

The Normalization of The Yield Curve Is Currently Underway

January 4th, 2024

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Last Week's Economic Update

Economic Calendar

(26 Dec – 3 Jan 2023)

Event	Actual	Forecast	Previous
Tuesday, Dec 26, 2023			
JP BoJ Core CPI (YoY)	2.70%	3.00%	3.00%
US S&P/CS HPI Composite - 20 n.s.a. (MoM) (Oct)	0.10%		0.20%
US S&P/CS HPI-Composite - 20 n.s.a (YoY) (Oct)	4.90%	5.00%	3.90%
Wednesday, Dec 27, 2023			
US 2-Year Note Auction	4.31%		4.89%
Thursday, Dec 28, 2023			
US 5-Year Note Auction	3.80%		4.42%
US API Weekly Crude Oil Stock	1.837M		0.939M
JP Industrial Production (MoM) (Nov)	-0.90%	-1.60%	1.30%
US Goods Trade Balance (Nov)	-90.72B	-88.40B	-89.56B
US Continuing Jobless Claims	1,875K	1,875K	1,861K
US Initial Jobless Claims	218K	210K	106K
US Retail Inventories Ex Auto (Nov)	-0.80%		-1.10%
US Pending Home Sales (MoM) (Nov)	0.00%	1.00%	-1.20%
US Crude Oil Inventories	-7.114M	-2.704M	2.909M
US Cushing Crude Oil Inventories	1.508M		1.686M

Friday, Dec 29, 2023			
US 7-Year Note Auction	3.86%		4.40%
US Fed's Balance Sheet	7,713B		7,724B
GB Nationwide HPI (MoM) (Dec)	0.00%	0.00%	0.20%
GB Nationwide HPI (YoY) (Dec)	-1.80%	-1.40%	-2.00%
GE Buba Balz Speaks			
US Chicago PMI (Dec)	46.90	51.00	55.80

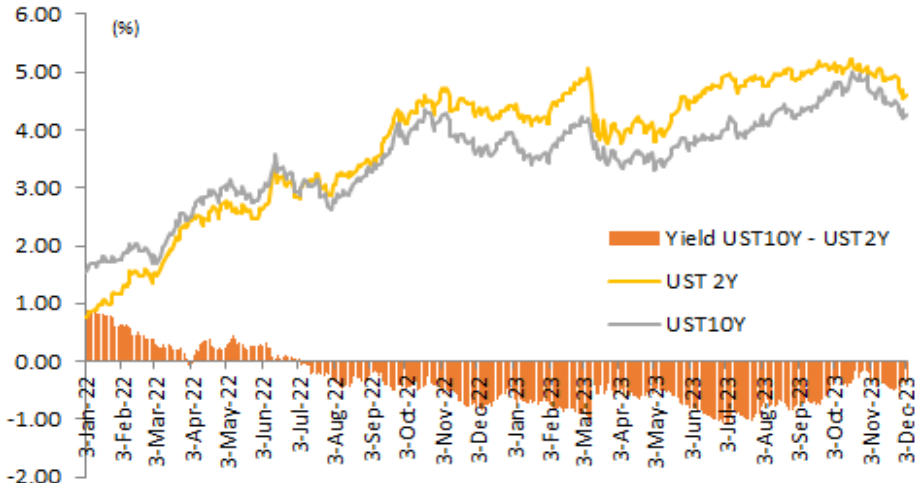
Event	Actual	Forecast	Previous
Tuesday, Jan 2, 2024			
ID Nikkei Manufacturing PMI (Dec)	52.20		51.70
CN Caixin Manufacturing PMI (Dec)	50.80	50.40	50.70
ID Core Inflation (YoY) (Dec)	1.80%	1.85%	1.87%
ID Inflation (YoY) (Dec)	2.61%	2.72%	2.86%
ID Inflation (MoM) (Dec)	0.41%	0.50%	0.38%
GE HCOB Manufacturing PMI (Dec)	43.30	43.10	43.10
EU HCOB Manufacturing PMI (Dec)	44.40	44.20	44.20
GB S&P Global/CIPS Manufacturing PMI (Dec)	46.20	46.40	46.40
US S&P Global Manufacturing PMI (Dec)	47.90	48.20	48.20
US Construction Spending (MoM) (Nov)	0.40%	0.50%	1.20%
Wednesday, Jan 3, 2024			
US Atlanta Fed GDP Now (Q4)	2.00%	2.30%	2.30%
GE Unemployment Change (Dec)		20K	22K
GE Unemployment Rate (Dec)		5.90%	5.90%
US ISM Manufacturing Employment			45.80
US ISM Manufacturing PMI (Dec)		47.10	46.70
US ISM Manufacturing Prices (Dec)		47.50	49.90
US JOLTs Job Openings (Nov)		8.850M	8.733M

