Morning Brief

NH KORINDO SEKURITAS

Daily | December 11, 2020

Today's Outlook:

Government Bonds

Post-Pilkada consolidation, amid ADB projections. The running of regional head elections has pushed the bond market back to consolidation. Yesterday's trade was also supported by external sentiment, the election of Janet Yellen as US Treasury Secretary will bring a pro-stimulus policy. The end of the auction of Sovereign Debt Instruments (SUN) and Sukuk in 2020, resulting in a low supply of the bond market. Yesterday, FR0086 and FR0087 returned to record yields towards the psychological level of 5% and 6%, respectively. The Asian Development Bank (ADB) cut its projection for Indonesia's economic growth in 2021 from the previous projection of 5.3% to 4.5%. On the other hand, ADB projects that Indonesia's domestic demand will only recover in 2022. This lower projection has made Indonesian capital market players interested in government bonds. Meanwhile, the Composite Stock Price Index (JCI) was under pressure after touching the psychological level of 6,000 and the announcement of a 12.5% increase in cigarette excise rates in 2021.

Corporate Bonds

Soechi Lines Notes Buyback USD 122.5 Million. Soechi Lines Tbk (SOCI), through Soechi Capital Pte Ltd, received approval from 61.3% of global debt securities investors (senior notes) maturing in 2023 related to the senior notes buyback plan. For the purposes of this action, the company obtained a syndicated term loan facility of USD 180 million. Soechi Capital completed the tender offer in cash for buyback senior notes on December 8, 2020. As a result, as much as 61.3% of senior notes investors representing USD 122.51 million, of the total outstanding senior notes of USD 200 million, approved the company's plan. (Investor Daily)

Domestic Issue

Cigarette Excise 2021 Up 12.5%. The Minister of Finance conveyed that the average increase in tobacco excise rates (CHT) or cigarette excise in 2021 is 12.5%. This weighted average of each production amount and class of cigarettes, this excise policy is based on CHT rates which need to change and need to be increased in 2021 with consideration of various aspects. Meanwhile, the increase in the average cigarette excise rate next year is lower than this year, which will increase by an average of 23%. On the other hand, the Minister of Finance hopes that the increase in cigarette excise rates in 2021 can control consumption of these excisable goods. Mainly reducing the prevalence rate of smokers aged 10 years to 18 years by 8.7% in 2024. (Kontan)

Recommendation

Back to the US Stimulus. The tug of war of certainty over US fiscal stimulus affects the rupiah exchange rate, which in turn has an impact on the domestic bond market. Yesterday, the rupiah exchange rate was relatively stagnant at IDR 14,105 / USD level on the spot market. These talks ran into a deadlock as Trump planned to reduce claims for unemployment benefits. This sentiment, at the same time, covers up the positive sentiment of the Covid-19 vaccine, which has begun to be used in a number of countries. In the short term, investors can look back at FR0086, FR0087, PBS017, and PBS028.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	3.75%	4.00%	Real GDP	-3.49%	-5.32%
FX Reserve (USD bn)	133.66	135.15	Current Acc (USD bn)	0.96	(2.94)
Trd Balance (USD bn)	3.61	2.44	Govt. Spending Yoy	9.76%	-6.90%
Exports Yoy	-3.29%	-0.51%	FDI (USD bn)	3.92	4.56
Imports Yoy	-26.93%	-18.88%	Business Confidence	104.82	105.33
Inflation Yoy	1.44%	1.42%	Cons. Confidence*	79.00	83.40

PRICE OF BENCHMARK SERIES

FR0081 (5yr): +0.2 Bps to 105.82 (5.03%)
FR0082 (10yr): -1.7 Bps to 106.09 (6.15%)
FR0080 (15yr): -1.9 Bps to 108.46 (6.58%)
FR0083 (20yr): -1.2 Bps to 106.87 (6.85%)

FR0086 (6yr): -1.1 Bps to 102.05 (5.05%)
FR0087 (11yr): -1.8 Bps to 103.13 (6.08%)

CDS of Indonesia Bonds

CDS 2yr: -0.61% to 25.08
CDS 5yr: +1.10% to 69.41
CDS 10yr: -0.53% to 129.20

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.18%	-0.02%
USDIDR	14,105	-0.04%
KRWIDR	12.94	-0.62%

Global Indices

Index	Last	Chg.	%
Dow Jones	29,999.26	(69.55)	-0.23%
S&P 500	3,668.10	(4.72)	-0.13%
FTSE 100	6,599.76	35.47	0.54%
DAX	13,295.73	(44.53)	-0.33%
Nikkei	26,756.24	(61.70)	-0.23%
Hang Seng	26,410.59	(92.25)	-0.35%
Shanghai	3,373.28	1.31	0.04%
KOSPI	2,746.46	(9.01)	-0.33%
EIDO	23.40	0.34	1.47%

Commodities

Commodity	Last	Chg.	%
Gold (USD/t oz)	1,836.6	(3.0)	-0.16%
Crude Oil (USD/B)	46.78	1.26	2.77%
ICE NewCastle (USD/ton)	79.60	2.20	2.84%
LME Nickel (USD/MT)	16,703	305.0	1.86%
LME Tin (USD/MT)	19,442	267.0	1.39%
CPO (MYR/ton)	3,403	45.0	1.34%

Date	Country	Hour	Event	Period	Actual	Consensus	Previous
Monday	ID	10:00	Foreign Reserves	Nov		--	$133.66b
07 - Dec	GE	14:00	Industrial Production SA MoM	Oct		0.70%	1.60%
Tuesday	ID		Consumer Confidence Index	Nov		--	79
08 - Dec	GE	17:00	ZEW Survey Expectations	Dec		35	39
	EC	17:00	GDP SA QoQ	3Q20		12.60%	12.60%
	EC	17:00	GDP SA YoY	3Q20		-4.30%	-4.40%
Wednesday	CH	08:30	PPI YoY	Nov		-1.80%	-2.10%
09 - Dec	CH	08:30	CPI YoY	Nov		0.00%	0.50%
	US	19:00	MBA Mortgage Applications	Dec		--	-0.60%
Thursday	UK	14:00	Industrial Production MoM	Oct		0.30%	0.50%
10 - Dec	EC	19:45	ECB Deposit Facility Rate	Dec		-0.50%	-0.50%
	US	20:30	CPI MoM	Nov		0.10%	0.00%
	US	20:30	Initial Jobless Claims	Dec		--	712k
Friday	US	20:30	PPI Final Demand MoM	Nov		0.10%	0.30%
11 - Dec	US	22:00	U. of Mich. Sentiment	Dec		76.3	76.9

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