

16 February 2023

Research Department - email : valburyriset@bloomberg.net

BI7DRRR Unchanged; TD DHE Will Be Implemented On 01 Mar '23

The BI7DRRR remains unchanged at 5.75% on 16 Feb '23, in line with KBVS and consensus expectations. This is bolstered by Indonesia's strong macroeconomic fundamentals - notably Jan '23 inflation of 5.3% (yoy), foreign exchange reserves at 6.0 months of imports, government external debt payments, projection of 4Q22 current account to be between +0.4% to +1.2% of GDP, and appreciation of the Rupiah by 2.39% (ytd, until 15 Feb'23) against the USD. In this meeting (RDG), Bank Indonesia (BI) stated that they will implement the Export Earnings Foreign Exchange (DHE) term deposit (TD) instrument, effective on 1 Mar '23, in addition to the triple intervention and twist operation that have already been implemented to stabilize the Rupiah. Furthermore, the DHE TD instrument will be offered with tenors of 1, 3, and 6 months with an indicative interest rate to be similar to BI's counterparty overseas.

The stabilization of the Rupiah will be part of the effort to control imported inflation, in additional efforts to strengthen the coordination with the Governments in taming domestic inflation. Therefore, we expect BI will aim core inflation to stay within 3% ($\pm 1\%$) in 1H23. However, the cycle of increasing domestic demand during Eid Fitri season, as well as the improvement in purchasing power, will only bring down headline inflation to the BI target of 3% ($\pm 1\%$) by 2H23.

Besides global developments and inflation, the resilience of the banking system in driving economic activity, in line with the pro-growth stance, will still remain the focus of BI. This is reflected in the form of the policy of the basic interest rate of credit (SBDK) transparency and the expansion of the digitalization of the payment system. In addition, with the expectation that banking liquidity will remain stable in 2023, we see that BI will still provide macroprudential incentives, in the form of a reduction of Reserve Requirement (GWM) Rupiah for priority and inclusive sectors.

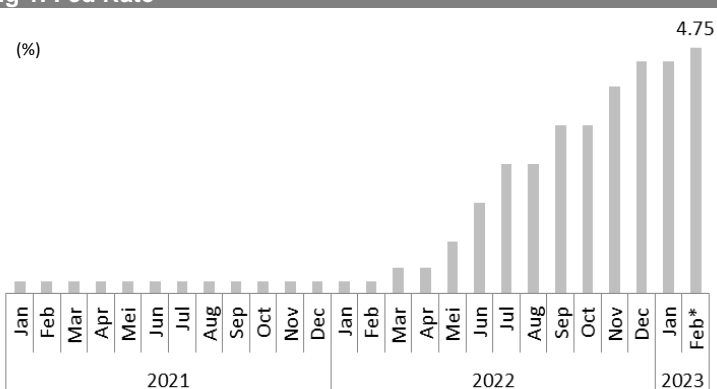
Going forward, in order to maintain the stability of the Rupiah and to support the export competitiveness and domestic portfolio, accompanied by the expected 25 bps increase in the Fed rate to 5.25% and 5.50% by Jun '23 (see Table 2, page 2), we are of the view that BI will keep the interest rate differential between BI7DRRR and Fed Rate at between 75 and 125 bps until 3Q23.

Table 1. Interest Rate Data

Indicators	16 Feb '23		Monthly Changes (in bps)	Ytd Changes (in bps)
	Latest	M-1		
Policy Rate (in %)				
United States	4.75	4.50	25.0	25.0
European Union	3.00	2.50	50.0	50.0
United Kingdom	4.00	3.50	50.0	50.0
Japan	-0.10	-0.10	0.0	0.0
China	3.65	3.65	0.0	0.0
India	6.50	6.25	25.0	25.0
Thailand	1.50	1.25	25.0	25.0
Philippines	5.50	5.50	0.0	0.0
Indonesia	5.75	5.75	0.0	25.0
Global Monetary Policy Change (in number of countries)				
Easing	3	2		
Unchanged	22	59		
Tightening	20	16		
Average International Interest Rate (in %)				
USD LIBOR - Overnight	4.56	4.31	24.9	24.1
USD LIBOR - 1 Month	4.59	4.47	12.0	18.9
USD LIBOR - 3 Months	4.87	4.80	7.4	9.0
USD LIBOR - 6 Months	5.16	5.12	3.8	2.2
USD LIBOR - 12 Months	5.50	5.40	10.4	5.2
Domestic Interbank Money Market (in %)				
INDONESIA	5.47	5.02	45.7	44.9
JIBOR - 1 Month	6.37	5.79	58.0	57.2
JIBOR - 3 Months	6.75	6.59	15.3	54.6
JIBOR - 6 Months	6.89	6.69	19.7	17.8
JIBOR - 12 Months	7.08	6.91	17.7	16.6

