

## Interest Rates Focus

15 September 2023

### IndoGB Watch: Await SRBI auction(s)

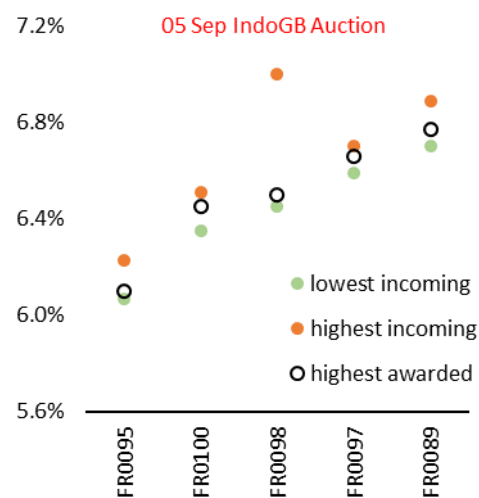
- IndoGBs underperformed USTs over the past month. Short-end domestic yields corrected higher from being close to the policy 7D reverse repo rate, to nearer the 3-month reverse repo rate, in anticipation and later upon confirmation of a new monetary operation instrument (SRBI). Recent bond auction results have been mixed; the conventional bond sales received lukewarm demand while above-target amount was awarded at the latest sukuk auction.
- Q3 gross bond supply (including bills) is on track to come in at around IDR115trn versus initial plan of IDR141trn. The bond supply outlook is likely to stay sanguine. Investors however have been preparing for the first SRBI auction on Friday; the sizes of this SRBI auction and following ones are uncertain. On balance, we prefer to stay neutral IndoGBs for now, more so ahead of FOMC decision next week.
- IndoGBs saw foreign outflows of IDR8.9trn in August, and a further IDR5.9trn thus far this month (as of 12 September). Daily foreign flows have continued to fluctuate; a strong comeback of inflows into IndoGBs is not on the horizon yet, as IndoGB-UST yield differentials have largely stayed compressed.

**Frances Cheung, CFA**

Rates strategist

+65 6530 5949

[francescheung@ocbc.com](mailto:francescheung@ocbc.com)



