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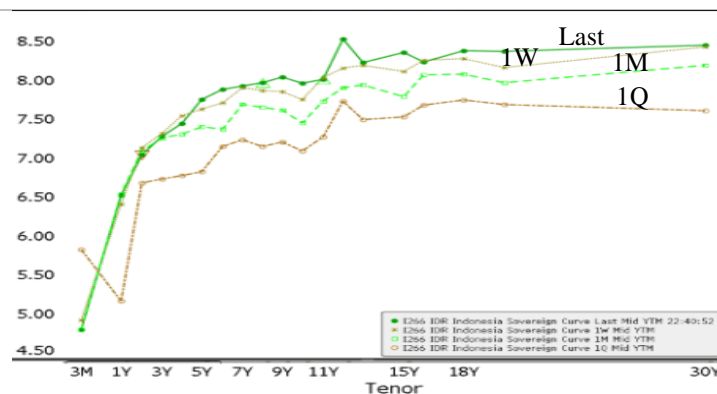
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	14-Aug-18*	13-Aug-18	31-Jul-18
SPN12181115	5.35-5.45	-	-
SPN12190606	6.25-6.35	-	-
FR0063	7.79-7.84	7.73	-
FR0064	7.99-8.04	7.90	7.72
FR0065	8.39-8.44	8.25	8.11
FR0075	8.44-8.49	8.30	8.13

\*Danamon Forecast

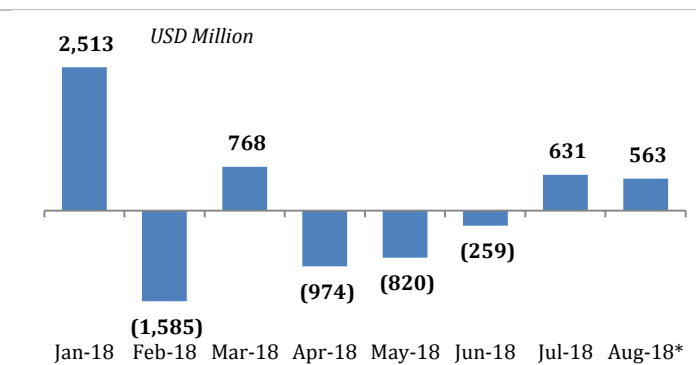
- Another auction of government bonds will be held today amid the re-escalated negative sentiments as contagion risk to the EM countries increasing due to the Turkey's deteriorating economic situation. Indicative target is still maintained at Rp10tn with a possible upside max to Rp20tn. The series that are being auctioned are the 3-mo and 12-mo SPN, 5yr, 10yr, 15yr and 20yr bonds. The government has raised so far about 65% of total gross issuance target this year.
- Concern on contagion effect of Turkey's crisis spreading to the emerging countries rising causing all EM currencies to depreciate. Bond yields were mixed, with the 10-yr benchmark yield were higher by about 10-20 bps as capital flows re-emerge.
- The domestic economy is actually doing relatively better as we saw 2Q GDP higher at 5.27%yoy, driven by the revival of domestic consumption. Investment grew on the back of higher infrastructure-related imports, which also translated into a wider CA deficit at 3% of GDP in Q2. Nonetheless, the relentless global pressure to the currency has led to a call to hold back the pace of imports. From the fiscal side, the government also needs to keep the budget deficit in check, to maintain market confidence. Budget deficit is expected to be lower this year at 2.12% of GDP (than its initial target at 2.19% of GDP) which resulted in a bond issuance target cut by around Rp23 trillion.
- A healthier structure of the economy and a more prudent budget management has actually raised market confidence before the whole Turkey situation took the center stage. Capital inflows has been coming into the bond market by USD631 million in July and USD 562 million in month-to-date August, which should have provided better grounds for today's auction. However with the re-escalated global risk, today's demand may be lower compared to the previous auction, and investors may ask for higher yields.

Chart 1. Yield Curve



Source: DJPPR, CEIC

Chart 2. Foreign inflows in Bonds



Source: MoF

## Indonesia Economic Indicators

	2014	2015	2016	2017	2018E
<b>National Accounts</b>					
Real GDP (% y-o-y)	5.0	4.9	5.0	5.1	5.1
Domestic demand ex. inventory (% y-o-y)	5.3	4.0	5.0	4.8	5.6
Real Consumption: Private (% y-o-y)	5.1	5.0	5.0	4.9	5.0
Real Gross Fixed Capital Formation (% y-o-y)	4.4	5.0	4.5	6.2	6.3
GDP (USD bn) — nominal	891	861	933	1,016	1,076
GDP per capita (USD) — nominal	3,532	3,370	3,603	3,878	4,050
Open Unemployment Rate (%)	5.9	6.2	5.6	5.5	5.3
<b>External Sector</b>					
Exports (% y-o-y, BoP Basis)	-3.7	-14.9	-3.1	16.9	6.5
Imports (% y-o-y, BoP Basis)	-4.5	-19.7	-4.5	16.2	13.0
Trade balance (USD bn, BoP Basis)	6.9	14.1	15.4	18.9	10.3
Current account (% of GDP)	-3.2	-2.1	-1.8	-1.7	-2.5
Central government debt (% of GDP)	24.7	27.4	27.8	28.6 (E)	28.7
International Reserves –IRFCL (USD bn)	111.9	105.9	116.4	130.2	120.6
Reserve Cover (Months of imports & ext. debt)	6.5	7.4	8.4	8.3	7.7
Currency/US\$ (Year-end)	12,440	13,795	13,436	13,548	14,100
Currency/US\$ (Average)	11,878	13,392	13,308	13,383	13,950
<b>Other</b>					
BI policy rate (% year end)	7.75	7.50	6.50*	N/A	N/A
BI 7-Day Reverse Repo rate (% year end)	N/A	6.25	4.75	4.25	5.75
Consumer prices (% year end)	8.36	3.35	3.02	3.61	3.64
Fiscal balance (% of GDP; FY)	-2.26	-2.70	-2.46	-2.60 (E)	-2.52
S&P's Rating – FCY	BB+	BB+	BB+	BBB-	BBB-

## Economic and Market Research

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