Sources : Investing and KBVS Research-treated (2023)

- The downward trend in UST and other government bond yields that occurred towards the end of 2023 has halted in 2024.
- This was driven by manufacturing PMI data, particularly from Germany, the EU, the UK, and the US, which indicated a contractionary phase
- Meanwhile, Indonesian data, specifically PMI and inflation, portray positive signs.
 - The PMI has been in the expansionary zone for 28 consecutive months until Dec '23, registering at 52.2 (prev: 51.7).
 - Additionally, headline inflation in Dec '23 decreased to 2.61% YoY (Cons: 2.72% YoY, Prev: 2.86% YoY).
- Further positivity is expected as indicated by the Caixin Manufacturing PMI data for China, which showed favorable trends in Dec '23, reaching 50.8 (cons: 50.4, Prev: 50.7)

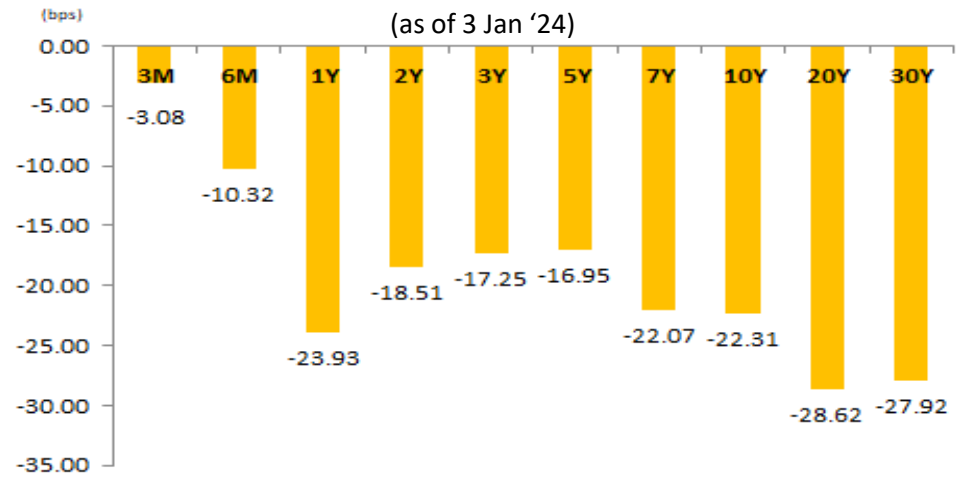
The Movement of UST Yields

YIELD UST2Y VS UST10Y



Sources : Bloomberg and KBVS Research-treated (2023)

DEVELOPMENT OF YIELD UST SINCE 1 DEC



Sources : Bloomberg and KBVS Research-treated (2023)

