

# Daily Economic & Fixed Income Report

Economic-Currencies-Commodities-Fixed Income-Politics-Policies



Economic & Fixed Income Analysis

22 February 2023

## Economic and Fixed Income Indicators

Currencies	2/21/2023	Daily (%)	MTD (%)	YTD (%)
EUR/USD	1.06	(0.4)	(2.0)	(0.5)
GBP/USD	1.21	0.6	(1.7)	0.2
AUD/USD	0.69	(0.8)	(2.9)	0.6
USD/CHF	0.93	0.5	1.3	0.4
USD/JPY	135.0	0.6	3.8	3.0
Dollar Index	104.2	0.3	2.0	0.6
Asia Dollar Index	101.0	(0.4)	(2.3)	(0.2)
USD/KRW	1,296	0.1	5.2	2.4
USD/SGD	1.34	0.4	2.0	0.1
USD/CNY	6.88	0.4	1.8	(0.3)
USD/INR	82.8	0.1	1.1	0.1
USD/IDR	15,190	0.2	1.3	(2.4)
USD/IDR 1 Month NDF	15,233	0.5	1.4	(1.9)
USD/MYR	4.43	0.1	3.7	0.7
USD/THB	34.6	0.4	4.8	(0.1)
USD/PHP	55.1	0.2	0.8	(1.2)
Rates	2/21/2023	Daily (bp)	MTD (bp)	YTD (bp)
US Treasuries 10-Year	3.95	13.8	44.6	7.8
Germany Bund 10-Year	2.53	6.5	24.3	(4.2)
Japan JGB 10-Year	0.51	0.1	1.0	8.4
LIBOR Overnight	4.56	0.0	25.8	23.9
LIBOR 1-Month	4.59	0.0	1.8	20.1
Indonesia INDOGB 10-Year	6.75	2.3	3.9	(19.4)
Indonesia INDOGB 5-Year	6.40	2.2	2.1	19.6
Indonesia INDOGB 2-Year	6.38	(0.7)	49.3	30.5
INDOGB-UST (bp)	279.35	(11.5)	(40.7)	(27.2)
Indonesia INDON 10-Year	5.18	1.5	41.5	38.2
Indonesia INDON 5-Year	4.98	2.2	41.1	29.3
Indonesia INDON 2-Year	5.06	5.5	43.3	26.3
INDON-UST (bp)	122.55	(12.3)	(3.1)	30.4
Indonesia Corporate AAA 10-Year	7.58	2.1	2.6	(17.2)
Indonesia Corporate AAA 5-Year	7.03	2.9	(4.7)	22.3
Indonesia Corporate AAA 2-Year	6.91	(3.1)	37.3	42.4
INDONIA	5.61	(4.2)	21.6	58.4
JIBOR 1-Month	6.38	0.0	(3.4)	17.6
Bond Indexes	2/21/2023	Daily (%)	MTD (%)	YTD (%)
S&P Global Bond Developed Index	177.4	0.0	(1.1)	0.9
EMBI Global Index	769.4	(0.8)	(2.9)	0.1
iShare USD EMBI Index	84.5	(0.8)	(3.5)	(0.3)
ICBI Index	350.6	(0.1)	0.2	1.7
IDMA Index	98.6	(0.1)	(1.3)	1.2
INDOBeX Government Bond Index	343.0	(0.1)	0.2	1.7
INDOBeX Corporate Bond Index	397.2	0.0	0.5	1.3
Prices	2/21/2023	Daily (%)	MTD (%)	YTD (%)
ID CDS 5-Year	99.6	4.7	12.9	0.1
JCI	6,873	(0.3)	0.5	0.3
S&P-Goldman Sachs Commodity Index	585.2	0.7	(3.5)	(4.1)
FR0095	100.02	(0.1)	(0.1)	0.9
FR0096	101.96	(0.2)	(0.3)	1.4
FR0097	101.01	(0.1)	(1.4)	0.8
FR0098	101.13	(0.3)	(1.3)	0.6