Source: DJPPR, OCBC

**Table 1. Issuance calendar**

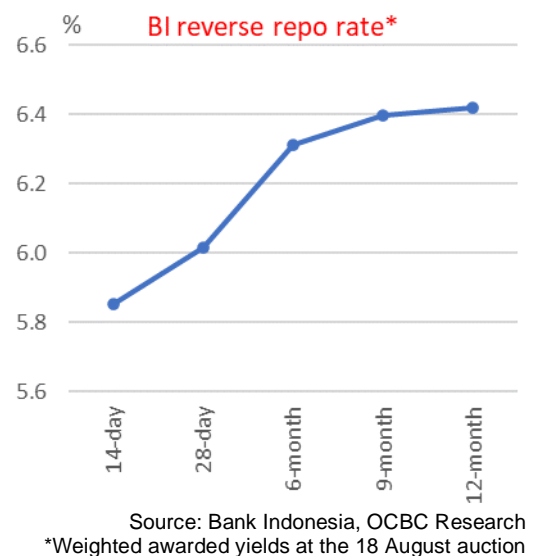
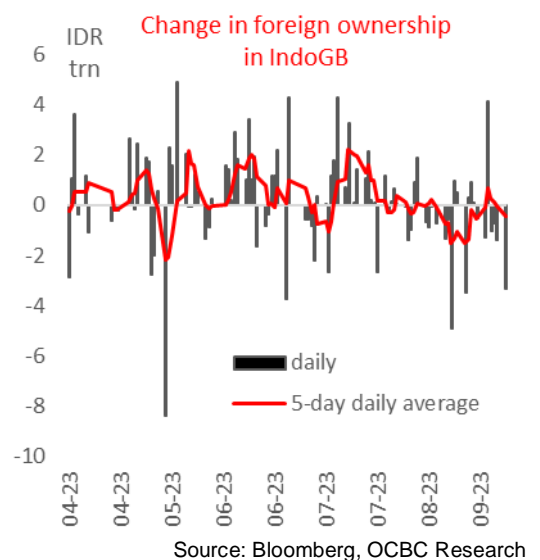
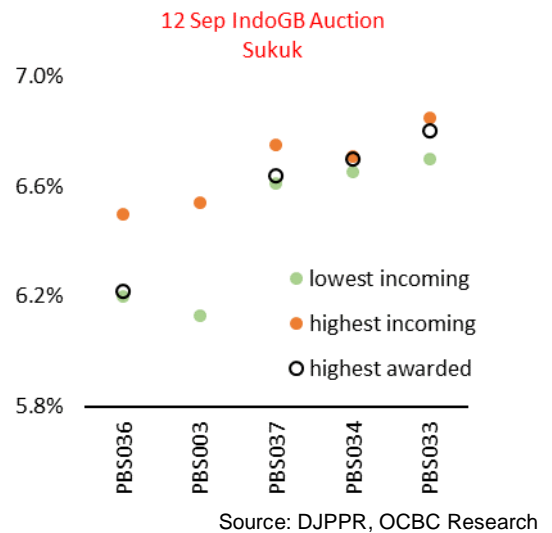
Months	Auction Dates	SPN			ON					SPNS	PBS					Total incoming Bid IDRtrn	Total Awarded Bid IDRtrn	Quarterly Target/Issued Amount IDRtrn	
April	04-Apr-23									6M	2Y	4Y		13Y	17Y	25Y	24.77	90.00	195.1
	11-Apr-23	3M		12M	5Y		10Y	15Y	20Y	30Y							45.00	16.05	
	Total																69.77	106.05	
May	09-May-23									6M	2Y	4Y	7Y	13Y		25Y	40.73	9.00	
	16-May-23	3M	9M		5Y		10Y	15Y	20Y	30Y							65.45	15.00	
	23-May-23									6M	2Y	4Y		13Y	17Y	25Y	54.75	7.00	
	29-May-23	3M		12M	5Y	8Y	10Y	15Y	20Y	30Y							58.44	15.00	
Total																219.37	46.00		
June	06-Jun-23									6M	2Y	4Y	7Y	13Y		25Y	60.04	7.00	
	13-Jun-23	3M	9M		5Y		10Y	15Y	20Y	30Y							76.24	15.00	
	20-Jun-23									6M	2Y	4Y		13Y	17Y	25Y	41.38	7.00	
	27-Jun-23	3M		12M	5Y		10Y	15Y	20Y	30Y							37.56	14.00	
Total																215.22	43.00		
Q2 Total																504.36	195.05		
July	04-Jul-23									6M	2Y	4Y	7Y	13Y		25Y	34.05	6.00	141.0
	11-Jul-23	3M	9M		5Y		10Y	15Y	20Y	30Y							47.80	13.00	
	18-Jul-23									6M	2Y	4Y		13Y	17Y	25Y	24.32	6.00	
	25-Jul-23	3M		12M	5Y		10Y	15Y	20Y	30Y							31.00	13.00	
Total																137.17	38.00		
August	01-Aug-23									6M	2Y	4Y	7Y	13Y		25Y	22.05	6.00	
	08-Aug-23	3M	9M		5Y	8Y	10Y	15Y	20Y	30Y							32.54	9.85	
	15-Aug-23									6M	2Y	4Y		13Y	17Y	25Y	20.18	6.00	
	22-Aug-23	3M		12M	5Y		10Y	15Y	20Y	30Y							34.60	7.87	
	29-Aug-23										6M	2Y	4Y	7Y	13Y	25Y	21.29	6.00	
Total																130.66	35.72		
September	05-Sep-23	3M	9M		5Y		10Y	15Y	20Y	30Y							20.10	13.20	
	12-Sep-23									6M	2Y	4Y		13Y	17Y	25Y	31.33	9.00	
	19-Sep-23	3M		12M	5Y		10Y	15Y	20Y	30Y									
	26-Sep-23										6M	2Y	4Y	7Y	13Y	25Y			
Total																			