FED PROBABILITIES, as of 3 Jan '23

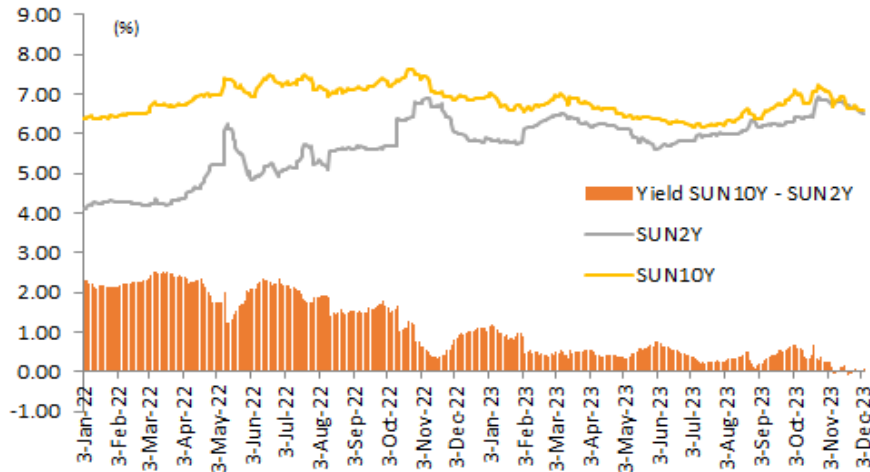
MEETING DATE	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
31-Jan-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	8.8%	91.2%
20-Mar-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.1%	66.5%	27.4%
1-May-24	0.0%	0.0%	0.0%	0.0%	0.0%	5.5%	60.2%	31.4%	2.8%
12-Jun-24	0.0%	0.0%	0.0%	0.1%	6.4%	59.8%	31.4%	2.8%	0.0%
31-Jul-24	0.0%	0.0%	0.1%	5.4%	51.6%	35.4%	7.1%	0.4%	0.0%
18-Sep-24	0.0%	0.1%	5.0%	47.9%	36.7%	9.4%	1.0%	0.0%	0.0%
7-Nov-24	0.0%	3.2%	31.9%	40.9%	19.6%	4.1%	0.4%	0.0%	0.0%
18-Dec-24	2.5%	25.7%	38.9%	24.2%	7.4%	1.2%	0.1%	0.0%	0.0%

Source : CME Group (2023)

- The anticipation of a quicker decline in the Fed Rate, expected by 20 Mar '24, has propelled a more substantial decrease in the UST2Y yield compared to the decline in the UST10Y yield since 15 Dec '23.
- Simultaneously, the moderation in the reduction of UST10Y yield is attributed to the anticipated developments in the real sector, evidenced by the PMI Manufacturing US leading indicator in Dec '23, which declined to 47.9 (Cons: 48.2, Prev: 48.2).
- Consequently, this has led to a reduction in the UST2Y and UST10Y yield spread to 38.54 bps, the largest in the last 1 month.

The Movement SUN Yields

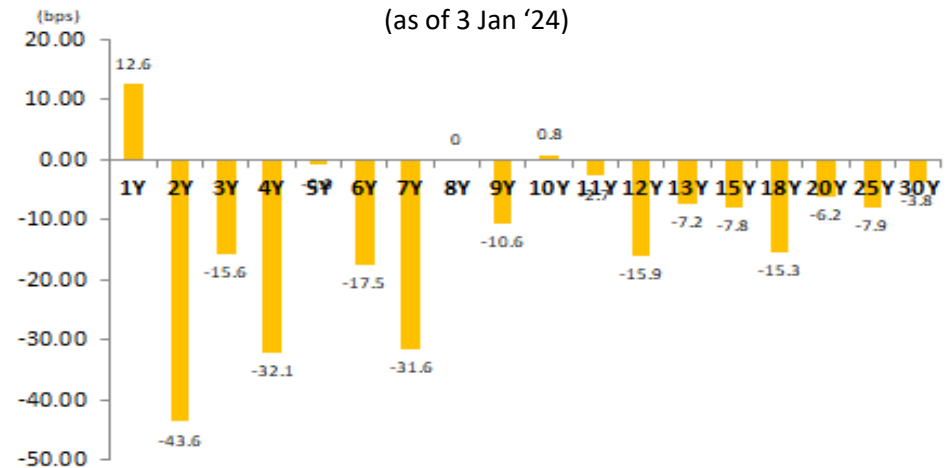
YIELD SUN2Y VS SUN10Y



Sources : Bloomberg and KBVS Research-treated (2023)

