

Trump = Uncertainty

31 October 2024

Economist / Fikri C Permana

Executive Summary

- The increasing likelihood of a Trump victory has fueled global inflation expectations.
- Key policies associated with Trump, such as immigration restrictions, the Trump Tariff, and tax cuts, are anticipated to heighten economic uncertainty worldwide.
- This outlook has already triggered capital outflows from Indonesia in the past week, particularly in the tradable SBN, totaling IDR3.32 tn.
- Consequently, SUN yields have risen in parallel with the yield increase observed in US government bonds.
- Additionally, with the DXY index remaining above the 104 level, the Rupiah also depreciated last week.
- Market participants are now closely watching the release of inflation and GDP growth data to help alleviate concerns over economic uncertainties and to address fears of weakening domestic purchasing power.
- Alongside these domestic indicators, global sentiment will also be shaped by the release of U.S. PCE price data, used by the Fed as a measure of purchasing power, and by US labor market data.



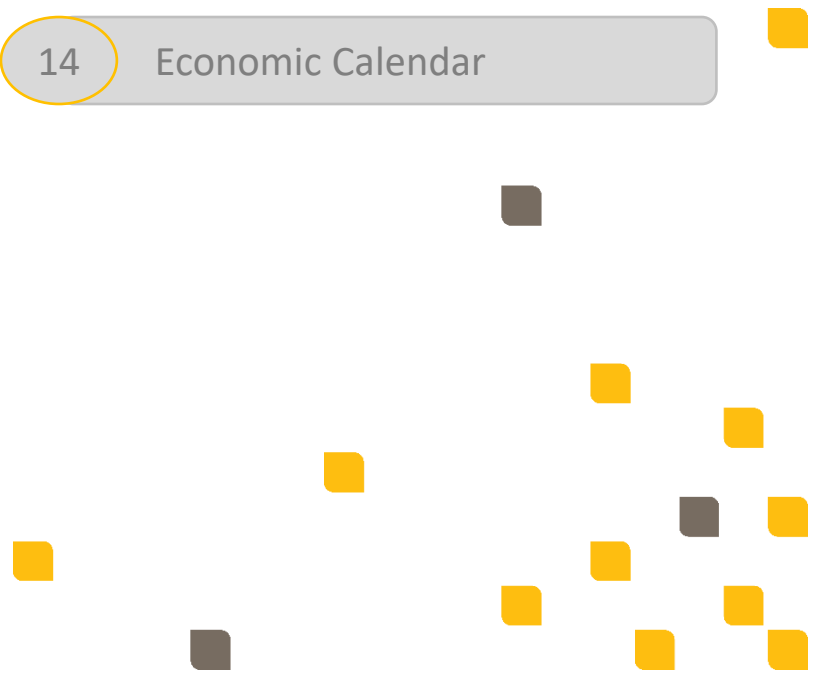


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US ECONOMIC DATA

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	Sep'24	2.4	2.5
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 24 – 30 Oct '24 are as follows:

- The number of people claiming unemployment benefits on the period ending Oct 12th in the US decrease to 227K (Cons: 243K, Prev: 242K).
- S&P Global Manufacturing PMI for Oct '24 increased by 47.80 (Cons: 47.50, Prev: 47.30)
- S&P Global Services PMI in Oct '24 increased by 55.30 (Cons: 55.00, Prev: 55.20).
- New Home Sales in Sep '24 up to 738K (Cons: 719K, Prev: 709K).
- Durable Goods Orders stable at -0.80% MoM (Cons :-1.10% MoM, Prev: -0.80% MoM).
- CB Consumer Confidence for Oct '24 increased by 108.70 (Cons: 99.50, Prev: 99.20)
- JOLTs Job Openings in Sep '24 decreased by 7.443M (Cons: 7.980M, Prev: 7.861M).

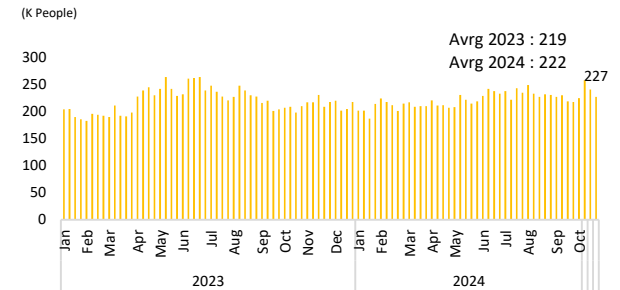
ECONOMIC CALENDAR

(24-30 OCT '24)