Source: DJPPR, OCBC

## Interest Rates Focus

15 September 2023

- Recent auctions.** Demand at the recent conventional bond auction on 5 September was relatively soft. The auction received incoming bids of IDR20trn, compared to the average of IDR46trn for conventional bonds auction this year (excluding the 5 September auction). Cut-offs were high compared to incoming bid yield ranges for FR100 (10Y bond) and FR97 (20Y bond). The 10Y and 20Y yields went further higher over the past week on higher UST yields. The recent IndoGB performances were in line with our preference of not chasing the domestic yields lower given still compressed yield differentials with USTs. At the sukuk auction on 12 September, MoF awarded IDR9trn of bonds which was above indicative target of IDR6trn, probably upon demand ahead of a heavy maturity (at IDR43trn on 15 September). PBS36 (2025 bond) received the most incoming bids of IDR17trn but only IDR0.2trn of the bond was awarded; on the other hand, MoF awarded IDR4.2trn of PBS33 (2047 bond) against incoming bids of only IDR4.5134trn. Quarter-to-date gross issuances amounted to IDR95.9trn; Q3 gross supply is on track to come in at around IDR115trn versus initial plan of IDR141trn.
- Debt financing.** As of 5 September, MoF raised a net IDR196.0trn of funds, virtually no increase from a month ago (IRD198.2bn as of 8 August) as there was no fund-raising pressure. As of end-July, fiscal revenue amounted to IDR1614.8trn which was 65.6% of budgeted amount, while fiscal spending was at IDR1461.2trn which was 47.7% of budgeted amount, leaving a fiscal surplus fund at IDR153.5trn. In Q4, there are a total of 6 conventional bond auctions and 6 sukuk auctions. Supply is unlikely to be heavy judging from the fiscal positions, but it also depends on if MoF choose to leave some fiscal surplus or to pre-fund for next year.
- Investor flows.** Compared to end-July, banks' holdings of IndoGBs fell by IDR24trn to IDR1705trn as of 12 September; non-bank domestic investors' holdings increased by IDR33trn to IDR2058trn. Foreign investors' holdings fell by IDR15trn to IDR840trn, or 15.30% of outstanding. In August, foreign outflows amounted to IDR8.9trn; month-to-date (12 September) foreign outflows amounted to IDR5.9trn. Daily foreign flows have continued to fluctuate; a strong comeback of inflows into IndoGBs is not on the horizon yet, as IndoGB-UST yield differentials have largely stayed compressed.
- SRBI.** At the August MPC meeting, Bank Indonesia announced a new instrument, SRBI (Sekuritas Rupiah Bank Indonesia) as contractionary pro-market monetary operation instruments to attract foreign portfolio inflows. SRBI will replace BI RR (reverse repo) contracts. Bank Indonesia later provided further details on SRBI – that they will have returns similar to the RR rates. Starting from 15 September, 6-month, 9-month and 12-month SRBI will be auctioned every Wednesday and Friday. As a reference, the

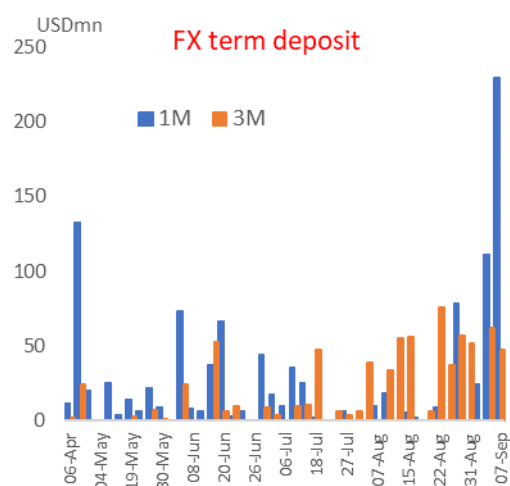


## Interest Rates Focus

15 September 2023

weighted awarded yields at the last RR auction which covered these tenors on 18 August were 6.312%, 6.395% and 6.419%, respectively, for the 6-month, 9-month and 12-month tenors. These rates appear appealing compared to short-end IndoGB yields, but whether they would attract strong foreign demand remains to be seen, which is a function of yield differentials (note the high US bill yields – recent cut-offs at around 5.3% for the 3M and 6M US T-bills), the amounts of SRBI offered, and the final yield outcome.