Source: Bloomberg, SSI Research

## MARKET PREVIEW

- The US stock market suffered its worst session since the beginning of the year as the market responded negatively to the US S&P PMI composite index, which rebounded to the expansionary zone, driven by the service sector, after being stuck in the contractionary zone since July last year. From the manufacturing side, US PMI has started to show improvement even though it is still trapped in the contractionary zone.
- The data fueled concerns that the Fed may maintain a hawkish monetary policy stance for longer than previously estimated. Currently, in the futures market, traders who are betting that the Fed will immediately raise its benchmark interest rate by 50bps at the FOMC meeting in March have increased to 25.5%, though those who expect a 25bps hike still dominate the market (74.5%). More and more traders are hoping that the benchmark interest rate will be held at 5.50% through the end of this year. Hence, the UST 10Y yield jumped 14bps to 3.95%, its highest position this year.
- With external pressure intensifying from rising UST yields, we believe that selling pressure will dominate the domestic SBN market today. We project SUN 10Y yield to reach 6.77% and the rupiah might decline to IDR 15,200/USD.

## GLOBAL ECON

**The US manufacturing PMI rose to 47.8 in February (prev: 46.9).** Meanwhile, services sector PMI went back into the expansionary zone, reaching 50.5 (prev: 46.8) (*Wall Street Journal*) **Comment:** The improvement in the US PMI fueled concerns about the Fed's rate hike cycle. At the moment, 58% of the analysts surveyed by the CME Group are confident that the Fed rate will peak at 5.5% in June 2023, leading to a sell-off in the US stock market. We expect US market sentiment to remain negative until US labor market data show signs of a significant slowdown.

**Eurozone manufacturing PMI remained in the contraction zone in February, reading at 48.5 (prev: 48.8).** Meanwhile, services sector PMI rose to 53 (prev: 50.8). (*Investing*) **Comment:** The improvement in services sector PMI boosted optimism that the recession in Europe might end after 1Q23. In our opinion, this will make it easier for the European Central Bank (ECB) to reduce inflation in the Eurozone. The ECB's rate hike cycle will continue with an estimated peak of 3.5%, which is expected to be reached in June 2023.

**Canada's inflation fell to 5.9% yoy in January (prev: 6.3% yoy),** better than expected (cons: 6.1% yoy). Meanwhile, Canada's core inflation fell to 5% yoy (prev: 5.4% yoy). (*CNBC*) **Comment:** The improving conditions in Canada might encourage the Central Bank of Canada (BOC) to end its rate hike cycle earlier than the Fed. Previously, the BOC raised its policy rate by 25 bps to 4.5%. We expect a halt to Canada's interest rate hikes to be both tactical and temporary, depending on how quickly inflation drops to the company's target of 2% in the next few months.

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## DOMESTIC ECON

**President Joko Widodo has sent a list of BI Governor candidates to the House of Representatives.** President Joko Widodo reportedly sent a letter containing a list of candidates to fill the position of Perry Warjiyo, whose tenure will end in May. However, he refused to disclose more information regarding the candidates to the public. (Bisnis Indonesia) **Comment:** Several media outlets reported that President Joko Widodo named three candidates; Perry Warjiyo, the Minister of Finance, Sri Mulyani, and the Chairman of the Board of Commissioners of LPS, Purbaya Sadewa. We believe that whoever is elected will continue to carry out the functions of the central bank transparently and independently, especially in facing external challenges that can destabilize the rupiah exchange rate in the future.

## FIXED INCOME

**The incoming bids at the latest SBSN auction reached IDR 26.3tn**, most of which were made for the benchmark tenor (6M and 13Y), and the government sold as much as IDR 14.0tn worth of bonds (bid-to-cover ratio: 1.88x, slightly lower than the previous SBSN auction) (Investor Daily) **Comment:** The strong appetite in the latest auction showed market confidence towards the SUN market amid the reversal in global market expectations regarding the continuation of the Fed's tight monetary policy.

