

Morning Brief

Daily | June 10, 2021

Today's Outlook:

Government Bonds

Decrease in Cadev Drives Interest in SUN. Market participants are again interested in medium and long tenor Government Securities (SUN). FR0088 still recorded yield inversion with FR0087, amidst the high volatility of FR0087 compared to other benchmark series. Benchmark 15-year government bonds posted a yield decline of more than 2.5 bps to 6.30%. Meanwhile, investors are eyeing the 20-year benchmark which offers yields at the psychological 7% level. The decline in foreign exchange reserves (cadev) has the potential to affect economic stability, which is currently recovering. The disrupted economic recovery has made investors return to interest in the safe-haven government bonds rather than investing in stocks.

Corporate Bonds

PTPP Releases IDR 2 Trillion Bonds and Sukuk. Housing Development, Tbk. (PTPP) will issue bonds and sukuk (sharia bonds) worth a total of IDR 2 trillion through a sustainable public offering (PUB) mechanism. The bonds issued are valued at IDR 1.5 trillion, consisting of two series with a coupon range of 8.25% - 9.25% for series A and 8.75% - 9.75% for series B. Furthermore, Sukuk Mudharabah will be issued at a value of IDR 500 billion in two series with yields that will follow bond interest rates. Both series of bonds and sukuk have a tenor of 3-years for series A and 5-years for series B. These bonds and sukuk have received an A rating from the Indonesian Securities Rating Agency (Pefindo). (CNBC Indonesia)

Domestic Issue

IKK in May 2021 Reached 104.4. Consumer confidence increased in May 2021. Based on the Bank Indonesia (BI) consumer survey, this was reflected in the May 2021 Consumer Confidence Index (IKK) which reached 104.4, up from the April 2021 IKK which was 101.5. The increase in the index was driven by improved consumer perceptions of current economic conditions, as reflected in the current Economic Condition Index (IKE) in May 2021, which rose to 86.8 from 80.3 in the previous month. Meanwhile, consumer expectations for future economic conditions eased slightly. This is reflected in the Consumer Expectation Index (IEK) which is 122.1 or lower than 122.6 in April 2021. (Kontan)

Recommendation

Ignore Consumer Confidence, Long Tenor Again Attractive. Investors have the opportunity to look again at long-tenor SUN, amid the current low interest rate trend. On the other hand, the SUN market is excited again after the decline in the reserve requirement has the potential to disrupt economic and monetary stability. The disrupted economic recovery has made investors interested in the safe haven of government bonds rather than stocks. This attitude of market participants is also in the midst of increasing consumer confidence, such as: improved perceptions of job availability, income, and timeliness of purchasing durable goods. In the short term, investors can pay close attention to FR0088, and FR0083. However, we can anticipate profit taking on FR0087.

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)	2.19	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	1.68%	1.42%	Cons. Confidence*	104.40	101.50

PRICE OF BENCHMARK SERIES

FR0086 (5yr): -1.6 Bps to 100.35 (5.41%)
FR0087 (10yr): -0.9 Bps to 100.87 (6.37%)
FR0088 (15yr): -2.6 Bps to 99.51 (6.30%)
FR0083 (20yr): -1.1 Bps to 105.01 (7.01%)

FR0081 (4yr): -4.9 Bps to 104.61 (5.21%)
FR0082 (9yr): -0.1 Bps to 104.72 (6.31%)
FR0080 (14yr): -3.1 Bps to 105.35 (6.89%)

