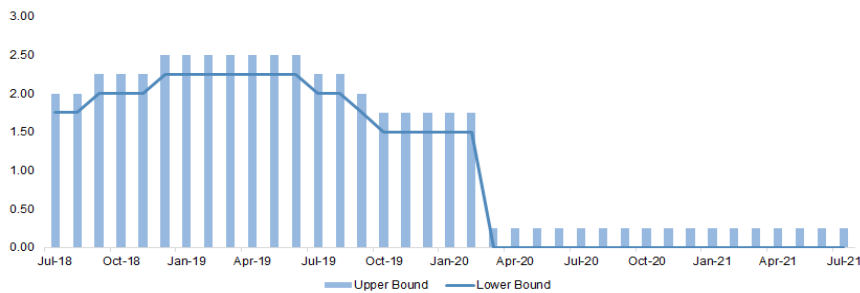


# Macroeconomic Report

## The Federal Reserve holds FFR amidst Ongoing Recovery

### Fed Fund Rate Movement



Source: Bloomberg, NHKS Research

### The Fed Maintains Interest Rates

Amidst ongoing economy recovery in the US, the Federal Reserve holds Fed Fund Rate (FFR) at around 0%-0.25%. Previously, the Fed responded positively to the Covid-19 vaccination program that had successfully decreased the impact of the pandemic to the US economy. However, the Fed is still paying close attention to the more transmissible Delta variant of Covid-19. Other than maintaining the benchmark interest rate, the Fed continues buying Treasury bonds amounting to USD 80 billion every month, and mortgage-backed security at USD 40 billion.

### Low Vaccination Rate Cuts IMF Projection

International Monetary Fund (IMF) slashed its projection of Indonesia's economic growth in 2021 to 3.9%. This was due to Indonesia's low vaccination rate compared to other countries. Before the cut, IMF projected up to 4.3% economic growth. The cut was also caused by the rise in new Covid-19 cases globally. The decision is made amid the growing Indonesia's 2Q21 investment realisation. The Indonesian Investment Coordinating Board (BKPM) recorded that the investment realisation amounted to IDR 223 trillion. This figure grew 16.2% compared to the same period last year which only reached IDR 191.9 trillion.

### Minimal Yield for PBS031 and PBS032

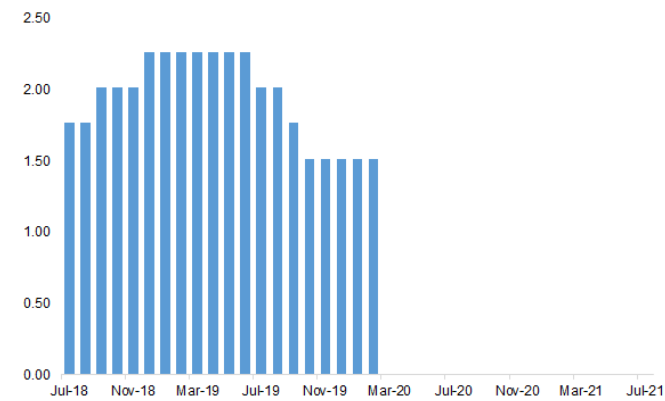
The result of the sukuk auction on Tuesday (27/07) decided the yields for PBS031 (3-years) and PBS032 (5-years) at 4% and 4.875% respectively. NHKSI Research sees that this figure is a relatively thin yield, compared to other sukuk with similar maturity such as PBS026 (3.2-years) and PBS021 (5.3-years), which offer yields of 6.625% and 8.50%. However, the low yield is in line with BI 7-DRRR benchmark interest rate which has been maintained at a low rate of 3.50%. Furthermore, the incoming bid for the recent sukuk auction totaled at IDR 56.69 trillion. The government won five out of the six offered sukuk. New Issuance PBS031 (3-years) and PBS032 (5-years) are the ones with the largest sales figure at IDR 5 trillion and IDR 4.35 trillion. Low cost of fund caused the government to mostly win the two new sukuk series.

**Arief Machrus**

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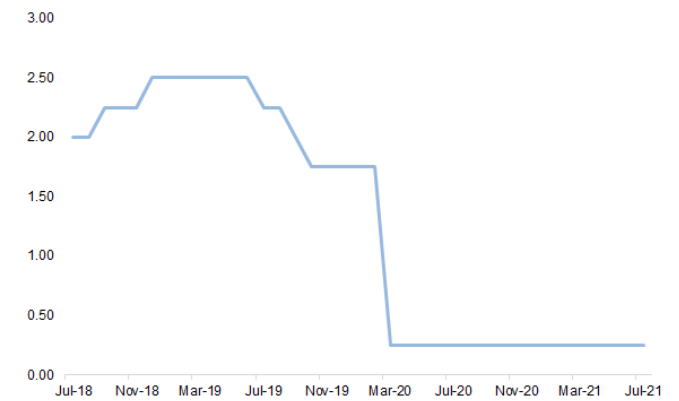
Please consider important disclaimer

