

Cautiously Optimistic

- Opportunities amidst Pressure

10 October 2024

Economist / Fikri C Permana

Executive Summary

- Strong U.S. labor market data—particularly Average Hourly Earnings, Non-Farm Payrolls, and the Unemployment Rate—has alleviated concerns about a potential hard landing for the U.S. economy.
 - However, it has also raised worries that inflation in the U.S. remains persistent.
 - This dynamic has reduced the likelihood of a significant Fed rate cut in the near future.
 - As a result, global markets have responded by rebalancing their portfolios.
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- The rise in the DXY has driven the Rupiah's JISDOR exchange rate to IDR 15,671 per USD as of Oct 8, '24, its lowest level since Aug 16, '24.
 - Similarly, the yield on the SUN10Y climbed to 6.73% on Oct 8, '24, the highest level since Aug 14, '24.
 - While domestic financial market pressures are largely driven by DXY movements and U.S. economic conditions, we also see this as an opportunity for a buy-on-weakness strategy in domestic assets currently under pressure.



Source: <https://portfolio-adviser.com/do-asset-allocators-need-to-get-used-to-an-equity-bond-correlation/> (11 Sep '23)

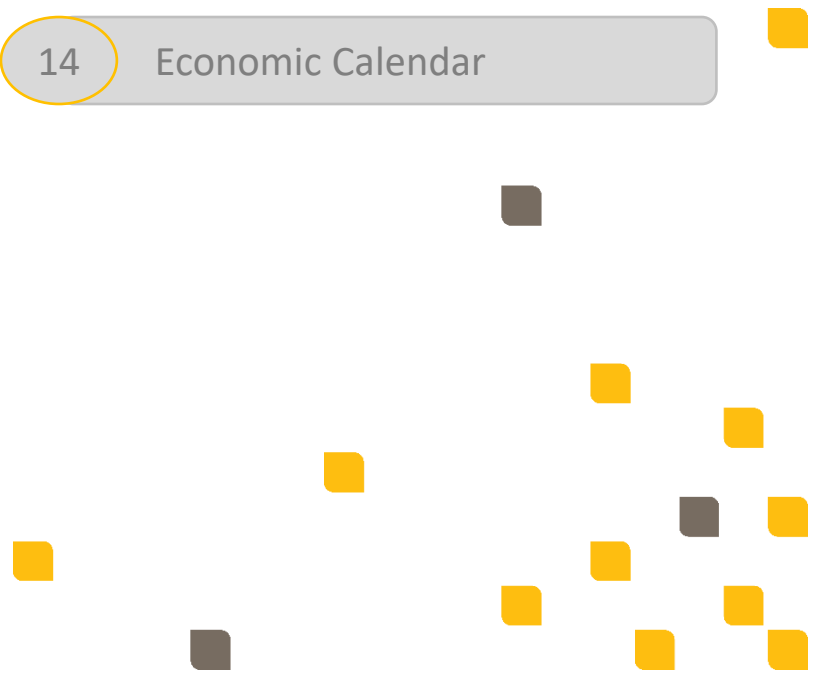


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US ECONOMIC DATA

US ECONOMIC INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Fed Rate	%	Sep '24	5.0	5.5
Economic Growth	%, yoy	2Q24	3.0	2.9
Inflation Rate	%, yoy	Aug'24	2.5	2.9
Unemployment Rate	%	Sep'24	4.1	4.2

Sources : various sources, KBVS Research (2024)

The data releases that influenced yield movements in the week of 3 – 9 Oct '24 are as follows:

- The number of people claiming unemployment benefits on the period ending Oct 5th in the US increase to 225K (Cons: 222K, Prev: 219K).
- S&P Global Services PMI for Sep '24 decreased to 55.20 (Cons: 55.40, Prev: 55.70).
- ISM Non-Manufacturing PMI in Sep '24 increased to 54.90 (Cons: 51.70, Prev: 51.50).
- ISM Non-Manufacturing Prices in Sep '24 up to 59.40 (Cons: 56.30, Prev: 57.30).
- Average Hourly Earnings in Sep '24 decreased to 0.40% MoM (Cons: 0.30% MoM, Prev: 0.50% MoM).
- Nonfarm Payrolls in Sep '24 up to 254k (Cons: 147k, Prev: 159k).
- Unemployment Rate for Sep '24 decreased to 4.10% (Cons: 4.20%, Prev: 4.20%).

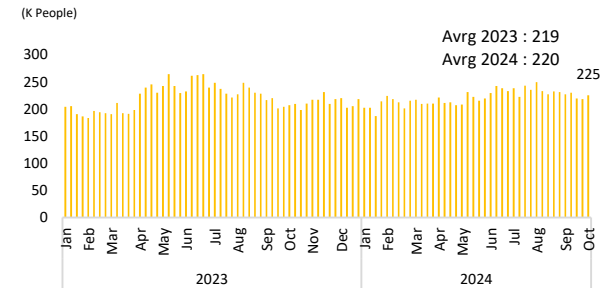
ECONOMIC CALENDAR

(3-9 OCT '24)

Event	Actual	Forecast	Previous
Thursday, 3 Oct '24			
US Continuing Jobless Claims	1.826K		1.827K
US Initial Jobless Claims	225K	222K	219K
US S&P Global Composite PMI (Sep)	54.00	54.40	54.60
US S&P Global Services PMI (Sep)	55.20	55.40	55.70
US Factory Orders (MoM) (Aug)	-0.20%	0.10%	4.90%
US ISM Non-Manufacturing Employment (Sep)	48.10		50.20
US ISM Non-Manufacturing PMI (Sep)	54.90	51.70	51.50
US ISM Non-Manufacturing Prices (Sep)	59.40	56.30	57.30
US FOMC Member Bostic Speaks			
Friday, 4 Oct '24			
US Fed's Balance Sheet	7,047B		7,080B
US Average Hourly Earnings (YoY) (Sep)	4.00%	3.80%	3.90%
US Average Hourly Earnings (MoM) (Sep)	0.40%	0.30%	0.50%
US Nonfarm Payrolls (Sep)	254K	147K	159K
US Participation Rate (Sep)	62.70%	62.70%	62.70%
US Private Nonfarm Payrolls (Sep)	223K	125K	114K
US U6 Unemployment Rate (Sep)	7.70%		7.90%
US Unemployment Rate (Sep)	4.10%	4.20%	4.20%
US FOMC Member Williams Speaks			
Monday, 7 Oct '24			
Tuesday, 8 Oct '24			
US FOMC Member Bowman Speaks			
US FOMC Member Kashkari Speaks			
US Consumer Credit (Aug)	8.93B	11.80B	26.63B
US FOMC Member Bostic Speaks			
US Exports (Aug)	271.80B		266.60B
US Imports (Aug)	342.20B		345.40B
US Trade Balance (Aug)	-70.40B	-70.10B	-78.90B
US Atlanta Fed GDP Now (Q3)	3.20%	2.50%	2.50%
US EIA Short-Term Energy Outlook			
US FOMC Member Bostic Speaks			
Wednesday, 9 Oct '24			
US 3-Year Note Auction	3.88%		3.44%
US API Weekly Crude Oil Stock	10.900M	1.950M	-1.458M
US FOMC Member Bostic Speaks			
US Crude Oil Inventories		1.900M	3.889M
US Cushing Crude Oil Inventories			0.840M
US FOMC Member Williams Speaks			