CDS of Indonesia Bonds

CDS 2yr: +1.41% to 29.72
CDS 5yr: +0.01% to 75.15
CDS 10yr: -0.54% to 136.18

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.40%	-0.01%
USDIDR	14,255	0.01%
KRWIDR	12.78	-0.07%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,447.14	(152.68)	-0.44%
S&P 500	4,219.55	(7.71)	-0.18%
FTSE 100	7,081.01	(14.08)	-0.20%
DAX	15,581.14	(59.46)	-0.38%
Nikkei	28,860.80	(102.76)	-0.35%
Hang Seng	28,742.63	(38.75)	-0.13%
Shanghai	3,591.40	11.29	0.32%
KOSPI	3,216.18	(31.65)	-0.97%
EIDO	22.16	0.18	0.82%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,888.6	(4.3)	-0.23%
Crude Oil (\$/bbl)	69.96	(0.09)	-0.13%
Coal (\$/ton)	118.50	1.75	1.50%
Nickel LME (\$/MT)	18,136	194.0	1.08%
Tin LME (\$/MT)	31,209	(14.0)	-0.04%
CPO (MYR/Ton)	3,871	(178.0)	-4.40%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	GE	13:00	Factory Orders MoM	Apr	-0.2%	0.5%	3.0%
07 - May	CH		Trade Balance	May	\$45.53b	\$50.50b	\$42.85b
	CH		Foreign Reserves	May	\$3221.8b	\$3214.50b	\$3198.18b
Tuesday	ID	10:00	Net Foreign Assets IDR	May	1911.1t	--	1972.4t
08 - June	ID	10:00	Foreign Reserves	May	\$136.40b	--	\$138.80b
	EC	16:00	GDP SA YoY	1Q21	-1.3%	-1.8%	-1.8%
	US	19:30	Trade Balance	Apr	-\$68.9b	-\$68.5b	-\$74.4b
Wednesday	CH	08:30	CPI YoY	May	1.3%	1.6%	0.9%
09 - June	GE	13:00	Trade Balance	Apr	15.5b	16.3b	20.5b
	US	18:00	MBA Mortgage Applications	Jun	-3.1%	--	-4.0%
	ID		Consumer Confidence Index	May	104.4	--	101.5
Thursday	US	19:30	CPI MoM	May		0.40%	0.80%
10 - June	US	19:30	CPI YoY	May		4.60%	4.20%
	US	19:30	Initial Jobless Claims	Jun		--	385k
Friday	US	01:00	Monthly Budget Statement	May		--	-\$225.6b
11 - June	UK	13:00	Monthly GDP (MoM)	Apr		--	2.10%

Research Division

Head of Research

Anggaraksa Arismunandar

Market Strategy, Misc. Industry, Banking

T +62 21 5088 ext. 9134

E anggaraksa@nhsec.co.id

Senior Technical Analyst

Dimas Wahyu Putra Pratama

Technical

T +62 21 5088 ext

E dimas.wahyu@nhsec.co.id

Economist

Arief Machrus

Macroeconomics

T +62 21 5088 ext 9127

E arief.machrus@nhsec.co.id

Analyst

Ajeng Kartika Hapsari

Property, Construction, Cement

T +62 21 5088 ext 9130

E ajeng@nhsec.co.id

Analyst

Putu Chantika

Consumer, Retail

T +62 21 5088 ext 9129

E putu.chantika@nhsec.co.id

Analyst

Restu Pamungkas

Telco, Tower, Toll road, Poultry

T +62 21 5088 ext 9133

E restu.pamungkas@nhsec.co.id

Research Support

Jasmine Kusumawardani

T +62 21 5088 ext 9132

E jasmine.kusumawardani@nhsec.co.id

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PT. NH Korindo Sekuritas Indonesia

Head Office :

District 8 Treasury Tower 51st Fl. Unit A, SCBD Lot.28

Jl. Jendral Sudirman Kav. 52-53

Jakarta Selatan 12190

Telp : +62 21 50889100

Fax : +62 21 50889101

Branch Office BSD:

ITC BSD Blok R No.48

Jl. Pahlawan Seribu Serpong

Tangerang Selatan 15322

Indonesia

Telp : +62 21 5316 2049

Fax : +62 21 5316 1687

Branch Office Medan :

Jl. Timor No 147

Medan, Sumatera Utara 20234

Indonesia

Telp : +62 614 156500

Fax : +62 614 568560

Branch Office Semarang:

Jl. MH Thamrin No. 152

Semarang 50314

Indonesia

Telp : +62 24 844 6878

Fax : +62 24 844 6879

Branch Office Jakarta Utara:

Jl. Bandengan Utara Kav. 81

Blok A No.02, Lt 1

Jakarta Utara 14440

Indonesia

Telp : +62 21 6667 4959

Fax : +62 21 6667 4960

Branch Office Pekanbaru:

Sudirman City Square

Jl. Jend. Sudirman Blok A No.7

Pekanbaru

Indonesia

Telp : +62 761 801 133

Branch Office Surabaya:

Spazio Tower Lt. 10, Unit S05

Jl. Mayjen Yono Suwoyo

Surabaya 60226

Indonesia

Telp : +62 31 9914 1344

Branch Office Makassar:

Jl. Gunung Latimojong No.120A

Makassar

Indonesia

Telp : +62 411 361 5255

Branch Office Bandung:

Paskal Hypersquare Blok A1

Jl. Pasirkaliki No 25-27

Bandung 40181

Indonesia

Telp : +62 22 8606 1012

Branch Office Denpasar:

Ruko Griya Alamanda No.9

Jl. Cok Agung Tresna

Denpasar

Indonesia

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Seoul | New York | Hong Kong | Singapore | Shanghai | Beijing | Hanoi |
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