

# Morning Brief

## Today's Outlook:

### Government Bonds

**ECB Stimulus Hit Emerging Market Yields.** Apart from holding back its benchmark interest rate, the European Central Bank (ECB) has also added liquidity injections to the financial system. The ECB increased the value of the purchase of bonds worth 500 billion Euros amidst widespread lockdowns due to the second wave of Corona. This has caused excess liquidity to flow to emerging markets, such as Government Securities (SBN), because they still offer attractive yields. The interest rates for the main refinancing operation, marginal loan facility and ECB deposit facility remained at the level of 0.00%, 0.25% and -0.5%, respectively. At the end of the week, all benchmark series posted yield cuts, with the FR0083 the most in more than 7 bps. Investors are also interested in FR0086 and FR0087, which recorded a drop in yields of 0.2 bps and 3.3 bps, respectively.

### Corporate Bonds

**Indosat Paid Off IDR 301 Billion Bonds.** Issuer telecommunications Indosat Tbk. (ISAT) announced that it has made a debt securities settlement payment. Indosat has paid the principal for the Shelf Registration Bond I Phase III Year 2015 Series B amounting to IDR 301 billion. Meanwhile, the source of funds for bond principal repayment comes from the issuer's internal cash. For the record, the Indonesian Securities Rating Agency (Pefindo) has affirmed the "idAAA" rating for Indosat Tbk (ISAT) and a number of debt securities that have been issued by the company. Based on Pefindo's official publication, this rating company gives the same rating for Sustainable Bonds III 2018-2020, Sustainable Bonds II Year 2017-2019, Sustainable Bonds I 2014-2016, and Bond VIII 2012 Series B. (Bisnis Indonesia)

### Domestic Issue

**Progressive Land Tax Enters the Land Bill.** The Ministry of Agrarian Affairs and Spatial Planning proposes a progressive tax levy on land ownership to be included in the revision of the Law on Land. Progressive tax can be an instrument to regulate and issue land ownership inequality. Currently, competition for land use is for industrial purposes, housing interests, urban interests, and agricultural land interests. For the record, the Gini index for land ownership ratio is in the range of 0.54 - 0.67, or is very different from the Gini income index which is already below 0.4. (Kontan)

### Recommendation

**Wait and See Awaiting US Stimulus.** Discussions on stimulus from the United States (US) prompted market players to take a wait and see attitude. The tug of war for certainty over the US fiscal stimulus, still affects the rupiah exchange rate, which in turn has an impact on the domestic bond market. From the internal side, investors are watching the speculation that Indonesia's economic growth in the 4Q20 period may still be negative. On the other hand, the ECB monetary stimulus worth 500 billion Euros is a positive sentiment, potentially supporting the movement of the rupiah. 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): -1.8 Bps to 105.89 (5.02%)  
FR0082 (10yr): -4.2 Bps to 106.40 (6.11%)  
FR0080 (15yr): -2.1 Bps to 108.67 (6.56%)  
FR0083 (20yr): -7.3 Bps to 107.69 (6.77%)

FR0086 (6yr): -0.2 Bps to 102.06 (5.05%)  
FR0087 (11yr): -3.3 Bps to 103.38 (6.04%)

## CDS of Indonesia Bonds

CDS 2yr: +0.75% to 25.27  
CDS 5yr: +1.10% to 69.41 (as of Nov. 11, 2020)  
CDS 10yr: +0.57% to 129.94

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.14%	-0.04%
USDIDR	14,080	-0.18%
KRWIDR	12.91	-0.23%

## Global Indices

Index	Last	Chg.	%
Dow Jones	30,046.37	47.11	0.16%
S&P 500	3,663.46	(4.64)	-0.13%
FTSE 100	6,546.75	(53.01)	-0.80%
DAX	13,114.30	(181.43)	-1.36%
Nikkei	26,652.52	(103.72)	-0.39%
Hang Seng	26,505.87	95.28	0.36%
Shanghai	3,347.19	(26.09)	-0.77%
KOSPI	2,770.06	23.60	0.86%
EIDO	23.14	(0.26)	-1.11%

## Commodities

Commodity	Last	Chg.	%
Gold (USD/t oz)	1,839.9	3.3	0.18%
Crude Oil (USD/B)	46.57	(0.21)	-0.45%
ICE NewCastle (USD/ton)	81.50	1.90	2.39%
LME Nickel (USD/MT)	17,284	(146.0)	-0.84%
LME Tin (USD/MT)	19,425	(40.0)	-0.21%
CPO (MYR/ton)	3,410	7.0	0.21%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Tuesday</b>	CH	09:00	Industrial Production YoY	Nov		7.00%	6.90%
<i>15 - Dec</i>	CH	09:00	Retail Sales YoY	Nov		5.10%	4.30%
	ID	11:00	Trade Balance	Nov		\$2603m	\$3607m
<b>Wednesday</b>	UK	14:00	CPI MoM	Nov		--	0.00%
<i>16 - Dec</i>	UK	14:00	CPI YoY	Nov		0.70%	0.70%
	EC	16:00	Markit Eurozone Manufacturing PMI	Dec		53	53.8
	UK	16:30	Markit UK PMI Manufacturing SA	Dec		55.5	55.6
	US	19:00	MBA Mortgage Applications	Dec		--	-1.20%
	US	21:45	Markit US Manufacturing PMI	Dec		55.8	56.7
<b>Thursday</b>	ID	14:20	Bank Indonesia 7D Reverse Repo	Dec		3.75%	3.75%
<i>17 - Dec</i>	EC	17:00	CPI YoY	Nov		-0.30%	-0.30%
	UK	19:00	Bank of England Bank Rate	Dec		0.10%	0.10%
	US	20:30	Initial Jobless Claims	Dec		--	853k
<b>Friday</b>	GE	16:00	IFO Expectations	Dec		93	91.5
<i>18 - Dec</i>	US	22:00	Leading Index	Nov		0.40%	0.70%

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