

Capital Inflow amid The Fed's Hawkish Policies

Economic Indicators	2022	2023F
Real GDP (% yoy)	5.31	5.04
Inflation (% yoy, eoy)	5.51	3.60
Inflation (% yoy, avg)	4.21	4.62
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	Jun'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	5.63
JIBOR 1-month	6.20	6.39
JIBOR 3-month	6.62	6.75
JIBOR 6-month	6.71	6.75
Fed Funds Rate	4.50	5.25
ECB Rate	2.50	4.00
BOE Rate	3.50	5.00
BOJ Rate	-0.10	-0.10

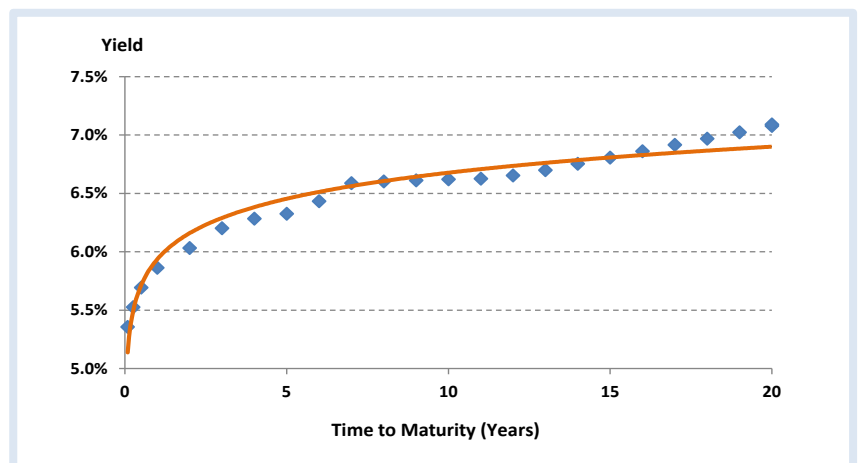
*) as of 23 June 2023

IDR Bond Yield (%)	2022	2023F
1-year	5.64	6.03
2-year	6.08	6.20
3-year	6.35	6.28
5-year	6.20	6.43
10-year	6.94	6.63
20-year	7.11	7.09

Sumber: Office of Chief Economist,
Bloomberg, CEIC

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- **The Government has issued SBN (gross issuance) of IDR438.41 tn throughout 2023.** As of June 13, 2023, Rupiah government bond issuance reached IDR232.82 tn and sukuk at IDR146.82 tn. This bond auction has fulfilled around 37% of the total SBN issuance target in 2023. The bond market is still an alternative investment in the midst of higher risks of global uncertainty even though there is potential from the external side when the Fed still indicates further interest rate hikes.
- **The domestic bond market recorded capital inflow throughout 2023.** As of June 21, 2023, the capital inflow was reported at IDR13.6 tn (mtd) or IDR80.8 tn (ytd). At the time, foreign ownership was recorded at IDR842.9 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). Meanwhile, BI's ownership in the SBN market was recorded at IDR970.2 tn (17.8% of total SBN holdings), lower than IDR1,020 tn (19.2% of total SBN holdings) in December 2022.
- **Bank Indonesia decided to hold the benchmark interest rate.** In the 21-22 June 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 focus on strengthening rupiah stability and to manage imported inflation as well as mitigate the contagion effect of global financial market uncertainty. Bank Indonesia will continue the triple interventions and twist operation to increase the attractiveness of SBN yields for foreign portfolio investment inflows. As we advance, BI sees that the inflation rate will return to the 2% - 4% target in the remainder of 2023.
- **The Fed leaves rates unchanged but expects more hikes.** The Fed left the target for the Fed Funds Rate (FFR) unchanged at 5% - 5.25% in Jun-23 FOMC meeting, but signalled rates may go to 5.6% by year-end of 2023 if the economy and inflation do not slow down more. The yield on the US 10-year Treasury note reached around 3.8%, approaching high levels not seen in three months, amid hawkish signals from the Fed.
- **Our View: Bond yields remained attractive.** As of Jun 23, 2023, the yield on the Government's benchmark rupiah bonds with a tenor of 10-year was 6.32% (-59.5 bps ytd). We maintained our projection on benchmark bond yields due to a stable rupiah around 14,800 - 14,900 per USD, the inflation rate at 3.6% (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 6.63% at the end of 2023.

