

The Reversal of The Dovish Stance, Albeit Limited

16 May 2024

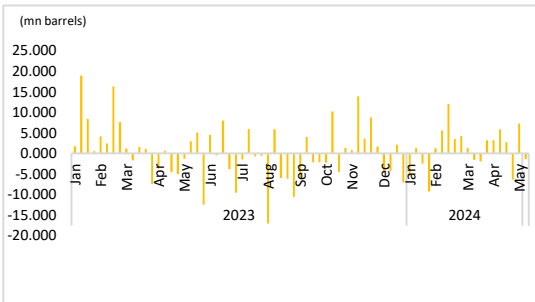
Economist / Fikri C Permana

US Economic Data

US ECONOMIC INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Fed Rate	%	May '24	5.5	5.5
Economic Growth	%, yoy	1Q24	1.6	3.4
Inflation Rate	%, yoy	Mar'24	3.5	3.2
Unemployment Rate	%	Apr'24	3.9	3.8

Sources : various sources, KBVS Research (2024)

CRUDE OIL INVENTORIES



Sources : US EIA, KBVS Research (2024)

- The inflation risk stemming from the increase in commodity prices remains relatively limited, as evidenced by the slight rise in WTI prices to USD78.64 per barrel on average last week (Previous: USD78.58 per barrel).
- However, wildfires in Canada pose a threat to the country's oil sands industry, which has a production capacity of -3.3 mbpd, coupled with the decline in crude oil inventories in the US by -3.1 mbpd, highlighting factors that warrant attention.

ECONOMIC CALENDAR

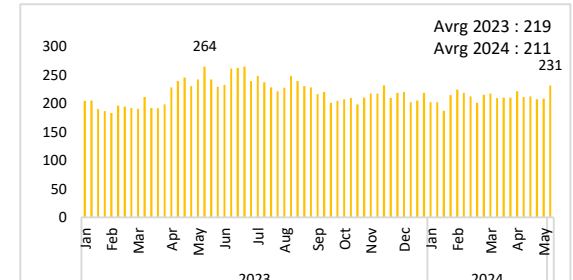
(9 MAY – 15 MAY '24)

Event	Actual	Forecast	Previous
Thursday, 9 May '24			
US 10-Year Note Auction	4.48%		4.56%
US Continuing Jobless Claims	1,785K	1,790K	1,768K
US Initial Jobless Claims	231K	212K	209K
Friday, 10 May '24			
US 30-Year Bond Auction	4.64%		4.67%
US FOMC Member Daly Speaks			
US Fed's Balance Sheet	7,353B		7,362B
US FOMC Member Bowman Speaks			
US Michigan 1-Year Inflation Expectations (May)	3.50%	3.20%	3.20%
US Michigan 5-Year Inflation Expectations (May)	3.10%	3.00%	3.00%
US Michigan Consumer Sentiment (May)	67.40	76.00	77.20
US Michigan Consumer Expectations (May)	66.50	75.00	76.00
US WASDE Report			
Monday, 13 May '24			
US FOMC Member Mester Speaks			
US NY Fed 1-Year Consumer Inflation Expectations	3.30%		3.00%
Tuesday, 14 May '24			
US OPEC Monthly Report			
US Core PPI (MoM) (Apr)	0.50%	0.20%	-0.10%
US PPI (MoM) (Apr)	0.50%	0.30%	-0.10%
US Fed Chair Powell Speaks			
US API Weekly Crude Oil Stock	-3.104M	-1.350M	0.509M
US FOMC Member Kashkari Speaks			

Sources : investing, KBVS Research (2024)

WEEKLY INITIAL JOBLESS CLAIMS

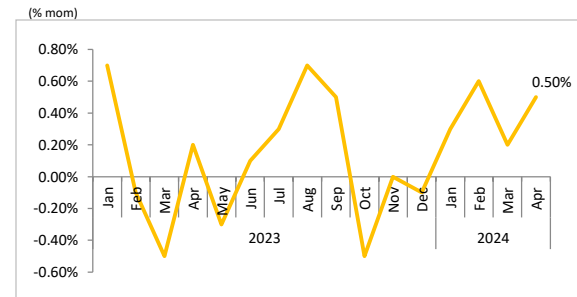
(K People)



Sources : US DoL, KBVS Research (2024)

The increase in weekly initial jobless claims is anticipated by market participants as it helps mitigate the risk of inflation in the services sector.

PPI



Sources : US BEA, KBVS Research (2024)

- Producer costs indicate that the headline PPI for Apr '24 in the US experienced an increase to 0.5% MoM (Cons: 0.3% MoM, Prev: -0.1%).
- The same trend is observed in the Core PPI for the same month, which rose to 0.5% MoM (Cons: 0.2% MoM, Prev: -0.1% MoM).
- The largest increase was driven by a 0.6% MoM rise in prices for services.

