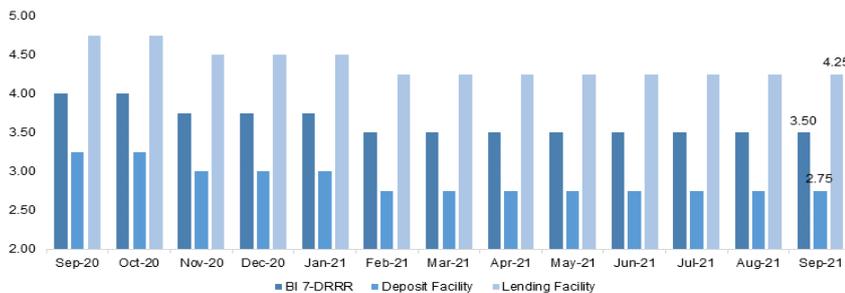


Macroeconomic Report

Tapering Off and China Evergrande Sentiment

BI 7-DRRR, Deposit & Lending Facility Rate Movement



Source: Bloomberg, NHKS Research

The Fed's Tapering Plan Holds BI 7-DRRR Back

NHKS Research sees Bank Indonesia's decision to maintain the BI Seven Days Reverse Repo Rate (BI 7-DRRR) benchmark interest rate at 3.50% as an anticipation of the Fed's tapering off plan. The US Central Bank is holding Federal Open Market Committee (FOMC) Meeting on September 21-22, 2021. Furthermore, BI also maintains the deposit facility and lending facility interest rates, each at 2.75% and 4.25%. BI's commitment to keep the interest rates low, as the domestic economic recovery with more relaxed public activity restrictions. Some domestic indicators are improving, such as the Retail Sales Index which is projected to grow 4.3% MoM, and Manufacturing PMI which increased to 43.7 in August.

Tapering Off until Mid-2022

The result of FOMC meeting stated that the Federal Reserve can start tapering-off in November 2021, until up to mid-2022. The tapering off program can be started immediately after the next FOMC meeting, which is on November 2-3, 2021. On the other hand, tapering off is not meant to give a direct signal to an interest rate increase. Furthermore, the meeting decided to maintain the benchmark interest rate at around 0% - 0.25% and continue buying bonds and mortgage-based securities of USD 120 billion per month.

China Evergrande's Bond Default Boosts CDS

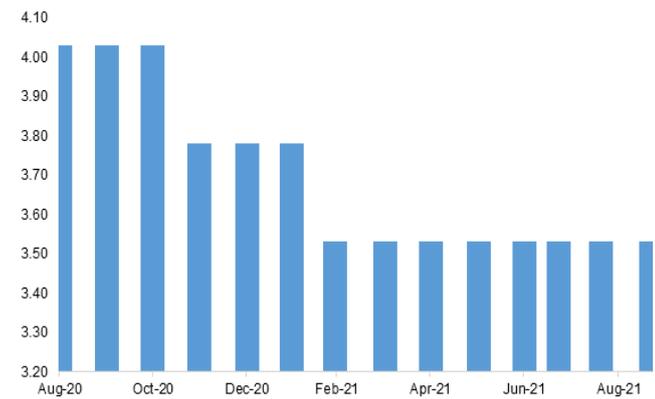
The default of the property company China Evergrande's bonds increased uncertainties in the global financial market. Risk profile reflected in Indonesia's Credit Default Swap (CDS) had increased. Indonesia 5-year tenor CDS jumped from 69.12 at the end of the week to 86.65 on Monday (20/9) or one day prior to Sukuk auction. Meanwhile Indonesia's 10-year tenor CDS went up from 133.49 to 147.92 in the same period. Furthermore, incoming bids for this Sukuk auction only amounted to IDR 45.3 trillion. This was lower than the previous auction which booked IDR 56.6 trillion. The low incoming bid resulted in the government winning only IDR 6.1 trillion, much lower than the indicative target of IDR 10 trillion.

Arief Machrus

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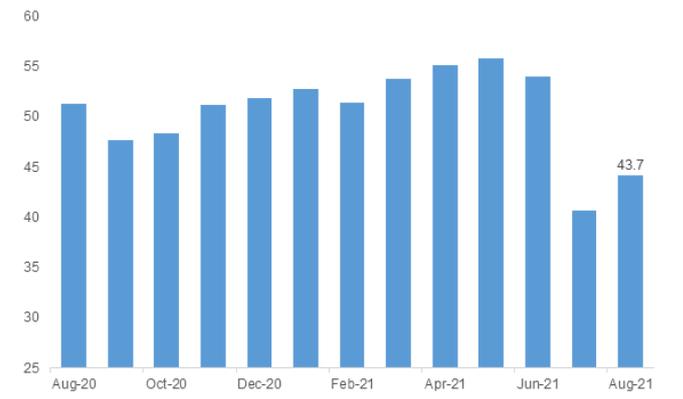
Please consider important disclaimer