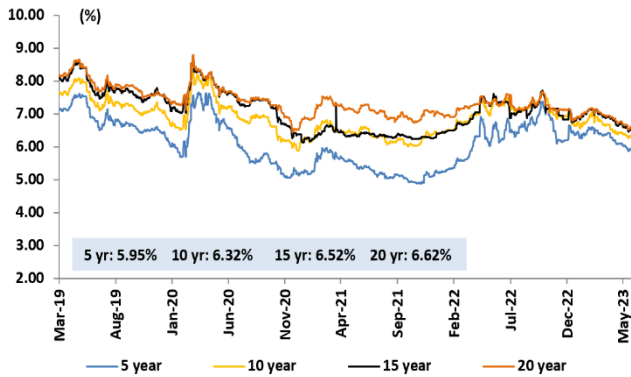


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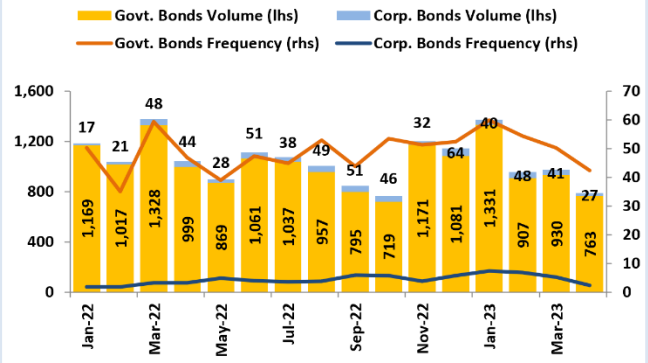


Government Bond Yield of Benchmark Series



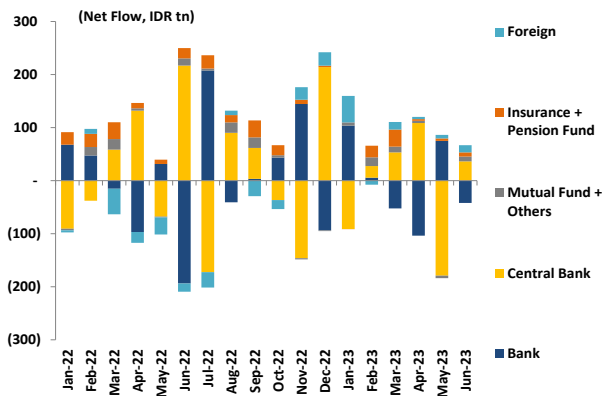
Source: Bloomberg, as of 23 June 2023

Government and Corporate Bond Market Transaction



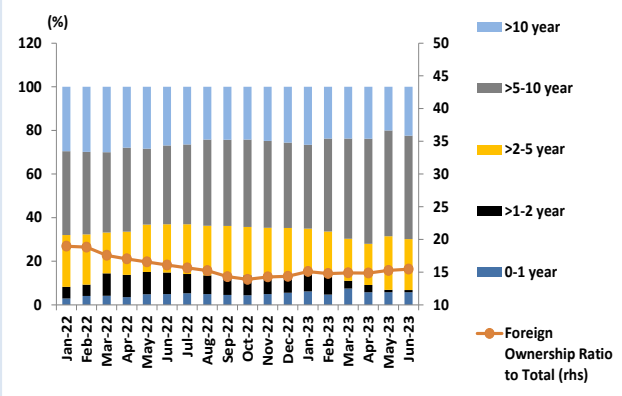
Source: Indonesia Stock Exchange (IDX)

Tradable Domestic Government Bond Flow by Ownership



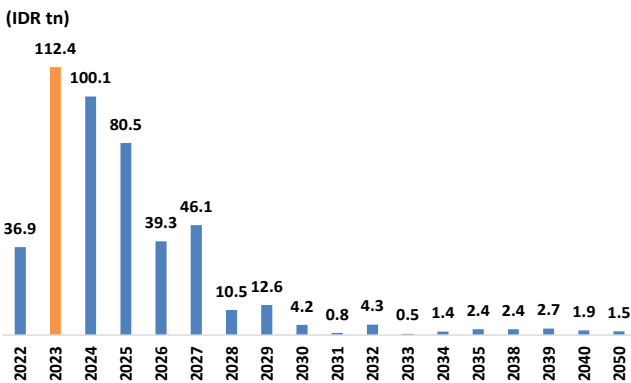
Source: DJPPR, as of 21 June 2023

Foreign Ownership of Government Bond by Tenor



Source: DJPPR, as of 21 June 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	438.41
Government Debt Securities (GDS)	764.63	542.96	291.59
Domestic GDS	649.38	480.02	232.81
Coupon GDS	522.03	347.21	178.25
Conventional T-bills	55.35	68.61	28.00
Retail Bonds	48.50	52.00	22.18
Private Placement (+Voluntary Disclosure Program)	23.50	12.20	4.38
Global GDS	115.25	62.94	58.78
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	0.77
Special Instrument	-	-	-
Government Islamic Debt Securities (GIDS)	322.02	286.67	146.82
Domestic GIDS	279.23	237.16	146.82
IFR/PBS/T-bills sukuk	219.25	169.62	108.00
Retail Sukuk	48.73	55.42	36.50
Private Placement	11.25	12.12	2.32
Global GIDS	42.79	49.51	-
BI Purchase (SKB III)	215.00	224.00	-

