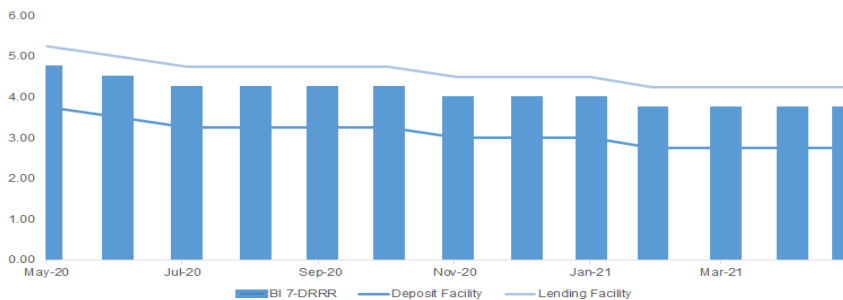


Macroeconomic Report

UST Yield Rise Holds BI 7-DRRR

Indonesia BI 7-DRRR



Source: Bloomberg, NHKS Research

Prevents Capital Outflow, BI 7-DRRR Stays at 3.50%

The increase of UST Yield impacts the financial sector of emerging market countries, especially Indonesia. This caused global market participants to invest in UST, moving their capital from developing countries. As a note, Bank Indonesia Board of Governors Meeting on May 24-25 2021 decided to maintain the BI 7-DRRR at 3.50%; BI has cut the benchmark rate by 150bps since the start of the pandemic at the end of last year. Meanwhile, deposit facility and lending facility interest rates are still at 2.75% and 4.25%. BI's commitment to keep BI 7-DRRR low made IDIC cut the deposit insurance rate.

IDIC Cuts Deposit Insurance Rate to 4%

Indonesia Deposit Insurance Corporation (IDIC) cuts the deposit insurance rate by 25bps for rupiah-denominated commercial banks to 4%, BPR (People's Credit Bank) to 6.50%, and foreign currency to 0.50%. As a note, the deposit insurance rate applies for the May 29 to September 29, 2021. The cuts to deposit insurance rates is due to the gap with BI-7 DRRR. Meanwhile, the reduction in deposit insurance rate is in line with the lag with BI-7DRRR. NHKSI Research projects that the deposit insurance rate will be in a downward trend. This is supported by high bank liquidity, as third party funds (DPK) recorded a growth of 9.50% which resulted in a loose LDR (loan to deposit ratio) at 80.78%.

High Liquidity and Attractive Yield Boost Interest in SUN Auction

Yield of 10-year SUN FR0087 is still around 6.50%, attractive amid the BI 7-DRRR which remains low. This resulted in spread real yield of 500bps, higher compared to countries in the region. In addition, the incoming bid for SUN auction (25/05) was high after the long Idul Fitri holiday. This indicates a fairly good domestic liquidity. In more detail, the bid for the SUN auction on last Tuesday was valued at IDR78 trillion. This high bid was supported by FR0086 and FR0087, recording incoming bids of up to IDR28 trillion and IDR26.2 trillion respectively. In this auction, the government won IDR32.5 trillion or slightly above the indicative target.

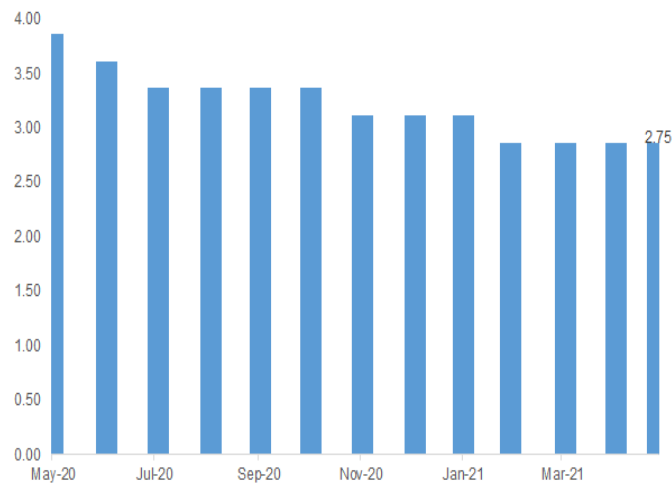
Arief Machrus

arief.machrus@nhsec.co.id

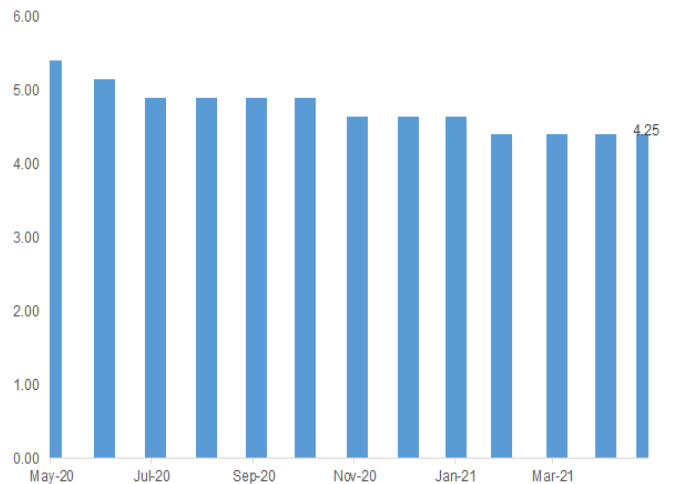
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Indonesia Deposit Facility | May 2020 - May 2021