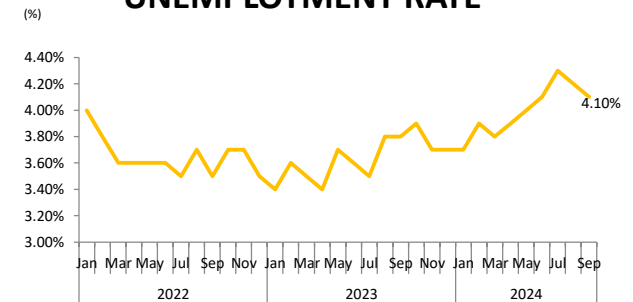
Sources : investing, KBVS Research (2024)

WEEKLY INITIAL JOBLESS CLAIMS



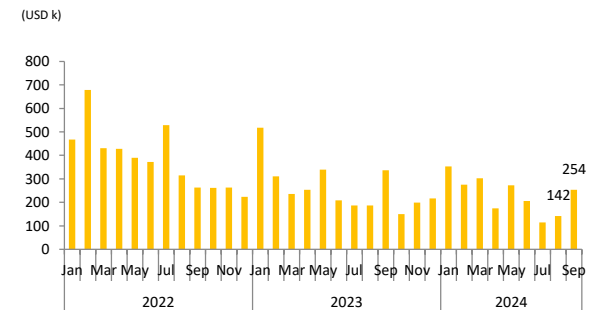
Sources : US DoL, KBVS Research (2024)

UNEMPLOYMENT RATE



Sources : US Bureau of Labor Statistics, KBVS Research (2024)

NONFARM PAYROLLS



Sources : US Bureau of Labor Statistics, KBVS Research (2024)

FED PROBABILITIES AND THEIR IMPACT

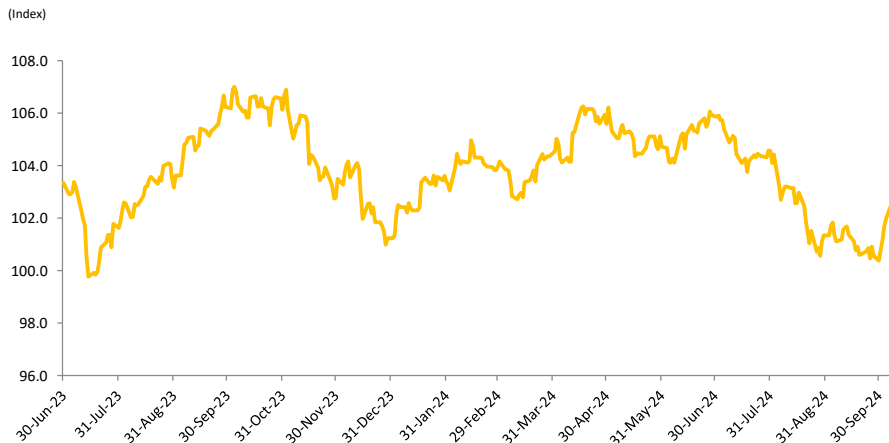
FED PROBABILITIES, as of 9 OCT '24

MEETING DATE	FED PROBABILITIES									
	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475	475-500
7-Nov-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	88.8%	11.2%
18-Dec-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	80.1%	9.9%	0.0%
29-Jan-25	0.0%	0.0%	0.0%	0.0%	0.0%	8.4%	68.4%	21.6%	1.6%	0.0%
19-Mar-25	0.0%	0.0%	0.0%	0.0%	7.4%	61.2%	27.2%	4.0%	0.2%	0.0%
30-Apr-25	0.0%	0.0%	0.0%	4.3%	39.0%	41.2%	13.6%	1.8%	0.1%	0.0%
18-Jun-25	0.0%	0.0%	2.5%	24.5%	40.3%	25.2%	6.7%	0.8%	0.0%	0.0%
30-Jul-25	0.0%	0.9%	10.0%	29.9%	35.1%	18.9%	4.7%	0.5%	0.0%	0.0%
17-Sep-25	0.3%	3.9%	16.7%	31.6%	29.7%	14.1%	3.3%	0.4%	0.0%	0.0%

Sources : CME Group, and KBVS Research (2024)

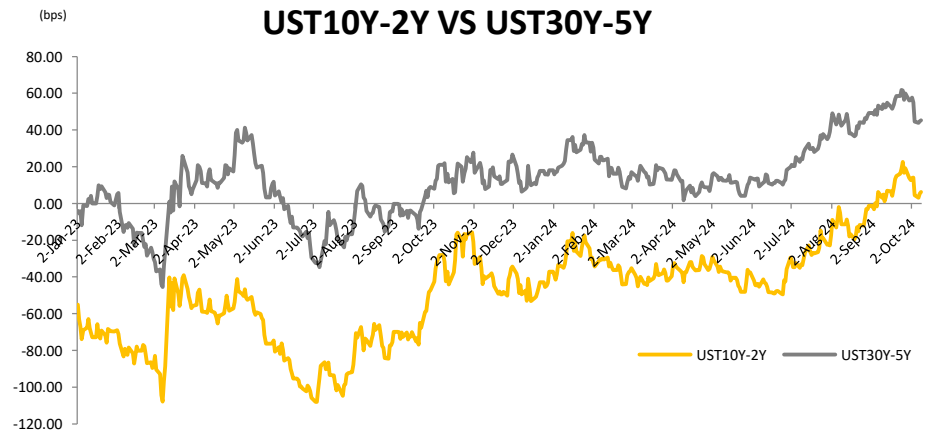
- The release of stronger-than-expected labor market data, coupled with the increasing risk of higher inflation in the services sector, has led to more limited expectations of a Fed rate cut in the upcoming FOMC meeting, with a maximum reduction of only 25 bps. Additionally, 11.2% of the market sees the possibility that the Fed may hold the rate steady at its current level of 5.00%.
- At the same, the potential for a stronger U.S. economy, with an unemployment rate of 4.1% (VS the Fed's expectation of 4.4%), has driven the DXY up by 0.81%. This also highlights the depreciation of various currencies against the U.S. dollar:
 - SEK 0.62%
 - EUR 0.63%
 - CHF 0.87%
 - JPY 1.02%
 - CAD 1.09%
 - GBP 1.24%
- Meanwhile, the yield spread between US10Y and 2Y treasury bonds has narrowed.

DXY



Sources : Bloomberg, and KBVS Research (2024)

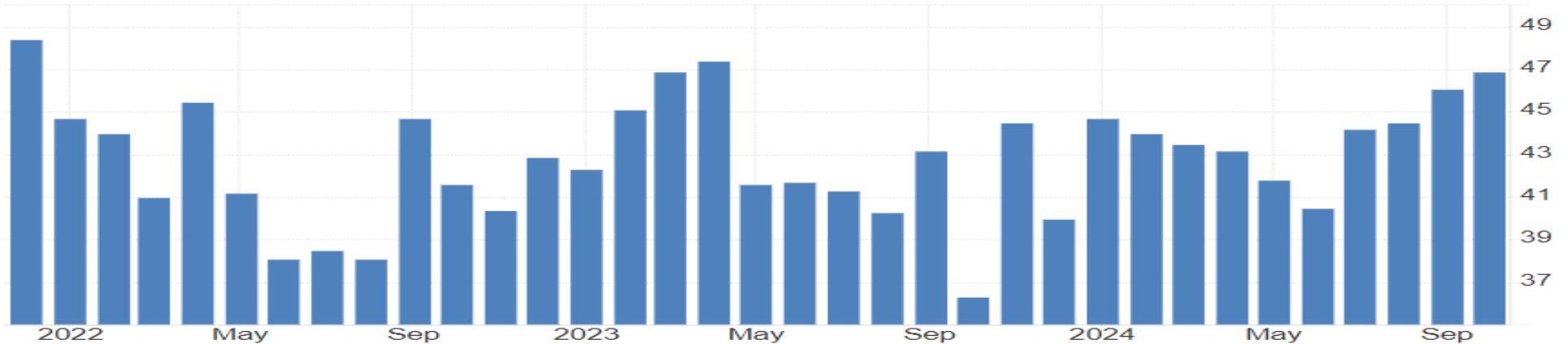
YIELD SPREAD UST10Y-2Y VS UST30Y-5Y



Sources : Bloomberg, and KBVS Research (2024)