DEVELOPMENT OF YIELD SUN SINCE 1 DEC

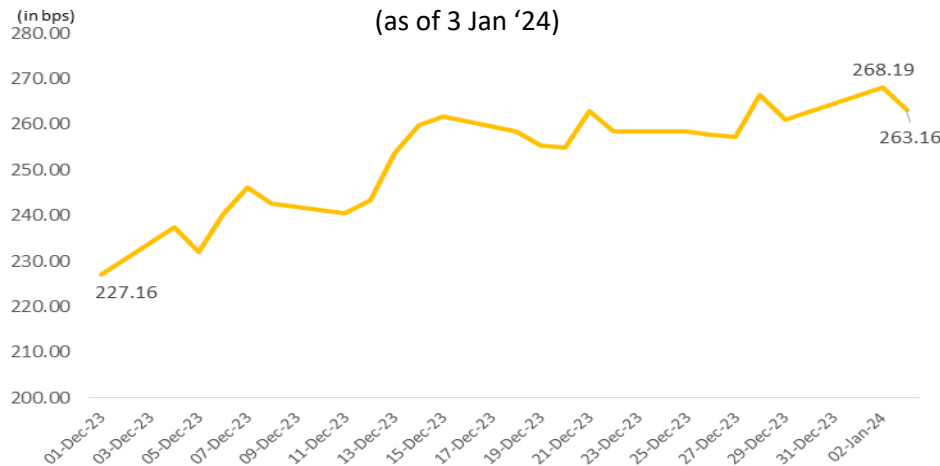
(as of 3 Jan '24)



Sources : Bloomberg and KBVS Research-treated (2023)

YIELD SPREAD SUN10Y-UST10Y SINCE 1 DEC

(as of 3 Jan '24)

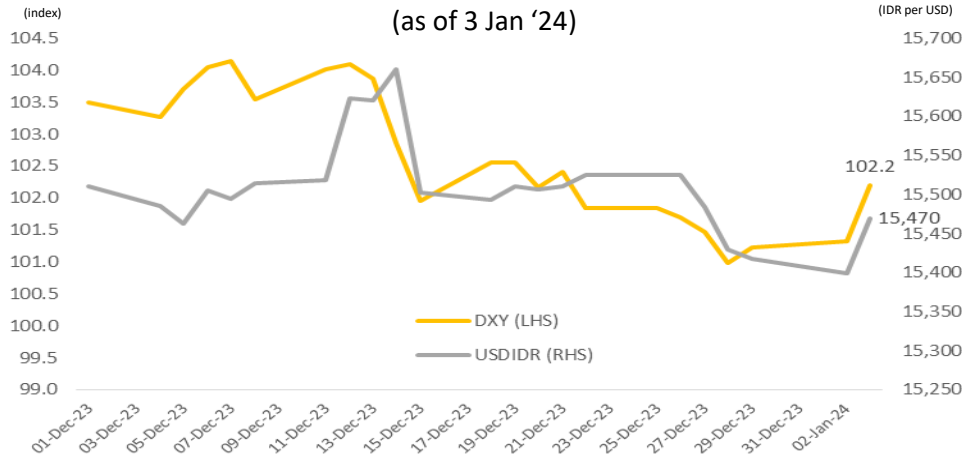


Source : Bloomberg and KBVS Research-treated (2023)

- The anticipated expectation of a Fed Rate reduction, which may impact the possibility of a decrease in the Bi Rate, is also likely to influence the decline in SUN, especially the shorter-tenor.
- However, amidst the backdrop of rising global government bond yields, it has restrained the decline in SUN10Y yields and longer tenors.
- This aligns with the projected increase in DXY due to concerns over capital flows returning to the US, triggered by the comparatively weaker PMI Manufacturing data of US peers. Consequently, there is apprehension regarding a potential resurgence in Rupiah volatility.

Capital Flow in Indonesia's Portfolio

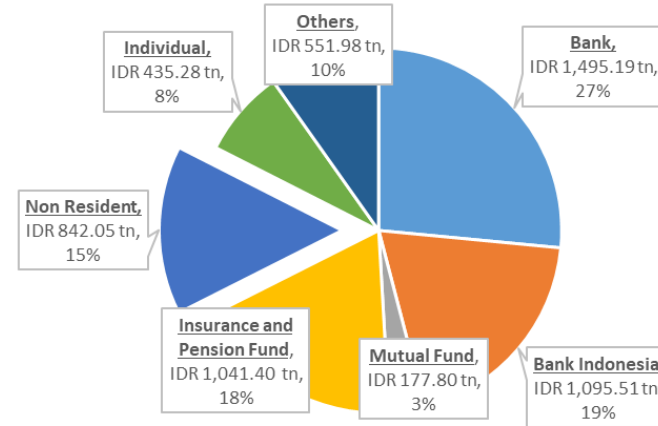
DEVELOPMENT OF DXY and USDIDR SINCE 1 DEC