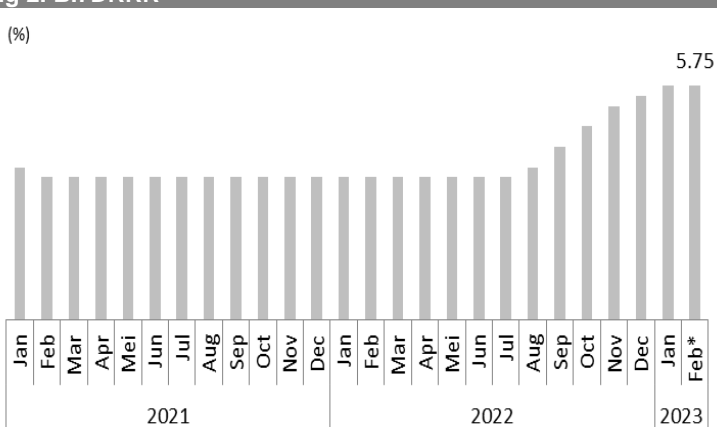
Sources : Each Central Bank and GlobalRates – treated (2023)

Fig 1. Fed Rate



Source: The Fed – treated (2023)

Fig 2. BI7DRRR



Source: Bank Indonesia – treated (2023)

16 February 2023

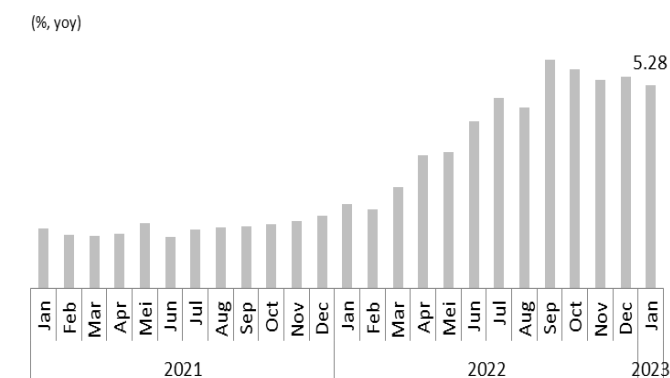
Research Department - email : valburyriset@bloomberg.net

Fig 3. US CPI Inflation



Source : BLS – treated (2023)

Fig 4. Indonesia CPI Inflation



Source : BPS – treated (2022)

Table 2. Fed Rate Probabilities, as of 15 February 2023

MEETING DATE	Target Rate (in bps)						
	425-450	450-475	475-500	500-525	525-550	550-575	575-600
22-Mar-23	0.0%	0.0%	87.8%	12.2%	0.0%	0.0%	0.0%
03-May-23	0.0%	0.0%	21.3%	69.5%	9.2%	0.0%	0.0%
14-Jun-23	0.0%	0.0%	8.4%	40.4%	45.6%	5.6%	0.0%
26-Jul-23	0.0%	0.0%	6.8%	34.0%	44.6%	13.5%	1.1%
20-Sep-23	0.0%	0.5%	8.7%	34.8%	42.4%	12.7%	1.0%
01-Nov-23	0.1%	2.2%	14.1%	36.4%	36.2%	10.2%	0.8%
13-Dec-23	1.1%	8.0%	25.0%	36.3%	23.4%	5.6%	0.4%

Source : CME Group – treated (2023)

Table 3. Meeting Calendar The Fed (FOMC) and Bank Indonesia (RDG-BI) in 2023

No	Month	FOMC Meeting	RDG-BI
1	January		18 – 19 Jan
2	February	31 Jan – 1 Feb	15 – 16 Feb
3	March	21 – 22 Mar	15 – 16 Mar
4	April		18 – 19 Apr
5	May	2 – 3 May	24 – 25 ay
6	June	13 – 14 Jun	21 – 22 Jun
	July	25 – 26 Jul	24 – 25 Jul
8	ugust		23 – 24 Aug
9	September	19 – 20 Sep	20 – 21 Sep
10	October		18 – 19 Oct
11	November	31 Oct – 1 Nov	22 – 23 Nov
12	December	12 – 13 Dec	20 – 21 Dec

Sources : The Fed and Bank Indonesia – treated (2023)

Disclaimer

This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.