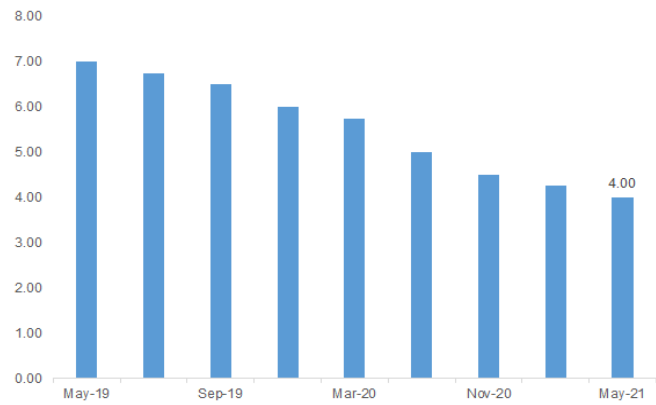
Indonesia Lending Facility | May 2020 - May 2021



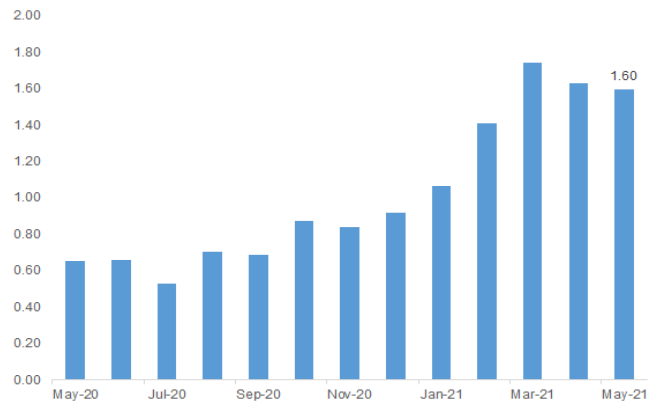
Source: Bloomberg, NHKS Research

Source: Bloomberg, NHKS Research

Indonesia Deposit Insurance Agency | May 2020 - May 2021



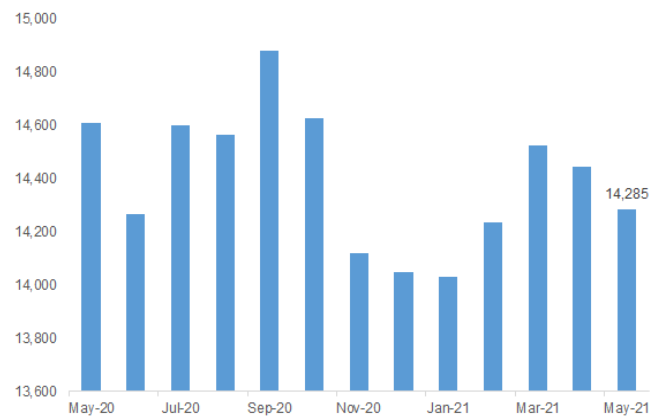
US Treasury Yield | May 2020 - May 2021



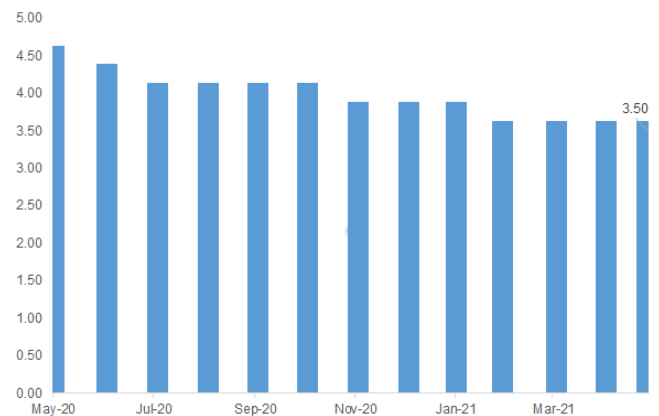
Source: Indonesia Statistics, NHKS Research

Source: Bloomberg, NHKS Research

Indonesia Rupiah Exchange | May 2020 - May 2021



Indonesia BI 7-DRRR | May 2020 - May 2021



Source: Bloomberg, NHKS Research

Source: Bloomberg, NHKS Research

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