Sources : Bloomberg and KBVS Research-treated (2023)

OWNERSHIP OF TRADABLE SBN

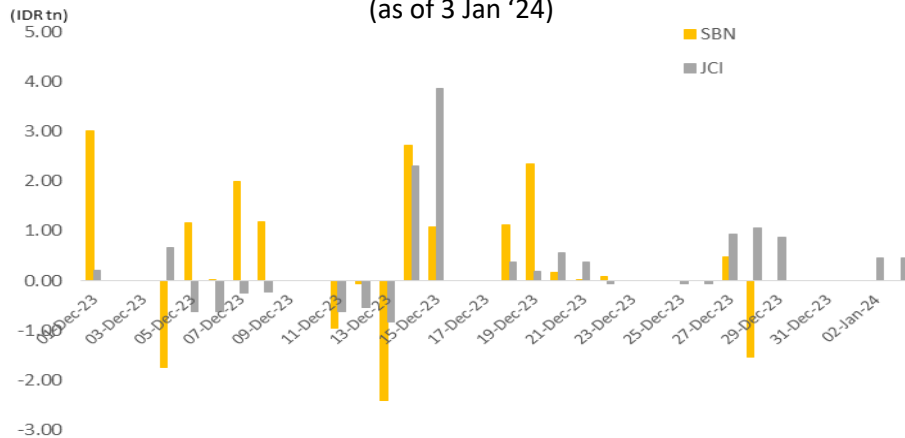
(as of 29 Dec '23)



Sources : DJPPR and KBVS Research-treated (2023)

CAPITAL FLOW SINCE 1 DEC

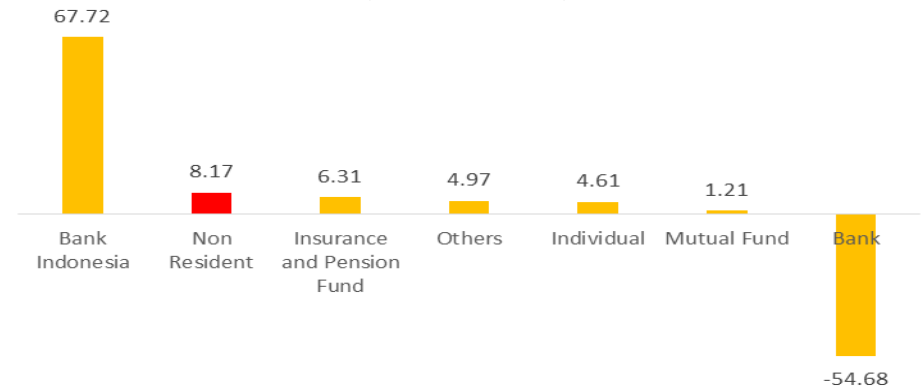
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Sources : Bloomberg and KBVS Research-treated (2023)