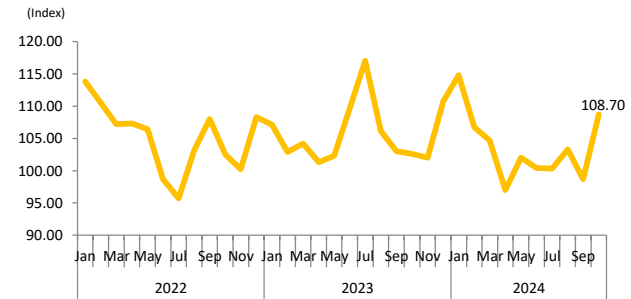
Event	Actual	Forecast	Previous
Thursday, 24 Oct '24			
US 20-Year Bond Auction	4.59%		4.04%
US Beige Book			
US Building Permits (Sep)	1.425M	1.428M	1.470M
US Continuing Jobless Claims	1,897M	1,880M	1,869M
US Initial Jobless Claims	227K	243K	242K
US S&P Global Manufacturing PMI (Oct)	47.80	47.50	47.30
US S&P Global Composite PMI (Oct)	54.30		54.00
US S&P Global Services PMI (Oct)	55.30	55.00	55.20
US New Home Sales (MoM) (Sep)	4.10%		-2.30%
US New Home Sales (Sep)	738K	719K	709K
Friday, 25 Oct '24			
US 5-Year TIPS Auction	1.67%		2.05%
US Fed's Balance Sheet	7,029B		7,039B
US Core Durable Goods Orders (MoM) (Sep)	0.40%	-0.10%	0.60%
US Durable Goods Orders (MoM) (Sep)	-0.80%	-1.10%	-0.80%
US Michigan 1-Year Inflation Expectations (Oct)	2.70%	2.90%	2.70%
US Michigan 5-Year Inflation Expectations (Oct)	3.00%	3.00%	3.10%
US Michigan Consumer Expectations (Oct)	74.10	72.90	74.40
US Michigan Consumer Sentiment (Oct)	70.50	68.90	70.10
US Atlanta Fed GDP Now (Q3)	3.30%	3.40%	3.40%
Monday, 28 Oct '24			
US 2-Year Note Auction	4.13%		3.52%
Tuesday, 29 Oct '24			
US 5-Year Note Auction	4.14%		3.52%
US Goods Trade Balance (Sep)	-108.23B	-95.90B	-94.22B
US Retail Inventories Ex Auto (Sep)	0.10%		0.50%
US S&P/CS HPI Composite - 20 n.s.a. (MoM) (Aug)	-0.30%		0.00%
US S&P/CS HPI Composite - 20 n.s.a. (YoY) (Aug)	5.20%	4.90%	5.90%
US CB Consumer Confidence (Oct)	108.70	99.50	99.20
US JOLTs Job Openings (Sep)	7.443M	7.980M	7.861M
US Atlanta Fed GDP Now	2.80%	3.30%	3.30%
Wednesday, 30 Oct '24			
US 7-Year Note Auction	4.22%		3.67%
US API Weekly Crude Oil Stock	-0.573M	2.300M	1.643M
US ADP Nonfarm Employment Change (Oct)		101K	143K
US Core PCE Prices (Q3)	2.20%	2.10%	2.80%
US GDP (QoQ) (Q3)	2.80%	3.00%	3.00%
US GDP Price Index (QoQ) (Q3)	1.80%	1.90%	2.50%
US Pending Home Slaes (MoM) (Sep)	7.40%	1.90%	0.60%
US Crude Oil Inventories	-0.515M	1.500M	5.474M
US Cushing Crude Oil Inventories	0.681M		-0.346M

Sources : investing, KBVS Research (2024)

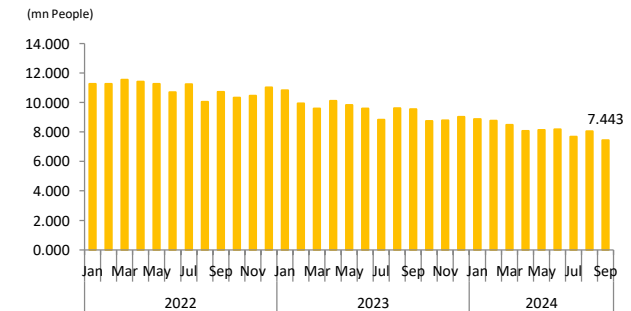
WEEKLY INITIAL JOBLESS CLAIMS



CB CONSUMER CONFIDENCE



JOLTS JOB OPENINGS



US ELECTION

- The latest simulations by FiveThirtyEight as of Oct 29, '24, reveal an increased likelihood of a Trump victory, with Trump winning 53 out of 100 times in the simulations for the 2024 presidential election. In contrast, Harris wins 47 out of 100 simulations.
- Trump's rising chances are also reflected in a recent AtlasIntel poll, which now shows a reversal in favor of Trump in the upcoming US presidential election.
- This shift appears to be influenced by the growing proportion of working-class voters increasingly supporting the Republican party over time.

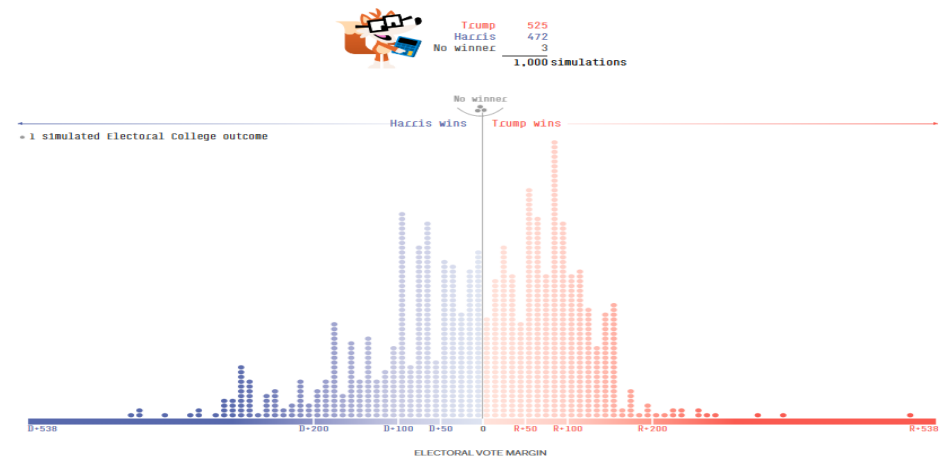
Why Many Workers Now Vote Republican

Yet according to Gallup, the proportion of Republicans who identify as “working class” or “lower class” grew from 27% in 2002 to 46% today, while the share of working-class Democrats fell slightly (from 37% to 35%). Moreover, whereas 46% of white voters in union households supported the Democrats in 1968, that proportion had fallen to around 33% in 2020, a near-tie with Republicans. Since the 1990s, people in poorer, working-class locales have increasingly preferred Republicans to Democrats.

The usual explanation for this change is the rise of “neoliberalism”: the pro-market ideology that prevailed in policy circles from the 1980s to the early 2000s. Neoliberals promoted deregulation and globalization through support for free trade, unrestricted capital flows, and maximal migration. Though Republicans pushed neoliberal policies harder than Democrats ever did, the Democrats eventually embraced them. Once the parties no longer differed much on economic policies, workers turned to Republicans who were more responsive to their religious and moral concerns, above all their hostility to immigration.