ECONOMIC OPTIMISM

THE REALCLEARMARKETS/TIPP ECONOMIC OPTIMISM INDEX



Sources : CME Group, and KBVS Research (2024)

- After the release of strong labor market data, optimism surrounding the economy was tempered by the release of the IBD/TIPP Economic Optimism Index on Tuesday, October 8, 2024.
- The index for October increased by less than expected, reaching 46.9 (Cons: 47.2, Prev: 46.1).
- Sentiment has been rising for four consecutive months, but it remains in negative territory.
- The Personal Financial Outlook, which gauges how Americans feel about their personal finances over the next six months, rose by 0.4 points from 53.2 in September to 53.6 in October.
- Similarly, the Six-Month Economic Outlook, which reflects consumers' expectations for the economy over the same period, increased by 2.5 points to 47.3 in October.
- However, confidence in Federal Economic Policies, a proprietary measure from RCM/TIPP evaluating the effectiveness of government economic policies, declined from 40.2 in September to 39.7 in October.
- Investor optimism improved (55.9 vs. 52.9), while it slightly decreased among non-investors (42.3 vs. 42.5).
- This situation ultimately reflects the euphoria surrounding a potential soft landing for the U.S. economy, easing concerns about excessive inflation, preventing further significant increases in the DXY, and curbing the sharp rise in U.S. Treasury yields that followed last weekend's labor market data release.

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)

Over the past week, there has been a tendency for UST yields to increase, where:

- UST6M
 - +5.82 bps (WoW)
 - -82.93 bps (YtD, as of Oct 9, '24)
- UST52W (1Y)
 - +20.75 bps (WoW)
 - -59.80 bps (YtD, as of Oct 9, '24)
- UST2Y
 - +31.74 bps (WoW)
 - -29.11 bps (YtD, as of Oct 9, '24)
- UST5Y
 - +29.83 bps (WoW)
 - +0.45 bps (YtD, as of Oct 9, '24)
- UST10Y
 - +24.08 bps (WoW)
 - +14.26 bps (YtD, as of Oct 9, '24)
- UST30Y
 - +17.50 bps (WoW)
 - +27.67 bps (YtD, as of Oct 9, '24)

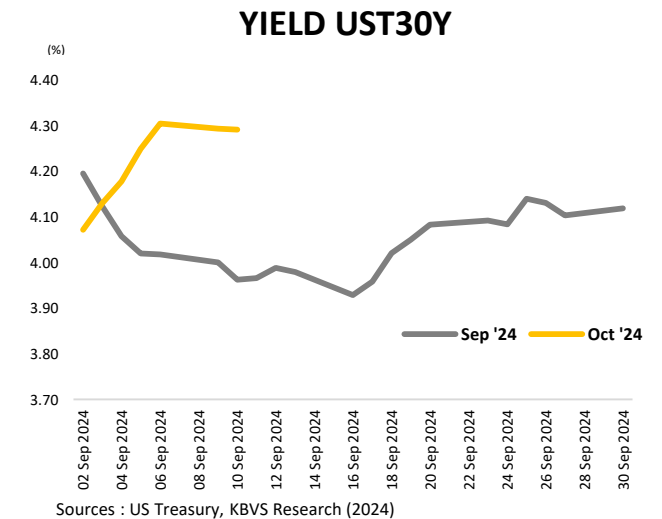
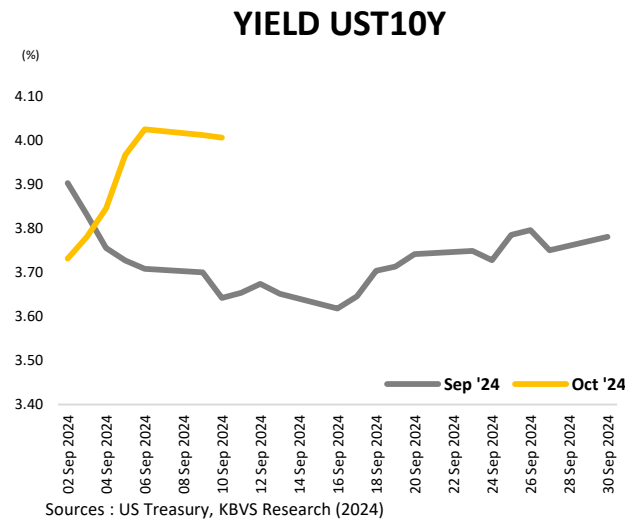
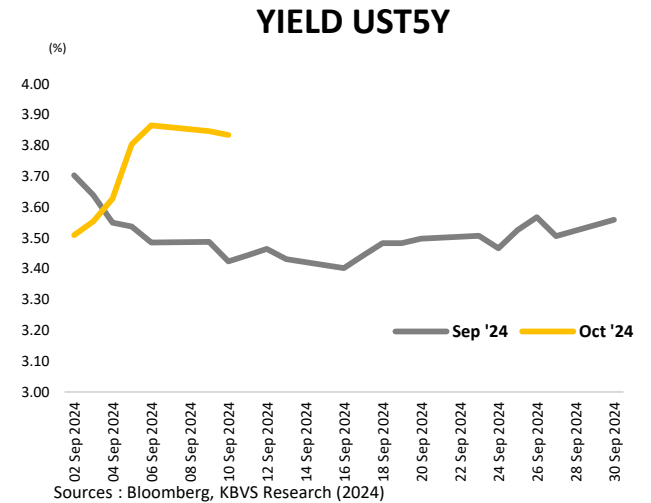
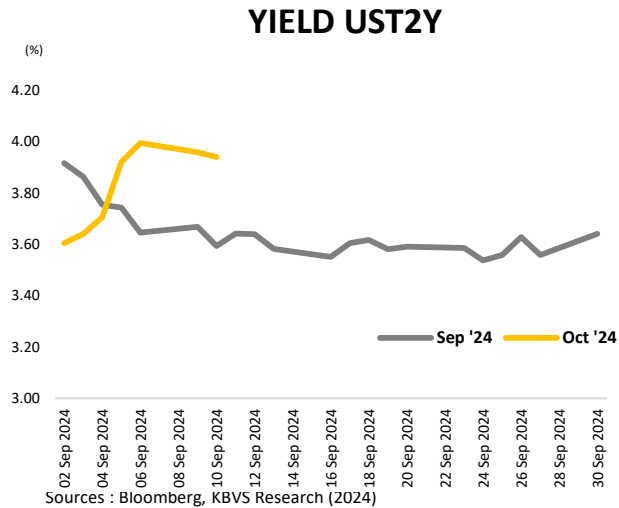


