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ECONOMIC AND
FIXED INCOME DAILY

July 26th 2021

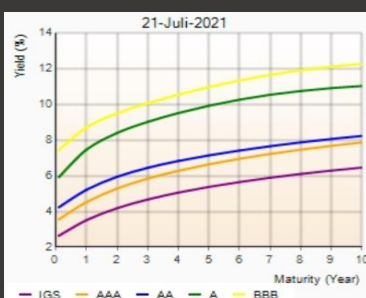
INDONESIA

MACRO INDICATORS

Data	Closed		Changes %	
	Last	Previous	Daily	YTD
Currency				
Main				
EUR/USD	1.177	1.177	0.03	(3.6)
USD/JPY	110.37	110.55	(0.16)	6.9
Dollar Index	92.89	92.91	(0.03)	3.3
Asia				
USD/THB	32.91	32.91	0.00	9.9
USD/PHP	50.32	50.33	(0.01)	4.8
USD/KRW	1,152	1,151	0.14	6.1
USD/INR	74.41	74.41	0.00	1.7
USD/MYR	4.226	4.227	(0.01)	5.1
USD/SGD	1.361	1.361	0.01	2.9
Rupiah				
JISDOR	14,501	14,501	0.00	3.2
USD/IDR	14,504	14,493	0.08	3.6
Commodity				
Oil (\$/b)	73.85	74.1	(0.34)	42.6
Gold (\$/to)	1,806	1,802	0.20	(4.9)
Interest Rate				
BI RR rate (%)	3.50	3.50	0.00	(25.0)
DF rate (%)	2.75	2.75	0.00	(25.0)
Jibor 1m	3.55	3.55	0.00	(26.2)
10Y Gov Bond				
Indonesia (%)	6.316	6.304	1.20	43.0
U.S. (%)	1.258	1.276	(1.83)	34.5
Germany (%)	-0.420	-0.420	0.00	14.9
Japan (%)	0.016	0.018	(0.20)	(0.5)
SUN-UST	506	503	3.0	505.8

Source: Bloomberg

Gov't bond yield curve



Source: IBPA, Sucor Research

Highlight from the Counter

Domestic bond market posted total trading volume of IDR 1010 bn (-23% dod) on July 23th, 2021; whose 81% of which came from sovereign bond sales. Largest trading flow of IDR280 bn was for SPNS10082021 (8 Oct 2021; 3.1), which was followed by FRO081, with size of IDR150bn (15 June 2025; 4.9).

In corporate bonds, total trading was IDR78 bn (-26% dod) for 26 debt securities. Largest trading flow in this category was from debt sales of SMOPPM01A (Sukuk Mudharabah Oki Pulp & Paper Mills I Tahun 2021 Seri A) followed by MFINO3BCN3 (Obligasi Berkelanjutan III Mandala Multifinance Tahap III Tahun 2019 Seri B).

Market Review

Indonesia's 10-year gov't bonds yields were flat at 6.31% on Friday (23/7/2021). We expect bond market index to move higher today as the US Treasury yields move lower.

Treasury yields climbed on Friday to finish the week, rebounding from the previous session. The yield on the benchmark 10-year Treasury note added 3 basis points, climbing to 1.288%.

The IHS Markit US Composite PMI dropped to 59.7 in July 2021, easing market concerns on the Fed's monetary outlook for easing monetary policy support for the US economy.

In domestic, we believe that the extension of the PPKM policy with ease of restrictions in some areas will give a positive catalyst for the rupiah exchange rate and the Indonesian bond market. We also maintain our view that the yield spread between Indo government bonds vs UST yields remains attractive at current levels. Bond Recommendation: PBS027; FRO091; FRO088

News Update

Global Economic Update

US Composite PMI dropped in July

The IHS Markit US Composite PMI dropped to 59.7 in July 2021, moving further away from May's record high, a preliminary estimate showed. Output growth slowed to a four-month low, but remained strong overall, as firms continued to report widespread capacity constraints. New business continued to expand at a solid pace, with exports of goods and services rising at a similar strong clip to that seen in June. In addition, the pace of job creation eased to a four-month low, amid labor shortages in the service sector. On the price front, the rates of input cost inflation and selling price inflation remained historically steep in July.

