

Morning Brief

Daily | June 17, 2021

Today's Outlook:

Government Bonds

Mixed Market, Awaiting Fed Policy Direction. The yield on benchmark 10-year Government Bonds (SUN) FR0087 rose to 6.39%. A number of market participants are anticipating the results of the Federal Open Market Committee (FOMC) meeting, as well as the Fed's monetary policy. NHKSI Research still projects that the Fed Funds Rate (FFR) benchmark interest rate will not change, or remain low. However, we do observe the potential for a reduction in bond purchases in the US secondary market. Although it does not change interest rates; however the Fed raised its forecast for 2023 to 0.6%.

Corporate Bonds

Pertamina Repays IDR 5.5 Trillion Global Bonds. Pertamina (Persero) said that this year it has paid off maturing bonds worth USD 391 million or around IDR 5.59 trillion (assuming an exchange rate of IDR 14,500/USD). This debt repayment is part of the loan management strategy carried out by the company. Pertamina has implemented several strategies from a financial perspective, including the discipline of establishing a sinking fund (funds established for certain economic entities) and global bond/liability management buybacks, cash management, accelerating receivables collection between companies, and the discipline of monitoring investment returns (CNBC Indonesia)

Domestic Issue

BPS: Economy Returns to Positive Zone 2Q21. The Central Statistics Agency (BPS) believes that the performance of domestic economic growth will be positive in 2Q21. Confidence is based on Indonesia's trade balance which experienced a surplus of USD 2.36 billion MtM in May 2021. BPS believes that the trade balance surplus, which will occur five times in a row in 2021, will boost the economy. This is because the contribution of exports and imports to Gross Domestic Product (GDP) is around 19%-21%. This will be coupled with the performance of government consumption, investment, and household consumption. On the other hand, export performance in May 2021 actually decreased by 10.25% on a monthly basis from USD 18.49 billion in April to USD 16.60 billion. However, the decline was more triggered by seasonal factors, namely Ramadan and Eid. On an annual basis, exports continued to increase sharply by 58.76% from May 2020 of USD 10.45 billion. (CNN Indonesia)

Recommendation

Debt Switch Press Benchmark. On Thursday (17/06), the government offered FR0086, FR0087, FR0088, FR0083, and FR0089, to be exchanged for eleven SUN series that are illiquid or have less than 5-year maturities. The eleven series are: FR0061 (0.9-year); FR0035 (1-year); FR0043 (1.1-year); FR0063 (1.9-years); FR0046 (2.1-year); FR0039 (2.2-years); FR0070 (2.7-years); FR0077 (2.9-years); FR0044 (3.3-years); FR0081 (4-years); and FR0040 (4.2-years). Meanwhile, the benchmark bid price and FR0089 offered by the government are below the secondary market price. More details, offer price FR0086 at 100.65; FR0087 at 100.55; FR0088 at 99.25; FR0083 at 104.55; and FR0089 at 100.05. Lower bid prices, will pressure the secondary market. However, in the long term it will make these series more liquid and attractive.

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)	136.40	138.80	Current Acc (USD bn)	(1.00)	(1.00)
Trd Balance (USD bn)	2.36	2.19	Govt. Spending Yoy	2.96%	2.96%
Exports Yoy	58.74%	51.94%	FDI (USD bn)	4.92	4.92
Imports Yoy	68.68%	29.93%	Business Confidence	104.82	104.82
Inflation Yoy	1.68%	1.42%	Cons. Confidence*	104.40	101.50

PRICE OF BENCHMARK SERIES

FR0086 (5yr): -4.0 Bps to 100.88 (5.28%)
FR0087 (10yr): +1.4 Bps to 100.74 (6.39%)
FR0088 (15yr): +0.4 Bps to 99.55 (6.29%)
FR0083 (20yr): +0.2 Bps to 104.87 (7.02%)

FR0081 (4yr): -6.1 Bps to 105.11 (5.06%)
FR0082 (9yr): +1.3 Bps to 104.74 (6.31%)
FR0080 (14yr): +0.8 Bps to 105.71 (6.85%)

CDS of Indonesia Bonds

CDS 2yr: +0.75% to 29.33
CDS 5yr: +0.46% to 73.24
CDS 10yr: +0.57% to 137.74

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.42%	0.02%
USDIDR	14,238	0.09%
KRWIDR	12.75	0.10%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,033.67	(265.66)	-0.77%
S&P 500	4,223.70	(22.89)	-0.54%
FTSE 100	7,184.95	12.47	0.17%
DAX	15,710.57	(18.95)	-0.12%
Nikkei	29,291.01	(150.29)	-0.51%
Hang Seng	28,436.84	(201.69)	-0.70%
Shanghai	3,518.33	(38.23)	-1.08%
KOSPI	3,278.68	20.05	0.62%
EIDO	21.33	(0.45)	-2.07%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,811.5	(47.6)	-2.56%
Crude Oil (\$/bbl)	72.15	0.03	0.04%
Coal (\$/ton)	117.00	0.90	0.78%
Nickel LME (\$/MT)	17,739	(741.0)	-4.01%
Tin LME (\$/MT)	31,463	(188.0)	-0.59%
CPO (MYR/Ton)	3,404	(138.0)	-3.90%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Tuesday	ID	11:00	Trade Balance	May	\$2361m	\$2300m	\$2190m
15 - June	UK	13:00	Jobless Claims Change	May	-92.6k	--	-15.1k
	GE	13:00	CPI YoY	May	2.5%	2.5%	2.5%
	US	19:30	PPI Final Demand MoM	May	0.8%	0.4%	0.6%
	US	20:15	Industrial Production MoM	May	0.8%	0.6%	0.7%
Wednesday	CH	09:00	Retail Sales YoY	May	12.4%	14.0%	17.7%
16 - June	CH	09:00	Industrial Production YoY	May	8.8%	9.2%	9.8%
	UK	13:00	CPI YoY	May	2.1%	1.8%	1.5%
	US	18:00	MBA Mortgage Applications	Jun	4.2%	--	-3.1%
Thursday	ID	14:20	Bank Indonesia 7D Reverse Repo	Jun		3.50%	3.50%
17 - June	EC	16:00	CPI YoY	May		2.00%	1.60%
	US	19:30	Initial Jobless Claims	Jun		--	376k
	US	21:00	Leading Index	May		1.10%	1.60%
Friday	UK	13:00	Retail Sales Inc Auto Fuel MoM	May		--	9.20%
18 - June							

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