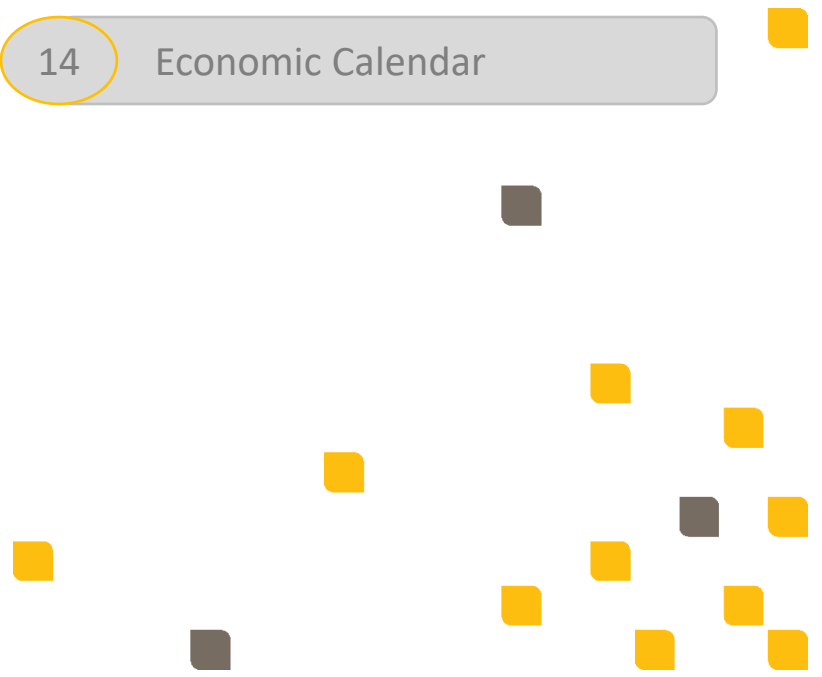


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INDONESIA ECONOMIC DATA

INDICATORS OVERVIEW

Economic Indicators	Unit	Latest Period	Data	
			Latest	Previous
Policy Interest Rate	%	18 Sep '24	6.00	6.25
Economic Growth	%, yoy	2Q24	5.05	5.11
Inflation Rate	%, yoy	Sep' 24	1.84	2.12
Unemployment Rate	%	Feb '24	4.82	5.32
S&P Credit Rating	Rating	17 July '24	BBB	BBB

Sources : various sources, KBVS Research (2024)

ECONOMIC CALENDAR

(3-9 OCT '24)

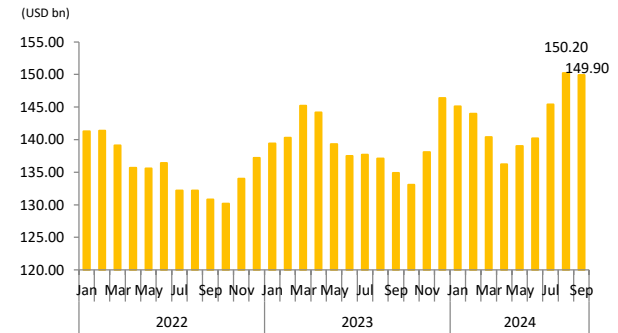
Event	Actual	Forecast	Previous
Thursday, 3 Oct '24			
Friday, 4 Oct '24			
Monday, 7 Oct '24			
ID Fx Reserves (USD) (Sep)	149.90B		150.20B
Tuesday, 8 Oct '24			
ID Consumer Confidence (Sep)	123.50		124.40
Wednesday, 9 Oct '24			
ID Retail Sales (YoY) (Aug)	5.80%		4.50%

Sources : Investing, KBVS Research (2024)

The data releases that influenced yield movements in the week of 3– 9 Oct '24 are:

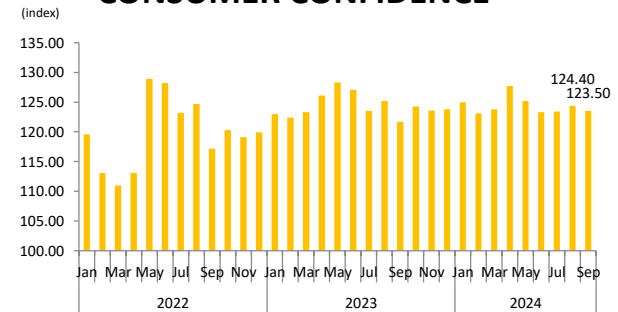
- The primary reason for the decline in Indonesia's FX Reserves in Sep '24 was attributed to the repayment of government external debt. During the same period, Bloomberg reported a capital inflow into SBN and the JCI amounting to IDR 58.15 trillion (approximately USD 3.79 billion). This situation raises concerns about a potential decline in the trade surplus for September 2024, particularly as the Rupiah appreciated by 2.62% month-over-month. Such appreciation could erode the competitive advantage for exports while simultaneously boosting the competitive advantage for imports, particularly in the consumption goods sector.
- Consumer Confidence in Sep 2024 decreased to 123.50 (Prev: 124.40). Based on its components, the only monthly increase was observed in the Job Availability Index, while the other components, including the Current Income Index, Purchase of Durable Goods Index, Income Expectation Index, Job Availability Expectation Index, and Business Activities Expectation Index, showed declines.
- Retail sales in Aug '24 increased by 5.80% YoY (Prev: 4.50% YoY), driven primarily by the Food, Beverages, Tobacco group, and Motor Vehicle Fuel. Retail sales for Sep '24 are projected to grow by 4.7% YoY, supported by a likely increase in sales in the Motor Vehicle Fuel, Spare Parts and Accessories group, as well as the Clothing subcategory.

FX RESERVES



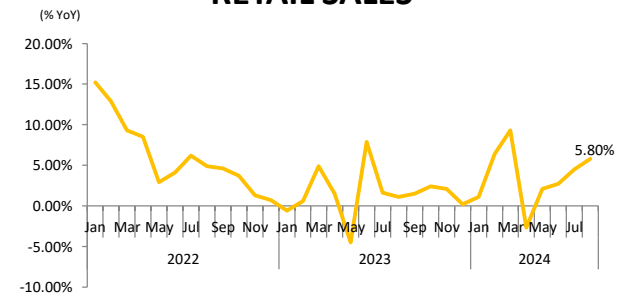
Sources : BI, KBVS Research (2024)

CONSUMER CONFIDENCE



Sources : BI, KBVS Research (2024)

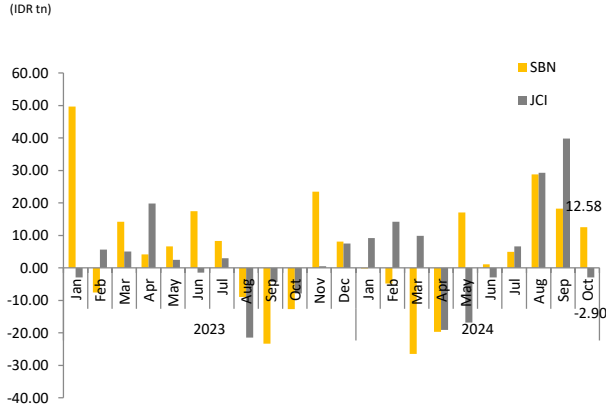
RETAIL SALES



Sources : BI, KBVS Research (2024)

DEVELOPMENT OF TRADABLE SBN

CAPITAL FLOW IN SBN&JCI



Sources : Bloomberg, KBVS Research (2024)

Between 3 and 9 Oct '24, non-residents conducted:

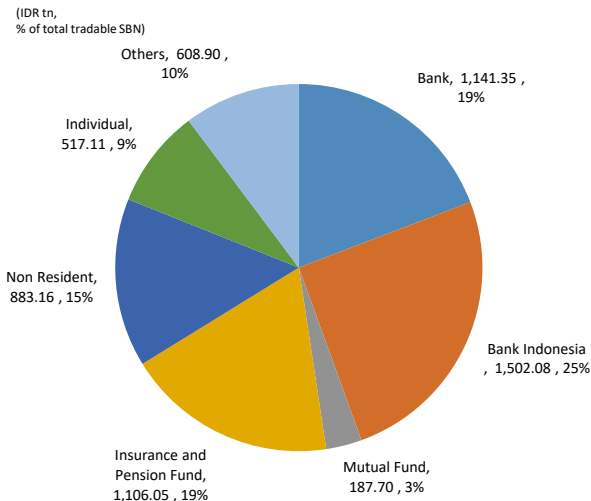
- a net buy of tradable SBN amounting to IDR9.88 tn, and
- A net sell of JCI, amounting IDR2.75 tn.

