

Morning Brief

Today's Outlook:

Government Bonds

FR0088 Price Strengthened Back to Par. Pressure on the domestic stock market, and the positive cases of the Covid-19 virus in Indonesia, which reached more than 1 million, have pushed investors to shift interest in safe haven instruments such as SUN. The majority of Government Securities (SUN) prices closed higher on Friday, or recorded a decline in yield for a week. In addition to the 15-year benchmark SUN price FR0088 returning to par, investors are also actively trading short tenors. The 5-year SUN benchmark FR0086 posted a yield drop of up to 3.3 bps, or the deepest drop compared to other benchmark series. Government bonds, such as SUN, are fixed income assets that are often considered as safe haven assets, in anticipation of market players in adverse economic conditions. Domestic economic recovery, again influenced by the extension of the Enforcement of Restrictions on Community Activities (PPKM) in main cities in Java and Bali until February 8, 2021.

Corporate Bonds

TBIG Issues IDR 2.92 Trillion Bonds with Coupons of Up to 6.75%. Tower Bersama Infrastructure Tbk (TBIG) will issue Sustainable Bonds IV Tower Bersama Infrastructure Phase III in 2021 worth IDR 2.92 trillion. These bonds will be offered in two series. Series A has a principal value of IDR 1.9 trillion with a fixed interest rate of 5.5% per year and a tenor of 370 days. Meanwhile, Series B has a principal amount of IDR 1.02 trillion with a fixed interest rate of 6.75% per year and a 3-year tenor. Meanwhile, TBIG will use the proceeds from this bond issuance to pay part of the debt of TBIG's subsidiaries, namely Solu Sindo Kreasi Pratama and Tower Bersama related to a revolving loan facility under a USD 275 million facility agreement. (Kontan)

Domestic Issue

2020 Corporate Tax Revenues Drop Drastically. The Directorate General of Taxes of the Ministry of Finance sees that the income tax revenue (PPH) Article 25 and PPh Article 29 have decreased this year. This is because the Covid-19 pandemic is pressing the business world. Last year's tax revenue realization was IDR 1,070.0 trillion. Thus, the 2020 tax revenue performance recorded a shortfall of IDR 128.8 trillion from the 2020 target of IDR 1,198.8 trillion. From that figure, Income Tax Article 25/29 contributed 15.8% to total tax revenue. It is recorded that the realization of PPh Article 26/29 in 2020 is IDR 169.8 trillion. In the past year, this type of revenue has also recorded a 36% YoY contraction. In more detail, the realization of Income Tax Article 25/29 for corporate taxpayers was only IDR 158.2 trillion, down 37.8% YoY. (Kontan)

Recommendation

Investors Await Release of January Inflation Data. Bank Indonesia (BI) projects January 2021 inflation to be only 0.34% MoM. This projection is smaller than December 2020's 0.45% MoM. With these developments, the inflation forecast for January 2021 is estimated at 0.34% YtD and annually at 1.64% YoY. Meanwhile, the main contributors to inflation are the increase in prices for soybean imports and intercity transport rates. At the end of the week, the rupiah exchange rate on the spot market weakened 0.34% to IDR 14,030 / USD. Meanwhile, BI's middle rate weakened 0.25% to IDR 14,084 / USD. Investors can start looking at FR0086, FR0087, FR0088, FR0083, and FR0089. The five series are the series that will be offered at the SUN auction on Tuesday.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	3.75%	3.75%	Real GDP	-3.49%	-5.32%
FX Reserve (USD bn)	135.90	133.60	Current Acc (USD bn)	0.96	(2.94)
Trd Balance (USD bn)	2.10	2.61	Govt. Spending Yoy	9.76%	-6.90%
Exports Yoy	14.63%	9.54%	FDI (USD bn)	3.92	4.56
Imports Yoy	-0.47%	-17.46%	Business Confidence	104.82	105.33
Inflation Yoy	1.68%	1.59%	Cons. Confidence*	96.50	92.00

PRICE OF BENCHMARK SERIES

FR0086 (5yr): -3.3 Bps to 101.61 (5.14%)
FR0087 (10yr): -2.8 Bps to 102.33 (6.18%)
FR0088 (15yr): -1.0 Bps to 100.02 (6.24%)
FR0083 (20yr): -1.0 Bps to 107.14 (6.82%)

FR0081 (4yr): -5.0 Bps to 104.72 (5.27%)
FR0082 (9yr): -5.8 Bps to 105.60 (6.21%)
FR0080 (14yr): -5.1 Bps to 107.28 (6.70%)

CDS of Indonesia Bonds

CDS 2yr: +2.80% to 27.88
CDS 5yr: +6.32% to 77.34 (as of Jan. 28, 2021)
CDS 10yr: +0.51% to 140.40

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.23%	0.01%
USDIDR	14,078	0.20%
KRWIDR	12.57	-1.14%

Global Indices

Index	Last	Chg.	%
Dow Jones	29,982.62	(620.74)	-2.03%
S&P 500	3,714.24	(73.14)	-1.93%
FTSE 100	6,407.46	(118.69)	-1.82%
DAX	13,432.87	(233.06)	-1.71%
Nikkei	27,663.39	(534.03)	-1.89%
Hang Seng	28,283.71	(267.06)	-0.94%
Shanghai	3,483.07	(22.11)	-0.63%
KOSPI	2,976.21	(92.84)	-3.03%
EIDO	22.45	(0.80)	-3.44%

Commodities

Commodity	Last	Chg.	%
Gold (USD/t oz)	1,847.7	4.5	0.24%
Crude Oil (USD/B)	52.20	(0.14)	-0.27%
ICE NewCastle (USD/ton)	87.20	(1.35)	-1.52%
LME Nickel (USD/MT)	17,691	(109.0)	-0.61%
LME Tin (USD/MT)	22,779	(216.0)	-0.94%
CPO (MYR/ton)	3,490	102.0	3.01%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	ID	07:30	Markit Indonesia PMI Mfg	Jan	--		51.3
<i>01 - Feb</i>	ID	11:00	CPI YoY	Jan		1.68%	1.68%
	EC	16:00	Markit Eurozone Manufacturing PMI	Jan		54.7	54.7
	UK	16:30	Markit UK PMI Manufacturing SA	Jan		--	52.9
	US	21:45	Markit US Manufacturing PMI	Jan		59.1	59.1
Tuesday	UK	14:00	Nationwide House Px NSA YoY	Jan		6.90%	7.30%
<i>02 - Feb</i>	EC	17:00	GDP SA YoY	4Q20		-6.10%	-4.30%
Wednesday	US	19:00	MBA Mortgage Applications	Jan		--	-4.10%
<i>03 - Feb</i>							
Thursday	UK	19:00	Bank of England Bank Rate	Feb		0.10%	0.10%
<i>04 - Feb</i>	US	20:30	Initial Jobless Claims	Jan		--	847k
	US	22:00	Durable Goods Orders	Dec		--	0.20%
Friday	ID	10:00	Foreign Reserves	Jan		--	\$135.90b
<i>05 - Feb</i>	ID	11:00	GDP YoY	4Q20		-2.00%	-3.49%
	GE	14:00	Factory Orders MoM	Dec		-2.00%	2.30%
	US	20:30	Trade Balance	Dec		-\$66.0b	-\$68.1b

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