

## The 25bps Increase of BI7DRRR and DHE Instruments Expected Maintain Rupiah Stability

The 25bps increase of BI7DRRR is in line with the market consensus and our expectation. This is aligned with the pro-stability stance adopted by BI to maintain the stability of the Rupiah, through an interest rate differential of 125bps with the Fed Rate along with the implementation of foreign currency term deposit instruments as placement instruments for Domestic and Foreign Exchange (DHE) in banking system and BI. This is also a form of forward-looking measure by BI in anticipation of global recession risks, which is indicated by the 30bps downward revision on global economic growth to +2.3% (yoy) in 2023 although moderated by the gradual reopening of China's economy, as well as a potential further increase in the Fed Rate on 1 Feb '23.

From a domestic fundamental perspective, BI expects core CPI inflation to remain within its target range (3%, ±1%) in the -1H23, while CPI inflation in the 2H23 is anticipated to be in the same range. On the other hand, with total deposits (DPK) growing +9.02% (yoy) as of Dec'22, liquidity in the domestic market remains ample, even though loan growth reached 11.35% (yoy) in Dec'22 and is anticipated to grow between 10% and 12% during 2023. Furthermore, with ample liquidity, the risk of increasing deposit and credit rates are expected to be kept in check, thanks to the macroprudential incentives provided by the BI to 46 inclusive priority sectors and the push for the implementation of digitalization in the banking system. Therefore, simultaneously, BI forecasts that the consumer and investment sectors will remain strong and support economic growth in the range of 4.5% and 5.3% (yoy) during 2023.

At the same time, we saw the BI becoming increasingly aware of the need to keep export earnings (DHE) in the country by issuing foreign currency term-deposit instruments with 1 and 3 months tenors, on top of tax and macroprudential (GWM and RIM) incentives. Especially referring to the fact that 2022 trade surplus was reaching USD54.45 bn in- but foreign exchange reserves were down by USD7.67 bn and the Current Account Surplus was only 0.4% to 1.2% of GDP. It is expected that this will drive Rupiah stability and financial markets, in addition to reducing the risk of imported inflation in the future.

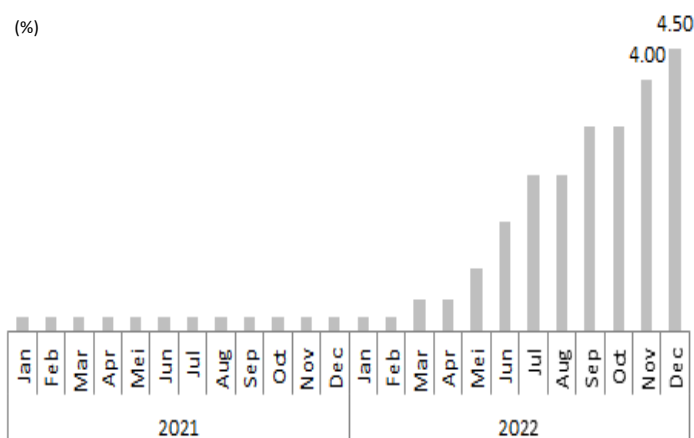
Going forward, we anticipate BI will maintain its pro-stability stance by maintaining an interest rate differential of 100 to 125 bps with the Fed Rate, to maintain the attractiveness of domestic portfolio assets, and we expect monetary stance pivot will occur in 3Q23.

Table 1. Interest Rate Data

Indicators	19 Jan '23		Monthly Changes (in bps)	Ytd Changes (in bps)
	Latest	M-1		
<b>Policy Rate (in %)</b>				
United States	4.50	4.50	0.00	0.00
European Union	2.50	2.50	0.00	0.00
United Kingdom	3.50	3.50	0.00	0.00
Japan	-0.10	-0.10	0.00	0.00
China	3.65	3.65	0.00	0.00
India	6.25	6.25	0.00	0.00
Thailand	1.25	1.25	0.00	0.00
Philippines	5.50	5.50	0.00	0.00
Indonesia	5.75	5.50	25.00	25.00
<b>Global Monetary Policy Change (in number of countries)</b>				
Easing	1	0		
Unchanged	7	21		
Tightening	9	28		
<b>Average International Interest Rate (in %)</b>				
USD LIBOR - Overnight	4.31	3.93	37.67	(0.89)
USD LIBOR - 1 Month	4.47	4.27	19.60	6.87
USD LIBOR - 3 Months	4.80	4.74	5.66	1.57
USD LIBOR - 6 Months	5.12	5.17	(4.68)	(1.59)
USD LIBOR - 12 Months	5.40	5.49	(9.60)	(5.19)
<b>Domestic Interbank Money Market (in %)</b>				
INDONESIA	5.02	4.82	20.00	(0.78)
JIBOR - 1 Month	5.79	5.95	(16.31)	(0.79)
JIBOR - 3 Months	6.59	6.31	27.94	39.31
JIBOR - 6 Months	6.69	6.45	24.38	(1.94)
JIBOR - 12 Months	6.91	6.70	20.65	(1.06)