KB Valbury Sekuritas

Headquarters

Sahid Sudirman Center Lantai 41 Unit AC
Jl. Jenderal Sudirman No. 86
Kelurahan Karet Tengsin, Kecamatan Tanah Abang
Jakarta Pusat 10220, Indonesia
T +62 21 250 98 300
F +62 21 255 33 778

Branch Office

Jakarta - Kelapa Gading

Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta 11620
T +62 21 - 29451577

Jakarta - Puri Indah

Rukan Grand Aries Niaga
Blok E.1 No. 1 V Jl. Taman Aries, Kembangan,
Jakarta 14450
T +62 21 - 22542390
F +62 21 - 29264310

Jakarta - Pluit

Jl. Pluit Putra Raya No. 2
Jakarta 14240
T +62 21 - 29264300
F +62 21 - 22542391

Bandung

Jl. HOS Cokroaminoto No. 82
Bandung 40171
T +62 22 - 87255888
T +62 22 - 87255800
F +62 22 - 87255811

Semarang

Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T +62 24 - 3521888
T +62 24 - 8501122
F +62 24 - 8507450

Yogyakarta

Jl. Magelang KM 5.5 no. 75
Yogyakarta 55284
T +62 274 - 4469500
T +62 274 - 6231111
F +62 274 - 623222

Galeri Investasi

Jakarta

Citra Garden 6 Ruko Sixth Avenue
Blok J.1 A/18 Cengkareng,
Jakarta Barat 11820
T +62 21 52392181

Semarang

Jl. MT Haryono 637 Semarang
T +62 24 8415195

Solo

Jl. Ronggowarsito No. 34
Surakarta 57118

Surabaya

Pakuwon Center Tunjungan Plaza Lantai 21
Jl. Embong Malang No.1
Surabaya 60261
T +62 31 - 2955777
T +62 31 - 2955788
F +62 31 - 2955716

Solo

Jl. Ronggo Warsito no. 34
Solo 57118
T +62 271 632888
F +62 271 656988

Malang

Jl. Pahlawan Trip no. 7
Malang 65112
T +62 341 - 585888
F +62 341 - 560056

Denpasar

Komplek Ibis Styles Hotel
Jl. Teuku Umar No. 177
Denpasar Bali 80114
T +62 361 - 255888
T +62 361 - 225229
F +62 361 - 225339

Banjarmasin

Jl. Gatot Subroto No.33 Kel. Kebun Bunga
Kec. Banjarmasin Timur
Kalimantan Selatan 70235
T +62 511 - 3265918
F +62 511 - 3253432

Manado

Kawasan Megamas, Ruko Megaprofit
Blok IF2 No. 38 Manado. 95254
T +62 431 7917 836
F +62 431 880 2129

Medan

Komplek Jati Junction No. P5-5A
Jl. Perintis Kemerdekaan
Medan 20218
T +62 61 - 88816222
F 62 61 - 88816333

Pekanbaru

Jl. Tuanku Tambusai
Komplek CNN Blok A No.3 Pekanbaru 28291
T +62 761 - 839393
Galeri Investasi

Padang

Jl. Kampung Nias II no. 10,
Kel. Belakang Pondok,
Kec. Padang Selatan
T +62 751 8955747

Palembang

Komp. PTC Mall Blok I No. 7 Jl. R. Sukamto
Kel. 8 Ilir Kec. Ilir Timur II
Palembang 30114
T 07115700281

Makassar

Kompleks RUKO Citraland City Losari Makassar,
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard
Kel. Maccini Sombala, Kec. Tamalate
Makassar, Sulawesi Selatan 90111
T +62 411 6000818

Galeri Investasi BEI - KBVS

Yogyakarta
Universitas Kristen Duta Wacana
T +62 274 - 544032

Manado
Universitas Prisma Manado
T 0431 8800850

Jakarta
Universitas Gunadarma
T +62 21 - 8727541