Comment: We believe the decline in the PMI composite indicates that the pace of US economic growth will slow down in 3Q21. The reading shows that rising production costs are still the biggest obstacle for companies to expand their production, especially in the service sector.

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The IHS Markit Germany Composite PMI rose in July

The IHS Markit Germany Composite PMI rose to 62.5 in July 2021, from June's 60.1 and above market expectations of 60.8, a preliminary estimate showed. The latest reading pointed to the steepest pace of expansion in the country's private sector activity since comparable data were first available in January 1998, driven by an ongoing rapid recovery in services activity due to the easing of COVID-19 containment measures. In addition, manufacturing growth remained strong. Overall inflows of new work and the pace of job creation reached all-time highs, while backlogs of work rose for a second straight month. On the price front, rates of increase in input cost and output charges showed a slight correction from May's record highs, but nevertheless pointed to ongoing strong inflationary pressures as supply struggled to keep pace with demand.

Comment: We believe the increase in The IHS Markit Germany Composite in July shows that GDP number will grow faster in 3Q21. Rapid recovery in services activity will boost Germany's GDP after the government ease the containment measures to reduce the COVID-19 cases. We project Germany's GDP will grow by 3.6% (yoy) in 2021 vs. -4.8% (yoy) in 2020.

Domestic Economic Update

PPKM extended until 2 August 2021

President Joko Widodo decided to continue the implementation of Level 4 Community Activity Restrictions (PPKM) until next week, but with "adjustments" that allow street vendors, grocery stores, and similar small businesses to open with set hours.

Comment: We believe this decision will have positive impact for economic activity in August as the government ease the restriction for several areas. This will also give positive catalyst for rupiah exchange rate as better economic prospect with the new policy.

BI estimates CAD down in 2021

Bank Indonesia (BI) estimates that the current account deficit (CAD) throughout 2021 is 0.6% to 1.4% of GDP. This is lower than the previous estimate of 1% to 2% of GDP. BI Governor Perry Warjiyo said that the low CAD throughout this year is also expected to be influenced by the estimated low current account deficit in the second quarter of 2021.

Comment: We believe the decline in Indonesia's CAD will provide a positive catalyst for the rupiah exchange rate and the Indonesian bond market. Imports will decline as a consequence of slower economic growth due to the PPKM emergency policy in 3Q21. With the rupiah exchange rate remaining stable, we project this will also provide a positive catalyst for the stock market.

Bond News Update

Gov't will conduct sukuk auction tomorrow

The government will again conduct an auction of State Sharia Securities (SBSN) or sukuk on Tuesday (27/7). In the auction, the government set an indicative target of IDR 12 tn. There are six series of sukuk that will be offered tomorrow. One series of SPN-S (State Treasury Letters - Sharia) and five series of PBS (Project Based Sukuk).

Government Bonds Transaction (July 23, 2021)