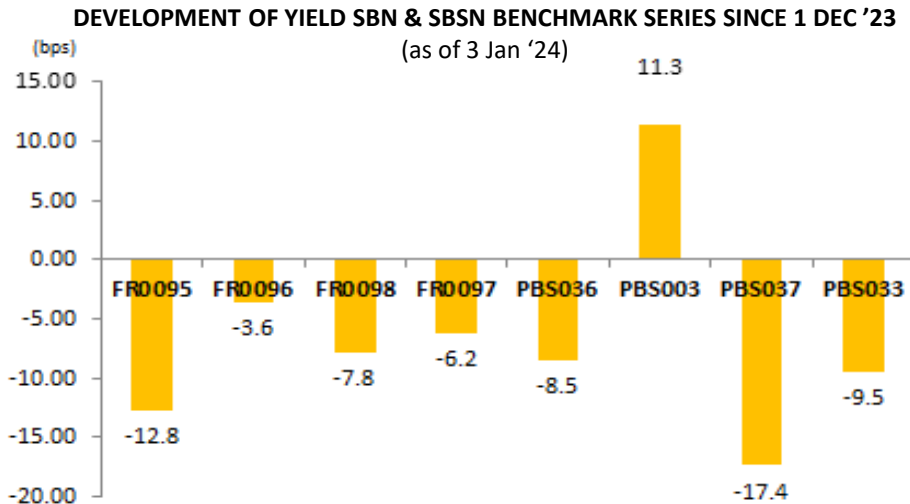
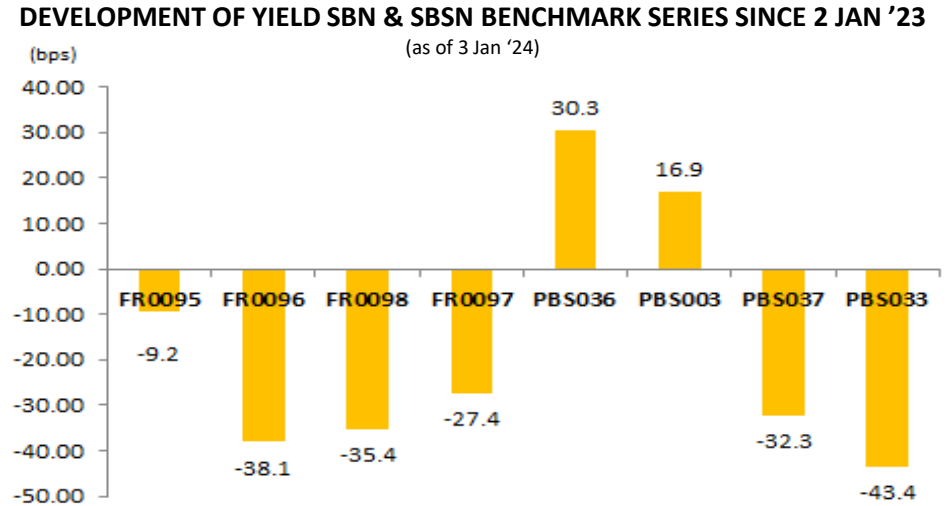
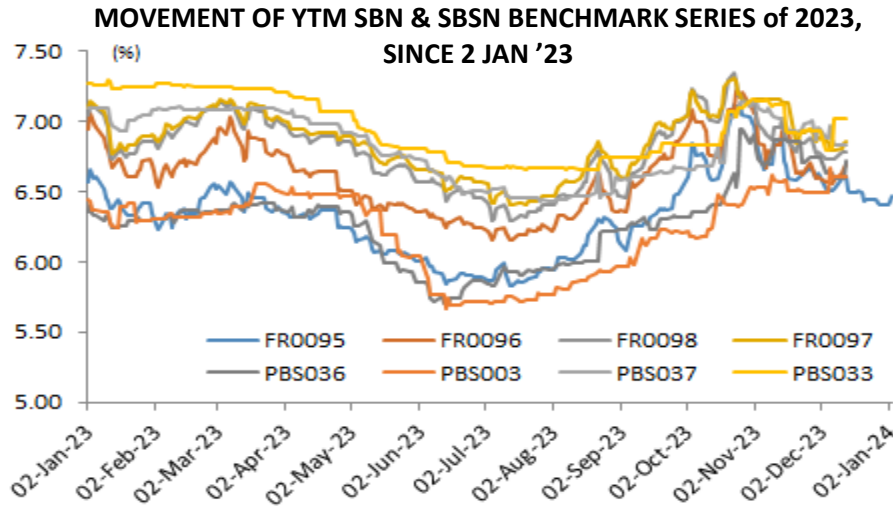
CHANGE IN OWNERSHIP of TRADABLE SBN SINCE 1 DEC

(as of 29 Dec '23)



Sources : DJPPR and KBVS Research-treated (2023)

