

Morning Brief

Today's Outlook:

Government Bonds

Same Yield FR0087 and FR0088. The strengthening of world commodity prices and the sloping number of Covid-19 cases; become a positive sentiment in the country. The benchmark 10-year and 15-year SUN yields closed at the same level of 6.32%. In addition, the 4Q21 SBN auction target, which is only IDR 80 trillion, has made investors interested in the secondary market.

Corporate Bonds

Two Indonesia Infrastructure Finance Bonds Receive idAAA Rating. The Indonesian Securities Rating Agency (Pefindo) has affirmed the idAAA ratings of two PT Indonesia Infrastructure Finance (IIF) bonds. The two bonds are Bond I/2016 Series C and Shelf Registration Bond I/2019. The outlook for the corporate rating is stable. Pefindo sees the Covid-19 pandemic will have a controlled impact on the infrastructure financing industry given the importance of infrastructure for economic activity in Indonesia.

Domestic Issue

The increase in VAT burdens the new government. The government plans to increase the Value Added Tax (VAT) gradually. In the Draft Law (RUU) on the Harmonization of Tax Regulations (RPP), it is planned that the VAT rate will be increased to 11% as of April 1, 2022 and then followed to 12% no later than January 1, 2025. A number of economists assess the plan to increase VAT to 12 % in that period will burden the new government. (Kontan)

Recommendation

Global Sentiment Supports SUN Market. Investors welcome positive developments on debt ceiling negotiations in US Senate; expected to be able to reach an agreement to avoid default. From economic data, private payroll figures rose to 568K in September, far exceeding the consensus estimate of 450K. In the short term, market participants may look again at the short tenors of FR0086, FR0087, and FR0091.

PRICE OF BENCHMARK SERIES

FR0086 (5yr): +0.9 Bps to 101.39 (5.15%)
FR0087 (10yr): +3.7 Bps to 101.23 (6.32%)
FR0088 (15yr): -0.2 Bps to 100.34 (6.31%)
FR0083 (20yr): +2.1 Bps to 104.08 (7.10%)

FR0090 (5.8yr): +1.8 Bps to 100.15 (5.09%)
FR0091 (10.8yr): +3.1 Bps to 101.24 (6.21%)
FR0092 (21yr): +4.4 Bps to 102.10 (6.93%)

CDS of Indonesia Bonds

CDS 2yr: +3.31% to 36.03
CDS 5yr: +2.96% to 89.06
CDS 10yr: +2.48% to 149.82

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.23%	0.03%
USDIDR	14,253	0.00%
KRWIDR	11.95	-0.33%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,416.99	102.32	0.30%
S&P 500	4,363.55	17.83	0.41%
FTSE 100	6,995.87	(81.23)	-1.15%
DAX	14,973.33	(221.16)	-1.46%
Nikkei	27,528.87	(293.25)	-1.05%
Hang Seng	23,966.49	(137.66)	-0.57%
Shanghai	3,568.17	31.87	0.90%
KOSPI	2,908.31	(53.86)	-1.82%
EIDO	23.01	0.45	1.99%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,762.7	2.6	0.15%
Crude Oil (\$/bbl)	77.43	(1.50)	-1.90%
Coal (\$/ton)	193.75	(44.55)	-18.69%
Nickel LME (\$/MT)	18,072	(49.0)	-0.27%
Tin LME (\$/MT)	35,165	86.0	0.25%
CPO (MYR/Ton)	4,872	134.0	2.83%

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	3.50%	3.50%	Real GDP	7.07%	-0.74%
FX Reserve (USD bn)	144.80	137.34	Current Acc (USD bn)	(2.20)	(1.00)
Trd Balance (USD bn)	4.74	2.59	Govt. Spending Yoy	8.06%	2.96%
Exports Yoy	64.10%	29.32%	FDI (USD bn)	6.61	4.92
Imports Yoy	55.26%	44.44%	Business Confidence	104.82	105.33
Inflation Yoy	1.60%	1.52%	Cons. Confidence*	77.30	80.20

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Friday	ID	07:30	Markit Indonesia PMI Mfg	Sept.	52.2	—	43.7
<i>1 - Oct.</i>	ID	11:00	CPI MoM	Sept.	-0.04%	0.01%	0.03%
	ID	11:00	CPI YoY	Sept.	1.60%	1.66%	1.59%
	UK	13:00	Markit UK PMI Mfg SA	Sept.	57.1	56.3	56.3
Monday	—	—	—	—	—	—	—
<i>4 - Oct.</i>	—	—	—	—	—	—	—
Tuesday	FR	14:50	Markit France Services PMI	Sept.	56.2	56.0	56.0
<i>5 - Oct.</i>	GE	14:55	Markit Germany Services PMI	Sept.	56.2	56.0	56.0
	EC	15:00	Markit Eurozone Services	Sept.	56.4	56.3	56.3
	EC	15:00	Markit Eurozone Composite	Sept.	56.2	56.1	56.1
Wednesday	GE	13:00	Factory Orders MoM	Aug.	-7.7%	-2.2%	3.4%
<i>6 - Oct.</i>	EC	16:00	Retail Sales MoM	Aug.	0.3%	0.8%	-2.3%
Thursday	ID	10:00	Foreign Reserves	Sept.		—	\$144.80Bn
<i>7 - Oct.</i>	GE	13:00	Industrial Production SA MoM	Aug.		-0.1%	0.1%
Friday	CH	08:45	Caixin China PMI Composite	Sept.		—	47.2
<i>8 - Oct.</i>	CH	08:45	Caixin China PMI Services	Sept.		49.2	46.7

Source: Bloomberg

Research Division

Head of Research

Anggaraksa Arismunandar

Equity Strategy

T +62 21 5088 ext. 9134

E anggaraksa@nhsec.co.id

Senior Technical Analyst

Dimas Wahyu Putra Pratama

Technical

T +62 21 5088 ext 9131

E dimas.wahyu@nhsec.co.id

Economist

Arief Machrus

Macroeconomics, Banking

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

Glenn Samuael Tanuwidjaja

Telco, Mining

T +62 21 5088 ext 9128

E glenn.samuael@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

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

Branch Office Pekanbaru:

Sudirman City Square

Jl. Jend. Sudirman Blok A No.7

Pekanbaru

Indonesia

Branch Office Surabaya:

Spazio Tower Lt. 10, Unit S05

Jl. Mayjen Yono Suwoyo

Surabaya 60226

Indonesia

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

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 |
Jakarta