

Morning Brief

Daily | June 27, 2022

Today's Outlook:

BI 7 DRRR at 3.50%, Maintaining 2Q22 GDP. Other than low May CPI at 2.58% YoY (Vs. BI's target of 3+/-1%), NHKSI Research sees that BI 7DRRR was maintained at 3.50% to maintain the growth momentum of 2Q22 GDP, as capital outflow is still under control. Meanwhile, May forex reserves was at USD 135.6 billion, making room for BI intervention to rupiah which is closing in on IDR14,900/USD.

Corporate Bonds

ADHI Repays Maturity Bonds. PT Adhi Karya (Persero) Tbk. (ADHI) has paid off the principal and interest on the bonds in June 2022. In 2022, ADHI has also issued Shelf-Registered Bonds III Phase III 2022 on May 25, 2022 with a total principal amount of IDR 3.75 trillion. Based on a report by PT Pemeringkat Efek Indonesia, ADHI has two maturing bonds with a total value of Rp3.55 trillion. This bond consists of Shelf-Registered Bonds II Phase I Year 2017 maturing on June 21, 2022 and Shelf-Registered Bonds II Phase II Year 2019 Series A with maturity June 25, 2022. (Bisnis Indonesia)

Domestic Issue

BI Strategy to Prevent Stagflation. Bank Indonesia (BI) has a way to prevent stagflation from occurring in Indonesia, by suppressing prices so there is no higher inflation spike. It will be taken together with the Ministry of Finance in terms of fiscal policy through steps such as increasing the budget for subsidies, especially for energy. With this additional expenditure, the government does not have to increase the price of fuel oil to electricity that have been subsidized. As a result, the horrific spike in inflation in terms of administered prices could be prevented. (CNN Indonesia)

Recommendation

Negative Real Interest Rate to Form in July. In addition to the Statutory Reserves which rose to 7%, NHKSI Research sees BI needs to raise the BI 7DRRR by a moderate level of 25 bps in July, anticipating ahead of the curve, amid the potential for higher inflation in 3Q22. The BI 7DRRR and FFR disparity narrowed to 175-200 bps, making domestic interest rates less attractive. With inflation in June expected to reach 4% YoY and BI 7DRRR still at 3.50%, a negative real interest rate will be formed. Similar to how the US inflation is up to 8.6% YoY, but FFR at only 1.50%-1.75%.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	3.50%	3.50%	Real GDP	5.01%	3.51%
FX Reserve (USD bn)	135.60	135.70	Current Acc (USD bn)	0.20	4.97
Trd Balance (USD bn)	2.90	7.56	Govt. Spending Yoy	-7.74%	5.25%
Exports Yoy	27.00%	47.76%	FDI (USD bn)	5.67	4.70
Imports Yoy	30.74%	21.97%	Business Confidence	104.82	105.33
Inflation Yoy	3.55%	3.47%	Cons. Confidence*	128.90	113.10

PRICE OF BENCHMARK SERIES

FR0090 : -8.1 Bps to 94.51 (6.47%)
FR0091 : -8.1 Bps to 93.53 (7.30%)
FR0093 : -3.5 Bps to 91.70 (7.29%)
FR0092 : +0.4 Bps to 98.51 (7.26%)

FR0086 : -5.0 Bps to 97.55 (6.23%)
FR0087 : -3.3 Bps to 94.68 (7.34%)
FR0083 : -3.1 Bps to 98.98 (7.60%)
FR0088 : -0.5 Bps to 89.50 (7.47%)

CDS of Indonesia Bonds

CDS 2yr: -4.38% to 56.32
CDS 5yr: -2.87% to 107.32
CDS 10yr: -3.42% to 195.89

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.33%	-0.08%
USDIDR	14,848	0.07%
KRWIDR	11.43	0.27%

Global Indices

Index	Last	Chg.	%
Dow Jones	31,500.68	823.32	2.68%
S&P 500	3,911.74	116.01	3.06%
FTSE 100	7,208.81	188.36	2.68%
DAX	13,118.13	205.54	1.59%
Nikkei	26,491.97	320.72	1.23%
Hang Seng	21,719.06	445.19	2.09%
Shanghai	3,349.75	29.60	0.89%
KOSPI	2,366.60	52.28	2.26%
EIDO	23.25	0.18	0.78%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,826.9	4.1	0.23%
Crude Oil (\$/bbl)	107.62	3.35	3.21%
Coal (\$/ton)	397.00	(0.50)	-0.13%
Nickel LME (\$/MT)	22,400	(1638.0)	-6.81%
Tin LME (\$/MT)	24,590	(2395.0)	-8.88%
CPO (MYR/Ton)	4,664	(80.0)	-1.69%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	US	19:30	Durable Goods Orders	May		0.1%	0.5%
<i>27 - June</i>	US	19:30	Pending Home Sales MoM	May		-3.5%	-3.9%
Tuesday	US	19:30	Wholesale Inventories MoM	May		--	2.2%
<i>28 - June</i>	US	21:00	Conf. Board Consumer Confidence	Jun.		100.0	106.4
Wednesday	US	18:00	MBA Mortgage Applications	Jun.		--	4.2%
<i>29 - June</i>	US	19:30	GDP Annualized QoQ	1Q22		-1.4%	-1.5%
	US	19:30	Personal Consumption	1Q22		--	3.1%
	US	19:30	GDP Price Index	1Q22		8.1%	8.1%
Thursday	US	19:30	Initial Jobless Claims	Jun.		--	229k
<i>30 - June</i>	US	19:30	PCE Deflator MoM	May		0.7%	0.2%
	US	19:30	PCE Deflator YoY	May		--	6.3%
	US	19:30	PCE Core Deflator MoM	May		0.5%	0.3%
Friday	ID	07:30	S&P Global Indonesia PMI Mfg.	Jun.		--	50.8
<i>1 - July</i>	ID	11:00	CPI YoY	Jun.		4.19%	3.55%
	ID	11:00	CPI MoM	Jun.		0.45%	0.40%
	ID	11:00	CPI Core YoY	Jun.		2.70%	2.58%

Source: Bloomberg

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