

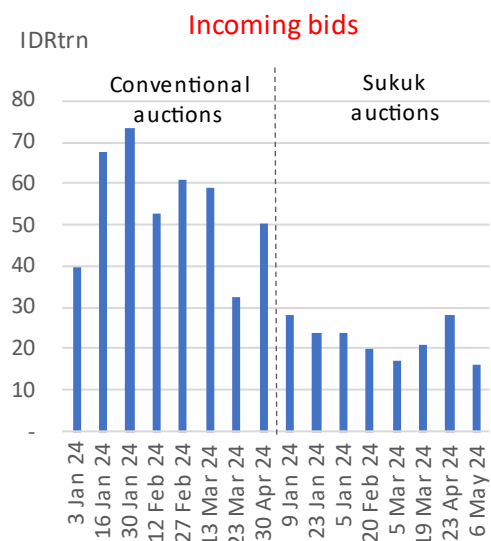
Interest Rates Focus

13 May 2024

IndoGB Watch – Some stabilisation

- IndoGBs were sold off and underperformed USTs over the past month, as the domestic market positioned for the risk of a BI policy rate hike which later on materialised. Short-end IndoGBs underperformed on the curve amid higher SRBI rates. Demand at recent sukuk auctions was lukewarm, while conventional auctions fared better especially the latest one which came after the rapid upward adjustments in yields, reflecting some stabilization in demand. IndoGBs may undergo a period of consolidation near-term.
- Yield differentials with USTs rebounded from the recent lows attained in early April. The dilemma here is that domestic demand may prevent IndoGB yields from rising to levels that are perceived as decisively appealing to foreign investors. A lower US yields environment is needed, after all, for inflows to make a strong comeback to the IndoGB market.
- YTD LCY gross issuances amounted to IDR316trn, which was on track with full-year estimates. Reaching Q2 auction issuance target would require issuance sizes of IDR23-24trn at individual conventional auctions and IDR11-12trn at sukuk auctions. Nevertheless, there are buffers to financing needs.

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Source: DJPPR, OCBC Research

Table 1. Issuance calendar

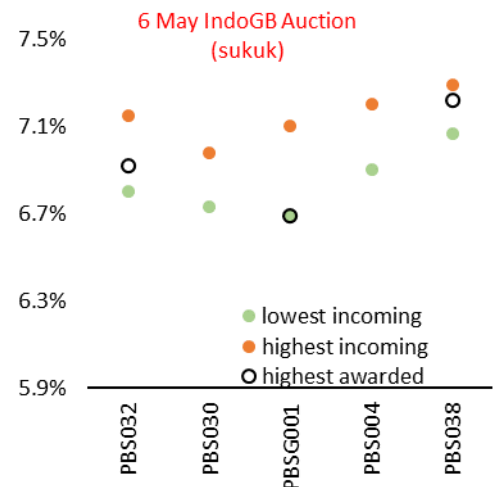
Months	Auction Dates	SPN			ON					SPNS			PBS					Total incoming Bid IDRtrn	Total Awarded Bid IDRtrn	Quarterly Target IDRtrn
April	23-Apr-24									6M	9M	2Y	4Y		13Y	17Y	25Y	28.2	11.0	170
	30-Apr-24	3M	12M	5Y		10Y	15Y	20Y	30Y									50.2	21.5	
Total																	78.40	32.50		
May	06-May-24									6M	9M	2Y	4Y	7Y	13Y		25Y	16.00	7.00	
	14-May-24	3M	12M	5Y		10Y	15Y	20Y	30Y											
	20-May-24									6M	9M	2Y	4Y		13Y	17Y	25Y			
	28-May-24	3M	12M	5Y	8Y	10Y	15Y	20Y	30Y											
Total																				
June	04-Jun-24									6M	9M	2Y	4Y	7Y	13Y		25Y			
	11-Jun-24	3M	12M	5Y		10Y	15Y	20Y	30Y											
	19-Jun-24									6M	9M	2Y	4Y		13Y	17Y	25Y			
	25-Jun-24	3M	12M	5Y		10Y	15Y	20Y	30Y											
Total																				
Q2 Total																				