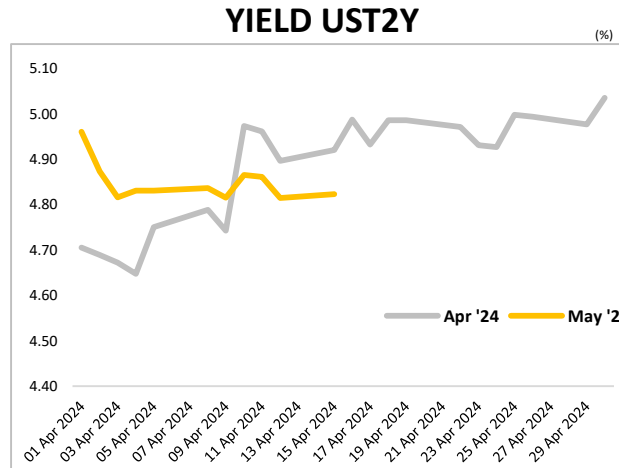
The Movement of UST Yields

US FISCAL INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Govt Debt	USD Tn	Mar'24	34.67	34.47
Govt Debt to GDP	%	4Q23	124.3	122.9
Govt Budget	USD Bn	Feb '24	296.28	21.93
S&P Credit Rating	Rating	16-Mar-23	AA+	AA+

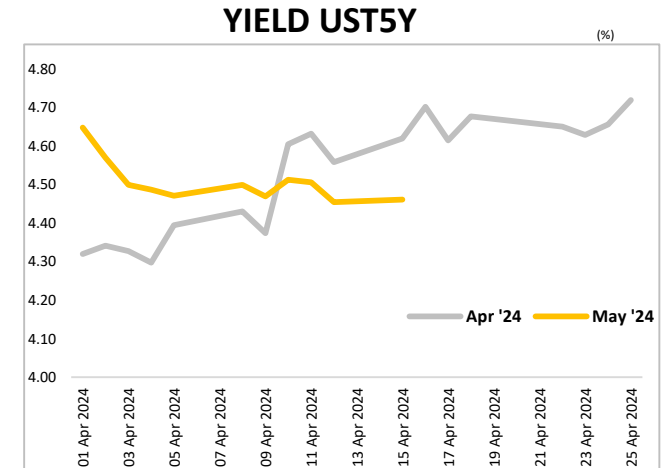
Sources : US Treasury, KBVS Research (2024)

The decrease in risks in the services sector, coupled with dovish statements from Fed members, particularly Fed Chairman Powell's reiteration that the central bank will maintain rates at a restrictive level until there is confidence that inflation will return to its target, acknowledging that disinflation has been slower than expected this year, has driven weekly UST yields in the secondary market to resume their decreasing trend last week:

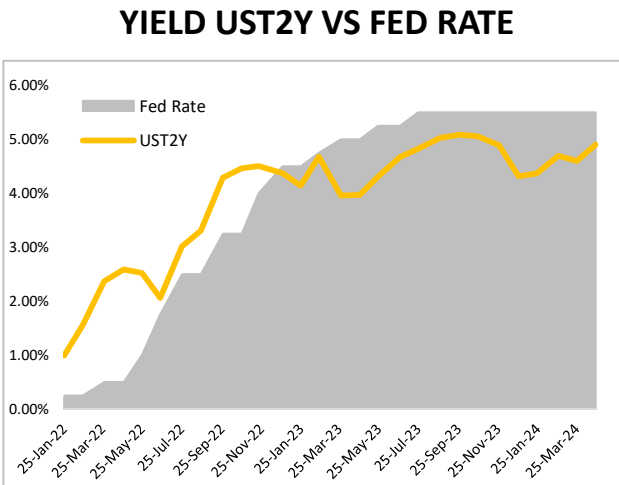
- Yield UST2Y
 - -1.34 bps (WoW)
 - +57.32 bps (YtD, as of 15 May '24)
- Yield UST5Y
 - -3.77 bps (WoW)
 - +61.43 bps (YtD, as of 15 May '24)
- Yield UST10Y
 - -5.04 bps (WoW)
 - +94.14 bps (YtD, as of 15 May '24)



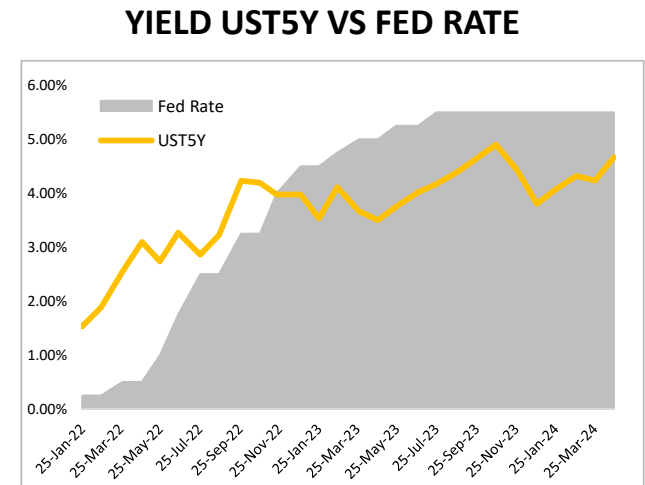
Sources : Bloomberg, KBVS Research (2024)