**BUY Recommendation: FR0081, FR0047, FR0073, FR0037, FR0088, FR0054.**

## Economic Calendar

Time (Jakarta)	Country	Data and Event	Period	Survey	Prior
02/22/2023 06:50	JN	PPI Services YoY	Jan	1.50%	1.50%
02/22/2023 14:45	FR	Business Confidence	Feb	--	102.00
02/22/2023 16:00	GE	IFO Business Climate	Feb	90.70	90.20
02/22/2023 16:00	GE	IFO Current Assessment	Feb	94.50	94.10

JN = Japan - US = United States - CH = China - EC = Eurozone Aggregate - ID = Indonesia - GE = Germany - FR = France - UK = United Kingdom

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No.	Series	Issue Date	Maturity Date	Tenure (Year)	Coupon Rate	Actual Price	Yield to Maturity	Yield Curve	Valuation Price	Difference (bps)	Recommendation	Duration
1	FR63	8/13/2012	5/15/2023	0.23	5.6%	99.96	5.7%	6.2%	99.88	(47.39)	Expensive	0.23
2	FR46	7/19/2007	7/15/2023	0.39	9.5%	101.39	5.8%	6.2%	101.27	(41.52)	Expensive	0.39
3	FR39	8/24/2006	8/15/2023	0.48	11.8%	103.08	5.1%	6.2%	102.58	(109.73)	Expensive	0.48
4	FR70	8/29/2013	3/15/2024	1.06	8.4%	102.44	5.9%	6.2%	102.16	(29.81)	Expensive	1.01
5	FR77	9/27/2018	5/15/2024	1.23	8.1%	102.45	6.0%	6.3%	102.18	(25.66)	Expensive	1.19
6	FR44	4/19/2007	9/15/2024	1.57	10.0%	105.74	6.1%	6.3%	105.47	(21.43)	Expensive	1.45
7	FR81	8/1/2019	6/15/2025	2.32	6.5%	100.36	6.3%	6.3%	100.37	(0.40)	Expensive	2.14
8	FR40	9/21/2006	9/15/2025	2.57	11.0%	111.28	6.2%	6.3%	110.87	(19.07)	Expensive	2.25
9	FR84	5/4/2020	2/15/2026	2.99	7.3%	102.78	6.2%	6.4%	102.36	(15.90)	Expensive	2.71
10	FR86	8/13/2020	4/15/2026	3.15	5.5%	97.80	6.3%	6.4%	97.52	(9.93)	Expensive	2.89
11	FR56	9/23/2010	9/15/2026	3.57	8.4%	106.63	6.3%	6.4%	106.19	(14.26)	Expensive	3.09
12	FR37	5/18/2006	9/15/2026	3.57	12.0%	118.00	6.3%	6.4%	117.59	(13.99)	Expensive	2.95
13	FR90	7/8/2021	4/15/2027	4.15	5.1%	95.89	6.3%	6.4%	95.27	(17.41)	Expensive	3.73
14	FR59	9/15/2011	5/15/2027	4.23	7.0%	102.51	6.3%	6.4%	102.02	(13.73)	Expensive	3.70
15	FR42	1/25/2007	7/15/2027	4.40	10.3%	115.02	6.3%	6.5%	114.32	(17.71)	Expensive	3.63
16	FR94	3/4/2022	1/15/2028	4.90	5.6%	96.75	6.4%	6.5%	96.33	(10.27)	Expensive	4.28
17	FR47	8/30/2007	2/15/2028	4.99	10.0%	115.55	6.3%	6.5%	114.75	(18.11)	Expensive	4.06
18	FR64	8/13/2012	5/15/2028	5.23	6.1%	98.70	6.4%	6.5%	98.34	(8.34)	Expensive	4.51
19	FR95	8/19/2022	8/15/2028	5.48	6.4%	99.98	6.4%	6.5%	99.35	(13.94)	Expensive	4.67
20	FR71	9/12/2013	3/15/2029	6.07	9.0%	112.52	6.5%	6.5%	112.11	(8.34)	Expensive	4.76
21	FR78	9/27/2018	5/15/2029	6.23	8.3%	108.85	6.5%	6.6%	108.54	(6.34)	Expensive	4.99
