

# Morning Brief

Daily | Oct. 21, 2022

## Today's Outlook:

**Hawkish continued BI.** BI's decision to revise down the 2022 inflation target to 6.3% YoY; or 30Bps-40Bps lower than the previous target of 6.6%-6.7%; indicating the potential for continued tight monetary policy by BI in the rest of the year. BI must also anticipate the Strong Dollar sentiment, with DXY holding on to its high level of 113 points (Vs. Highest Level 114), ahead of the talk of a +75Bps FFR increase in early November.

## Corporate Bonds

**WTON: Increasing the Cost of Goods Manufactured.** PT Wijaya Karya Beton Tbk (WTON) stated that in order to reduce the increasing production load in line with the rise in fuel prices, the Company decided to increase the cost of goods manufactured. The increase in fuel prices affects logistic costs to grow, especially precast concrete, ready mix, or natural materials located far from the production center.

## Domestic Issue

**The increase in SBDK has not matched the BI 7DRR.** Bank Indonesia (BI) noted that the Basic Loan Interest Rate (SBDK) for banks began to rise. However, the amount has not yet reached the level of the BI 7DRR increase, which has increased by 125 bps to date. In more detail, the prime lending rate has only grown by 2 bps, while the deposit interest rate has increased by 10 bps, in line with the response to the prime lending rate increase in the BI 7DRR which has a 4 month delay effect. (Tempo.co)

## Recommendation

**BI frontloading to reduce inflation expectations.** Investors responded negatively to BI's Hawkish move in response to overshooting inflation expectations. As of last October, Indonesia recorded core inflation at the level of 3.21% YoY; and headline inflation 5.95% YoY. Meanwhile, the rupiah exchange rate is still around the level of IDR15,500/USD. Market participants also view BI's continued tight monetary policy as an anticipatory measure, responding to the narrowing spread between BI 7DRR and FFR.

## PRICE OF BENCHMARK SERIES

FR0090 : +6.7 Bps to 92.41 (7.13%)  
FR0091 : +5.4 Bps to 92.49 (7.49%)  
FR0093 : +7.0 Bps to 89.82 (7.53%)  
FR0092 : +2.0 Bps to 96.34 (7.48%)

FR0086 : +8.3 Bps to 95.52 (6.97%)  
FR0087 : +2.3 Bps to 93.64 (7.54%)  
FR0083 : +1.8 Bps to 99.75 (7.52%)  
FR0088 : +24.6 Bps to 88.50 (7.61%)

## CDS of Indonesia Bonds

CDS 2yr: +1.47% to 70.34

CDS 5yr: +1.66% to 156.68

CDS 10yr: +0.99% to 228.77

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.51%	0.04%
USDIDR	15,573	0.48%
KRWIDR	10.87	0.06%

## Global Indices

Index	Last	Chg.	%
Dow Jones	30,333.59	(90.22)	-0.30%
S&P 500	3,665.78	(29.38)	-0.80%
FTSE 100	6,943.91	18.92	0.27%
DAX	12,767.41	26.00	0.20%
Nikkei	27,006.96	(250.42)	-0.92%
Hang Seng	16,280.22	(231.06)	-1.40%
Shanghai	3,035.05	(9.33)	-0.31%
KOSPI	2,218.09	(19.35)	-0.86%
EIDO	23.26	0.56	2.47%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,628.0	(1.4)	-0.09%
Crude Oil (\$/bbl)	84.51	(0.01)	-0.01%
Coal (\$/ton)	391.95	0.95	0.24%
Nickel LME (\$/MT)	21,876	335.0	1.56%
Tin LME (\$/MT)	19,450	(195.0)	-0.99%
CPO (MYR/Ton)	4,096	(22.0)	-0.53%

## Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	4.75%	4.25%	Real GDP	5.44%	5.01%
FX Reserve (USD bn)	130.80	132.20	Current Acc (USD bn)	0.41	4.97
Trd Balance (USD bn)	4.99	5.76	Govt. Spending Yoy	-5.24%	-7.74%
Exports Yoy	20.28%	30.15%	FDI (USD bn)	4.28	4.70
Imports Yoy	22.02%	32.81%	Business Confidence	104.82	105.33
Inflation Yoy	5.95%	4.69%	Cons. Confidence*	117.20	124.70

# Global & Domestic Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b>	ID	11:00	Trade Balance	Sept.	%4.9Bn	\$4.8Bn	\$5.7Bn
<i>17 - Oct.</i>	ID	11:00	Exports YoY	Sept.	20.28%	28.60%	30.03%
	ID	11:00	Imports YoY	Sept.	22.02%	33.40%	32.81%
	US	19:30	Empire Manufacturing	Oct.	-9.1	-4.3	-1.5
<b>Tuesday</b>	US	20:15	Industrial Production MoM	Sept.	0.4%	0.1%	-0.1%
<i>18 - Oct.</i>	—	—	—	—	—	—	—
<b>Wednesday</b>	EC	16:00	CPI YoY	Sept. F	9.9%	10.0%	9.1%
<i>19 - Oct.</i>	US	18:00	MBA Mortgage Applications	Oct. 14	-4.5%	--	-2.0%
	US	19:30	Building Permits	Sept.	1,564K	1,550K	1,542K
	US	19:30	Housing Starts	Sept.	1,439K	1,488K	1,575K
<b>Thursday</b>	ID	14:20	Bank Indonesia 7D Reverse Repo	Oct. 20		4.63%	4.25%
<i>20 - Oct.</i>	US	19:30	Initial Jobless Claims	Oct. 15		--	228K
	US	21:00	Existing Home Sales	Sept.			
	US	21:00	Leading Index	Sept.		-0.3%	-0.3%
<b>Friday</b>	—	—	—	—	—	—	—
<i>21 - Oct.</i>	—	—	—	—	—	—	—

Source: Bloomberg

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