Fed Fund Rate Lower Bound (%) | Jul. 18 - Jul. 21



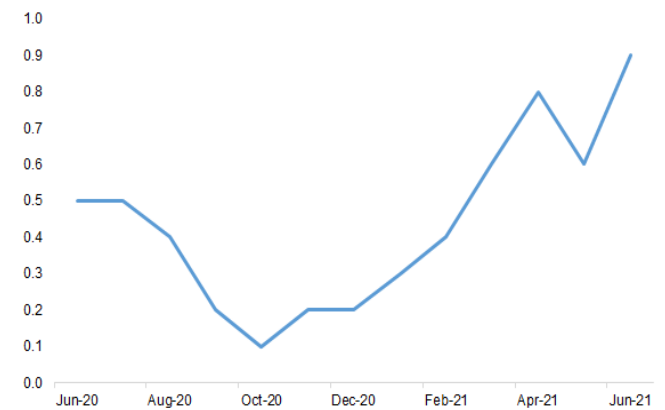
Source: Bloomberg, NHKS Research

Fed Fund Rate Upper Bound (%) | Jul. 18 - Jul. 21



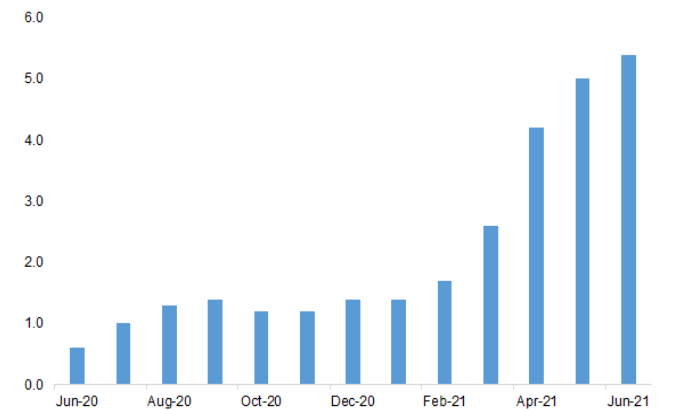
Source: Bloomberg, NHKS Research

United States CPI MoM (%) | Jun. 20 - Jun. 21



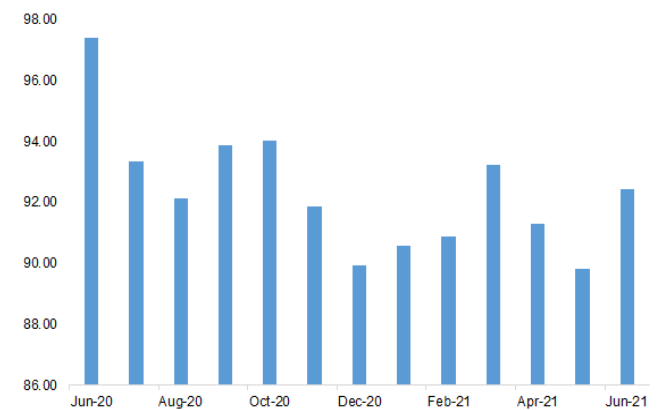
Source: Bloomberg, NHKS Research

United States CPI YoY (%) | Jun. 20 - Jun. 21



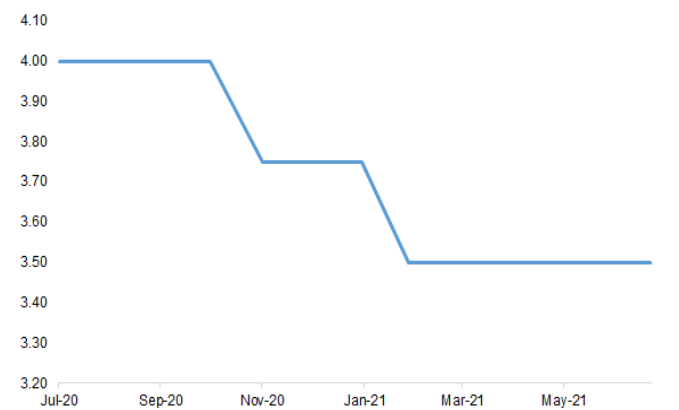
Source: Bloomberg, NHKS Research

United States Dollar Index | Jun. 20 - Jun. 21



Source: Bloomberg, NHKS research

Indonesia BI 7-DRRR | Jul. 20 - Jul. 21



Source: Bloomberg, NHKS research

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