

Morning Brief

Today's Outlook:

Government Bonds

SUN Mixed Ahead of Inflation Data and PBS030 Issuance. Projected May 2021 inflation at 0.28% MoM (0.86% YtD; 1.64% YoY), contributed by intercity transport fares. This figure was relatively well maintained the previous month at 0.13% MoM. However, it increased significantly compared to May 2020 of 0.07% MoM. NHKSI Research sees that the traffic flow for Eid this year is looser than last year. On the other hand, maintained inflation kept the real yield spread at around 500 bps. Earlier in the week, the yield on 10-year Government Bonds (SUN) FR0087 was at 6.40%, based on Bloomberg data. The movement of SUN at the beginning of the week is also ahead of the issuance of PBS030 (7.1-year) which has the opportunity to offer 30 bps higher returns than SUN with a similar tenor.

Corporate Bonds

BRPT Issues IDR 750 Billion Bonds. Barito Pacific Tbk (BRPT) will issue bonds worth IDR 750 billion, or part of the BRPT Shelf-Registered Bonds II offering totaling IDR 1.5 trillion. This time, the BRPT bonds will be issued in two series, namely series A with a 3-year tenor and series B with a 5-year tenor. Meanwhile, the bond offering period is on June 2-16, the effective date is June 29, the public offering period is July 1-5, the allotment period is July 6, and the listing date on the Indonesia Stock Exchange is on July 9, 2021. BRPT will use the proceeds from this bond issuance. for payment of part of the principal debt based on the facility agreement. (Kontan)

Domestic Issue

Investment Realization Target Up 33%. The Ministry of Investment targets the realization of investment next year at IDR 1,200 trillion, an increase of 33.3% from this year's target of IDR 900 trillion. This target is a mandate from President Joko Widodo, after previously the National Development Planning Agency (Bappenas) set the outlook in the range of IDR 985 trillion to IDR 1,127 trillion. As of May 2021, there are a total of IDR 2,964.9 trillion in investment commitments that have received permits and received fiscal incentives, but have not been executed. Thus, the investors' money has not been realized domestically. For this reason, with the implementation of Law Number 2 of 2020 concerning Job Creation, his party will immediately resolve the stalled investment, especially the problem of licensing constraints in the regions. (Kontan)

Recommendation

PBS030 Rewards of 6.35%. NHKSI Research projects the rate of return on PBS030 (7.1-year) (New Issue) of around 6.35% in the results of the Sukuk auction on Wednesday (02/06). This figure is equivalent to the yield on Sukuk with a similar tenor, namely PBS018 (7-year) which is 6.35%, based on the latest data from Bloomberg. We also see that the PBS030 reward is relatively attractive, amidst the BI 7-DRRR trend which remains low at 3.50%. On the other hand, the yield on PBS030 was also 30 bps higher, compared to the yield on FR0064 (7-year) of a similar tenor at 6.05%. Furthermore, we project that bids for this Sukuk auction will be in the range of IDR 20 trillion to IDR 25 trillion, with the government mostly winning short tenors PBS027 (2-years) and PBS017 (4.4-years).

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): -4.6 Bps to 100.09 (5.47%)
FR0087 (10yr): -1.7 Bps to 100.66 (6.40%)
FR0088 (15yr): -1.5 Bps to 99.37 (6.31%)
FR0083 (20yr): -1.4 Bps to 104.09 (7.10%)

FR0081 (4yr): -0.1 Bps to 104.21 (5.32%)
FR0082 (9yr): -3.2 Bps to 104.12 (6.40%)
FR0080 (14yr): -5.7 Bps to 104.30 (7.01%)

CDS of Indonesia Bonds

CDS 2yr: -0.14% to 28.51
CDS 5yr: -0.05% to 76.02
CDS 10yr: -0.12% to 139.36

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	34,575.31	45.86	0.13%
S&P 500	4,202.04	(2.07)	-0.05%
FTSE 100	7,080.46	57.85	0.82%
DAX	15,567.36	146.23	0.95%
Nikkei	28,814.34	(45.74)	-0.16%
Hang Seng	29,468.00	316.20	1.08%
Shanghai	3,624.71	9.24	0.26%
KOSPI	3,221.87	17.95	0.56%
EIDO	22.03	0.67	3.14%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,900.4	(6.4)	-0.34%
Crude Oil (\$/bbl)	67.72	1.40	2.11%
Coal (\$/ton)	115.25	3.15	2.81%
Nickel LME (\$/MT)	18,130	17.0	0.09%
Tin LME (\$/MT)	30,723	(17.0)	-0.06%
CPO (MYR/Ton)	3,891	(28.0)	-0.71%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	CH	08:00	Manufacturing PMI	May	51.0	51.2	51.1
<i>31 - May</i>	GE	19:00	CPI MoM	May	0.5%	0.3%	0.7%
	GE	19:00	CPI YoY	May	2.5%	2.3%	2.0%
Wednesday	ID	07:30	Markit Indonesia PMI Mfg	May		--	54.6
<i>02 - June</i>	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
<i>03 - June</i>							
Friday	US	19:30	Unemployment Rate	May		5.9%	6.1%
<i>04 - June</i>	US	21:00	Durable Goods Orders	Apr		--	-1.3%
	US	21:00	Factory Orders	Apr		0.5%	1.1%

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