Sources : Bloomberg, KBVS Research (2024)



Sources : US Treasury, KBVS Research (2024)



Sources : US Treasury, KBVS Research (2024)

Expectations for a Fed Rate Decrease Are Rising

FED PROBABILITIES, as of 15 MAY '24

MEETING DATE	FED PROBABILITIES							
	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
12-Jun-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.3%	96.7%
31-Jul-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	26.4%	72.7%
18-Sep-24	0.0%	0.0%	0.0%	0.0%	0.4%	14.1%	50.5%	34.9%
7-Nov-24	0.0%	0.0%	0.0%	0.1%	5.0%	26.3%	45.3%	23.3%
18-Dec-24	0.0%	0.0%	0.1%	2.8%	16.6%	36.7%	33.3%	10.6%
29-Jan-25	0.0%	0.0%	1.2%	8.6%	25.0%	35.2%	23.7%	6.1%
19-Mar-25	0.0%	0.6%	5.0%	17.1%	30.3%	29.3%	14.6%	3.0%
30-Apr-25	0.3%	2.3%	9.5%	22.0%	29.9%	23.8%	10.3%	1.9%

Sources : CME Group, and KBVS Research (2024)

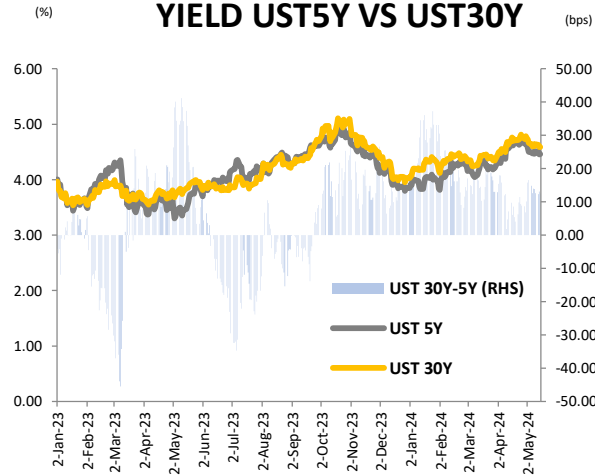
- These conditions also contribute to an increased likelihood of a decrease (odds ratio) in the median Fed Rate in Sep '24.
- Furthermore, the median Fed Rate is expected to decrease to a range of 4.75% to 5.00% by the end of 2024.
- These developments further drive down the DXY and the cost of funds (UST yields), alongside the implementation of reduced UST and MBS sales by The Fed to around USD25 bn (Prev: USD60 bn).

DXY



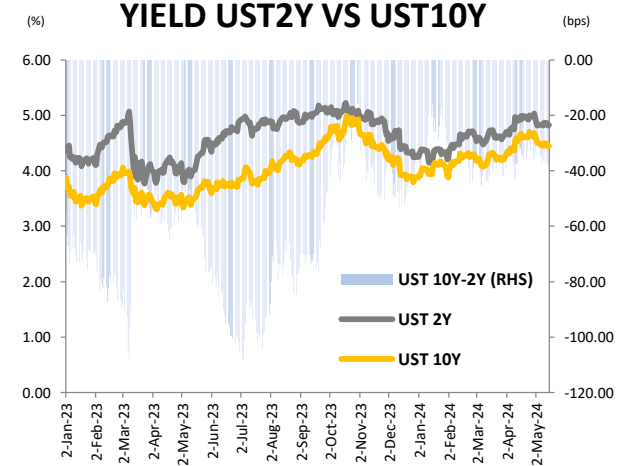
Sources : Bloomberg, and KBVS Research (2024)

YIELD UST5Y VS UST30Y



Sources : Bloomberg, and KBVS Research (2024)

YIELD UST2Y VS UST10Y



Sources : Bloomberg, KBVS Research (2024)

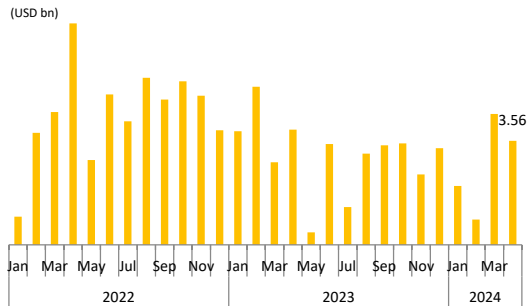
Indonesia Economic Data

INDICATORS OVERVIEW

Economic Indicators	Unit	Latest Period	Data	
			Latest	Previous
Policy Interest Rate	%	24 Apr '24	6.25	6.00
Economic Growth	%, yoy	1Q24	5.11	5.04
Inflation Rate	%, yoy	Apr '24	3.00	3.05
Unemployment Rate	%	Feb '24	4.82	5.32
S&P Credit Rating	Rating	Rating	4-Jul-23	BBB