Source : projectsyndicate – why many workers now vote republican, Oct 29th (2024)

US PRESIDENT SIMULATION



Source : projects.fivethirtyeight.com (2024)

US PRESIDENT LATEST POLLS

DATES	POLLSTER SPONSOR	538 POLLSTER RATING	RESULT	NET RESULT
Oct. 25-29	AtlasIntel	2.7 ★★★★★	Harris 47% 50% Trump	Trump +3
Oct. 26-28	TIPP Insights	1.8 ★★☆☆☆	Harris 48% 47% Trump	Harris +1
Oct. 25-27	Ipsos Reuters	2.8 ★★★★★	Harris 47% 46% Trump	Harris +1
Oct. 25-27	Morning Consult	1.8 ★★☆☆☆	Harris 50% 47% Trump	Harris +3
Oct. 23-27	Angus Reid Global	2.0 ★★☆☆☆	Harris 49% 47% Trump	Harris +2
Oct. 20-27	Florida Atlantic University PolCom Lab/Mainstreet Research	NO RATING	Harris 49% 47% Trump	Harris +2
Oct. 23-25	YouGov CBS News	2.9 ★★★★★	Harris 50% 49% Trump	Harris +1
Oct. 23-25	TIPP Insights	1.8 ★★☆☆☆	Harris 48% 48% Trump	EVEN

Source : projects.fivethirtyeight.com (2024)

TRUMP'S EFFECTS

- We forecast that Mr Trump's main policy initiatives—restrictions on immigrant labour, higher tariffs on goods imports and tax cuts without significant spending reductions—will be inflationary and we have therefore lifted our forecast of price pressures in 2025-28. Stronger than expected inflation will oblige the Federal Reserve (Fed, the central bank) to keep rates higher than we previously expected to show commitment to its 2% inflation target, which will suppress economic growth slightly. We still expect interest-rate cuts to begin in September 2024, but to proceed more slowly than previously forecast and to reach a higher neutral level than before.
- By contrast, if Ms Harris or another Democrat were to win the election, the resulting government would pursue similar economic approaches as at present. Ms Harris has staunchly supported Mr Biden's economic policies, but she is two decades younger than him and as president she could shift some priorities. Any Democratic president would seek to raise the highest personal tax rate when cuts expire at end-2025.

Source : EIU, Jul 25th (2024)

- The expectation of Trump's victory, unfortunately, suggests a more gradual decline in inflation, as seen with several of his other popular policies, such as:
 - Immigration-unfriendly policies that could increase labor costs due to a constrained labor supply.
 - The implementation of Trump Tariffs, which may disrupt trade flows and spur shifts in global supply chains.
 - Potential tax cuts, particularly lowering corporate taxes to 21% (from 35%) and reducing the highest personal tax rate to 37% (from 39.6%). This shift is expected to elevate the federal government's leverage ratio and could lead to an increase in U.S. Treasury supply.
- Such conditions are likely to prompt a reduction in the Fed rate and other funding costs, resulting in a more limited yield reduction for US government bonds.

Higher inflation and slower growth expected under Trump presidency

US economic indicators under different presidencies

	2023	2024	2025	2026	2027	2028
Consumer price inflation						
Current baseline - Trump	4.1%	3.0%	2.6%	2.6%	2.5%	2.6%
Previous baseline	4.1%	3.0%	2.3%	2.3%	2.3%	2.4%
Real GDP growth						
Trump	2.5%	2.2%	1.5%	2.0%	2.0%	2.0%
Previous	2.5%	2.2%	1.8%	2.2%	2.2%	2.2%
Budget balance*						
Trump	-6.3%	-6.9%	-6.9%	-7.1%	-7.2%	-7.2%
Previous	-6.3%	-6.3%	-6.2%	-5.9%	-5.7%	-5.6%
Current-account balance*						
Trump	-3.3%	-3.3%	-3.2%	-3.1%	-3.0%	-2.9%
Previous	-3.3%	-3.8%	-3.9%	-3.8%	-3.8%	-3.6%
Policy rate						
Trump	5.4%	4.9%	4.4%	3.9%	3.4%	2.9%
Previous	5.4%	4.9%	4.1%	3.1%	2.6%	2.6%

Source: EIU.

* Indicated as a share of GDP.

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FED PROBABILITIES AND THEIR IMPACT

FED PROBABILITIES, as of 30 OCT '24

MEETING DATE	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475
7-Nov-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%	98.9%
18-Dec-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	74.4%	24.8%
29-Jan-25	0.0%	0.0%	0.0%	0.0%	0.6%	51.9%	39.9%	7.6%
19-Mar-25	0.0%	0.0%	0.0%	0.4%	39.6%	42.8%	15.3%	1.8%
30-Apr-25	0.0%	0.0%	0.2%	21.3%	41.3%	28.2%	8.1%	0.8%
18-Jun-25	0.0%	0.1%	12.1%	32.7%	33.9%	16.8%	4.0%	0.4%
30-Jul-25	0.0%	3.9%	18.5%	33.0%	28.6%	12.8%	2.9%	0.3%
17-Sep-25	1.2%	8.4%	23.0%	31.7%	23.7%	9.8%	2.1%	0.2%

Sources : CME Group, and KBVS Research (2024)

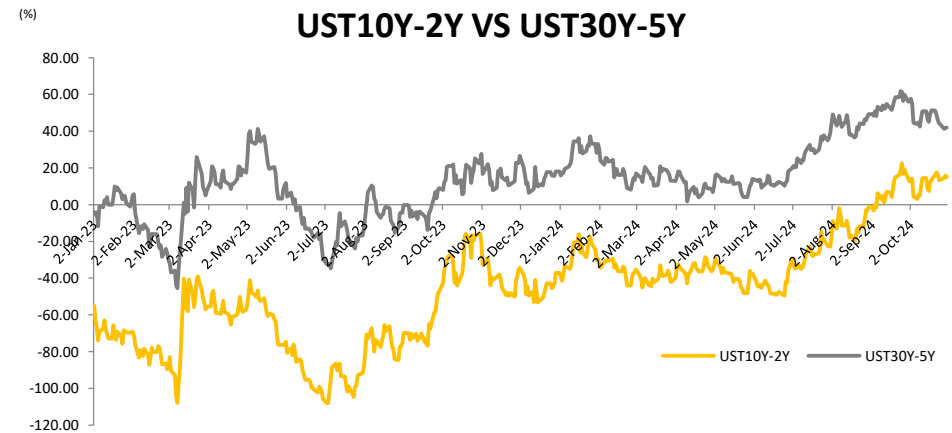
- The risks of inflation in the services sector, Trump Tariffs, and the widening US budget deficit have raised concerns about limited Fed rate cuts in the coming year.
- At the same time, the DXY remains above 104, marking its highest level since Aug 2nd, '24.
- Regarding the performance of currencies against the USD, appreciation has been shown by the EUR (0.57%) and GBP (0.84%). In contrast, depreciation has been noted in the CHF (0.03%), JPY (0.13%), SEK (0.33%), and CAD (-0.50%).
- Simultaneously, this situation has driven an increase in US Treasury yields across all maturities, although an inversion (between the 10-year and 2-year yields) has not yet occurred.