BI 7-DRRR (%) | Sept. 20 - Sept. 21



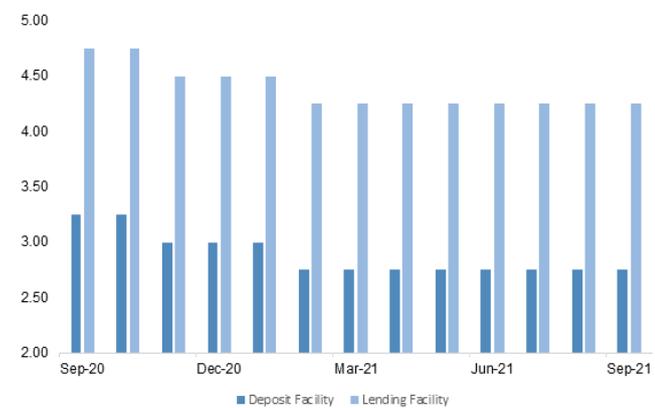
Source: Bloomberg, NHKS Research

PMI Manufacturing | Aug. 2020 - Aug. 2021



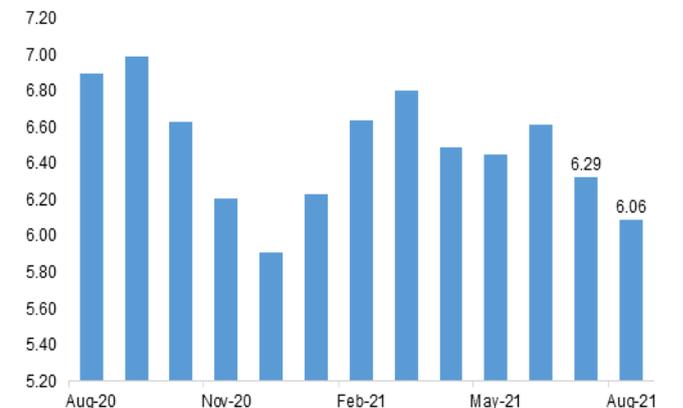
Source: Bloomberg, NHKS Research

Deposit & Lending Facility Rate (%) | Sept. 20 - Sept. 21



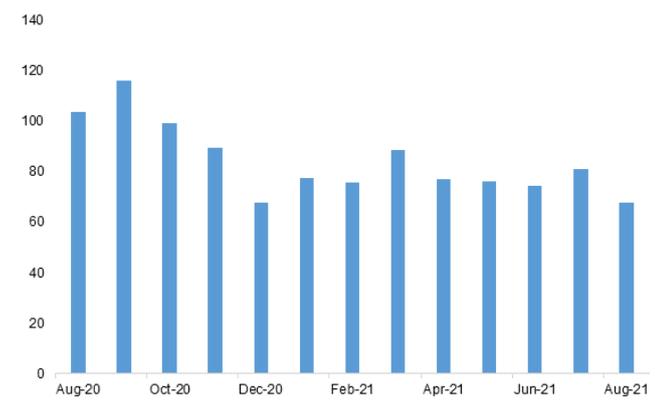
Source: Bloomberg, NHKS Research

GIDN10Y (%) | Aug. 2020 - Aug. 2021



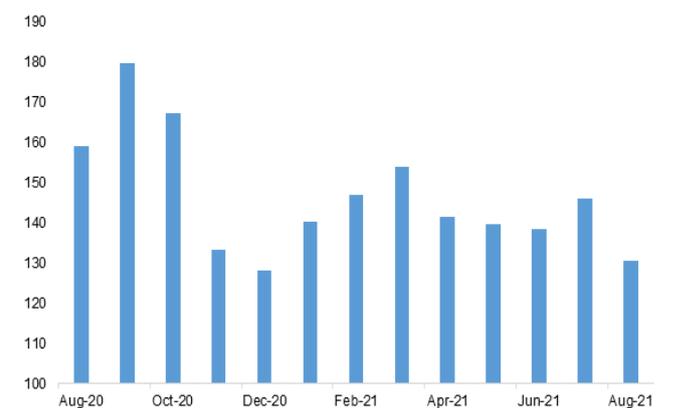
Source: Bloomberg, NHKS Research

Indonesia's CDS 5Y | Aug. 2020 - Aug. 2021



Source: Bloomberg, NHKS research

Indonesia's CDS 5Y | Aug. 2020 - Aug. 2021



Source: Bloomberg, NHKS research

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