SUN LATEST AUCTION

1 Oct '24								
Instruments	SPN03250101	SPN12251002	FR0104	FR0103	FR0098	FR0097	FR0102	Total
Incoming Bids (IDR tn)	2.02	5.89	14.13	14.96	4.82	3.26	1.57	46.65
Bid to Cover Ratio	-	2.95	1.64	2.03	1.18	5.02	1.21	1.94
Weighted Average Yields Awarded	-	5.945%	6.240%	6.530%	6.679%	6.829%	6.889%	
17 Sep '24								
Instruments	SPN03241218	SPN12250918	FR0104	FR0103	FR0098	FR0097	FR0102	Total
Incoming Bids (IDR tn)	3.56	4.27	16.02	26.19	5.44	5.09	3.14	63.70
Bid to Cover Ratio	-	-	2.18	3.52	2.31	2.21	1.23	2.90
Weighted Average Yields Awarded	-	-	6.406%	6.529%	6.670%	6.769%	6.840%	

Sources : DJPPR, KBVS Research (2024)

OWNERSHIP of IDR TRADABLE SBN



Sources : DJPPR, and KBVS Research (2024)

As of 7 Oct '24, the largest ownership of tradable SBN is as follows:

- Bank Indonesia : IDR1,502.08 tn (+IDR20.48 tn, WoW),
- Banks : IDR1,141.35 tn (-IDR14.83 tn, WoW), and
- Insurance & Pension Funds: IDR1,106.05 tn (+IDR0.18 tn, WoW)

SBSN LATEST AUCTION

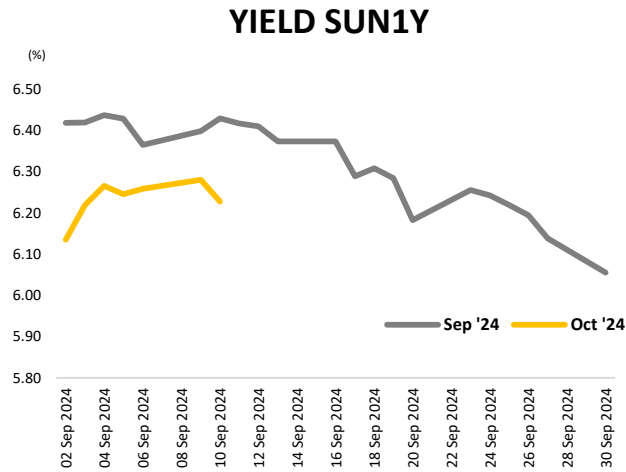
8 Oct '24								
Instruments	SPNS01042025	SPNS07072025	PBS032	PBS030	PBS004	PBS039	PBS038	Total
Incoming Bids (IDR tn)	2.16	4.37	2.01	2.26	0.26	0.17	3.62	14.85
Bid to Cover Ratio	3.59	1.56	1.15	3.02	2.60	1.71	2.20	1.92
Weighted Average Yields Awarded	6.230%	6.214%	6.399%	6.490%	7.992%	6.896%	7.050%	
24 Sep '24								
Instruments	SPNS01042025	SPNS09062025	PBS032	PBS030	PBS029	PBS004	PBS038	Total
Incoming Bids (IDR tn)	3.30	4.39	9.88	6.81	0.92	1.10	5.95	32.34
Bid to Cover Ratio	-	21.94	6.81	2.48	1.31	1.69	1.40	3.23
Weighted Average Yields Awarded	-	6.220%	6.250%	6.340%	6.561%	6.616%	6.870%	

Sources : DJPPR, KBVS Research (2024)

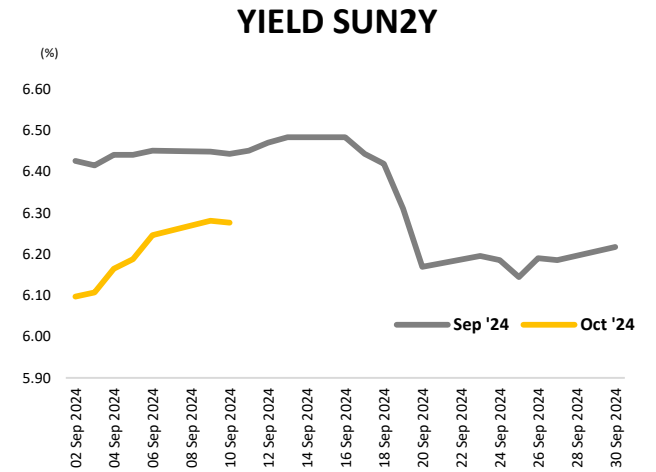
The Movement of SUN Yields

Over the past week, SUN yields moved tends to increased:

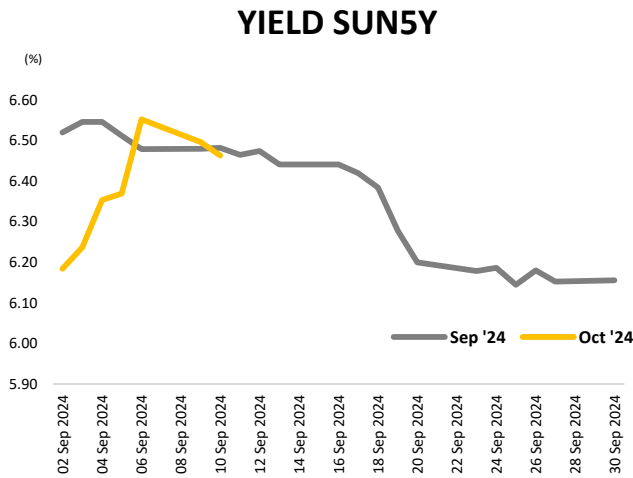
- Yield SUN1Y
 - +10.60 bps (WoW)
 - -4.00 bps (YtD, as of Oct 9, '24)
- Yield SUN2Y
 - +18.60 bps (WoW)
 - -9.00 bps (YtD, as of Oct 9, '24)
- Yield SUN5Y
 - +18.40 bps (WoW)
 - +1.90 bps (YtD, as of Oct 9, '24)
- Yield SUN10Y
 - +18.20 bps (WoW)
 - +21.90 bps (YtD, as of Oct 9, '24)
- Yield SUN30Y
 - +3.40 bps (WoW)
 - +6.70 bps (YtD, as of Oct 9, '24)



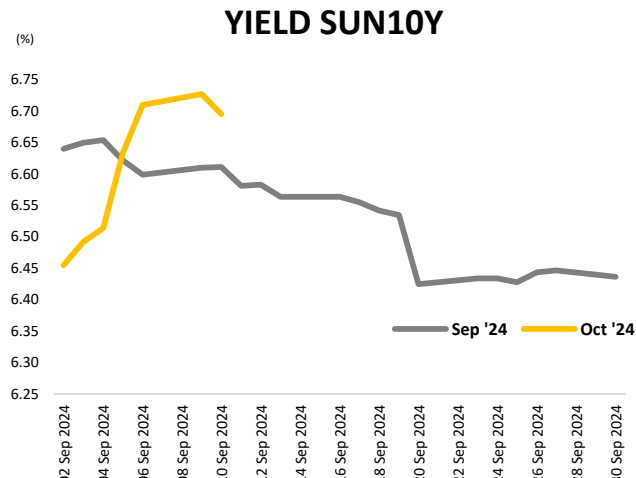
Sources : Bloomberg, KBVS Research (2024)