Sources : various sources, KBVS Research (2024)

TRADE BALANCE



Sources : BPS, KBVS Research (2024)

- Indonesia recorded a trade balance surplus of USD3.56 bn in Apr '24 (Cons: USD3.10 bn, KBVS: USD1.62 bn, Prev: USD4.47 bn), marking the 48th consecutive month of surplus.
- This was driven by export growth of -12.97% mom or 1.72% YoY (Cons: 4.36% YoY, KBVS: 1.61% YoY, Prev: -4.19% YoY), and import growth of -10.60% mom or 4.62% YoY (Cons: 8.69% YoY, KBVS: 17.12% YoY, Prev: 12.76% YoY).

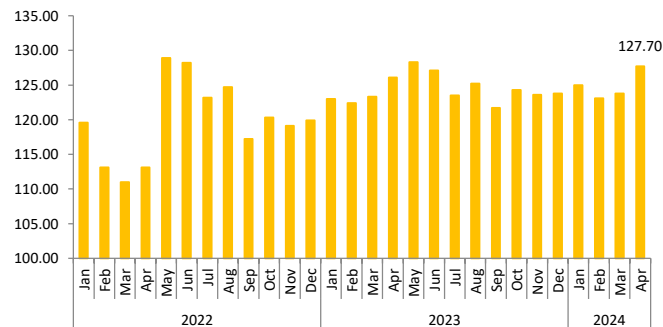
ECONOMIC CALENDAR

(8 MAY – 15 MAY '24)

Event	Actual	Forecast	Previous
Wednesday, 8 May '24			
ID FX Reserves (USD) (Apr)	136.20B		5.30%
Thursday, 9 May '24			
ID Motorbike Sales (YoY)	18.30%		-7.80%
Monday, 13 May '24			
ID Consumer Confidence (Apr)	127.70		123.80
ID Car Sales (YoY)	-17.50%		-26.20%
Tuesday, 14 May '24			
ID Retail Sales (YoY) (Mar)	9.30%		6.40%
Wednesday, 14 May '24			
ID Export Growth (YoY) (Apr)	1.72%	4.57%	-4.19%
ID Import Growth (YoY) (Apr)	4.62%	8.69%	-12.76%
ID Trade Balance (Apr)	3.56B	3.10B	4.47B

Sources : investing, KBVS Research (2024)

CONSUMER CONFIDENCE



Sources : BI, KBVS Research (2024)

RETAIL SALES

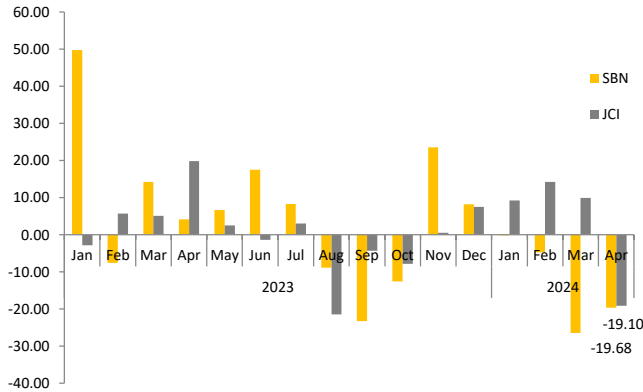


Sources : BI, KBVS Research (2024)

- In Mar '24, retail sales grew by 9.9% MoM or 9.3% YoY (Prev: 1.74% MoM or 6.44% YoY).
- The largest growth in sales came from the Information & Communication Equipment sector (+15.9% MoM), followed by Motor Vehicles Parts&Accessories (+10.8% MoM); and Food, Beverages&Tobacco (+9.7% MoM).
- Meanwhile, the only decline in sales came from the Motor Vehicle Fuel category (-2.9% MoM).
- The strength of domestic demand is further confirmed by the release of Indonesia's consumer confidence in Apr '24, which improved to 127.7 (Pre: 123.8).
- This positive condition is driven by all components of the Current Economic Condition (including the Current Incomes Index, Jobs Availability Index, and Purchase of Durable Goods Index).
- Similarly, the Consumer Expectation Index also experienced an increase in value in the Incomes Expectation Index, Job Availability Expectation Index, and Business Activities Expectation Index.