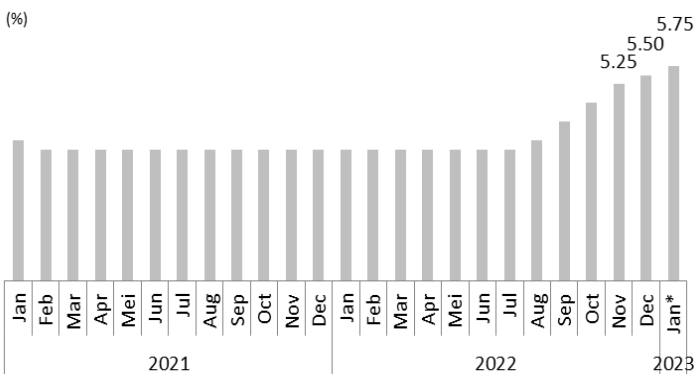
Sources : Each Central Bank and GlobalRates – treated (2023)

Fig 1. Fed Rate



Source: Bank Indonesia – treated (2023)

Fig 2. BI7DRRR

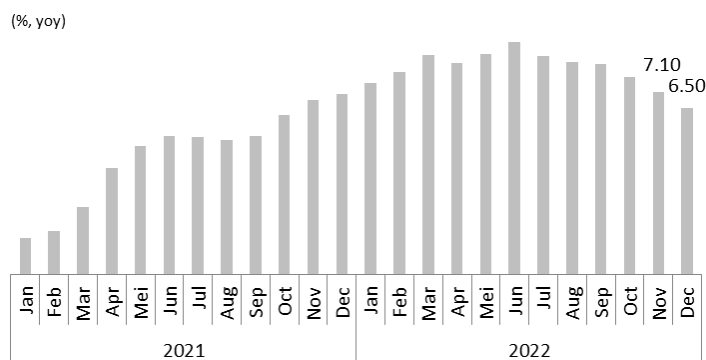


Source: Bank Indonesia – treated (2023)

19 January 2023

Research Department - email : valburyriset@bloomberg.net

Fig 3. US CPI Inflation



Source : BLS – treated (2023)

Fig 4. Indonesia CPI Inflation



Source : BPS – treated (2023)

Table 2. Fed Rate Probabilities, as of 19 Jan '23

MEETING DATE	Target Rate (in bps)							
	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
01-Feb-23	0.00%	0.00%	0.00%	0.00%	96.40%	3.60%	0.00%	0.00%
22-Mar-23	0.00%	0.00%	0.00%	0.00%	28.10%	69.30%	2.60%	0.00%
03-May-23	0.00%	0.00%	0.00%	0.00%	20.20%	57.80%	21.30%	0.70%
14-Jun-23	0.00%	0.00%	0.00%	0.00%	18.80%	55.10%	23.80%	2.20%
26-Jul-23	0.00%	0.00%	0.00%	4.90%	28.30%	47.00%	18.20%	1.60%
20-Sep-23	0.00%	0.00%	2.10%	14.70%	36.10%	34.90%	11.20%	1.00%
01-Nov-23	0.00%	0.90%	7.80%	24.40%	35.60%	24.20%	6.60%	0.50%
13-Dec-23	0.90%	7.50%	23.70%	35.10%	24.70%	7.30%	0.80%	0.00%

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
7	July	25 – 26 Jul	24 – 25 Jul
8	August		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

#### Padang

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

#### Salatiga

Jl. Diponegoro No. 68, Rt. 007 Rw. 011,  
Kel. Salatiga, Kec. Sidorejo 50711  
T +62 298 313007

#### 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