

Higher Bond Yield due to External Risks

Economic Indicators	2022	2023F
Real GDP (% yoy)	5.31	5.04
Inflation (% yoy, eoy)	5.51	3.00
Inflation (% yoy, avg)	4.21	3.79
BI 7D RR Rate (%)	5.50	5.75
USD/IDR (eoy)	15,568	14,864
USD/IDR (avg)	14,874	15,031
CA (% of GDP)	1.00	-0.65

F = OCE BMRI forecast
yoy = year on year
eoy = end of year
avg = average

Key Rates (%)	Dec'22	Aug'23*
BI 7D RR Rate	5.50	5.75
Deposit Facility Rate	4.75	5.00
Lending Facility Rate	6.25	6.50
IndONIA	5.02	5.58
JIBOR 1-month	6.20	6.40
JIBOR 3-month	6.62	6.74
JIBOR 6-month	6.71	6.75
Fed Funds Rate	4.50	5.50
ECB Rate	2.50	4.25
BOE Rate	3.50	5.25
BOJ Rate	-0.10	-0.10

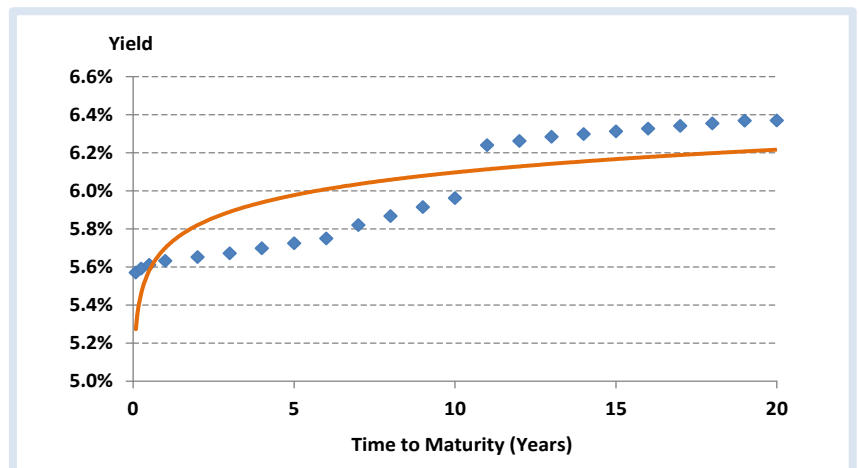
*) as of 29 August 2023

IDR Bond Yield (%)	2022	2023F
1-year	5.64	5.61
2-year	6.08	5.67
3-year	6.35	5.70
5-year	6.20	5.75
10-year	6.94	6.24
20-year	7.11	6.37

Sumber: Office of Chief Economist,
Bloomberg, CEIC

Reny Eka Putri
Senior Quantitative Analyst
reny.putri@bankmandiri.co.id
+62 21 524 5516

- The Government has issued SBN (gross issuance) of IDR562.88 tn throughout 2023.** As of August 22, 2023, Rupiah government bond issuance reached IDR325.94 tn and sukuk at IDR178.01 tn. The bond market is still an attractive investment alternative for investors as the domestic bond market recorded capital inflow throughout 2023. As of August 28, 2023, the capital inflow was reported at IDR82.8 tn (ytd). At the time, foreign ownership was recorded at IDR845 tn (15.4% of total SBN holdings), an increase compared to the end of December 2022, which amounted to IDR762.2 tn (14.4% of total SBN holdings).
- Bank Indonesia decided to hold the benchmark interest rate.** In the 23 - 24 August 2023 Governors' meeting, Bank Indonesia (BI) decided to maintain the BI 7-Days Reverse Repo Rate (BI 7D RRR) at 5.75% as the policy now focuses on strengthening rupiah stability amid global financial market uncertainty. Bank Indonesia supported rupiah stabilization through intervention in the foreign exchange market with a focus on spot transactions and Domestic Non-Deliverable Forwards (DNDF), as well as issuing Bank Indonesia Rupiah Securities (SRBI) as pro-market contraction instruments to strengthen money market deepening efforts and optimize SBN assets held by the Central Bank as underlying to attract capital flows back into the domestic market.
- External factors still influence the movement of bond yield.** Domestic bond yield had increased in line with higher US treasury yield as hawkish The Fed. Federal Reserve Chairman, Jerome Powell, said in a speech at Jackson Hole on August 2023 that the Fed could raise the Fed Funds Rate (FFR) again if needed and planned to maintain restrictive policy until inflation moves sustainably lower toward 2%. This stance was supported by stronger-than-expected US economic data. Powell also indicated at the next FOMC September 2023, the FFR may remain unchanged while evaluating recent data developments and potential future risks. Now, FFR is at its highest level for 22 years at the 5.25% - 5.50% range.
- Our View: Risk factors will decrease going forward.** As of August 29, 2023, the yield on the Government's benchmark rupiah bonds with a tenor of 10-year was 6.38% (-56 bps ytd). We revised our projection on benchmark bond yields due to a stable rupiah around 14,800 - 14,900 per USD, the inflation rate at 3.0% (lower than 5.51% in 2022), and the BI 7D RRR will stay at 5.75% until the end of this year. The bond yield with a tenor of 10-year will be around 6.24% at the end of 2023.