Development of Tradable SBN

CAPITAL FLOW IN SBN&JCI



Sources : Bloomberg, KBVS Research (2024)

During May '24 (as of 13 May), Non-Residents conducted net buy of tradable SBN amounting to USD0.48 bn (or IDR7.68 tn), after net foreign sell of USD1.30bn (or IDR20.84 tn).

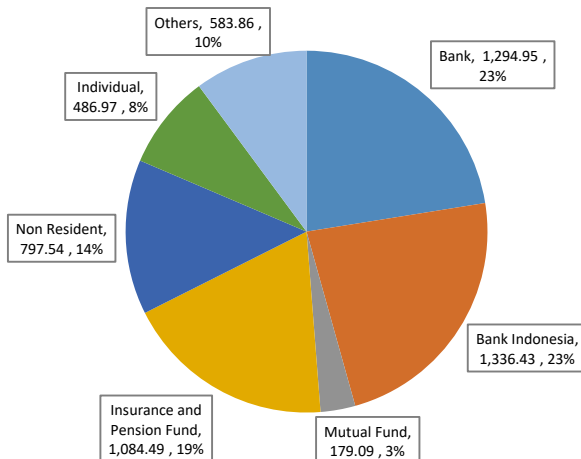
SUN LATEST AUCTION

14 May '24								
Instruments	SPN03240814	SPN12250502	FR0101	FR0100	FR0098	FR0097	FR0102	Total
Incoming Bids (IDR tn)	2.31	5.10	12.44	17.43	4.88	3.49	3.76	49.42
Bid to Cover Ratio	164.79	2.55	1.45	2.88	2.32	1.75	6.27	2.31
Weighted Average Yields Awarded	6.600%	6.828%	7.000%	7.030%	7.020%	7.058%	7.030%	
30 Apr '24								
Instruments	SPN03240801	SPN12250502	FR0101	FR0100	FR0098	FR0097	FR0102	Total
Incoming Bids (IDR tn)	3.29	4.92	14.27	14.23	4.14	6.53	2.81	50.20
Bid to Cover Ratio	9.41	8.21	1.69	1.77	2.07	3.19	-	2.33
Weighted Average Yields Awarded	6.517%	6.747%	7.160%	7.240%	7.240%	7.160%	-	

Sources : DJPPR, KBVS Research (2024)

OWNERSHIP of IDR TRADABLE SBN

(% of total tradable SBN)



Sources : DJPPR, and KBVS Research (2024)

- In May (as of 13 May '24), the transactions led to Non-resident ownership in IDR Tradable SBN reaching IDR797.54 tn, accounting for 13.84% of the total tradable SBN.
- Meanwhile, BI continues its net purchases amounting to IDR112.47 tn in May '24 (as of 13 May) or IDR294.26 tn ytd (as of 13 May'24).

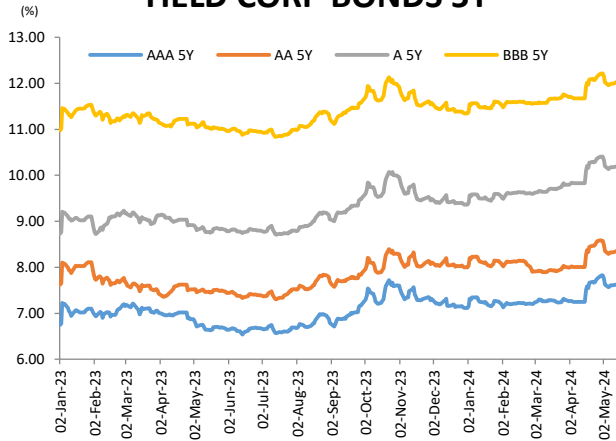
SBSN LATEST AUCTION

6 May '24								
Instruments	SPNS18112024	SPNS02022025	PBS032	PBS030	PBSG001	PBS004	PBS038	Total
Incoming Bids (IDR tn)	2.10	4.16	3.70	0.29	2.53	0.65	3.57	16.00
Bid to Cover Ratio	5.25	1.58	4.50	-	12.63	-	-	2.28
Weighted Average Yields Awarded	6.550%	6.748%	6.867%	-	6.690%	-	-	
23 Apr '24								
Instruments	SPNS22102024	SPNS20012025	PBS032	PBS030	PBS004	PBS039	PBS038	Total
Incoming Bids (IDR tn)	2.02	4.69	3.54	1.54	2.02	1.68	0.73	21.07
Bid to Cover Ratio	103.55	2.78	3.37	19.23	40.30	1.14	1.02	1.30
Weighted Average Yields Awarded	6.500%	6.660%	6.910%	6.849%	6.950%	7.130%	7.150%	

Sources : DJPPR, KBVS Research (2024)