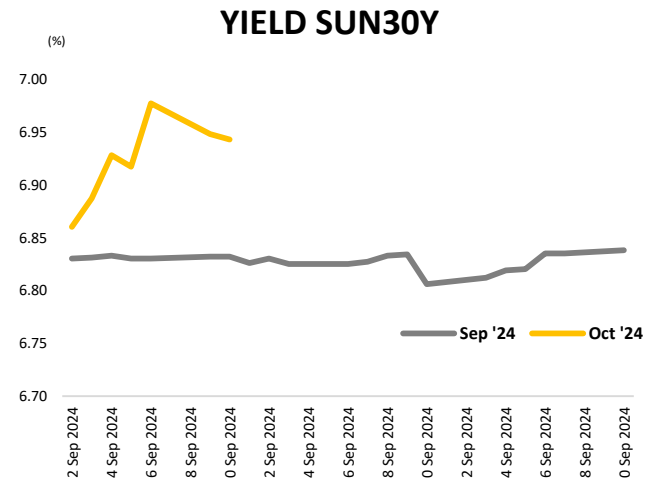
Sources : Bloomberg, KBVS Research (2024)



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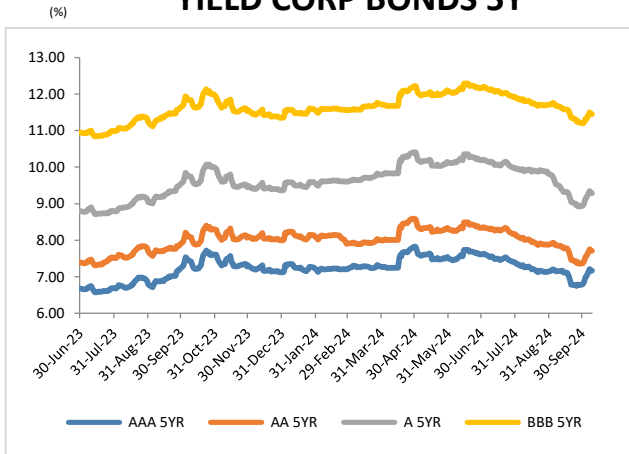
Sources : Bloomberg, KBVS Research (2024)



Sources : Bloomberg, KBVS Research (2024)

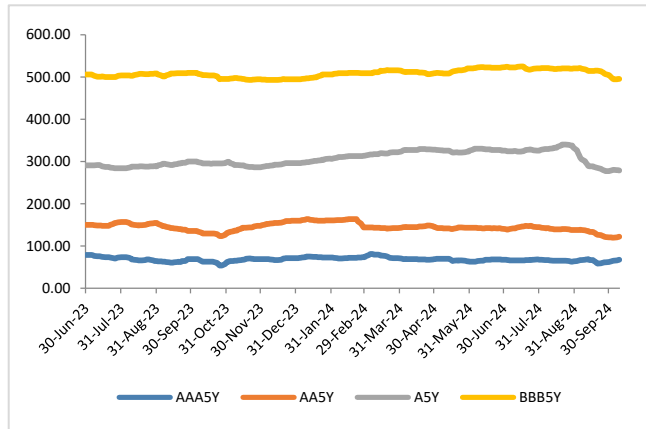
The Movement of Corporate Bond Yields

YIELD CORP BONDS 5Y



Sources : Bloomberg, KBVS Research (2024)

YIELD SPREAD 5Y TENOR

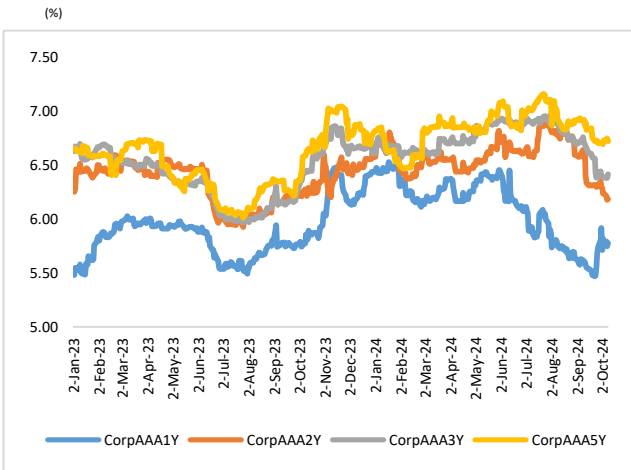


Sources : Bloomberg, KBVS Research (2024)

Corporate bonds showed a trend of decreasing yields last week, as follows:

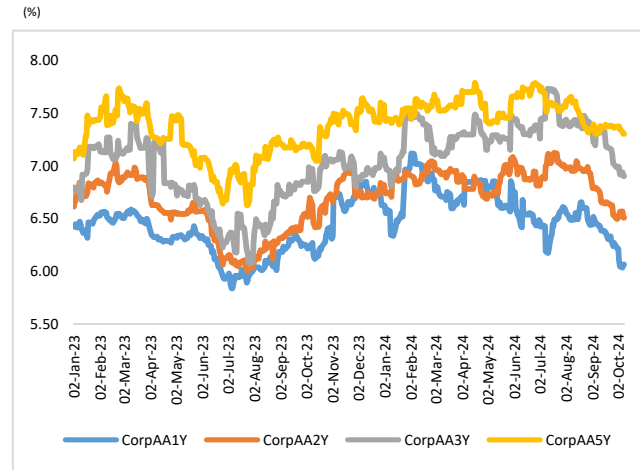
- AAA-rated
 - Tenor 1Y : -2.85 bps (WoW)
 - Tenor 2Y : -3.31 bps (WoW)
 - Tenor 5Y : +2.35 bps (WoW)
- AA-rated
 - Tenor 1Y : -16.44 bps (WoW)
 - Tenor 2Y : +19.15 bps (WoW)
 - Tenor 5Y : -6.14 bps (WoW)
- A-rated
 - Tenor 1Y : -33.91 bps (WoW)
 - Tenor 2Y : -7.47 bps (WoW), and
 - Tenor 5Y : -13.89 bps (WoW)

YIELD AAA-RATED



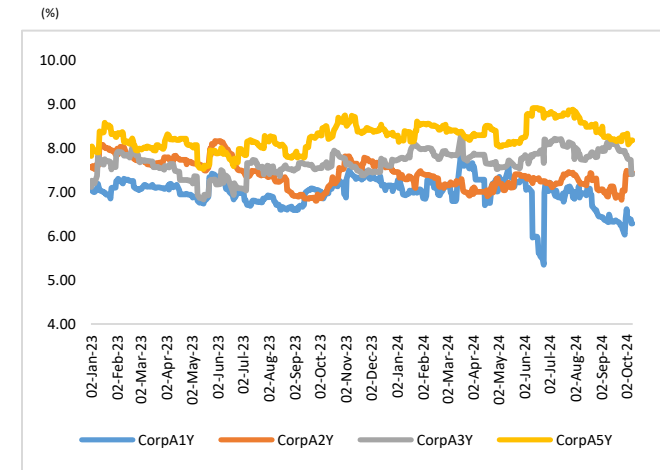
Sources : Bloomberg, KBVS Research (2024)

YIELD AA-RATED



Sources : Bloomberg, KBVS Research (2024)

YIELD A-RATED



Sources : Bloomberg, KBVS Research (2024)

