

Morning Brief

Today's Outlook:

Government Bonds

Debt Switch Postponed, Mixed Benchmarks. Yesterday's postponement of the buyback auction by means of exchange (debt switch) made the prices of some Government Securities (SUN) strengthen. Debt switch is a government purchase of SUN series with a tenor of less than 3-years with low volatility. If a debt switch occurs, NHKSI Research projects that the government will buy series such as: FR0035 (1.2-year); FR0039 (2.4-year); FR0043 (1.3-year); FR0046 (2.3-year); FR0061 (1.1-year); and FR0063 (2.1-year). SUN which is less actively traded ahead of maturity are offered in exchange for SUN on the benchmark series. Trading benchmark SUN prices on Thursday (25/03) closed mixed, amid pressure from the Jakarta Composite Index (JCI). Pressure on the domestic stock market, due to negative sentiment on the re-rise of Covid-19 cases in a number of regions in the Continent of Europe. The benchmark 10-year yield of FR0087 rose 2.6 bps to 6.69% based on Bloomberg data.

Corporate Bonds

BRI Credit Restructuring is Sloping. Bank Rakyat Indonesia (Persero) Tbk (BBRI) stated that the outstanding value of BRI's credit restructuring in March 2020 reached IDR 219 trillion and has now decreased by IDR 30 trillion to IDR 189 trillion as of February 2021. Meanwhile, the peak of credit restructuring occurred in September 2020 with The number of debtors affected reached almost 3 million customers with outstanding restructured loans reaching IDR 193 trillion. This figure has continued to decline since October, consistently continues to fall until December, even in January and February, for MSMEs continues to decline. (CNBC Indonesia)

Domestic Issue

February 2021 Capex Increased by 253%. The Ministry of Finance (Kemenkeu) noted that capital expenditure in February 2021 was recorded at IDR 22.8 trillion or grew 253% YoY from the achievement at the end of February 2020 which was only IDR 6.5 trillion. The significant growth is mainly for payments for advanced basic infrastructure projects in 2020 and connectivity infrastructure. In addition to the acceleration of this program, the government is also refocusing so that capital expenditures are multiyear and are now included in 2021. The realization of higher capital expenditures was supported by the realization of capital expenditures for roads, irrigation and networks which was recorded at IDR 14.0 trillion. This is up 200.7% YoY from February 2020 which was only IDR 4.7 trillion. (Kontan)

Recommendation

Interest in Safe Haven Increases and UST Yield Declines. This sentiment has the opportunity to further strengthen the domestic bond market. SUN yields fell in line with the weakening of the domestic stock market. Stock market players are worried that a spike in Covid-19 cases will reoccur in Europe. This has prompted investors to return to interest in bonds as a safe haven asset. In addition, the downward trend in US Treasury (UST) yields was another positive sentiment for the bond market. Based on Bloomberg data, the yield on the 10-year UST tenor was at the level of 1.63 percent yesterday, or a 6 bps drop compared to the initial position of the week of 1.69 percent. Investors can start looking at the FR0086, FR0087, FR0088, FR0083, and FR0089 auctions ahead of the last 1Q21 SUN auction on Tuesday next week.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	3.50%	3.50%	Real GDP	-2.19%	-5.32%
FX Reserve (USD bn)	138.80	138.00	Current Acc (USD bn)	0.80	(2.94)
Trd Balance (USD bn)	2.01	1.96	Govt. Spending Yoy	1.76%	-6.90%
Exports Yoy	8.56%	12.24%	FDI (USD bn)	4.26	4.56
Imports Yoy	14.86%	-6.49%	Business Confidence	104.82	105.33
Inflation Yoy	1.38%	1.55%	Cons. Confidence*	85.80	84.90

PRICE OF BENCHMARK SERIES

FR0086 (5yr): +1.1 Bps to 98.66 (5.80%)
FR0087 (10yr): +2.6 Bps to 98.59 (6.69%)
FR0088 (15yr): -0.6 Bps to 96.87 (6.57%)
FR0083 (20yr): +3.1 Bps to 100.66 (7.43%)

FR0081 (4yr): +0.9 Bps to 102.78 (5.74%)
FR0082 (9yr): +3.3 Bps to 101.99 (6.71%)
FR0080 (14yr): +0.4 Bps to 102.75 (7.18%)

CDS of Indonesia Bonds

CDS 2yr: +1.38% to 32.25
CDS 5yr: +0.42% to 86.90
CDS 10yr: +1.10% to 154.02

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.80%	0.02%
USDIDR	14,408	-0.01%
KRWIDR	12.74	-0.66%

Global Indices

Index	Last	Chg.	%
Dow Jones	32,619.48	199.42	0.62%
S&P 500	3,909.52	20.38	0.52%
FTSE 100	6,674.83	(38.06)	-0.57%
DAX	14,621.36	10.97	0.08%
Nikkei	28,729.88	324.36	1.14%
Hang Seng	27,899.61	(18.53)	-0.07%
Shanghai	3,363.59	(3.47)	-0.10%
KOSPI	3,008.33	11.98	0.40%
EIDO	22.35	0.09	0.40%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,726.9	(7.8)	-0.45%
Crude Oil (\$/bbl)	58.56	(2.62)	-4.28%
Coal (\$/ton)	91.65	0.15	0.16%
Nickel LME (\$/MT)	16,463	164.0	1.01%
Tin LME (\$/MT)	25,800	125.0	0.49%
CPO (MYR/Ton)	3,863	(60.0)	-1.53%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Tuesday	UK	14:00	Jobless Claims Change	Feb	86.6k	--	-20.0k
<i>23 - Mar</i>	US	21:00	New Home Sales	Feb	775k	870k	923k
Wednesday	UK	14:00	CPI MoM	Feb	0.1%	0.5%	-0.2%
<i>24 - Mar</i>	UK	14:00	CPI YoY	Feb	0.4%	0.8%	0.7%
	EC	16:00	Markit Eurozone Manufacturing PMI	Mar	62.4	--	57.9
	US	18:00	MBA Mortgage Applications	Mar	-2.5%	--	-2.2%
	US	19.30	Durable Goods Orders	Feb	-1.1%	0.7%	3.4%
	US	20:45	Markit US Manufacturing PMI	Mar	59.5	58.8	58.6
Thursday	US	19:30	Initial Jobless Claims	Mar	684k	730k	770k
<i>25 - Mar</i>	US	19:30	GDP Annualized QoQ	4Q	4.3%	4.1%	4.1%
Friday	US	21:00	U. of Mich. Sentiment	Mar		83.6	83
<i>26 - Mar</i>							

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