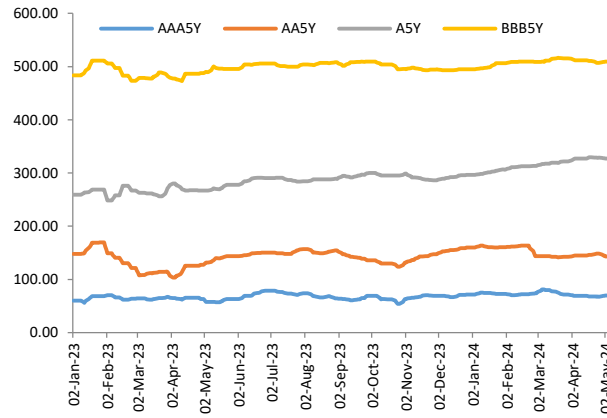
The Movement of Corporate Bond Yields

YIELD CORP BONDS 5Y



Sources : Bloomberg, KBVS Research (2024)

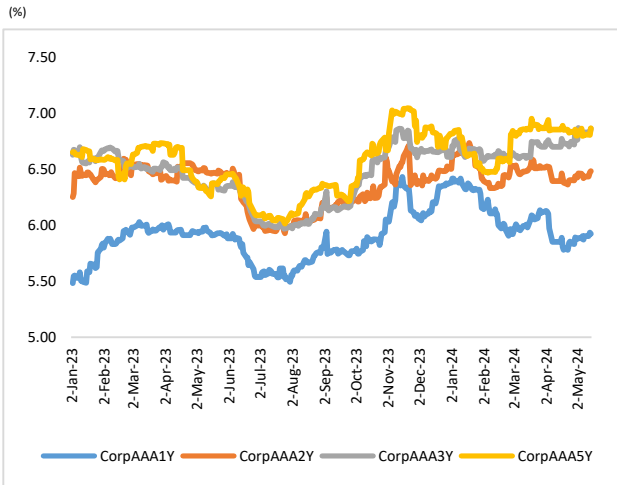
YIELD SPREAD 5Y TENOR



Sources : Bloomberg, KBVS Research (2024)

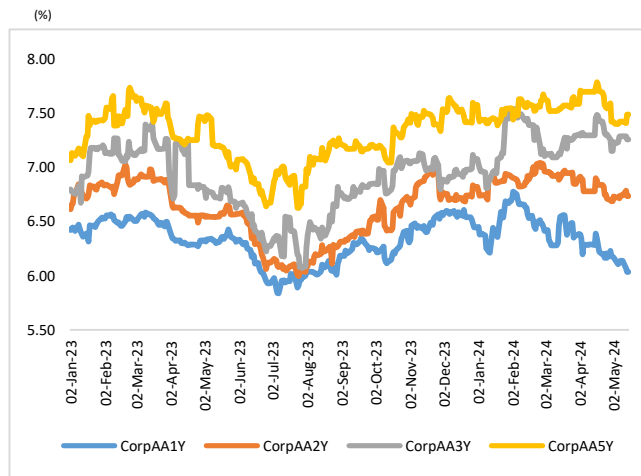
- The trend of rising SUN yields also impacts the trend of increasing corporate bond yields.
- However, the increase in corporate bond yields is particularly noticeable in the 5-year tenor, where the increases for AAA-rated bonds reach +5.59 bps, AA-rated +6.56 bps, and A-rated +7.57 bps.
- Meanwhile, the increases for other AAA-rated bonds are as follows:
 - Tenor 1Y : +1.99 bps
 - Tenor 3Y : +3.36 bps
- AA-rated
 - Tenor 1Y : -10.53 bps
 - Tenor 3Y : -3.14 bps
- A-rated
 - Tenor 1Y : +19.27 bps
 - Tenor 3Y : +15.10 bps

YIELD AAA-RATED



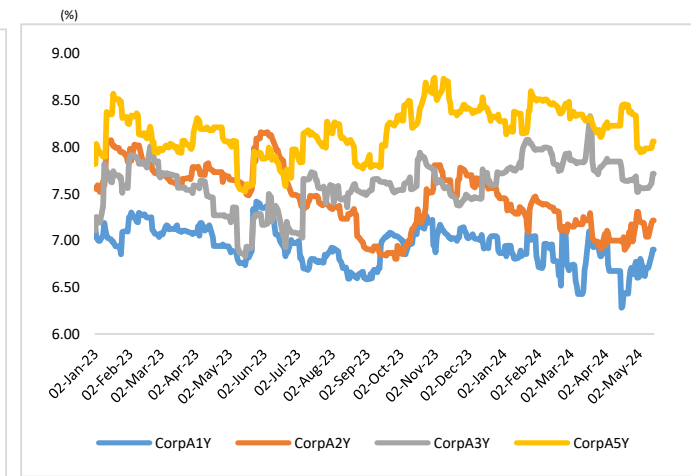
Sources : Bloomberg, KBVS Research (2024)

YIELD AA-RATED



Sources : Bloomberg, KBVS Research (2024)