BI'S MONETARY OPERATION

SRBI's DEVELOPMENT

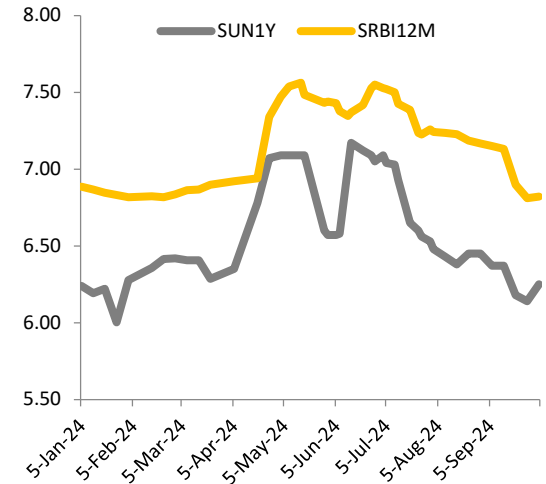
SRBI	Weighted Yield Average Winner (%)			Bidding Amount (IDR bn)	Total Nominal Awarded (IDR bn)	Bid to Cover Ratio
	6 Months	9 Months	12 Months			
5-Jan-24	6.70	6.80	6.89	31,667.00	22,050.00	1.44
12-Jan-24	6.68	6.78	6.87	33,833.00	19,520.00	1.73
19-Jan-24	6.67	6.75	6.85	39,987.00	25,000.00	1.60
26-Jan-24	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
15-May-24	7.33	7.43	7.56	39,675.00	25,790.00	1.54
17-May-24	7.29	7.38	7.48	54,530.00	27,610.00	1.98
29-May-24	7.27	7.37	7.43	49,103.50	30,000.00	1.64
31-May-24	7.25	7.39	7.44	38,761.00	24,453.00	1.59
5-Jun-24	7.20	7.38	7.43	60,699.70	23,000.00	2.64
7-Jun-24	7.16	7.33	7.38	65,254.80	21,902.00	2.98
12-Jun-24	7.13	7.31	7.35	46,327.00	46,327.00	1.00
14-Jun-24	7.17	7.29	7.37	35,370.00	28,500.00	1.24
21-Jun-24	7.23	7.30	7.42	32,617.00	31,895.00	1.02
26-Jun-24	7.29	7.39	7.53	26,796.00	20,798.00	1.29
28-Jun-24	7.32	7.44	7.55	23,814.00	18,611.70	1.28
3-Jul-24	7.32	7.43	7.53	27,224.20	18,852.00	1.44
5-Jul-24	7.32	7.43	7.52	25,986.60	18,647.00	1.39
10-Jul-24	7.30	7.42	7.50	32,163.90	17,981.00	1.79
12-Jul-24	7.30	7.39	7.43	39,348.60	17,971.00	2.19
19-Jul-24	7.26	7.36	7.39	67,741.10	25,000.00	2.71
24-Jul-24	7.12	7.21	7.24	52,687.10	22,000.00	2.39
26-Jul-24	7.07	7.18	7.23	41,454.70	34,000.00	1.22
31-Jul-24	7.10	7.19	7.26	25,086.00	13,041.00	1.92
2-Aug-24	7.09	7.18	7.24	29,918.00	22,061.00	1.36
9-Aug-24	7.09	7.17	7.24	19,656.40	15,000.00	1.31
16-Aug-24	7.07	7.16	7.23	15,650.00	15,650.00	1.00
23-Aug-24	7.05	7.14	7.18	24,505.10	15,000.00	1.63
30-Aug-24	7.03	7.12	7.17	16,602.40	12,000.00	1.38
6-Sep-24	7.02	7.11	7.15	18,074.00	10,000.00	1.81
13-Sep-24	7.01	7.10	7.13	33,863.10	10,000.00	3.39
20-Sep-24	6.73	6.84	6.90	46,048.50	19,000.00	2.42
27-Sep-24	6.69	6.78	6.81	22,076.90	19,000.00	1.16
4-Oct-24	6.69	6.78	6.82	18,030.00	15,000.00	1.20

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	6 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
21-May-24	5.69	5.69	-	375.00	350.00	1.07
28-May-24	5.69	5.69	-	209.00	204.00	1.02
4-Jun-24	5.69	5.69	-	606.00	591.00	1.03
11-Jun-24	5.69	5.70	-	430.50	420.50	1.02
19-Jun-24	5.69	5.70	-	152.00	137.00	1.11
25-Jun-24	5.70	5.70	-	282.00	242.00	1.17
2-Jul-24	5.70	5.70	-	342.00	340.00	1.01
9-Jul-24	5.69	5.70	-	644.00	639.00	1.01
16-Jul-24	5.68	5.68	-	552.00	264.00	2.09
23-Jul-24	5.66	5.68	-	687.00	267.00	2.57
30-Jul-24	5.61	-	-	299.00	150.00	1.99
6-Aug-24	5.55	5.45	-	864.00	190.00	4.55
13-Aug-24	5.53	5.42	-	977.00	587.00	1.66
20-Aug-24	5.48	5.40	-	1,079.00	612.00	1.76
27-Aug-24	5.41	5.33	5.02	935.50	306.00	3.06
3-Sep-24	5.34	5.25	4.99	1,019.00	884.00	1.15
10-Sep-24	5.25	5.16	4.85	710.50	644.50	1.10
17-Sep-24	5.21	5.13	4.84	652.00	627.00	1.04
24-Sep-24	5.00	4.84	4.68	311.00	301.00	1.03
1-Oct-24	4.99	4.81	4.60	283.00	283.00	1.00
8-Oct-24	4.98	4.81	4.66	398.00	374.00	1.06

Sources : BI, KBVS Research (2024)



Euribor Rates in 7 Oct '24:

- 1 month : 3.282% (Prev: 3.330%)
- 3 months : 3.268% (Prev: 3.252%)
- 6 months : 3.048% (Prev: 3.092%)

Sources : Euribor Rates, KBVS Research (2024)

The downward trend in the weighted average yield of winners since Jun 28, '24, was halted during the most recent SRBI auction on Oct 4, '24.

In fact, the yield for the 12-month tenor increased slightly to 6.82% from the previous 6.81%.

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Next Week's Economic Calendar

ECONOMIC CALENDAR

(10-16 OCT 2024)

Country	Event	Forecast	Previous
Thursday, Oct 10, 2024			
	US 10-Year Note Auction		3.65%
	US FOMC Meeting Minutes		
	US FOMC Member Daly Speaks		
	GE Retail Sales (MoM) (May)		-1.20%
	GB BoE Credit Conditions Survey		
	EU ECB Publishes Account of Monetary Policy Meeting		
	US Core CPI (MoM) (Sep)	0.20%	0.30%
	US Core CPI (YoY) (Sep)		3.20%
	US CPI (YoY) (Sep)	2.30%	2.50%
	US CPI (MoM) (Sep)	0.10%	0.20%
	US Continuing Jobless Claims		1,826K
	US Initial Jobless Claims	229K	225K
	US FOMC Member Williams Speaks		
Friday, Oct 11, 2024			
	US 30-Year Bond Auction		4.02%
	GE Buba President Nagel Speaks		
	US Federal Budget Balance (Sep)		-380.0B
	US Fed Balance Sheet		7,047B
	ID Car Sales (YoY) (Sep)		-14.20%
	GB GDP (MoM) (Aug)	0.20%	0.00%
	GB Industrial Production (MoM) (Aug)	0.20%	-0.80%
	GB Manufacturing Production (MoM) (Aug)	0.30%	-1.00%
	GB Monthly GDP 3M/3M Change (Aug)	0.30%	0.50%
	GB Trade Balance (Aug)	-19.20B	-20.00B
	GB Trade Balance Non-EU (Aug)		-7.50B
	GE CPI (MoM) (Sep)	0.00%	0.00%
	GE CPI (YoY) (Sep)	1.60%	1.90%
	GB NIESR Monthly GDP Tracker (Sep)		0.30%
	US Core PPI (MoM) (Sep)	0.20%	0.30%
	US PPI (MoM) (Sep)	0.10%	0.20%
	US Michigan 1-Year Inflation Expectations (Oct)		2.70%
	US Michigan 5-Year Inflation Expectations (Oct)		3.10%
	US Michigan Consumer Expectations (Oct)		74.40
	US Michigan Consumer Sentiment (Oct)	70.50	70.10
	US WASDE Report		