DXY



Sources : Bloomberg, and KBVS Research (2024)

YIELD SPREAD UST10Y-2Y VS UST30Y-5Y



Sources : Bloomberg, and KBVS Research (2024)

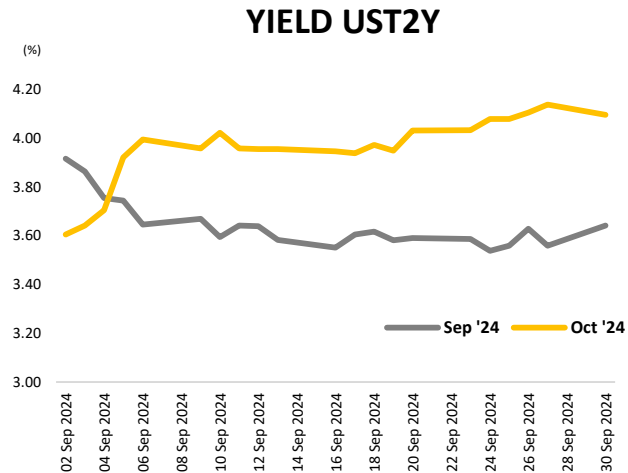
THE MOVEMENT OF UST YIELDS

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+

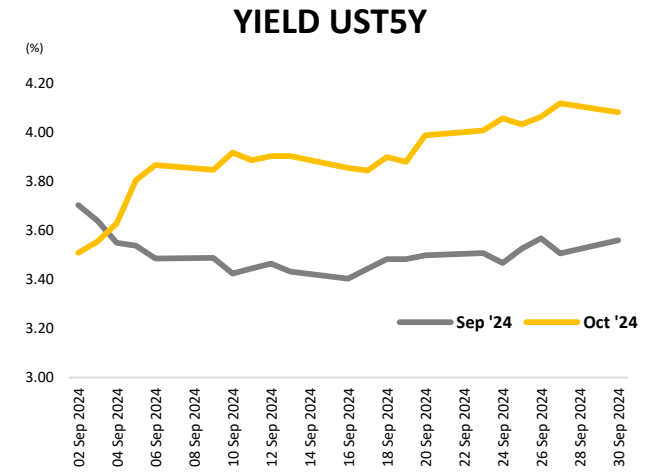
Sources : US Treasury, KBVS Research (2024)

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

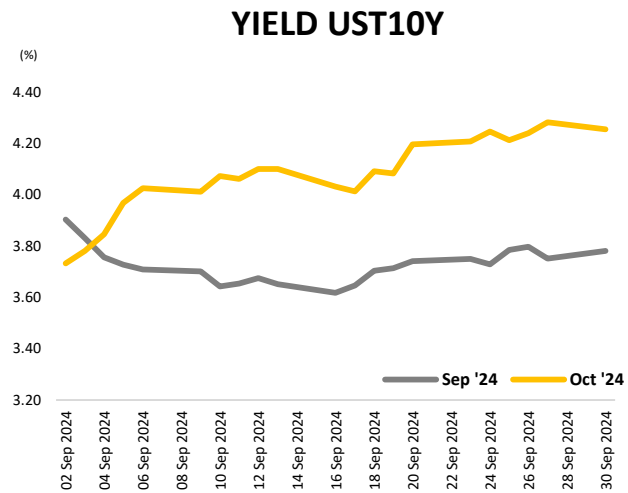
- UST6M
 - -2.12 bps (WoW)
 - -77.90 bps (YtD, as of Oct 30,'24)
- UST52W (1Y)
 - -3.00 bps (WoW)
 - -52.00 bps (YtD, as of Oct 30,'24)
- UST2Y
 - +0.19 bps (WoW)
 - -17.01 bps (YtD, as of Oct 30,'24)
- UST5Y
 - -0.49 bps (WoW)
 - +20.47 bps (YtD, as of Oct 30,'24)
- UST10Y
 - -2.94 bps (WoW)
 - +33.71 bps (YtD, as of Oct 30,'24)
- UST30Y
 - -6.09 bps (WoW)
 - +42.91 bps (YtD, as of Oct 30,'24)



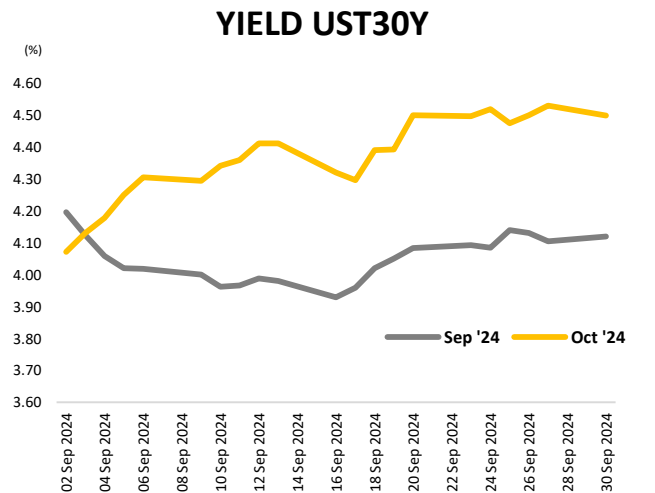
Sources : Bloomberg, KBVS Research (2024)



Sources : Bloomberg, KBVS Research (2024)



Sources : US Treasury, KBVS Research (2024)



Sources : US Treasury, KBVS Research (2024)

