



Bond	9-May-17*	8-May-17	25-Apr-17
SPN03170811– new	4.95-5.10	-	-
SPN12180511 - new	6.05-6.15	-	-
FR0061	6.70-6.75	6.69	6.67
FR0074	7.45-7.50	7.48	7.43
FR0072	7.77-7.82	7.79	7.71

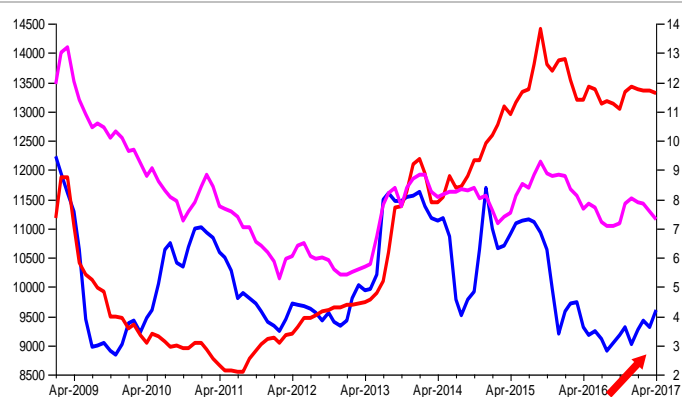
Dian Ayu Yustina
Economist
dian.yustina@danamon.co.id

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

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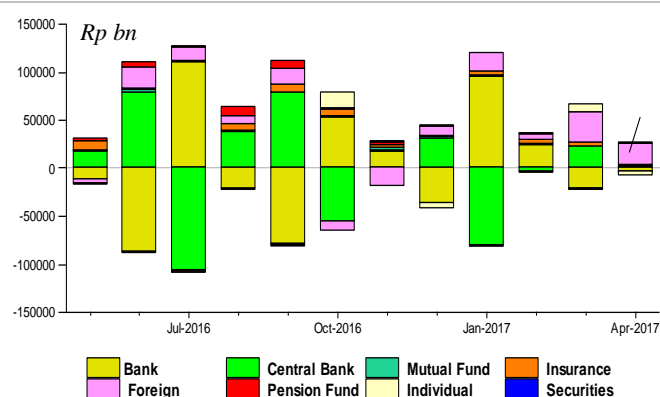
- The government will auction the 3-mo, 12-mo, 5-yr, 15yr and 20yr bonds, today with indicative target of Rp15tn-Rp22.5tn. Up to now, the government has issued Rp312.5tn (including a private placement of Euro denominated bonds in domestic primary market amounted USD50mn) that equals to 45.6% of the gross issuance target this year at Rp684.8tn. The overall government securities target for the 1st semester is 64.4% (while in Rupiah denominated only 46.9%) of gross issuance target.
- Global market sentiment is still favorable as the pace of improvement in US economy is maintained on a gradual course. Better optimism also felt in the EU's economy after Emmanuel Macron wins election in France, reducing worries of anti-EU sentiments. Some concern may resurface on the fragile growth in China that led to speculation of unsustainable recovery of commodity prices.
- Inflow of funds to bonds has slightly moderated in April. Current positions are already high with foreign ownership ratio currently at 39% (to the total ownership), thus maintain caution on possible profit taking actions. But we do not expect any major impact on the Rupiah as external balance is well buffered with foreign exchange reserve continue to rise to USD123.3bn in April.
- Key data that may impact bonds market in the coming months is inflation that expected to pick up as we enter fasting month and Lebaran festivities. We also expect S&P decision on sovereign rating that may be released in a few weeks to come. On the more positive note, domestic economy is still on track (Q1 growth posted 5.01%yoy, slightly higher than last quarter), driven by exports while household consumption still subdued.
- The bond market is relatively stable in the past two weeks. The 10-yr benchmark yield rose slightly from 7.07% (April 25) to 7.08% (May 8). Today's demand may still be more on the short to mid dated bonds.

Chart 1. Inflation, IDR, 10y Yield



Source: Bloomberg, CEIC, Danamon Calculation

Chart 2. Inflows in Bonds by Ownership



Source: Bloomberg, CEIC, Danamon Calculation

Indonesia: Selected Economic Indicators

	2013	2014	2015	2016	2017E
National Accounts					
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	915	890	862	923	925
GDP per capita (USD) — nominal	3,668	3,530	3,374	3,569	3,577
Open Unemployment Rate (%)	6.3	5.9	6.2	5.6	5.5
External Sector					
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	13,555
Currency/US\$ (Average)	10,428	11,900	13,392	13,308	13,504
Other					
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	5.00
Consumer prices (% year end)	8.08	8.36	3.35	3.02	4.57
Fiscal balance (% of GDP; FY)	-2.24	-2.26	-2.70	-2.46	-2.60
S&P's Rating – FCY	BB+	BB+	BB+	BB+	BBB-

Source: CEIC, E = Danamon Estimates

Economic and Market Research

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

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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