22	FR52	8/20/2009	8/15/2030	7.48	10.5%	122.40	6.6%	6.6%	122.60	2.55	Cheap	5.51
23	FR82	8/1/2019	9/15/2030	7.57	7.0%	102.16	6.6%	6.6%	102.19	0.47	Cheap	5.88
24	FRSDG1	10/27/2022	10/15/2030	7.65	7.4%	103.95	6.7%	6.6%	104.41	7.28	Cheap	5.91
25	FR87	8/13/2020	2/15/2031	7.99	6.5%	99.23	6.6%	6.6%	99.10	(2.22)	Expensive	6.28
26	FR85	5/4/2020	4/15/2031	8.15	7.8%	106.40	6.7%	6.7%	106.80	5.92	Cheap	6.14
27	FR73	8/6/2015	5/15/2031	8.23	8.8%	113.20	6.6%	6.7%	113.09	(2.12)	Expensive	6.10
28	FR54	7/22/2010	7/15/2031	8.40	9.5%	116.00	6.9%	6.7%	118.00	28.20	Cheap	6.03
29	FR91	7/8/2021	4/15/2032	9.15	6.4%	98.07	6.7%	6.7%	97.79	(4.25)	Expensive	6.93
30	FR58	7/21/2011	6/15/2032	9.32	8.3%	110.43	6.7%	6.7%	110.55	1.16	Cheap	6.65
31	FR74	11/10/2016	8/15/2032	9.49	7.5%	105.69	6.7%	6.7%	105.43	(3.80)	Expensive	6.94
32	FR96	8/19/2022	2/15/2033	9.99	7.0%	101.94	6.7%	6.7%	101.87	(0.96)	Expensive	7.29
33	FR65	8/30/2012	5/15/2033	10.24	6.6%	99.32	6.7%	6.7%	99.09	(3.29)	Expensive	7.49
34	FR68	8/1/2013	3/15/2034	11.07	8.4%	111.69	6.8%	6.8%	112.24	6.39	Cheap	7.44
35	FR80	7/4/2019	6/15/2035	12.32	7.5%	105.14	6.9%	6.8%	105.49	3.87	Cheap	8.15
36	FR72	7/9/2015	5/15/2036	13.24	8.3%	111.20	6.9%	6.9%	111.89	7.19	Cheap	8.45
37	FR88	1/7/2021	6/15/2036	13.32	6.3%	93.75	7.0%	6.9%	94.64	10.63	Cheap	8.87
38	FR45	5/24/2007	5/15/2037	14.24	9.8%	121.03	7.3%	6.9%	125.55	43.80	Cheap	8.43
39	FR93	1/6/2022	7/15/2037	14.41	6.4%	97.83	6.6%	6.9%	95.18	(29.78)	Expensive	9.40
40	FR75	8/10/2017	5/15/2038	15.24	7.5%	104.36	7.0%	6.9%	105.26	9.17	Cheap	9.33
41	FR98	9/15/2022	6/15/2038	15.32	7.1%	101.05	7.0%	6.9%	101.74	7.24	Cheap	9.35
42	FR50	1/24/2008	7/15/2038	15.41	10.5%	132.00	7.1%	6.9%	133.35	11.53	Cheap	8.70
43	FR79	1/7/2019	4/15/2039	16.16	8.4%	113.00	7.0%	7.0%	113.55	5.08	Cheap	9.36
44	FR83	11/7/2019	4/15/2040	17.16	7.5%	104.51	7.0%	7.0%	105.01	4.78	Cheap	9.88
45	FR57	4/21/2011	5/15/2041	18.24	9.5%	124.00	7.1%	7.0%	125.25	10.21	Cheap	9.75
46	FR62	2/9/2012	4/15/2042	19.16	6.4%	93.51	7.0%	7.0%	93.00	(5.25)	Expensive	10.83
47	FR92	7/8/2021	6/15/2042	19.33	7.1%	100.93	7.0%	7.1%	100.78	(1.60)	Expensive	10.54
48	FR97	8/19/2022	6/15/2043	20.33	7.1%	100.97	7.0%	7.1%	100.54	(4.17)	Expensive	10.79
49	FR67	7/18/2013	2/15/2044	21.00	8.8%	115.34	7.3%	7.1%	118.00	21.93	Cheap	10.49
50	FR76	9/22/2017	5/15/2048	25.25	7.4%	102.50	7.2%	7.2%	102.39	(1.10)	Expensive	11.77
51	FR89	1/7/2021	8/15/2051	28.50	6.9%	98.23	7.0%	7.2%	95.93	(19.45)	Expensive	12.53