- BI FX deposit.** There were some notable increases in demand for the FX term deposit (TD Valas DHE) at the auctions on 5 September and 7 September, at which USD173mn and USD277.25mn of USD deposits were placed respectively. Demand for the 3M tenor picked up, which was not surprising given the 3-month holding period requirement – we would expect higher demand at the 3M or even 6M instruments but overall, interests remained concentrated on the 1M instrument. The preference for the short tenor may be partly due to the uncertain USD rates outlook and as such exporters avoided locking in the rates for a longer time horizon, notwithstanding the steeper FX term deposit rate curve compared to the USD OIS curve – the spread between 1M and 3M TD Valas DHE interest rate was 17bps (on 7 September) while the spread between 1M and 3M USD OIS was around 7bps. Rates paid on the FX term deposit have remained comparable to US T-bill yields and NDF implied USD rates.

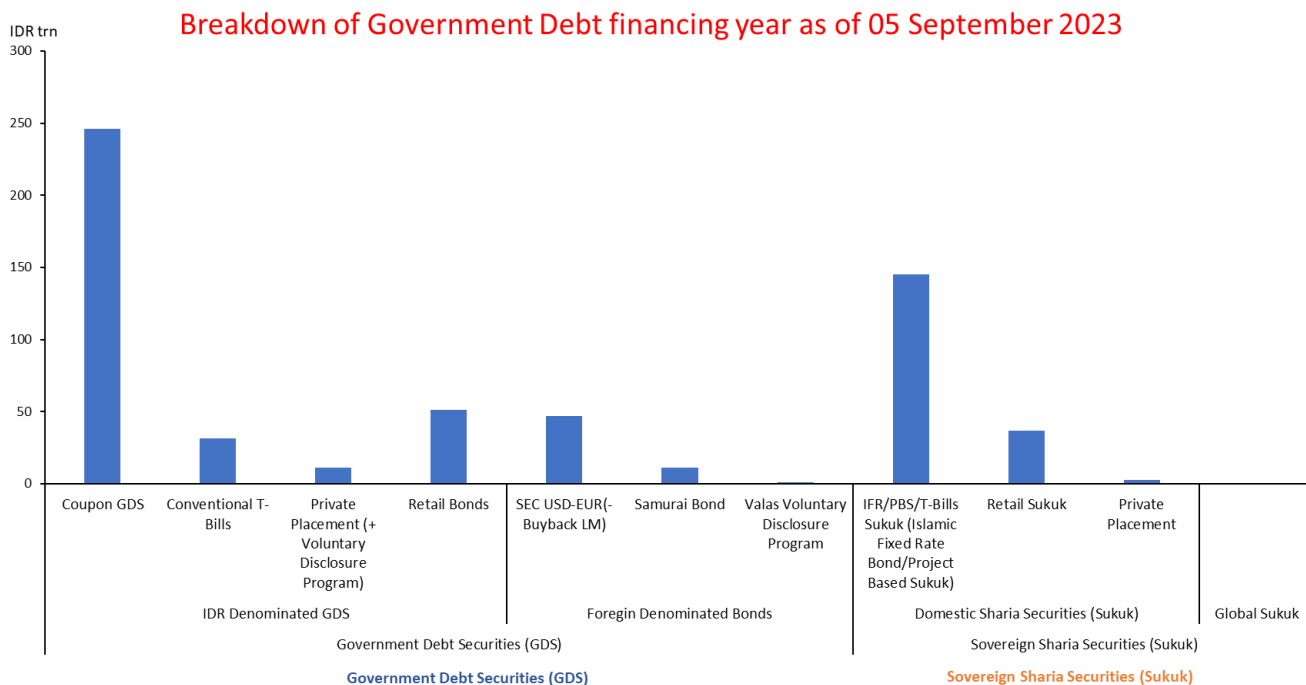


Source: Bank Indonesia, OCBC  
\*data as of 7 September

## Interest Rates Focus

15 September 2023

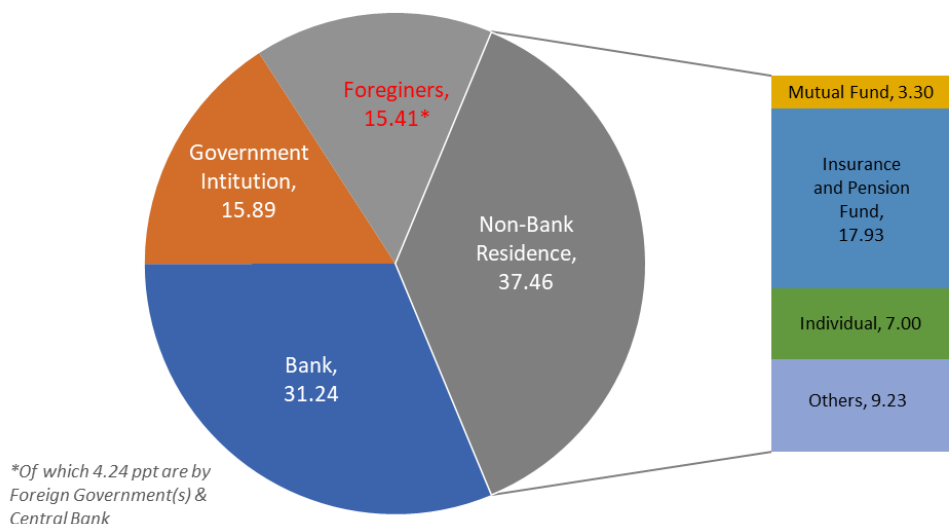
### Debt financing



Source: DJPPR, OCBC

### Bond holders

Ownership of Tradable Domestic Government Securities as of 05 September 2023, %



Source: DJPPR, OCBC

## Global Markets Research & Strategy

### Macro Research

**Selena Ling**

*Head of Strategy & Research*

