

# Yield Forecast

## SPN (9-mo,1-yr), FR70, FR71, FR68 Auctions



Bond	15-Apr-14*	14-Apr-14	7-Apr-14
SPN12150206	6.20-6.35	6.35	6.37
SPN12150403	6.35-6.50	6.62	6.64
FR0070 (15/03/24)	7.75-7.85	7.82	7.82
FR0071 (15/03/29)	8.15-8.25	8.20	8.20
FR0068 (15/03/34)	8.35-8.45	8.38	8.39

Source: Bloomberg, \*Danamon Estimates

### Watching out for further political news

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- The government today will auction the 9-mo, 1-yr t-bill, 10-yr, 15-yr and 20-yr bonds with indicative target of Rp8tn. Our indicative yields are presented in the above table.
- In the last conventional bond auction, the government still try to maximize issuance by absorbing Rp9.9tn above its indicative target (Rp8tn). As per today the government has absorbed around Rp174tn or around 47% of the total gross issuance at Rp370.4tn this year.
- Markets were little changed after some slight correction following the less favorable result of the legislative election. The preliminary result showed that the investor's favorite PDI-P party (Jokowi's political party) failed to obtain 20% of the national votes. This would mean that there need to be coalitions between the political parties to be able to propose candidate for presidency.
- In the future, we still expect news on politics up to the presidential election in July will be affecting the market sentiments. We are also watching out for the fiscal revision probably in May and some possible increase in the bonds issuance as fiscal deficit is expected to be revised higher.
- In the past week the yields were little changed as markets waits for further political move ahead of the presidential election. The 10-yr benchmark yield is currently at 7.82%. Foreign ownership in bonds continued to climb, currently at Rp370.4tn (Apr 11), or around 34.3% of total bonds ownership.
- For today's auction, we think demand will still be high and the government may still absorb above its initial target.

## Indonesia: Selected Economic Indicators

	2010	2011	2012	2013	2014E	2015E
<b>National Accounts</b>						
Real GDP (% y-o-y)	6.2	6.5	6.3	5.8	5.7	6.2
Domestic demand ex. inventory (% y-o-y)	5.3	5.7	6.1	5.1	5.5	5.7
Real Consumption: Private (% y-o-y)	4.7	4.7	5.3	5.3	5.2	5.4
Real Gross Fixed Capital Formation (% y-o-y)	8.5	8.8	9.7	4.7	4.0	6.8
GDP (US\$bn) — nominal	710	845	879	871	901	1,078
GDP per capita (US\$) — nominal	2,986	3,509	3,596	3,478	3,551	4,195
Open Unemployment Rate (%)	7.1	6.6	6.1	6.3	6.1	6.1
<b>External Sector</b>						
Exports, fob (% y-o-y, US\$ bn)	32.1	27.0	-6.1	-2.6	2.2	6.0
Imports, fob (% y-o-y, US\$ bn)	43.7	30.3	8.4	-1.4	3.7	4.2
Trade balance (US\$ bn)	30.6	34.8	8.6	6.1	3.6	6.8
Current account (% of GDP)	0.7	0.2	-2.7	-3.3	-2.9	-2.4
Central government debt (% of GDP)	26.1	24.6	23.1	22.0	21.2	22.2
International Reserves –IRFCL (US\$ bn)	96.2	110.1	112.8	99.4	100.8	103.5
Reserve Cover (Months of imports & ext. debt)	7.1	6.3	6.1	5.4	5.6	5.8
Currency/US\$ (Year-end)	8,991	9,068	9,670	12,189	11,058	10,754
Currency/US\$ (Average)	9,085	8,779	9,380	10,428	11,605	10,770
<b>Other</b>						
BI policy rate (% year end)	6.50	6.00	5.75	7.50	7.75	8.00
Consumer prices (% year end)	6.96	3.78	3.65	8.08	4.94	4.61
Fiscal balance (% of GDP; FY)	-0.73	-1.14	-1.77	-2.24	-2.20	-2.00
S&P's Rating – FCY	BB	BB+	BB+	BB+	BB+	BB+

Source: CEIC, Danamon Estimates

## Economic and Market Research

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