

# Result of Sukuk Auction

## High CoF Suppress The Last Auction of 1Q20

### Tuesday's Sukuk Negara Auction

	SPNS11092020	PBS002	PBS026	PBS004	PBS005
<b>Incoming Bid</b>	Rp10.18 Trn.	Rp2.25 Trn.	Rp0.36 Trn.	Rp1.32 Trn.	Rp0.48 Trn.
<b>Highest Incoming Bid Yield</b>	6.00%	7.50%	7.50%	8.97%	9.50%
<b>Lowest Incoming Bid Yield</b>	3.00%	5.97%	7.06%	8.66%	8.94%
<b>Weighted Average Yield</b>	3.07%	-	7.16%	8.75%	9.01%
<b>Nominal Won</b>	Rp5.15 Trn.	-	Rp0.24 Trn.	Rp0.77 Trn.	Rp0.44 Trn.
<b>Bid-to-cover ratio</b>	1.98x	-	1.53x	1.72x	1.09x

Source: DJPPR, INHSI Research

#### Government Absorbs Lower than Indicative Target

The Indonesia Government through the Directorate General of Financing and Risk Management (DJPPR) held Sovereign Syariah Securities (SBSN) or Sukuk Negara on Tuesday of March 24, 2020. The total incoming bids amounted to IDR14.61 trillion, but the Government only absorbed IDR6.60 trillion or 94.2% from the indicative target of IDR7 trillion. The hike in Cost of Fund (CoF) was indicated by higher yields in the last two trading so that the Government was more selective in auctioning the last Sukuk Negara of 1Q20.

#### Yields Increase to 146 Bps

At this auction, the project-based Sukuk Negara series PBS026 (reopening) with a short tenor of four years posted a weighted average yield of 7.16% or 146 bps higher than a 5.70% weighted average yield of Sukuk Negara auction on March 10, 2020. The higher yield spurred CoF guaranteed by the Government as the issuer of SBSN amid the high investment risks in Indonesia since 2015; thus, some investors have less appetite for short-term bonds. Of note, Credit Default Swap (CDS) to spike on Friday's trading due to climbing-higher CDS necessarily means high default risks. That was an investment risk profile. On Friday's trading session, Indonesia CDS with 5 and 10-year tenor respectively at 246.12 and 326.18: the highest level since 2015.

#### Government Does Not Absorb PBS002

High CoF was one of the reasons underlying the Government's decision not to absorb Sukuk Negara with year tenors PBS002 posting incoming bids with yields hovering at 5.96%-7.50% at Tuesday's auction of March 24, 2020. The yield indication was higher by 100 bps-200 bps from yields of 4.90%-5.50% from auction dated March 10, 2020. The Government mostly absorbed PBS002 series to give IDR2.4 trillion worth of proceeds with the weighted yield average at 4.97%. In the same auction date, the Government offered Sukuk Negara series PBS004 (reopening) with the middle tenor of 17 years and absorbed this series to give the proceeds of IDR770 billion or a 58.2% of the incoming bids amounting to IDR32 trillion. Of note, PBS004 has the weighted average yield at 8.74% and the yield bids hovering at 8.65%-8.96%.

#### Government Aggressively Absorbs Short Tenor

On the other side, funds allocated to 2020's state budget for containing the virus triggered the Government to absorb IDR5.15 trillion worth of SPNS11092020 (reopening) or 50% higher than incoming bids of IDR10.18 trillion. The Government currently re-allocates the state budget for the procurement of COVID-19 rapid testing kits and free and massive detection of the virus, personal protective equipment wore by healthcare workers, hospitals' additional facilities and supplies for COVID-19 treatment, free medical treatments for patients infected by the virus, efforts to containing the virus spread.

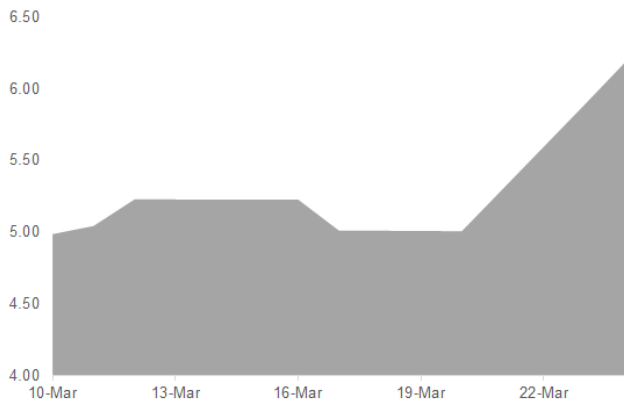
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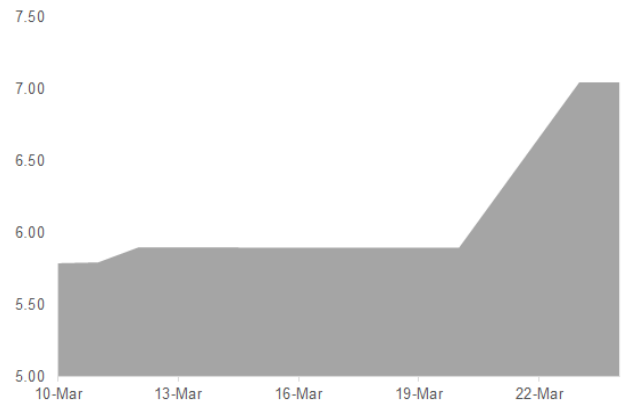
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**PBS002 Yield Movement | Mar. 10th - 24th. 2020**