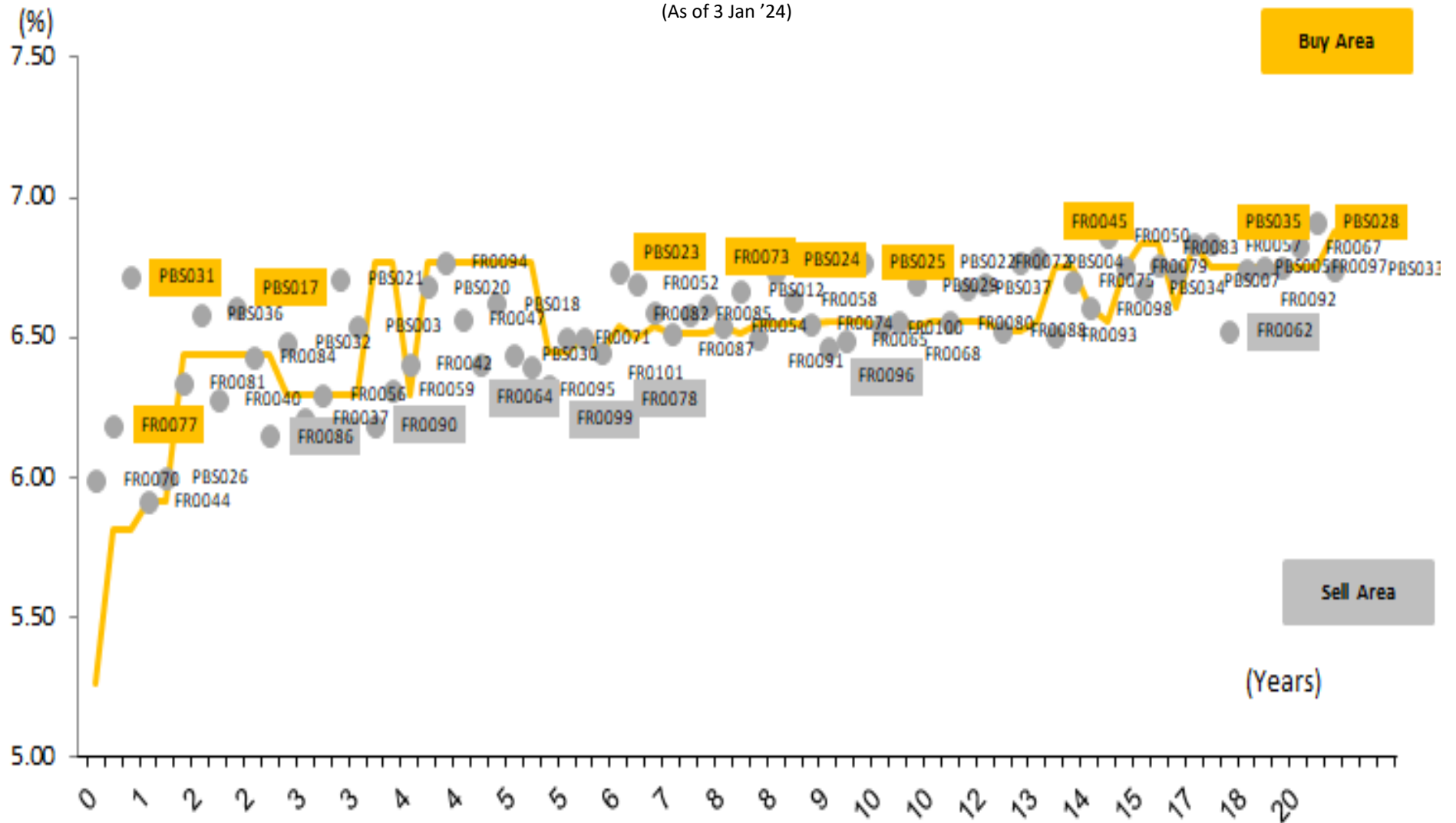
Development of SBN & SBSN Benchmark Series



- The price movement of benchmark series for SBN and SBSN remained diverse throughout the year 2023.
- However, by the end of 2023, the Ministry of Finance, through DJPPR, announced the 2024 SBN and SBSN benchmark series comprising:
 - FR0101 (5Y tenor),
 - FR0100 (10Y tenor),
 - FR0098 (15Y tenor),
 - FR0097 (20Y tenor),
 - PBS032 (2Y tenor),
 - PBS030 (4Y tenor),
 - PBS004 (13Y tenor), and
 - PBS038 (25Y tenor).