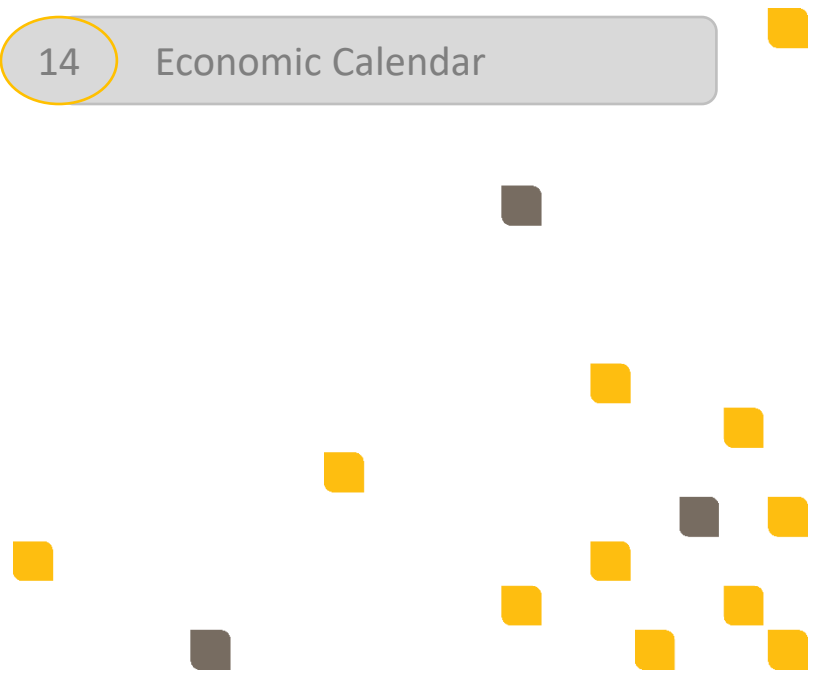


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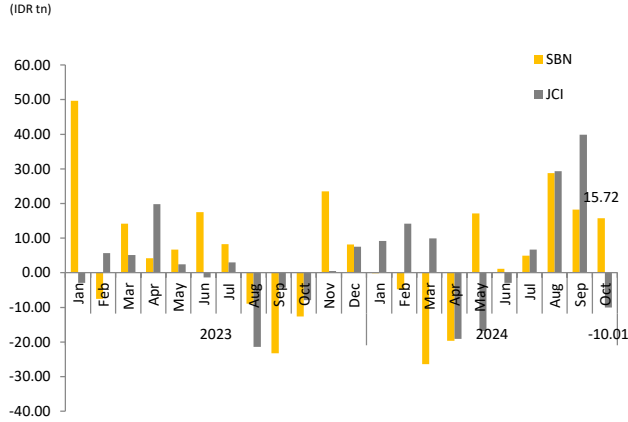
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DEVELOPMENT OF TRADABLE SBN

CAPITAL FLOW IN SBN&JCI



Sources : Bloomberg, KBVS Research (2024)

Between 24 and 30 Oct '24, non-residents conducted:

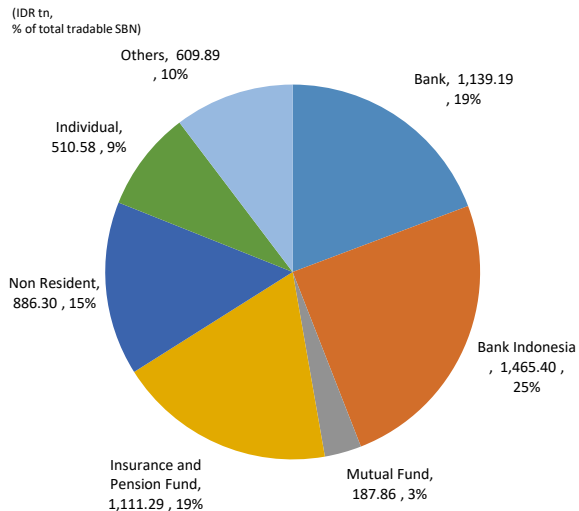
- a net sell of tradable SBN amounting to IDR3.32 tn, and
- A net buy of JCI, amounting IDR2.35 tn.

SUN LATEST AUCTION

29 Oct '24									
Instruments	SPN03250129	SPN12251030	FR0104	FRSDG001	FR0103	FR0098	FR0097	FR0105	Total
Incoming Bids (IDR tn)	2.52	3.53	4.76	1.97	5.70	3.19	3.21	4.71	29.58
Bid to Cover Ratio	-	1.07	1.47	1.19	2.71	1.03	1.07	1.92	1.57
Weighted Average Yields Awarded	-	6.150%	6.770%	6.719%	6.940%	7.048%	7.057%	7.059%	
15 Oct '24									
Instruments	SPN12250116	SPN12251002	FR0104	FR0103	FR0098	FR0097	FR0102	Total	
Incoming Bids (IDR tn)	2.11	5.02	12.08	15.21	3.42	2.83	3.60	44.27	
Bid to Cover Ratio	-	2.51	1.64	1.36	1.63	3.54	2.32	1.77	
Weighted Average Yields Awarded	-	6.100%	6.420%	6.710%	6.810%	6.880%	6.939%		

Sources : DJPPR, KBVS Research (2024)

OWNERSHIP of IDR TRADABLE SBN



Sources : DJPPR, and KBVS Research (2024)

As of 28 Oct '24, the largest ownership of tradable SBN is as follows:

- Bank Indonesia : IDR1,465.40 tn (-IDR18.41 tn, WoW),
- Banks : IDR1,139.19 tn (+IDR19.34 tn, WoW), and
- Insurance & Pension Funds: IDR1,111.29 tn (+IDR3.93 tn, WoW)