Source: DJPPR, OCBC Research

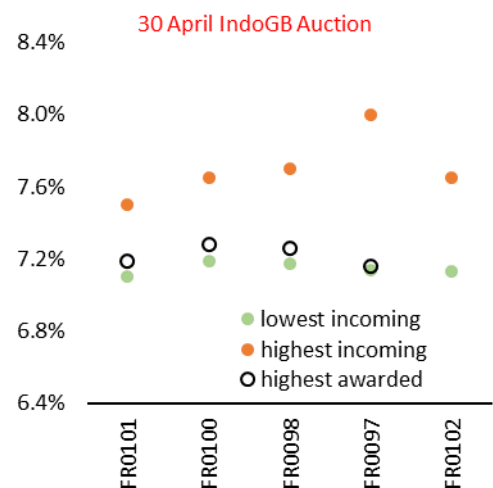
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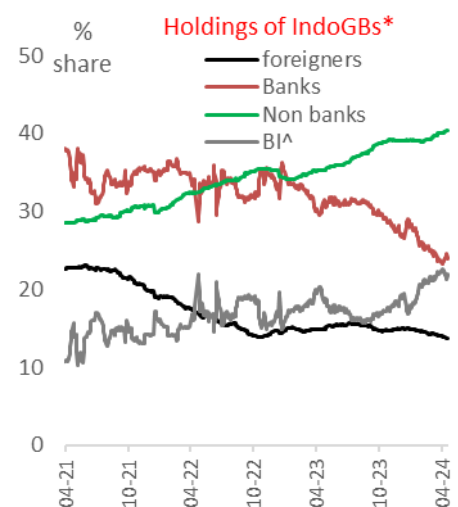
- Recent auctions.** Demand at the sukuk auction on 23 April after the long break was lukewarm, with MoF awarding IDR5.075trn of bonds against indicative target of IDR11trn. The subsequent greenshoe option made up for the shortfall bringing total issuance to IDR11trn. At the more recent sukuk auction on 6 May, incoming bid amount fell further to IDR15.99trn while awarded amount was IDR7.0256trn against indicative target of IDR10trn; some bonds were not allocated. On the other hand, conventional bond auctions fared better, especially the 30 April auction which came after the rapid adjustment higher in IndoGB yields – incoming bids at this auction recovered to IDR50.2trn, while IDR21.5trn of bonds were awarded against indicative target of IDR23trn. With the mild reduction in awarded amount, MoF managed to keep cut-offs near lowest incoming bid levels. Overall, the outcome suggested the higher yields had rendered the bonds appealing to some investors.
- Debt financing.** As of 8 May, YTD gross LCY bond issuances (conventional + sukuk) amounted to IDR270.4trn. Adding in private placement and retail tranches up to 30 April, gross LCY issuances amounted to IDR316trn, which was on track to full-year estimates. There are 4 more conventional and 3 more sukuk auctions in Q2; reaching the quarterly issuance target of IDR170trn would require issuance sizes of IDR23-24trn at individual conventional auctions and IDR11-12trn at individual sukuk auctions. Nevertheless, there are buffers including pre-funding and foreign-currency bond issuances.
- Investor flows.** Since mid-April, banks were seen rebuilding their positions of government securities (bonds and bills), while non-bank domestic investors have added further to their holdings. On the other hand, foreign outflows continued. Holdings by foreign investors fell further, by IDR13.59trn between 16-April and 3 May, to IDR792trn or 13.76% of outstanding as of 3 May. After the earlier adjustments higher in IndoGB yields, yield differentials with USTs rebounded from the recent lows attained in early April. The dilemma here is that domestic demand may prevent IndoGB yields from rising to levels that are perceived as decisively appealing to foreign investors. A lower US yields environment is needed, after all, for inflows to make a strong comeback to the IndoGB market.



Source: DJPPR, OCBC Research



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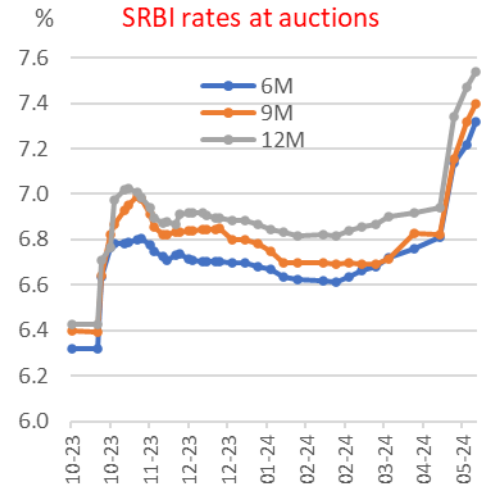