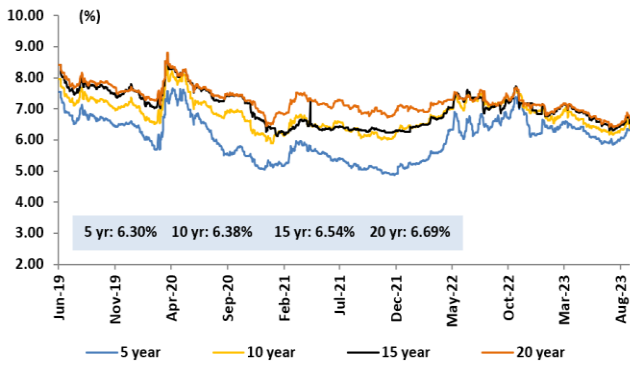


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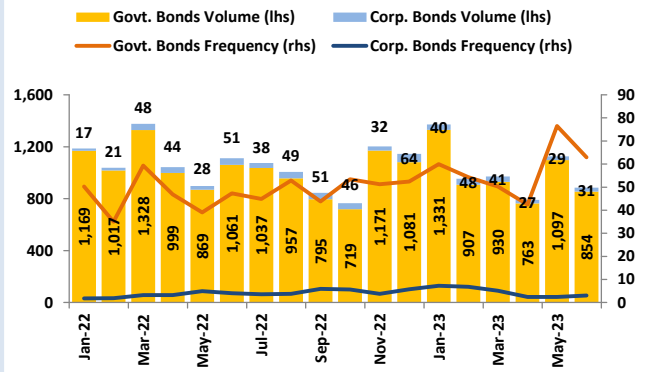


Government Bond Yield of Benchmark Series



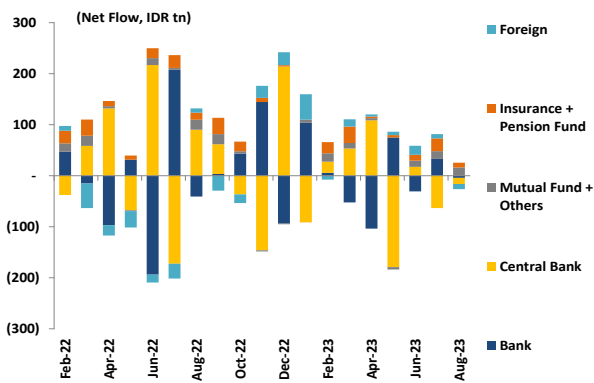
Source: Bloomberg, as of 29 August 2023

Government and Corporate Bond Market Transaction



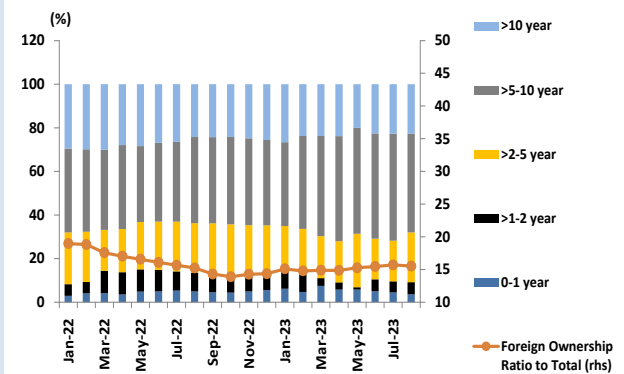
Source: Indonesia Stock Exchange (IDX)