SBSN LATEST AUCTION

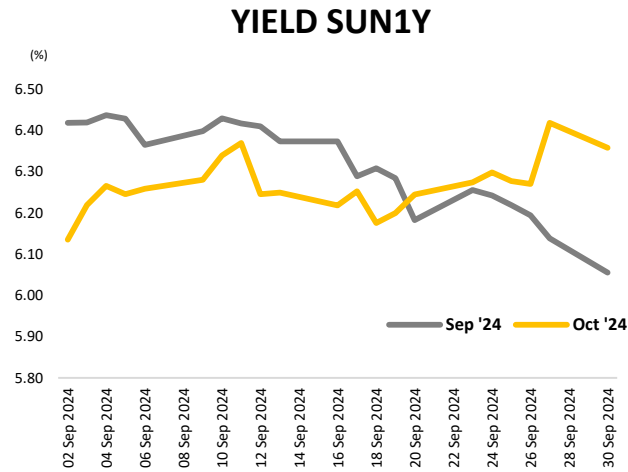
22 Oct '24								
Instruments	SPNS01042025	SPNS07072025	PBS032	PBS030	PBS029	PBS004	PBS038	Total
Incoming Bids (IDR tn)	2.72	3.40	1.72	2.68	1.14	0.86	4.95	17.47
Bid to Cover Ratio	1.21	1.11	2.46	2.68	1.27	5.76	2.54	1.75
Weighted Average Yields Awarded	6.210%	6.250%	6.449%	6.462%	6.680%	6.827%	6.980%	
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%	

Sources : DJPPR, KBVS Research (2024)

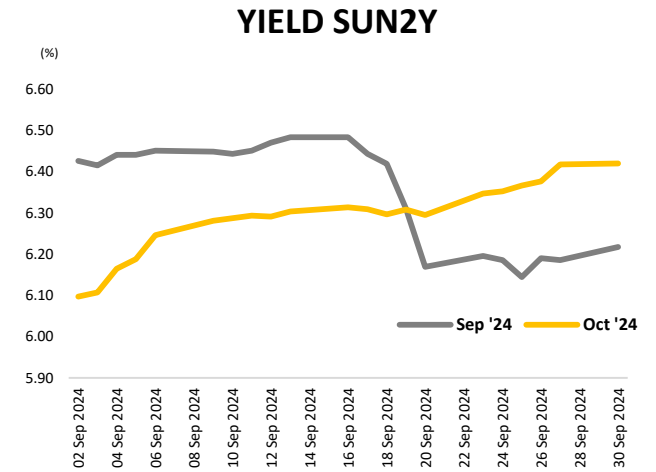
The Movement of SUN Yields

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

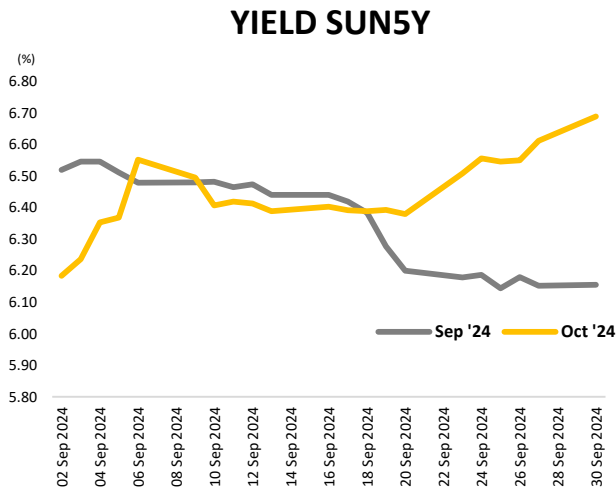
- Yield SUN1Y
 - +7.20 bps (WoW)
 - +0.50 bps (YtD, as of Oct 30,'24)
- Yield SUN2Y
 - +6.40 bps (WoW)
 - +3.30 bps (YtD, as of Oct 30,'24)
- Yield SUN5Y
 - +11.00 bps (WoW)
 - +26.50 bps (YtD, as of Oct 30,'24)
- Yield SUN10Y
 - +5.30 bps (WoW)
 - +36.80 bps (YtD, as of Oct 30,'24)
- Yield SUN30Y
 - +0.80 bps (WoW)
 - +12.10 bps (YtD, as of Oct 30,'24)



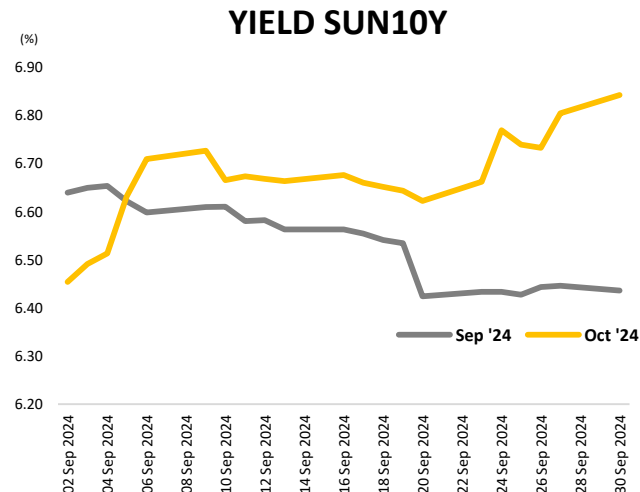
Sources : Bloomberg, KBVS Research (2024)



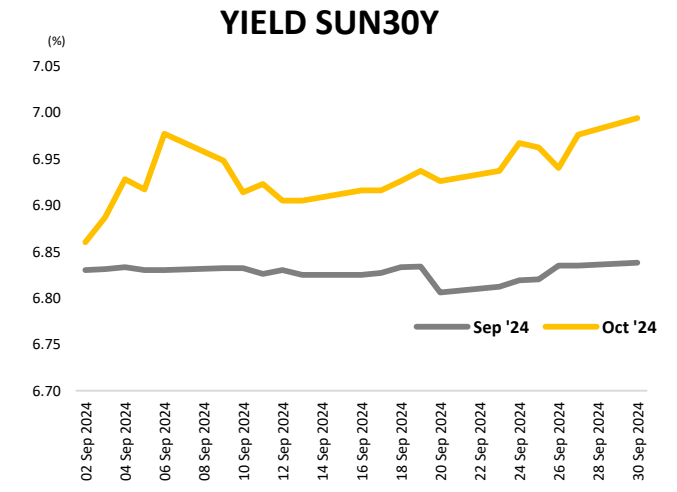
Sources : Bloomberg, KBVS Research (2024)



