

The Continuation of the Decline in Risk-Off Sentiment

27 February 2025

Economist / Fikri C Permana

EXECUTIVE SUMMARY

- Recent U.S. data releases indicate economic weakness across the labor market, housing sector, industry, and consumer demand.
- At the same time, these developments have been supported by easing political risks in Germany following the victory of the CDU/CSU party.
- These two conditions have begun to reduce global economic risks, leading to a decline in the DXY and global government bond yields over the past week.
- A similar trend has also driven a decline in SUN yields.
- However, the extent of the decline has been relatively limited due to Rupiah depreciation.
- This was further exacerbated by continued sell-offs in the equity market.
- Last week (Feb 17–20, '25), Bank Indonesia recorded a net foreign sell-off in the equity market amounting to IDR0.46 tn.
- Adding to the pressure on the equity market, Morgan Stanley downgraded MSCI Indonesia's stock rating from "equal weight" to "underweight" in its latest research.
- This downgrade further triggered a net foreign sell-off of IDR1.6 tn on Feb 25, '25, a day after the report was released.



Source: Antaranews (2025), link: https://www.antaranews.com/berita/947277/morgan-stanley-turunan-peringkat-saham-global#google_vignette

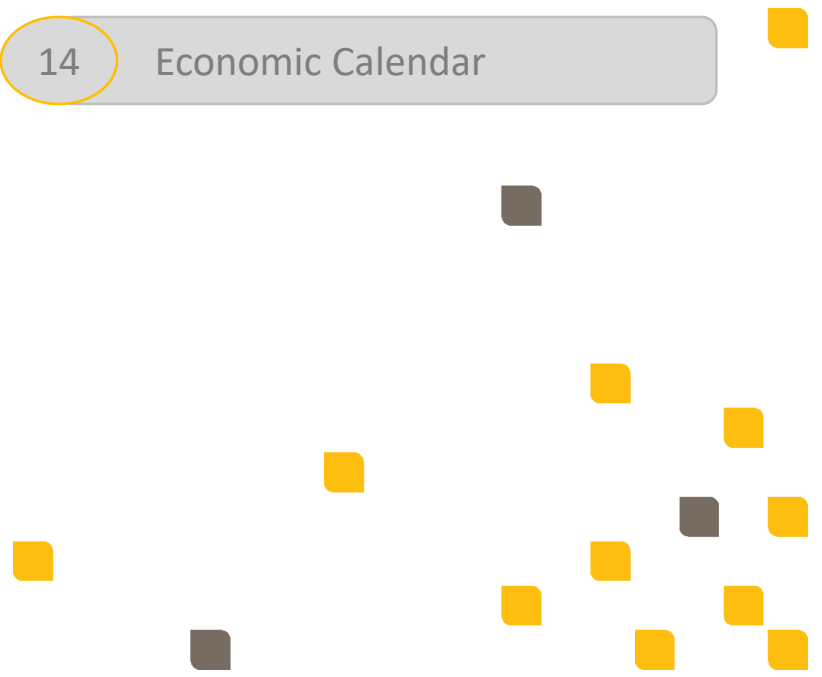


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US ECONOMIC DATA

US ECONOMIC INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Fed Rate	%	Jan '25	4.50	4.50
Economic Growth	%, yoy	4Q24	2.5	2.7
Inflation Rate	%, yoy	Jan'25	3.0	2.9
Unemployment Rate	%	Jan'25	4.0	4.1

Sources : various sources, KBVS Research (2025)

The data releases that influenced yield movements in the week of 20-26 Feb '25 are as follows:

- The number of people claiming unemployment benefits on the period ending Feb 14th, '25 in the US increased by 5K to 219K (Cons: 215K, Prev: 214K).
- Philly Fed Manufacturing Index in Feb'25 decreased to 18.10 (Cons: 19.40, Prev: 44.30).
- Crude Oil Inventories increased to 4.633M (Cons: 3.200M, Prev: 4.070M).
- S&P Global Manufacturing PMI in Feb'25 increased to 51.60 (Cons: 51.30, Prev: 51.20).
- S&P Global Services PMI in Feb'25 decreased to 49.70 (Cons : 53.00, Prev: 52.90).
- Existing Home Sales in Jan'25 decreased to 4.08M (Cons: 4.13M, Prev: 4.29M).
- CB Consumer Confidence in Feb'25 decreased to 98.30 (Cons: 102.70, Prev: 105.30).

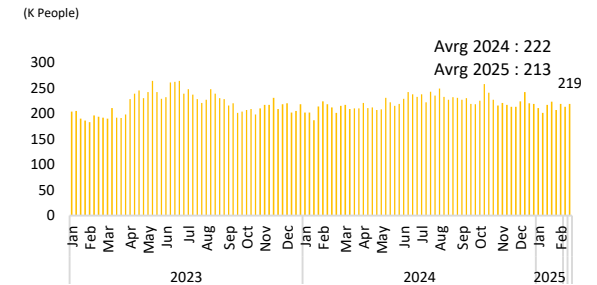
ECONOMIC CALENDAR

(20-26 FEB '25)