Yield Curve SUN

YIELD CURVE
(As of 3 Jan '24)



Sources : Bloomberg and KBVS Research-treated (2023)

This week's Economic Calendar

Economic Calendar

(4- 10 Jan 2024)

Thursday, Jan 4, 2024		
US FOMC Meeting Minutes		
US API Weekly Crude Oil Stock		1.873M
CN Caixin Services PMI (Dec)	51.60	51.50
GE HCOB Services PMI (Dec)	48.40	48.40
EU HCOB Composite PMI (Dec)	47.00	47.00
EU HCOB Services PMI (Dec)	48.10	48.10
GB S&P Global/CIPS Composite PMI (Dec)	51.70	51.70
GB S&P Global/CIPS Services PMI (Dec)	52.70	52.70
GE CPI (MoM) (Dec)	0.20%	-0.40%
GE CPI (YoY) (Dec)	3.80%	3.20%
US ADP Nonfarm Employment Change (Dec)	113K	103K
US Continuing Jobless Claims	1,882K	1,875K
US Initial Jobless Claims	215K	218K
US S&P Global Composite PMI (Dec)	51.00	51.00
US S&P Global Services OMI (Dec)	51.30	51.30
US Crude Oil Inventories		-7.114M
US Cushing Crude Oil Inventories		1.508M

Friday, Jan 5, 2024		
US Fed's Balance Sheet		7,713B
JP Au Jibun Bank Japan Services PMI (Dec)	52.00	52.00
GB Halifax House Price Index (YoY) (Dec)		-1.00%
GB Halifax House Price Index (MoM) (Dec)	0.10%	0.50%
GE Retail Sales (MoM) (Nov)	-0.50%	1.10%
GB S&P Global/CIPS Construction PMI (Dec)	46.00	45.50
EU Core CPI (YoY)	3.50%	3.60%
EU CPI (MoM) (Dec)		-0.60%
EU CPI (YoY) (Dec)	3.00%	2.40%
US Average Hourly Earnings (MoM) (Dec)	0.30%	0.40%
US Average Hourly Earnings (YoY) (Dec)	3.90%	4.00%
US Nonfarm Payrolls (Dec)	163K	199K
US Participation Rate (Dec)		62.80%
US Private Nonfarm Payrolls (Dec)	128K	150K
US U6 Unemployment Rate (Dec)		7.00%
US Unemployment Rate (Dec)	3.80%	3.70%
US Factory Orders (MoM) (Nov)	2.30%	-3.60%
US ISM Non-Manufacturing Employment (Dec)		50.70
US ISM Non-Manufacturing PMI (Dec)	52.60	52.70
US ISM Non-Manufacturing Prices (Dec)		58.30

Event	Actual	Forecast	Previous
Monday, Jan 8, 2024			
ID Fx Reserves (USD) (Dec)			138.10B
GE Factory Orders (MoM) (Nov)			-3.70%
GE Trade Balance (Nov)			17.80B
EU Unemployment Rate (Nov)			6.50%
Tuesday, Jan 9, 2024			
US Consumer Credit (Nov)			5.13B
JP Household Spending (MoM) (Nov)			-0.10%
JP Household Spending (YoY) (Nov)			-2.50%
JP Tokyo Core CPI (YoY) (Dec)			2.30%
GB BRC Retail Sales Monitor (YoY) (Dec)			2.60%
GE Industrial Production (MoM) (Nov)			-0.40%
US Trade Balance (Nov)			-64.30B
Wednesday, Jan 10, 2024			

Sources : Investing and KBVS Research-treated (2023)

- Throughout the remainder of this week and the initial three days of the following week, a global 'wait-and-see' approach remains predominant.
 - Inflation data, particularly from Germany and the EU, is anticipated to influence sentiment in the global market.
 - Additionally, US labor market data, including Weekly Initial Jobless Claims, Non-Farm Payrolls, Participation Rate, and Unemployment Rate, will be eagerly awaited by the global market.
- Meanwhile, domestically, the release of FX reserves, which can serve as a leading indicator for trade balance conditions, current account, capital account, and balance of payments in 4Q23, will be closely watched by domestic investors.



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