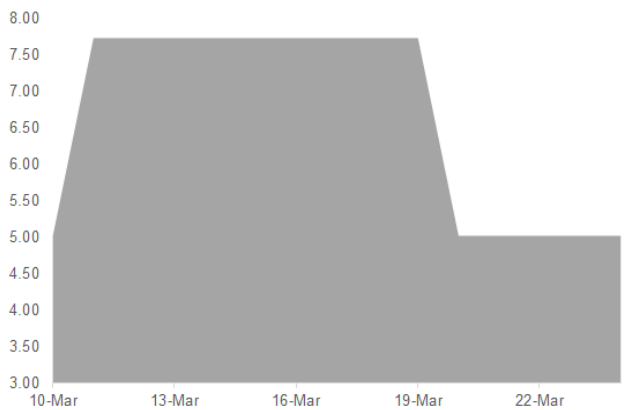
Source: Bloomberg, NHKSI Research

**PBS026 Yield Movement | Mar. 10th - 24th. 2020**



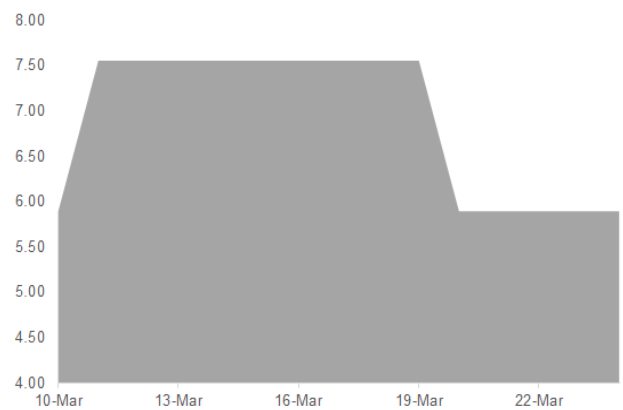
Source: Bloomberg, NHKSI Research

**PBS004 Yield Movement | Mar. 10th - 24th. 2020**



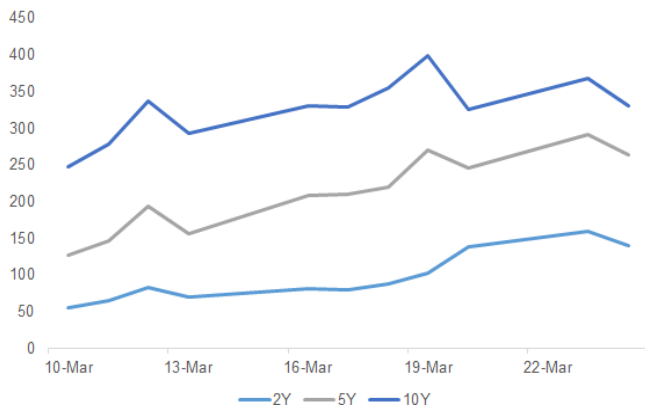
Source: Bloomberg, NHKSI Research

**PBS005 Yield Movement | Mar. 10th - 24th. 2020**



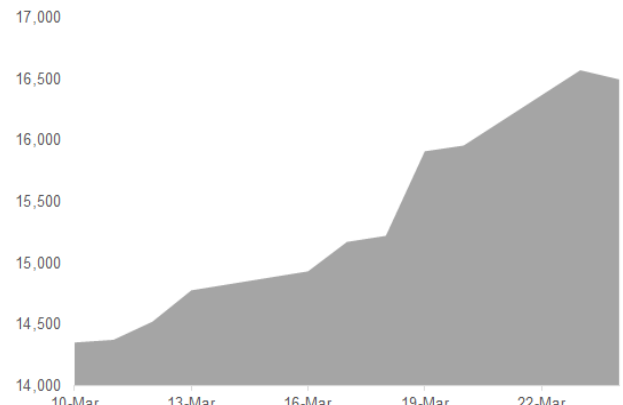
Source: Bloomberg, NHKSI Research

**USD/IDR Movement | Mar. 10th - 24th. 2020**



Source: Bloomberg, NHKSI research

**Indonesia CDS Movement | Mar. 10th - 24th. 2020**



Source: Bloomberg, NHKSI research

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