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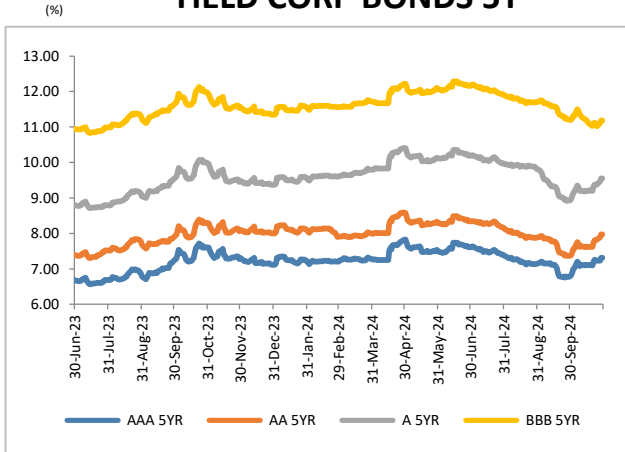
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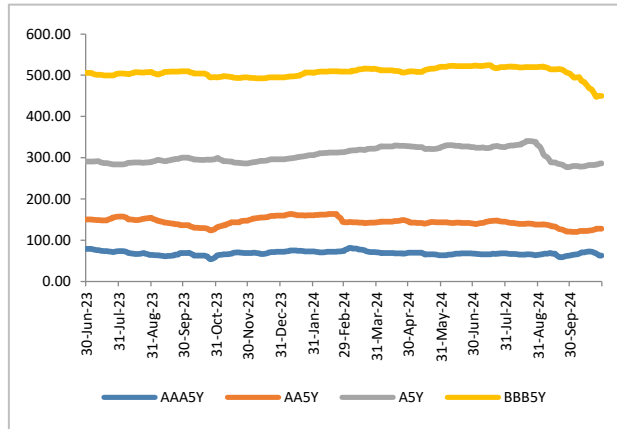
The Movement of Corporate Bond Yields

YIELD CORP BONDS 5Y



Sources : Bloomberg, KBVS Research (2024)

YIELD SPREAD 5Y TENOR

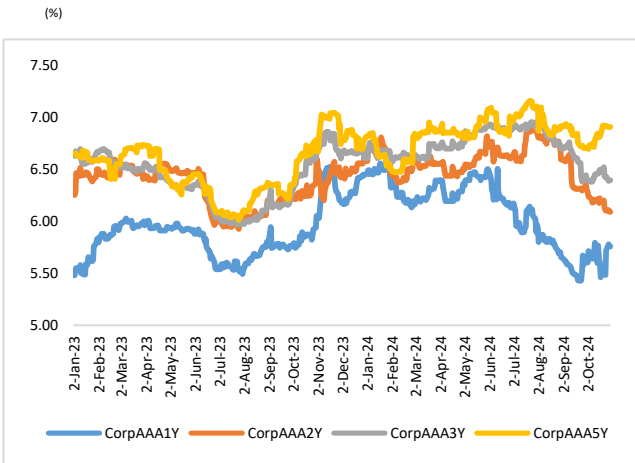


Sources : Bloomberg, KBVS Research (2024)

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

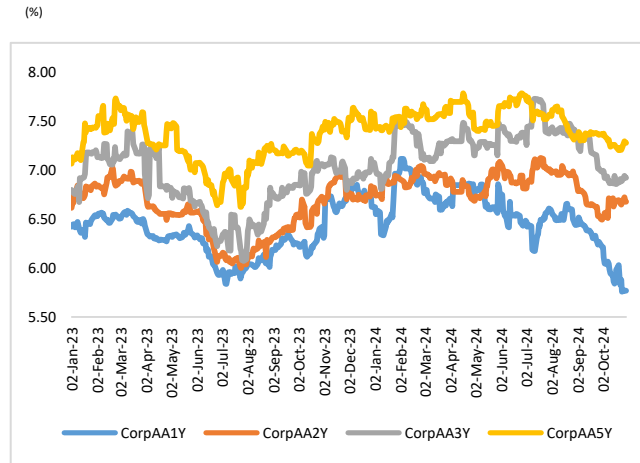
- AAA-rated
 - Tenor 1Y : +28.15 bps (WoW)
 - Tenor 2Y : -1.65 bps (WoW)
 - Tenor 5Y : -2.80 bps (WoW)
- AA-rated
 - Tenor 1Y : -5.61 bps (WoW)
 - Tenor 2Y : +0.10 bps (WoW)
 - Tenor 5Y : +4.70 bps (WoW)
- A-rated
 - Tenor 1Y : +34.36 bps (WoW)
 - Tenor 2Y : -20.43 bps (WoW), and
 - Tenor 5Y : -0.24 bps (WoW)

YIELD AAA-RATED



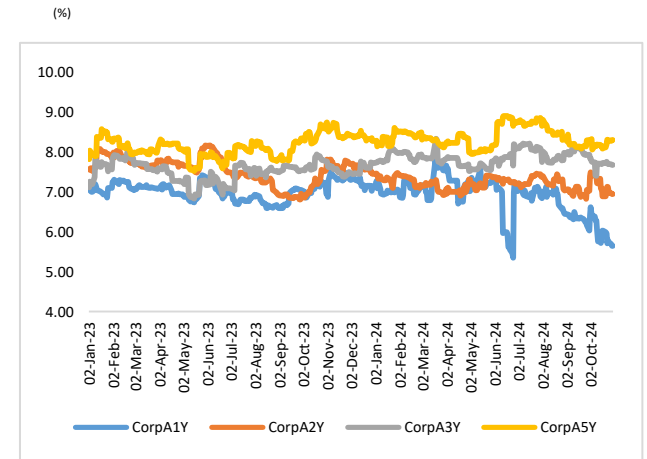
Sources : Bloomberg, KBVS Research (2024)

YIELD AA-RATED



Sources : Bloomberg, KBVS Research (2024)

YIELD A-RATED



Sources : Bloomberg, KBVS Research (2024)