No	Securities ID	Coupon Rate (%)	Listing Date	Mature Date	TTM	Last Price	Last Yield	Last Vol-Trade (IDRbn)
1	SPNS10082021		15-Feb-21	10-Aug-21	0.05	99.8473	3.10115	280
2	FRO081	6.5	2-Aug-19	15-Jun-25	3.9	105.55	4.91799	150
3	FRO061	7	7-Oct-11	15-May-22	0.81	103.05	3.16011	100
4	SPNS14012022		16-Jul-21	14-Jan-22	0.48	98.4796	3.22	82
5	FRO090	5.125	9-Jul-21	15-Apr-27	5.73	98.894	5.34995	50
6	PBS017	6.125	12-Jan-18	15-Oct-25	4.23	103.5	5.19	50
7	FRO040	11	22-Sep-06	15-Sep-25	4.15	121.15	5.25343	30
8	PBS011	8.75	15-Jan-16	15-Aug-23	2.06	108.49	4.40359	28
9	FRO084	7.25	5-May-20	15-Feb-26	4.57	107.35	5.4095	20
10	FRO091	6.375	9-Jul-21	15-Apr-32	10.74	100.1113	6.35891	19
11	PBS012	8.875	29-Jan-16	15-Nov-31	10.32	116.6	6.62544	17
12	FRO050	10.5	25-Jan-08	15-Jul-38	16.99	132	7.20318	10
13	FRO056	8.375	24-Sep-10	15-Sep-26	5.15	113.4	5.35878	10
14	FRO070	8.375	30-Aug-13	15-Mar-24	2.65	109.85	4.38864	10
15	FRO083	7.5	8-Nov-19	15-Apr-40	18.74	104.4	7.07098	10
16	PBS029	6.375	15-Jan-21	15-Mar-34	12.65	98.7	6.526	10
17	FRO078	8.25	28-Sep-18	15-May-29	7.82	112.8	6.15892	8
Total 20 largest transaction								884
Total value transaction								914

Corporate Bonds Transaction (July 23, 2021)

No	Securities ID	Coupon Rate (%)	Listing Date	Mature Date	Rating	Last Price-Trade	Last Yield-Trade	Last Vol-Trade (bio)
1	SMOPPM01A	7.25	9-Jul-21	18-Jul-22	idA+(sy)	100.025	7.22139	28
2	MFIN03BCN3	10.5	28-Aug-19	27-Aug-22	idA	104.8	5.88975	25
3	BEXI04BCN4	8.4	24-Apr-19	23-Apr-22	idAAA	102.85	4.51391	20
4	PPLN09B	10.9	11-Jul-07	10-Jul-22	idAAA	106.5	4.00941	20
5	BNII03BCN1	8.5	4-Jul-19	3-Jul-22	idAAA	103.8	4.3805	10
6	SMPNMP01ACN1	6	9-Jul-21	18-Jul-22	idA+(sy)	100.03	5.96643	6
7	TBLA01CN1	9.5	2-Apr-18	29-Mar-23	A+(idn)	100.6	9.10812	5
8	IIFFO1BCN2	6.65	22-Oct-20	21-Oct-23	idAAA	103.5	4.99375	4
9	OPPM01A	7.25	9-Jul-21	18-Jul-22	idA+	100.02	7.22633	4
10	PPLN03ACN5	7.9	2-Oct-19	1-Oct-24	idAAA	106.3	5.72535	4
11	SIPLN02BCN1	8.5	12-Jul-17	11-Jul-27	idAAA(sy)	108.15	6.82587	4
12	BRPT01ACN2	8.6	2-Apr-20	1-Apr-23	idA	100.7	8.15036	4
13	SMADMFO3BCN4		18-Apr-19	16-Apr-22	idAAA(sy)	103.13		4
14	BEXI03CCN4	8.9	24-Feb-17	23-Feb-22	idAAA	102.27	4.94141	3
15	PPGD04ACN3	5.5	23-Sep-20	2-Oct-21	idAAA	100.37	3.35943	3
16	SIISAT02BCN1	8.55	2-Jun-17	31-May-22	idAAA(sy)	103.24	4.67339	3
17	PTPP02BCN1	8.5	9-Jul-18	6-Jul-23	idA+	100.2	8.38649	3
18	ADHI02CN1	9.25	3-Jul-17	22-Jun-22	idA-	103	5.85056	2
19	APAI01C	8.55	23-Nov-16	22-Nov-26	idAAA	106.8	7.00989	2
20	TUFI04BCN1	9.75	9-Jan-19	8-Jan-24	idAA+	108.8	5.88212	2
Sub total 20 largest transaction								154
Total value transaction								161

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Ratings for Sectors

- Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.
- Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.
- Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months

Ratings for Stocks

- Buy : We expect this stock to give return (excluding dividend) of above 10% over the next 12 months.
- Hold : We expect this stock to give return of between -10% and 10% over the next 12 months.
- Sell : We expect this stock to give return of -10% or lower over the next 12 months

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