for the Sustainable Bonds IV Phase V Year 2018 Series B and MTN IX Year 2020 worth IDR 535 billion and IDR 700 billion, respectively, which will mature on August 14, 2021. Not only that, the idAAA (sy) rating is also given to the Phase I Sustainable Sukuk Mudharabah. II of 2020 valued at IDR 346 billion which will mature on July 24, 2021. (Kontan)

Domestic Issue

Government Consumption Becomes Motor of Economy 2Q21. The government is still optimistic that Indonesia's economy during the second quarter of this year can grow up to 7%. The Ministry of Finance (Kemenkeu) notes that the realization of state spending as of the end of April 2021 reached IDR 723 trillion, up 15.9% YoY. This growth rate is clearly much better than the realization at the end of April 2020 which contracted 1.4% YoY. The high realization of state spending was supported by central government spending of IDR 489.8 trillion, growing by 28.1% YoY. Unfortunately, the realization of the transfer budget to the regions and village funds was only Rp 233.2 trillion, a decrease of 3.4% YoY. High state spending is good news. Moreover, the driving force for government spending is essential spending, such as handling Covid-19, vaccinations, and national strategic projects. (Kontan)

Recommendation

Transportation Tariff Contributes to Inflation in May 2021. Market players will be watching the release of inflation data for May 2021 in SUN trading this week. Based on a survey by Bank Indonesia (BI), it projects inflation in May 2021 to be 0.28% MoM, contributed by intercity transportation rates. This figure is slightly up from the previous month which was 0.13% MoM. However, it increased significantly compared to May 2020 of 0.07% MoM. NHKSI Research sees this difference because this year, the traffic conditions for Eid al-Fitr are looser than last year. We also project inflation in May 2021 to be 0.86% YtD, and 1.64% YoY on an annual basis. On the other hand, the inflation projection is kept under control, which means that the real yield spread is still around 500 bps, between inflation and yield on 10-year government securities.

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): -1.4 Bps to 99.89 (5.52%)
FR0087 (10yr): +0.1 Bps to 100.54 (6.42%)
FR0088 (15yr): +0.1 Bps to 99.22 (6.33%)
FR0083 (20yr): +0.3 Bps to 103.94 (7.11%)

FR0081 (4yr): -0.1 Bps to 104.06 (5.36%)
FR0082 (9yr): +0.0 Bps to 103.89 (6.43%)
FR0080 (14yr): +0.4 Bps to 103.79 (7.06%)

CDS of Indonesia Bonds

CDS 2yr: -6.28% to 28.79
CDS 5yr: -0.47% to 76.36
CDS 10yr: -2.57% to 140.46

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.44%	0.00%
USDIDR	14,285	-0.02%
KRWIDR	12.81	0.23%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,529.45	64.81	0.19%
S&P 500	4,204.11	3.23	0.08%
FTSE 100	7,022.61	2.94	0.04%
DAX	15,519.98	113.25	0.74%
Nikkei	29,149.41	600.40	2.10%
Hang Seng	29,124.41	11.21	0.04%
Shanghai	3,600.78	(8.07)	-0.22%
KOSPI	3,188.73	23.22	0.73%
EIDO	21.36	0.10	0.47%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,903.8	7.2	0.38%
Crude Oil (\$/bbl)	66.32	(0.53)	-0.79%
Coal (\$/ton)	107.00	3.20	3.08%
Nickel LME (\$/MT)	18,113	215.0	1.20%
Tin LME (\$/MT)	30,740	830.0	2.77%
CPO (MYR/Ton)	4,010	94.0	2.40%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	CH	08:00	Manufacturing PMI	May		51.2	51.1
31 - May	GE	19:00	CPI MoM	May		0.3%	0.7%
	GE	19:00	CPI YoY	May		2.3%	2.0%
Tuesday	CH	08:45	Caixin China PMI Mfg	May		52	51.9
01 - June	GE	14:55	Markit Germany Manufacturing PMI	May		64	64
	EC	15:00	Markit Eurozone Manufacturing PMI	May		62.8	62.8
	UK	15:30	Markit UK PMI Manufacturing SA	May		66.1	66.1
	US	20:45	Markit US Manufacturing PMI	May		61.5	61.5
Wednesday	ID	07:30	Markit Indonesia PMI Mfg	May		--	54.6
02 - June	ID	11:00	CPI YoY	May		1.63%	1.42%
	US	18:00	MBA Mortgage Applications	May		--	-4.2%
Thursday	US	19:30	Initial Jobless Claims	May		--	406k
03 - June							
Friday	US	19:30	Unemployment Rate	May		5.9%	6.1%
04 - June	US	21:00	Durable Goods Orders	Apr		--	-1.3%
	US	21:00	Factory Orders	Apr		0.5%	1.1%

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