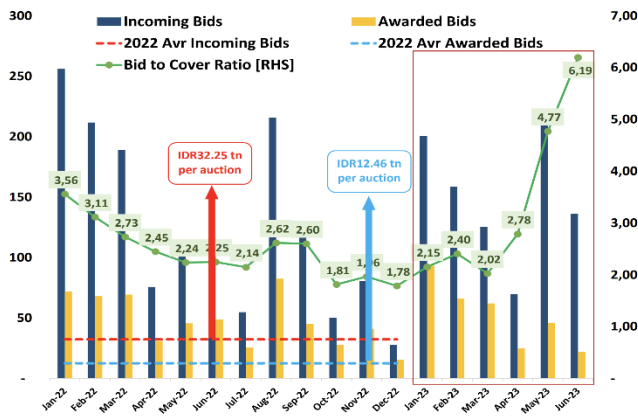
Source: DJPPR, as of 13 June 2023

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Government Securities Primary Market Performances



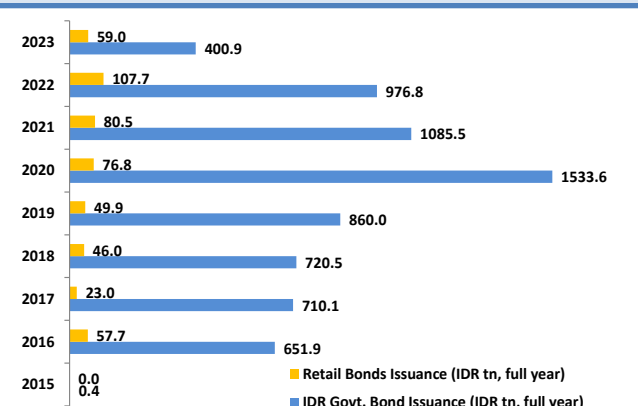
Source: DJPPR, as of 13 June 2023

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+

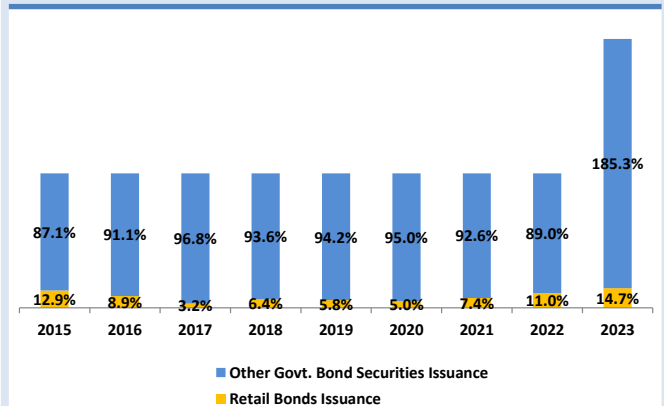
Source: Bloomberg, as of 23 June 2023

Government Bonds Issuance Trend



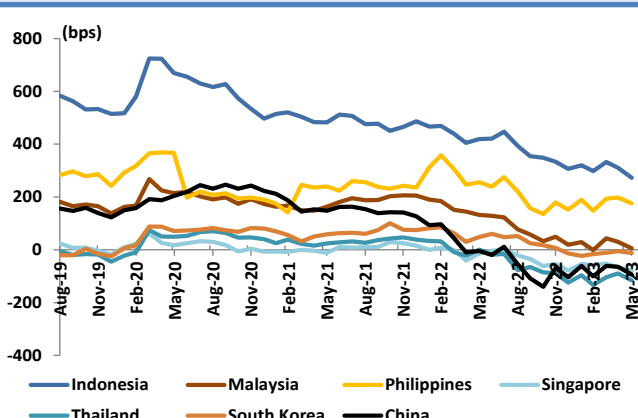
Source: DJPPR, as of 22 June 2023

Retail Bonds to Total Issuance Ratio



Source: DJPPR, as of 22 June 2023

10-year Regional Government Bond Yield vs. UST Spread



Source: Bloomberg, as of 23 June 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	100.9	(0.16)	(0.33)
South Korea	5Y	101.4	0.00	0.00
	10Y	100.2	0.44	0.05
Philippines	5Y	100.0	0.00	0.00
	10Y	97.7	(0.19)	(0.17)
China	5Y	100.2	0.00	0.00
	10Y	103.2	(0.05)	(0.08)
Singapore	5Y	100.0	0.00	0.00
	10Y	100.0	0.11	0.39

Source: Bloomberg, as of 23 June 2023

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