



**Dian Ayu Yustina**  
Economist  
dian.yustina@danamon.co.id

**Anton Hendranata**  
Chief Economist  
anton.hendranata@danamon.co.id

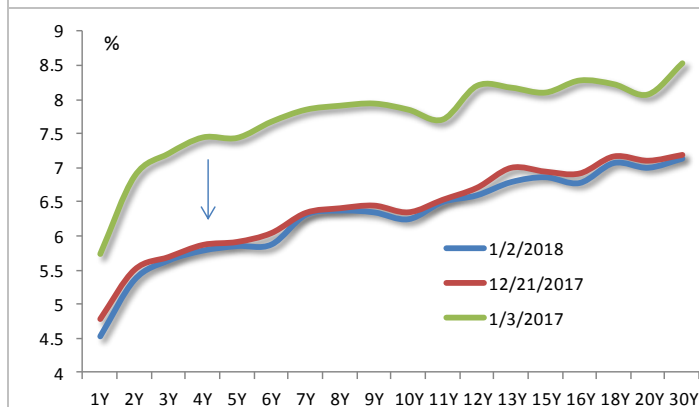
Please see the important disclaimer and information on the back of this report.

Bond	3-Jan-18*	2-Jan-18	4-Dec-17
SPN03180404 – new	4.25-4.35	-	-
SPN12190104 – new	5.15-5.25	-	-
FR0063	5.90-5.95	5.92	6.22
FR0064	6.30-6.35	6.51	6.70
FR0075	7.00-7.05	7.01	7.19

\*Danamon Forecast

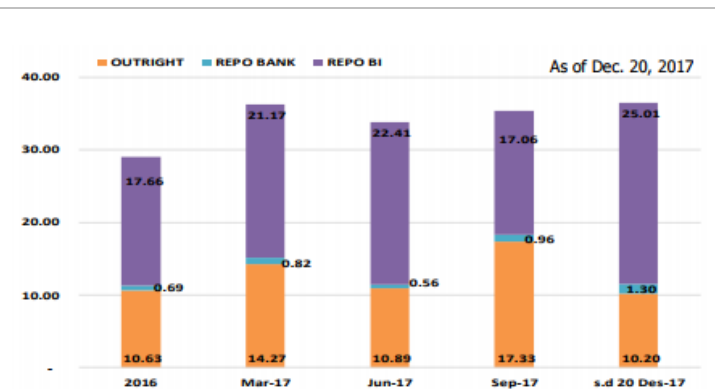
- We will have the first government bond auction in the year today for 3mo, 1yr SPN and 5yr, 10yr, and 20yr-bonds with higher indicative target at Rp17-25.5 trillion. Net bonds issuance this year is targeted at Rp414.5 trillion (Rp846.4 trillion in *gross*) to finance the 2018 fiscal deficit set at Rp325.9 trillion (2.2% of GDP). Front loading strategy appears to be still in place as the target issuance for semester I is set at 60% of the gross target.
- For pre funding purposes, the government has issued a triple-tranche 5, 10 and 30 years global USD bonds and managed to raise a total of USD4 billion. The MoF has further issued a 3-mo non-tradable treasury bills (SPN) through private placement method amounted Rp10.1trillion.
- We expect a healthy demand today, in line with the new-year's economic optimism especially due to Fitch's raising the Indonesia's investment rating one notch further to BBB with stable outlook. Yields continue to move steadily lower across the board. Inflation expectation this year will still be modest; assuming the subsidized energy price is unchanged, thus real yield will still be attractive.
- Bond market performance in 2017 was quite upbeat with large inflows of foreign investors (up by Rp169.5 trillion), better bid to cover ratio and more active daily trading volume. The condition expected to continue this year though with some notable risks. High positioning of foreign investors (currently at 39.7% of total ownership) could be vulnerable to currency risks though the general global view is mostly still positive on Indonesia bonds.

Chart 1. Yield Curve



Source: Bloomberg

Chart 2. Average Daily Trading in 2017



Source: DJPPR

## Indonesia: Selected Economic Indicators

	2013	2014	2015	2016	2017E
<b>National Accounts</b>					
Real GDP (% y-o-y)	5.6	5.0	4.9	5.0	5.0
Domestic demand ex. inventory (% y-o-y)	5.0	5.4	3.9	5.0	4.9
Real Consumption: Private (% y-o-y)	5.4	5.2	5.0	5.0	4.9
Real Gross Fixed Capital Formation (% y-o-y)	5.0	4.6	5.0	4.5	5.2
GDP (USD bn) — nominal	913	890	861	932	1,005
GDP per capita (USD) — nominal	3,648	3,529	3,371	3,604	3,838
Open Unemployment Rate (%)	6.3	5.9	6.2	5.6	5.5
<b>External Sector</b>					
Exports (% y-o-y, BoP Basis)	-2.8	-3.7	-15.4	-3.1	7.0
Imports (% y-o-y, BoP Basis)	-1.3	-4.5	-19.7	-4.5	6.6
Trade balance (USD bn, BoP Basis)	5.8	6.9	13.3	15.4	15.2
Current account (% of GDP)	-3.7	-3.2	-2.1	-1.8	-1.8
Central government debt (% of GDP)	21.3	23.5	26.6	27.7	30.2
International Reserves –IRFCL (USD bn)	99.4	111.9	105.9	116.4	114.0
Reserve Cover (Months of imports & ext. debt)	5.4	6.5	7.4	8.4	8.4
Currency/US\$ (Year-end)	12,189	12,440	13,795	13,436	13,536
Currency/US\$ (Average)	10,428	11,900	13,392	13,308	13,385
<b>Other</b>					
BI policy rate (% year end)	7.50	7.75	7.50	6.50*	N/A
BI 7-Day Reverse Repo rate (% year end)	N/A	N/A	6.25	4.75	4.25
Consumer prices (% year end)	8.08	8.36	3.35	3.02	3.61
Fiscal balance (% of GDP; FY)	-2.24	-2.26	-2.70	-2.46	-2.62
S&P's Rating – FCY	BB+	BB+	BB+	BB+	BBB-

Source: CEIC, E = Danamon Estimates

## Economic and Market Research

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<b>Anton Hendranata</b> anton.hendranata@danamon.co.id	<b>Chief Economist</b>	+62 21 8064-5000 ext. 8867
<b>Wisnu Wardana</b> wisnu.wardana@danamon.co.id	<b>Economist</b>	+62 21 8064-5000 ext. 8873
<b>Dian Ayu Yustina</b> dian.yustina@danamon.co.id	<b>Economist</b>	+62 21 8064-5000 ext. 8875

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**PT Bank Danamon Indonesia, Tbk.**  
Menara Bank Danamon  
8th Floor, Jl. H.R. Rasuna Said Kav. C-10  
Jakarta 12940  
INDONESIA  
\*\*\*  
Facs: +62 21 80645263

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