Tradable Domestic Government Bond Flow by Ownership



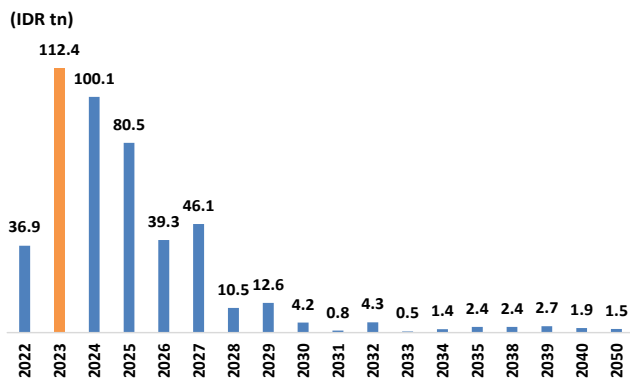
Source: DJPPR, as of 28 August 2023

Foreign Ownership of Government Bond by Tenor



Source: DJPPR, as of 28 August 2023

Government Bond Maturity



Source: KSEI

Government Securities Financing Realization

SBN Issuances (IDR tn)	2021 (YTD)	2022 (YTD)	2023 (YTD)
Gross Issuances	1301.65	1053.63	562.88
Government Debt Securities (GDS)	764.63	542.96	384.87
Domestic GDS	649.38	480.02	325.94
Coupon GDS	522.03	347.21	232.82
Conventional T-bills	55.35	68.61	31.15
Retail Bonds	48.50	52.00	51.08
Private Placement (+Voluntary Disclosure Program)	23.50	12.20	10.89
Global GDS	115.25	62.94	58.93
SEC USD-EUR (- Buyback LM)	92.41	53.23	46.77
Samurai Bonds	13.18	8.76	11.24
SDG Bonds	8.36	0.00	0.00
Liability Management	1.30	0.00	0.00
Valas Voluntary Disclosure Program	0.00	0.95	0.92
Special Instrument	-	-	-
Government Islamic Debt Securities (GIDS)	322.02	286.67	178.01
Domestic GIDS	279.23	237.16	178.01
IFR/PBS/T-bills sukuk	219.25	169.62	139.00
Retail Sukuk	48.73	55.42	36.50
Private Placement	11.25	12.12	2.51
Global GIDS	42.79	49.51	-
BI Purchase (SKB III)	215.00	224.00	-

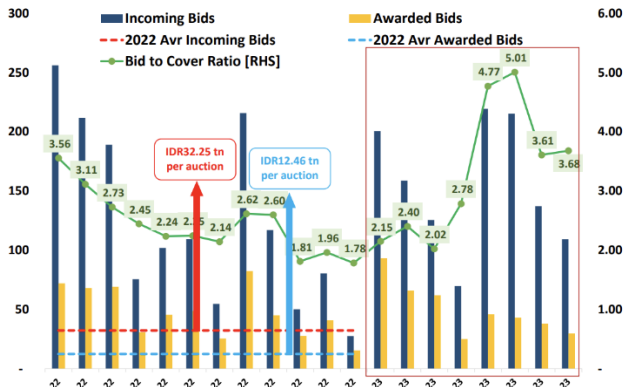
Source: DJPPR, as of 22 August 2023

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Government Securities Primary Market Performances