YIELD A-RATED



Sources : Bloomberg, KBVS Research (2024)

BI's Monetary Operation

SRBI's DEVELOPMENT

SRBI	Weighted Yield Average Winner (%)			Bidding Amount (IDR bn)	Total Nominal Awarded (IDR bn)	Bid to Cover Ratio
	6 Months	9 Months	12 Months			
5-Jan-24	6.70	6.80	6.89	31,667.00	22,050.00	1.44
12-Jan-24	6.68	6.78	6.87	33,833.00	19,520.00	1.73
19-Jan-24	6.67	6.75	6.85	39,987.00	25,000.00	1.60
26-Jan-24	6.64	6.70	6.83	37,435.00	29,000.00	1.29
2-Feb-24	6.62	6.70	6.82	40,047.00	29,000.00	1.38
16-Feb-24	6.62	6.70	6.82	13,791.00	12,791.00	1.08
23-Feb-24	6.61	6.70	6.82	8,073.00	7,583.00	1.06
1-Mar-24	6.64	6.70	6.84	4,996.00	3,966.00	1.26
8-Mar-24	6.66	6.80	6.86	4,075.00	3,665.00	1.11
15-Mar-24	6.68	6.69	6.87	9,720.00	9,130.00	1.06
22-Mar-24	6.72	6.71	6.90	9,538.00	8,808.00	1.08
5-Apr-24	6.76	6.83	6.92	14,906.00	13,199.00	1.13
19-Apr-24	6.81	6.82	6.94	7,225.00	3,484.00	2.07
26-Apr-24	7.14	7.16	7.34	21,168.00	20,708.00	1.02
3-May-24	7.22	7.32	7.47	37,497.00	36,262.00	1.03
8-May-24	7.32	7.40	7.54	32,276.00	22,483.00	1.44

Sources : BI, KBVS Research (2024)

SVBI's DEVELOPMENT

SVBI	Weighted Yield Average Winner (%)		Bidding Amount (USD mn)	Total Nominal Awarded (USD Mn)	Bid to Cover Ratio
	1 Month	3 Months			
2-Jan-24	5.74	-	66.00	31.00	2.13
9-Jan-24	5.71	-	268.00	147.00	1.82
16-Jan-24	5.70	-	382.00	284.00	1.35
23-Jan-24	5.67	5.70	397.00	251.00	1.58
30-Jan-24	5.67	5.69	512.00	472.00	1.08
6-Feb-24	5.66	5.69	472.00	442.00	1.07
13-Feb-24	5.66	5.68	808.00	607.00	1.33
20-Feb-24	5.66	5.67	662.00	652.00	1.02
27-Feb-24	5.66	5.67	518.00	488.00	1.06
5-Mar-24	5.66	5.68	312.00	272.00	1.15
14-Mar-24	5.67	5.68	577.00	532.00	1.08
19-Mar-24	5.67	5.68	367.00	357.00	1.03
26-Mar-24	5.66	-	375.00	358.00	1.05
2-Apr-24	5.67	5.68	264.50	264.50	1.00
16-Apr-24	5.67	-	210.00	160.00	1.31
23-Apr-24	5.67	5.68	514.00	489.00	1.05
30-Apr-24	5.68	5.70	305.00	303.00	1.01
7-May-24	5.68	-	253.00	228.00	1.11
14-May-24	5.69	5.70	431.00	366.00	1.18

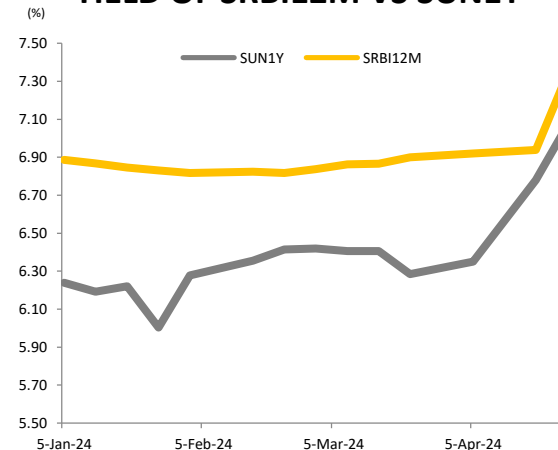
Sources : BI, KBVS Research (2024)