Country	Event	Forecast	Previous
Monday, Oct 14, 2024			
	CN CPI (MoM) (Sep)		0.40%
	CN CPI (YoY) (Sep)		0.60%
	CN PPI (YoY) (Sep)		-1.80%
	CN Imports (YoY) (Sep)		0.50%
	CN Exports (YoY) (Sep)		8.70%
	CN Trade Balance (USD) (Sep)		91.02B
	CN New Loans (Sep)		900.0B
	US OPEC Monthly Report		
Tuesday, Oct 15, 2024			
	ID Export Growth (YoY) (Sep)		7.13%
	ID Import Growth (YoY) (Sep)		9.46%
	ID Trade Balance (Sep)		2.89B
	JP Industrial Production (MoM) (Aug)		-3.30%
	GB Average Earnings Index + Bonus (Aug)		4.00%
	GB Claimant Count Change (Sep)		23.7K
	GB Employment Change 3M/3M (MoM) (Aug)		265K
	GB Unemployment Rate (Aug)		4.10%
	EU Industrial Production (MoM) (Aug)		-0.30%
	GE ZEW Current Conditions (Oct)		-84.50
	GE ZEW Economic Sentiment (Oct)		3.60
	EU ZEW Economic Sentiment (Oct)		9.30
	US NY Empire State Manufacturing Index (Oct)		11.50
Wednesday, Oct 16, 2024			
	GB CPI (YoY) (Sep)		2.20%
	GB CPI (MoM) (Sep)		0.30%
	GB PPI Input (MoM) (Sep)		-0.50%
	GE Retail Sales (MoM) (May)		-1.20%
	ID Interest Rate Decision (Oct)		6.00%
	ID Deposit Facility Rate (Oct)		5.25%
	ID Lending Facility Rate (Oct)		6.75%
	US Export Price Index (MoM) (Sep)		-0.70%
	US Import Price Index (MoM) (Sep)		-0.30%



KBVS ECONOMIC ASSUMPTIONS

KBVS ECONOMIC ASSUMPTIONS

Year			Fed Rate (%)			YIELD UST10Y (%)			BI Rate (%)			GDP Growth (% yoy)			Inflation (% YoY)			Rupiah ER (Rp per USD)			Yield SUN10Y (%)		
			Worst	Base	Best	Worst	Base	Best	Worst	Base	Best	Worst	Base	Best	Worst	Base	Best	Worst	Base	Best	Worst	Base	Best
2024	End of Year	3QF	4.75	4.50	4.25	4.04	3.69	3.34	5.75	5.50	5.25	4.61	5.11	5.61	2.90	2.40	1.90	16,266	15,491	14,716	6.63	6.18	5.73
		Dif to 1QF	-1.00	-0.75	-0.75	-0.51	-0.51	-0.51	-0.50	-0.25	0.00	-0.37	-0.37	-0.37	-0.40	-0.40	-0.40	-73	-70	-67	-0.14	-0.14	-0.14
	Average	3QF	5.38	5.13	4.88	4.35	4.00	3.65	6.19	5.94	5.69	4.58	5.08	5.58	3.21	2.71	2.21	16,634	15,842	15,050	7.04	6.59	6.14
		Dif to 1QF	-0.18	-0.18	-0.18	-0.40	-0.40	-0.40	0.09	0.09	0.09	-0.27	-0.27	-0.27	-0.19	-0.19	-0.19	53	51	48	0.15	0.15	0.15
2025	End of Year	3QF	3.75	3.50	3.25	3.85	3.40	2.95	4.75	4.50	4.25	4.52	5.17	5.82	3.15	2.50	1.85	16,970	15,935	14,899	6.40	5.90	5.40
		Dif to 1QF	-1.25	-1.25	-1.25	-0.20	-0.20	-0.20	-0.50	-0.50	-0.50	0.10	0.10	0.10	-0.10	-0.10	-0.10	337	317	296	0.24	0.24	0.24
	Average	3QF	4.13	3.88	3.63	3.96	3.51	3.06	5.19	4.94	4.69	4.39	5.04	5.69	3.10	2.45	1.80	16,954	15,919	14,884	6.54	6.04	5.54
		Dif to 1QF	-0.93	-0.93	-0.93	-0.29	-0.29	-0.29	-0.16	-0.16	-0.16	0.09	0.09	0.09	-0.25	-0.25	-0.25	323	303	283	0.28	0.28	0.28
2026	End of Year	3QF	2.75	2.50	2.25	3.08	2.53	1.98	3.75	3.50	3.25	4.71	5.48	6.25	3.07	2.30	1.53	17,686	16,422	15,157	5.67	5.12	4.57
		Dif to 1QF	-0.75	-0.75	-0.75	0.33	0.33	0.33	0.00	0.00	0.00	-0.04	-0.04	-0.04	-0.10	-0.10	-0.10	897	833	768	-0.13	-0.13	-0.13
	Average	3QF	3.13	2.88	2.63	3.30	2.75	2.20	4.13	3.88	3.63	4.36	5.13	5.90	3.10	2.33	1.56	17,623	16,363	15,103	5.93	5.38	4.83
		Dif to 1QF	-0.53	-0.53	-0.53	0.35	0.35	0.35	0.18	0.18	0.18	0.40	0.40	0.40	-0.07	-0.07	-0.07	1,184	1,099	1,015	-0.04	-0.04	-0.04

Note: 1QF : KBVS forecast at the end of 1Q24,
3QF : KBVS forecast at the end of 3Q24.

The assumption regarding the global economic:

- Best Scenario: The gradual decrease of US inflation to a range between 2.4% YoY and 2.9% YoY into the end of 2024. This, in turn, could serve as the basis for a potential decrease in the Fed Rate by another 75 bps in the respective period. Additionally, geopolitical risk are easing, potentially acting as a catalyst for a decline in global oil prices. Both of these conditions are expected to act as catalysts for further reduction in UST yield.
- Base Scenario: The US inflation is expected to decrease to 2.7% - 3.2% YoY, thus the Fed Rate is anticipated to decrease by 100 bps in 2024, resulting in the UST yield approaching the 3.34% to 3.69% level by the end of 2024.
- Worst Scenario: However, if US inflation continues to persist above 3.2%, we are concerned that the Fed will maintain the Fed Rate at 4.75% till the end of 2024 (max 1 x 25 bps decreasing).

Meanwhile, the basic foundational assumption regarding the domestic economic involves:

- Best Scenario: If the Fed Rate could decrease and the USD remains stable, the hope is that BI will be able to lower the BI Rate to 5.25%. Furthermore, this scenario is expected to be supported by domestic political stability during the elections. Then, the financial market, particularly the SUN could be reduced to approach the level of 5.7% in the end of 2024.
- Base Scenario: We anticipate a scenario of 2 x 25 bps decrease in the Fed Rate, leading BI Rate to 5.50% at the end of 2024, with the Rupiah expected to around IDR15,491 per USD. Hopefully, the yield of SUN10Y is expected to decrease to 6.18% by the end of 2024.
- Worst Scenario: If the risk-off market sentiment persists, we are concerned that BI rate may only reduce by another 25 bps to 5.75% until the end of 2024. This is also concerning at a time when the Rupiah and domestic inflation are at the upper bounds of the BI's and gov't target. This could result in the possibility of SUN10Y yield reaching the 6.6% level at the respective period.