Source: Bloomberg, OCBC Research
^excluding holdings under monetary operations

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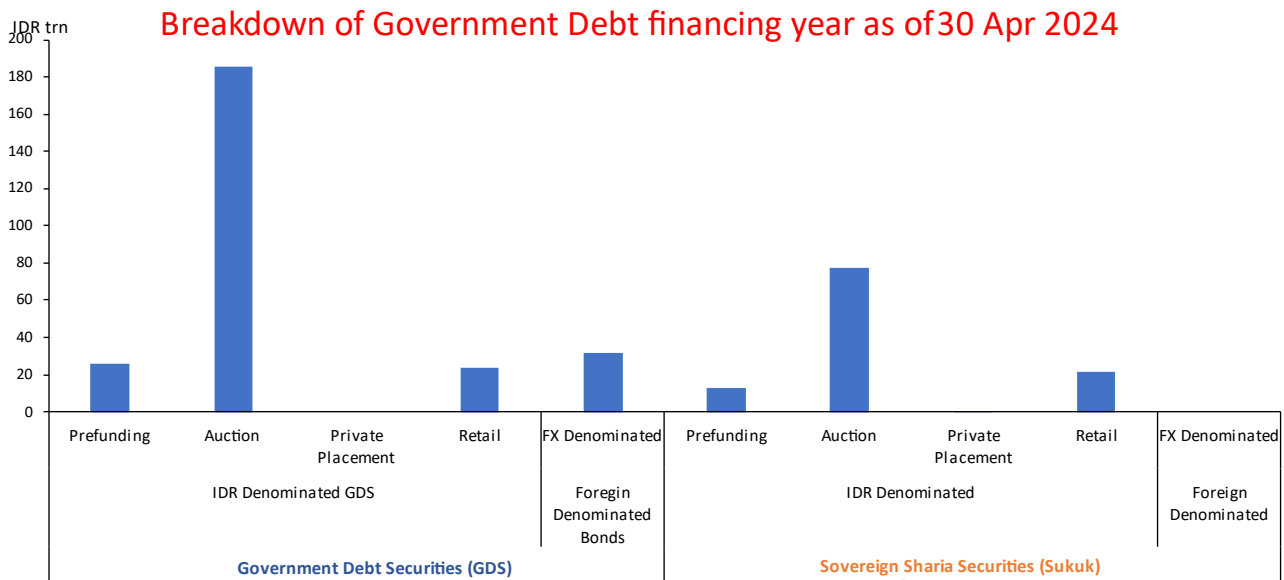
- SRBI.** Over the three SRBI auctions after the April BI policy rate hike of 25bps, SRBI rates rose by a cumulative 51bps, 58bps and 60bps at the 6M, 9M and 12M tenors, respectively. These increases were more than the cumulative increases over the three SRBI auctions after the October BI policy rate hike. While OCBC economists do not expect further BI rate hikes, there was some spillover from the higher SRBI rates onto short-end IndoGB yields, leading to short-end IndoGBs underperforming on the curve. SRBIs had attracted decent foreign demand, but the latest statistics showed there was some cooling of late. Foreign ownership of SRBIs had been rising steadily, from IDR4.8trn as of September 2023 (when SRBIs were launched) to IDR87.69trn as of February 2024. Then, March and April saw some mild declines in foreign holdings, to IDR75.15trn at end April.



Source: Bank Indonesia, OCBC Research

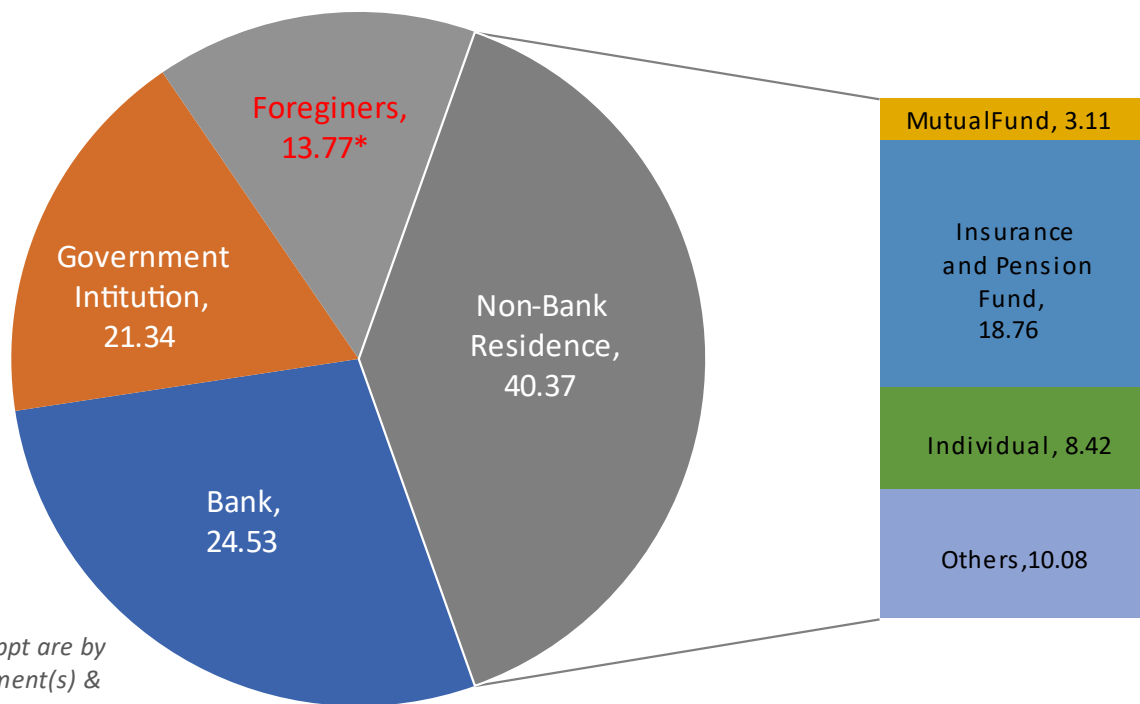
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Source: DJPPR, OCBC Research

Ownership of Tradable Domestic Government Securities as of 30 Apr 2024, %



Source: DJPPR, OCBC Research

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