

# Yield Forecast

## SPN (1-yr), FR69, FR70, FR68 Auctions



Bond	18-Feb-14*	11-Feb-14	4-Feb-14
SPN12150206	6.50-6.60	7.26	-
FR0069 (15/04/19)	7.70-7.80	7.93	7.99
FR0070 (15/03/24)	8.50-8.60	8.86	9.00
FR0068 (15/03/34)	9.10-9.20	9.46	9.49

Source: Bloomberg, \*Danamon Estimates

### Perception turns positive on Indonesia Economy

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- The government today will auction the 1-yr t-bill, 5-yr, 10-yr and 20-yr bonds with indicative target of Rp10tn. At the last auction, the government maximized issuance and absorbed Rp15tn out of relatively high bids of Rp28tn. As per today the government has absorbed around Rp99.4 tn or around 27.8% of the total gross issuance at Rp357.9tn this year.
- A series of positive economic data that was released in the past two weeks drove market perception to turns positive on Indonesia. Improved current account deficit (CAD) data drove the rupiah to strengthen quite sharply. CAD in Q4 narrowed sharply to 2% of GDP, which brought the overall year to 3.3% of GDP, slightly better than expected. BI is optimistic that this year, the CAD will further improve to 2.5% of GDP, a more sustainable level.
- The rupiah reached Rp11,770/USD (Feb17), its strongest level since the beginning of the year. The optimism was also seen in the bonds market. Yields were generally lower across the board, as a response to a stronger rupiah. The 10-yr benchmark yield dropped to 8.45%.
- Persistent buying was seen in the past few days. Foreign ownership in bonds rose significantly by Rp3.6tn (as of Feb 11), compared to end of Jan. Foreign investors currently owns Rp332.3tn of bonds (or about 32.4% of total bonds ownership).
- For today's auction, we think demand will still be high and the government may absorb above its initial target, as yields have declined. The government will continue its front loading strategy as they currently in the process of issuing retail Islamic bonds and plan to issue domestic USD bonds in the first quarter.

## Indonesia: Selected Economic Indicators

	2010	2011	2012	2013E	2014E	2015E
<b>National Accounts</b>						
Real GDP (% y-o-y)	6.2	6.5	6.2	5.7	5.7	6.2
Domestic demand ex. inventory (% y-o-y)	5.3	5.7	6.2	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	9.8	4.7	4.0	6.8
GDP (US\$bn) — nominal	710	845	879	871	925	1,086
GDP per capita (US\$) — nominal	2,986	3,509	3,596	3,490	3,640	4,215
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	4.2	6.0
Imports, fob (% y-o-y, US\$ bn)	43.7	30.3	8.4	-1.4	3.5	4.2
Trade balance (US\$ bn)	30.6	34.8	8.6	6.1	3.3	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	100.0	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	3.79	4.30	8.38	4.94	4.61
Fiscal balance (% of GDP; FY)	-0.73	-1.14	-1.77	-2.24	-1.80	-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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