[LinaSSSelena@ocbc.com](mailto:LinaSSSelena@ocbc.com)

**Tommy Xie Dongming**

*Head of Greater China Research*

[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Keung Ching (Cindy)**

*Hong Kong & Macau*

[cindyckeung@ocbcwh.com](mailto:cindyckeung@ocbcwh.com)

**Herbert Wong**

*Hong Kong & Macau*

[herberthwong@ocbcwh.com](mailto:herberthwong@ocbcwh.com)

**Lavanya Venkateswaran**

*Senior ASEAN Economist*

[lavanvavenkateswaran@ocbc.com](mailto:lavanvavenkateswaran@ocbc.com)

**Ahmad A Enver**

*ASEAN Economist*

[ahmad.enver@ocbc.com](mailto:ahmad.enver@ocbc.com)

**Jonathan Ng**

*ASEAN Economist*

[JonathanNg4@ocbc.com](mailto:JonathanNg4@ocbc.com)

**Ong Shu Yi**

*ESG*

[ShuyiOng1@ocbc.com](mailto:ShuyiOng1@ocbc.com)

### FX/Rates Strategy

**Frances Cheung**

*Rates Strategist*

[FrancesCheung@ocbc.com](mailto:FrancesCheung@ocbc.com)

**Christopher Wong**

*FX Strategist*

[christopherwong@ocbc.com](mailto:christopherwong@ocbc.com)

### Credit Research

**Andrew Wong**

*Credit Research Analyst*

[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

*Credit Research Analyst*

[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

*Credit Research Analyst*

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Chin Meng Tee**

*Credit Research Analyst*

[MengTeeChin@ocbc.com](mailto:MengTeeChin@ocbc.com)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

Co.Reg.no.:193200032W