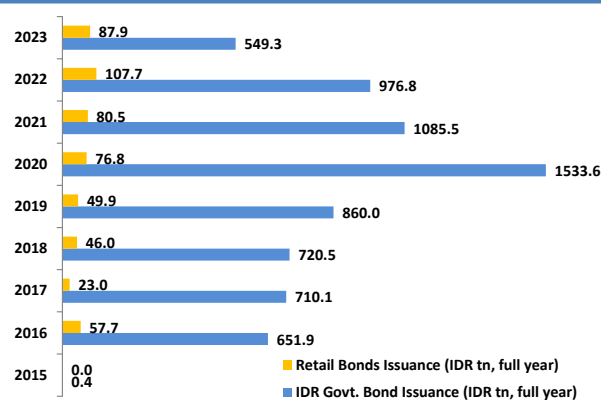
Source: DJPPR, as of 28 August 2023

Indonesia LT Sovereign Credit Rating

Year	Rating Agency				
	Standard & Poor's	Fitch	Moody's	R&I	JCRA
2010	BB	BB+	Ba2	BB+	BBB-
2011	BB+	BBB-	Ba1	BB+	BBB-
2012	BB+	BBB-	Baa3	BBB-	BBB-
2013	BB+	BBB-	Baa3	BBB-	BBB-
2014	BB+	BBB-	Baa3	BBB-	BBB-
2015	BB+	BBB-	Baa3	BBB-	BBB-
2016	BB+	BBB-	Baa3	BBB-	BBB-
2017	BBB-	BBB	Baa3	BBB-	BBB-
2018	BBB	BBB	Baa2	BBB	BBB
2019	BBB	BBB	Baa2	BBB	BBB
2020	BBB	BBB	Baa2	BBB+	BBB+
2021	BBB	BBB	Baa2	BBB+	BBB+
2022	BBB	BBB	Baa2	BBB+	BBB+
2023	BBB	BBB	Baa2	BBB+	BBB+

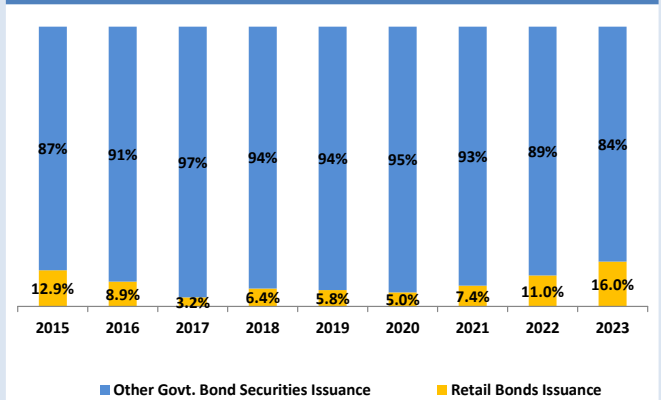
Source: Bloomberg, as of 29 August 2023

Government Bonds Issuance Trend



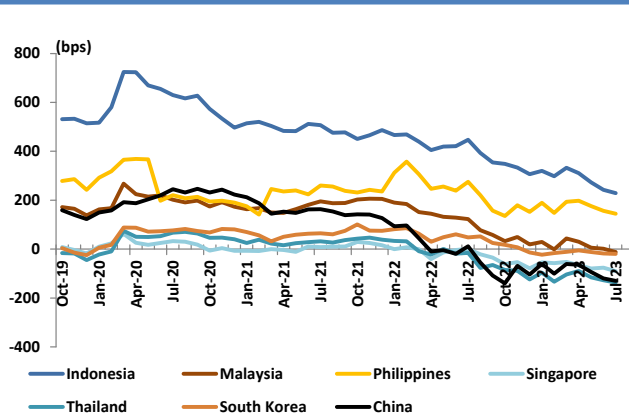
Source: DJPPR, as of 18 August 2023

Retail Bonds to Total Issuance Ratio



Source: DJPPR, as of 18 August 2023

10-year Regional Government Bond Yield vs. UST Spread



Source: Bloomberg, as of 29 August 2023

5-year & 10-year Regional Government Bond Price

Country	Maturity	Last Price	% change (mom)	% change (ytd)
Thailand	5Y	100.0	0.00	0.00
	10Y	100.3	0.00	0.00
Malaysia	5Y	100.0	0.00	0.00
	10Y	100.8	(0.08)	(0.03)
South Korea	5Y	101.4	0.00	0.00
	10Y	100.3	0.17	0.54
Philippines	5Y	100.0	0.00	0.00
	10Y	98.1	0.00	0.54
China	5Y	100.2	0.00	0.00
	10Y	102.7	(0.28)	(0.99)
Singapore	5Y	100.0	0.00	0.00
	10Y	100.0	0.00	0.55

Source: Bloomberg, as of 29 August 2023

Our Team

MACROECONOMIC AND FINANCIAL MARKET RESEARCH

Chief Economist

Andry Asmoro

Head of Macroeconomic and Financial Market Research

Dian Ayu Yustina

Senior Quantitative Analyst

Reny Eka Putri

Economist

Faisal Rachman

Junior Economist

Andhi Prasetyo Hadi

Junior Economist

Shahifa Assajjadiyyah

Office Address

Plaza Mandiri 18th Floor

Jl. Jend. Gatot Subroto Kav. 36 - 38, Jakarta 12190, Indonesia

Email : oce@bankmandiri.co.id

Website: www.bankmandiri.co.id

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