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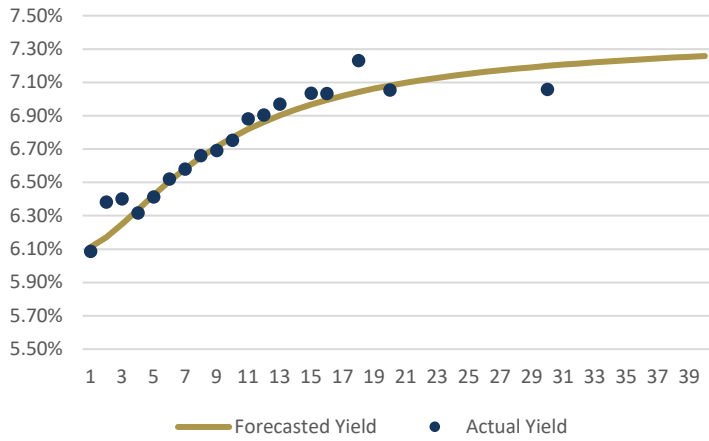
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**Chart 1. Samuel's Yield Curve Forecast**



Source: Bloomberg

**Chart 2. Leading Indicator for Indonesian Economic Recession**



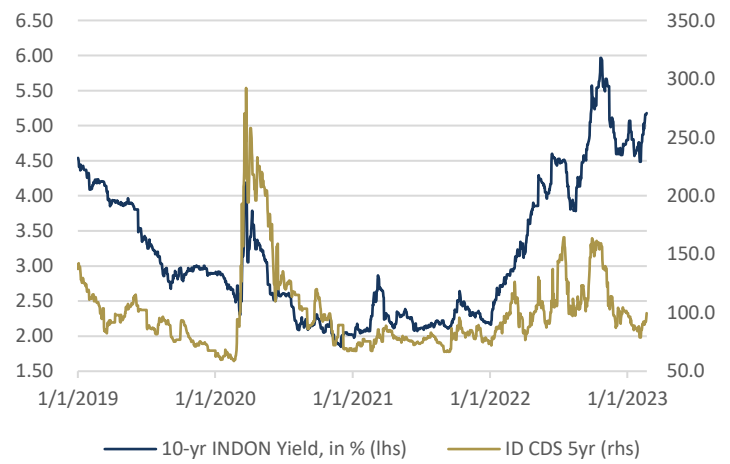
Source: Bloomberg

**Chart 3. Leading Indicator for US-Indonesia Bond Market Linkage**



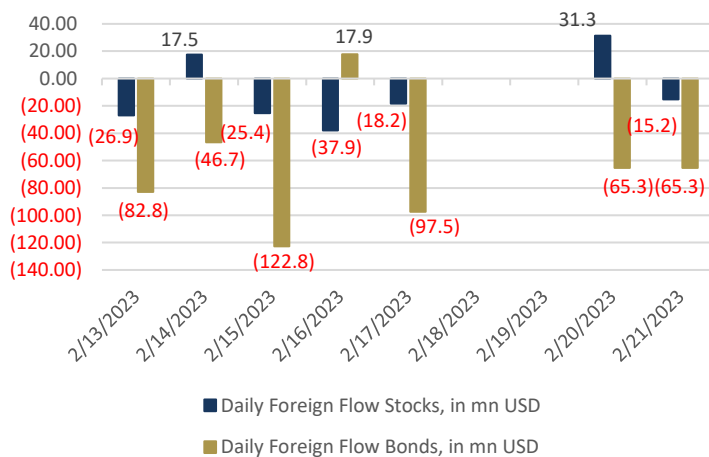
Source: Bloomberg

**Chart 4. Leading Indicator for Bond Market Volatility**



Source: Bloomberg

**Chart 5. Foreign Capital Flow Indicator**



Source: Bloomberg

**Chart 6. Exchange Rate Indicator**



Source: Bloomberg

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