BI'S MONETARY OPERATION

SRBI's DEVELOPMENT

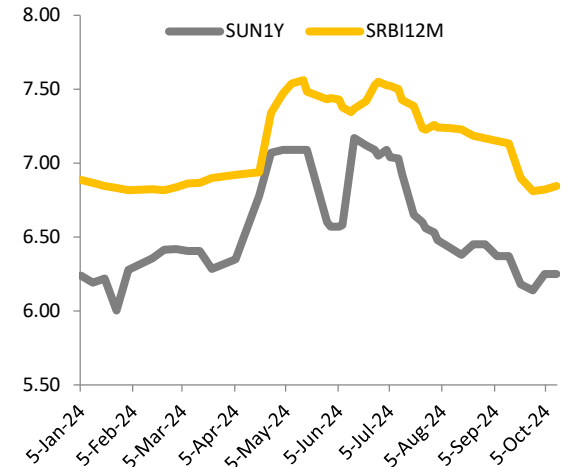
SRBI	Weighted Yield Average Winner (%)			Bidding Amount (IDR bn)	Total Nominal Awarded (IDR bn)	Bid to Cover Ratio
	6 Months	9 Months	12 Months			
5-Jan-24	6.70	6.80	6.89	31,667.00	22,050.00	1.44
12-Jan-24	6.68	6.78	6.87	33,833.00	19,520.00	1.73
19-Jan-24	6.67	6.75	6.85	39,987.00	25,000.00	1.60
26-Jan-24	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
11-Oct-24	6.76	6.79	6.84	21,174.00	18,000.00	1.18

Sources : BI, KBVS Research (2024)

SVBI's DEVELOPMENT

SVBI	Weighted Yield Average Winner (%)			Bidding Amount (USD mn)	Total Nominal Awarded (US D 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
15-Oct-24	4.97	4.80	4.75	435.00	430.00	1.01

Sources : BI, KBVS Research (2024)



Euribor Rates in 28 Oct '24:

- 1 month : 3.152% (Prev: 3.145%)
- 3 months : 3.052% (Prev: 3.138%)
- 6 months : 1.580% (Prev: 2.972%)

Sources : Euribor Rates, KBVS Research (2024)

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Next Week's Economic Calendar

ECONOMIC CALENDAR

(31 OCT-6 NOV 2024)

Country	Event	Forecast	Previous
Thursday, Oct 31, 2024			
GE	Buba President Nagel Speaks		
JP	Industrial Production (MoM) (Sep)	0.90%	-3.30%
CN	Composite PMI (Oct)		50.40
CN	Manufacturing PMI (Oct)	50.00	49.80
CN	Non-Manufacturing PMI (Oct)	50.50	50.00
JP	BoJ Monetary Policy Statement		
JP	BoJ Outlook Report (YoY)		
JP	BoJ Interest Rate Decision	0.25%	0.25%
JP	BoJ Press Conference		
GE	Retail Sales (MoM) (Sep)	-0.80%	1.60%
EU	ECB Economic Bulletin		
EU	Core CPI (YoY) (Oct)	2.60%	2.70%
EU	CPI (MoM) (Oct)		-0.10%
EU	CPI (YoY) (Oct)	1.90%	1.70%
EU	Unemployment Rate (Sep)	6.40%	6.40%
US	Continuing Jobless Claims		1,897K
US	Initial Jobless Claims	231K	227K
US	Core PCE Price Index (YoY) (Sep)		2.70%
US	Core PCE Price Index (MoM) (Sep)	0.30%	0.10%
US	Employment Cost Index (QoQ) (Q3)	0.90%	0.90%
US	PCE Price Index (YoY) (Sep)		2.20%
US	PCE Price Index (MoM) (Sep)		0.10%
US	Personal Spending (MoM) (Sep)	0.40%	0.20%
US	Chicago PMI (Oct)	47.10	46.60

Country	Event	Forecast	Previous
Friday, Nov 1, 2024			
US	Fed's Balance Sheet		7,029B
ID	Nikkei Manufacturing PMI (Oct)		49.20
CN	Caixin Manufacturing PMI (Oct)	49.70	49.30
ID	Core Inflation (YoY) (Oct)		2.09%
ID	Inflation (YoY) (Oct)		1.84%
ID	Inflation (MoM) (Oct)		-0.12%
GB	Nationwide HPI (MoM) (Oct)	0.30%	0.70%
GB	Nationwide HPI (YoY) (Oct)		3.20%
GB	S&P Global/CIPS Manufacturing PMI (Oct)	50.30	51.50
US	Average Hourly Earnings (YoY) (Oct)		4.00%
US	Average Hourly Earnings (MoM) (Oct)	0.30%	0.40%
US	Nonfarm Payrolls (Oct)	111K	254K
US	Participation Rate (Oct)		62.70%
US	Private Nonfarm Payrolls (Oct)	115K	223K
US	U6 Unemployment Rate (Oct)		7.70%
US	Unemployment Rate (Oct)	4.10%	4.10%
US	Construction Spending (MoM) (Sep)	-0.10%	-0.10%
US	ISM Manufacturing Employment (Oct)		43.90
US	ISM Manufacturing PMI (Oct)	47.50	47.20
US	ISM Manufacturing Prices (Oct)	48.90	48.30

Country	Event	Forecast	Previous
Monday, Nov 4, 2024			
GE	HCOB Manufacturing PMI (Oct)		42.60
EU	HCOB Manufacturing PMI (Oct)		45.90
US	Factory Orders (MoM) (Sep)		-0.20%
Tuesday, Nov 5, 2024			
GB	BRC Retail Sales Monitor (YoY) (Oct)		1.70%
CN	Caixin Services PMI (Oct)		50.30
ID	GDP (YoY) (Q3)		5.05%
ID	GDP (QoQ) (Q3)		3.79%
GE	HCOB Services PMI (Oct)		51.40
GB	S&P Global/CIPS Composite PMI (Oct)		51.70
GB	S&P Global/CIPS Services PMI (Oct)		51.80
US	Trade Balance (Sep)		-70.40B
US	S&P Global Composite PMI (Oct)		54.30
US	S&P Global Services PMI (Oct)		55.30
US	ISM Non-Manufacturing Employment (Oct)		48.10
US	ISM Non-Manufacturing PMI (Oct)		54.90
US	ISM Non-Manufacturing Prices (Oct)		59.40
Tuesday, Nov 6, 2024			
JP	Au Jibun Bank Japan Services PMI (Oct)		49.30
GE	Factory Orders (MoM) (Sep)		-5.80%
EU	HCOB Composite PMI (Oct)		49.70
EU	HCOB Services PMI (Oct)		51.20
GB	S&P Global/CIPS Construction PMI (Oct)		57.20



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.