SUVBI's DEVELOPMENT

SUVBI	Weighted Yield Average Winner (%)		Bidding Amount (USD mn)	Total Nominal Awarded (USD Mn)	Bid to Cover Ratio
	1 Month	3 Months			
29-Nov-23	5.62	5.63	64.00	64.00	1.00
13-Dec-23	5.71	5.77	65.00	65.00	1.00
28-Dec-23	5.74	5.75	25.00	25.00	1.00
10-Jan-24	5.71	5.70	90.00	90.00	1.00
24-Jan-24	5.67	5.70	65.00	65.00	1.00
7-Feb-24	5.66	5.69	110.00	110.00	1.00
21-Feb-24	5.66	5.67	85.00	85.00	1.00
6-Mar-24	5.66	5.68	187.00	187.00	1.00
20-Mar-24	5.67	5.68	124.00	124.00	1.00
3-Apr-24	5.67	5.68	300.00	300.00	1.00
17-Apr-24	5.67	5.72	193.00	193.00	1.00
2-May-24	5.68	5.70	52.00	52.00	1.00

Sources : BI, KBVS Research (2024)

YIELD OF SRBI12M VS SUN1Y



Sources : BI, KBVS Research (2024)

- Through its twist operation policy, Bank Indonesia remains actively engaged in issuing SBRI, SVBI, SuKBI, and SUVBI in the market.
- The promotion of these instruments is also accompanied by offering yields higher than SUN1Y and significant increases have occurred following Bank Indonesia's 25 bps BI Rate hike last month.

This Week's Economic Calendar

ECONOMIC CALENDAR

(16 MAY - 22 MAY 2024)

Country	Event	Forecast	Previous
Thursday, May 16, 2024			
US	FOMC Member Bowman Speaks		
US	TIC Net Long-Term Transaction (Mar)	89.30B	71.50B
JP	GDP (YoY) (Q1)	-1.50%	0.40%
JP	GDP (QoQ) (Q1)	-0.40%	0.10%
JP	GDP Price Index (YoY) (Q1)	3.30%	3.90%
JP	Industrial Production (MoM) (Mar)	3.80%	-0.60%
GE	Buba Mauderer Speaks		
GB	BoE Financial Stability Report		
EU	ECB Financial Stability Review		
GE	Buba President Nagel Speaks		
US	Building Permits (Apr)	1.480M	1.467M
US	Continuing Jobless Claims		1,785K
US	Export Price Index (MoM) (Apr)	0.20%	0.30%
US	Housing Starts (Apr)	1.410M	1.321M
US	Housing Starts (MoM) (Apr)		-14.70%
US	Import Price Index (MoM) (Apr)	0.20%	0.40%
US	Initial Jobless Claims	220K	231K
US	Philadelphia Fed Manufacturing Index (May)	7.70	15.50
US	Philadelphia Fed Employment (May)		-10.70
US	Industrial Production (YoY) (Apr)		0.00%
US	Industrial Production (MoM) (Apr)	0.20%	0.40%
US	Fed Vice Chair For Supervision Barr Speaks		
US	FOMC Member Harker Speaks		
US	FOMC Member Mester Speaks		

Country	Event	Forecast	Previous
Friday, May 17, 2024			
US	FOMC Member Bostic Speaks		
US	Fed's Balance Sheet		7,353B
CN	Fixed Asset Investment (YoY) (Apr)	4.60%	4.50%
CN	Industrial Production (YoY) (Apr)	5.40%	4.50%
CN	Industrial Production YTD (YoY) (Apr)		6.10%
CN	Unemployment Rate (Apr)	5.20%	5.20%
CN	NBS Press Conference		
EU	ECB's De Guindos Speaks		
GB	BoE MPC Member Mann Speaks		
EU	Core CPI (YoY) (Apr)	2.70%	2.90%
EU	CPI (YoY) (Apr)	2.40%	2.40%
EU	CPI (MoM) (Apr)	0.60%	0.80%
US	Leading Index (MoM) (Apr)	-0.30%	-0.30%
US	Fed Waller Speaks		

Country	Event	Forecast	Previous
Monday, May 20, 2024			
US	Fed Chair Powell Speaks		
CN	Loan Prime Rate 5Y (May)		3.95%
GE	PPI (MoM) (Apr)		0.20%
Tuesday, May 21, 2024			
EU	Trade Balance (Mar)		23.60B
Wednesday, May 22, 2024			
JP	Exports (YoY) (Apr)		7.30%
JP	Imports (YoY) (Apr)		-5.10%
JP	Trade Balance (Apr)		387.00B
GB	CPI (YoY) (Apr)		3.20%
GB	CPI (MoM) (Apr)		0.60%
GB	PPI Input (MoM) (Apr)		-0.10%
US	Existing Home Sales (MoM) (Apr)		-4.30%
US	Existing Home Sales (Apr)		4.19M
ID	Loans (YoY) (Apr)		12.40%
ID	Interest Rate Decision		6.25%
ID	Lending Facility Rate (May)		7.00%

- Data from the US, such as initial jobless claims, US existing home sales, and Powell's remarks, will continue to be a focus for the markets. Additionally, data on Japan's GDP, industrial production in China, and EU CPI will be closely watched.
- Meanwhile, the anticipation surrounding the Bi Rate will be a focal point for domestic market participants.