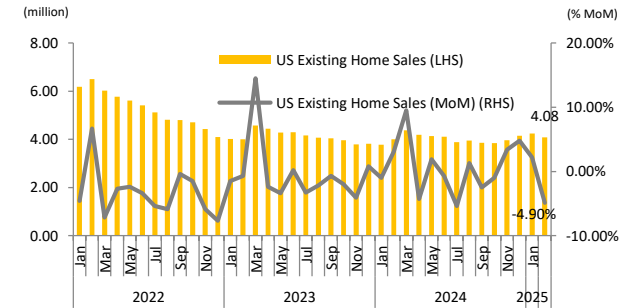
Event	Actual	Forecast	Previous
Thursday, 20 Feb '25			
US 20-Year Bond Auction	4.83%		4.90%
US FOMC Meeting Minutes			
US API Weekly Crude Oil Stock	3.339M	2.200M	9.043M
US Continuing Jobless Claims	1,869K	1,870K	1,845K
US Initial Jobless Claims	219K	215K	214K
US Philly Fed Manufacturing Index (Feb)	18.10	19.40	44.30
US Philly Fed Employment (Feb)	5.30		11.90
US Leading Index (MoM) (Jan)	-0.30%	-0.10%	0.10%
Friday, 21 Feb '25			
US Crude Oil Inventories	4.633M	3.200M	4.070M
US Cushing Crude Oil Inventories	1.472M		0.872M
US 30-Year TIPS Auction	2.40%		2.06%
US Fed Vice Chair for Supervision Barr Speaks			
US Fed's Balance Sheet	6,782B		6,814B
US S&P Global Manufacturing PMI (Feb)	51.60	51.30	51.20
US S&P Global Composite PMI (Feb)	50.40		52.70
US S&P Global Services PMI (Feb)	49.70	53.00	52.90
US Existing Home Sales (Jan)	4.08M	4.13M	4.29M
US Existing Home Sales (MoM) (Jan)	-4.90%		2.90%
US Michigan 1-Year Inflation Expectations (Feb)	4.30%	4.30%	3.30%
US Michigan 5-Year Inflation Expectations (Feb)	3.50%	3.30%	3.20%
US Michigan Consumer Expectations (Feb)	64.00	67.30	69.30
US Michigan Consumer Sentiment (Feb)	64.70	67.80	71.10
Monday, 24 Feb '25			
Tuesday, 25 Feb '25			
US 2-Year Note Auction	4.17%		4.21%
US S&P/CS HPI Composite - 20 n.s.a. (YoY) (Dec)	4.50%	4.40%	4.30%
US S&P/CS HPI Composite - 20 n.s.a. (MoM) (Dec)	-0.10%		-0.10%
US CB Consumer Confidence (Feb)	98.30	102.70	105.30
US Fed Vice Chair for Supervision Barr Speaks			
Wednesday, 26 Feb '25			
US 5-Year Note Auction	4.12%		4.33%
US API Weekly Crude Oil Stock	-0.640M	2.300M	3.339M
US Building Permits (Jan)		1.483M	1.482M
US Crude Oil Inventories		2.340M	4.633M
US Cushing Crude Oil Inventories			1.472M
US New Home Sales (Jan)		677K	698K
US New Home Sales (MoM) (Jan)			3.60%

Sources : investing, KBVS Research (2025)

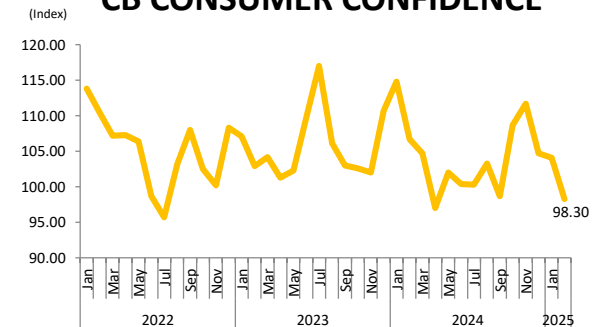
WEEKLY INITIAL JOBLESS CLAIMS



EXISTING HOME SALES



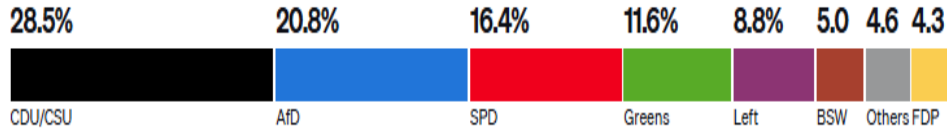
CB CONSUMER CONFIDENCE



GERMAN ELECTION

Provisional result

2021 2025



● Christian Democratic Union of Germany/Christian Social Union ● Alternative for Germany
● Social Democratic Party of Germany ● Alliance 90/The Greens ● The Left ● Alliance Sahra Wagenknecht
● Others ● Free Democratic Party

Turnout: 82.5%

Note: Without rounding, BSW's result stands at 4.972 percent; Source: Bundeswahlleiterin

German elections: CDU wins, Merz aims for coalition by Easter



Source: euronews (2025), link: <https://www.euronews.com/my-europe/2025/02/24/german-election-cdu-claims-official-victory-as-smaller-parties-miss-threshold>

- Conservative leader Friedrich Merz secured victory in the German election on Sunday, positioning himself to take the helm of Europe's largest economy.
- His win has alleviated concerns over political gridlock in Germany, yet uncertainty remains regarding whether his incoming government can implement fiscal reforms to stimulate sluggish growth.
- Merz's Christian Democratic Union (CDU) now faces challenging coalition negotiations and a potentially obstructive parliament following a surge in support for both far-right and far-left parties.
- Merz has pledged sweeping reforms to strengthen Germany's defense industry. His CDU has also committed to fully utilizing renewable energy sources, yet the center-right European People's Party, to which the CDU belongs, has been pushing back against EU green energy targets.
- During his campaign, Merz expressed concerns about the impact of climate policies on businesses and vowed to prioritize economic growth above all else. He also led efforts to roll back several EU environmental regulations. Like Scholz, he supports delaying key corporate sustainability reporting rules in an effort to revitalize Germany's struggling industrial sector.
- Merz inherits an economy in recession, further weighed down by turmoil in its critical automotive sector. Financial markets remain broadly skeptical about his ability to reverse Germany's well-documented economic downturn, with GDP projected to contract by 0.5% in 2025.

FED PROBABILITIES

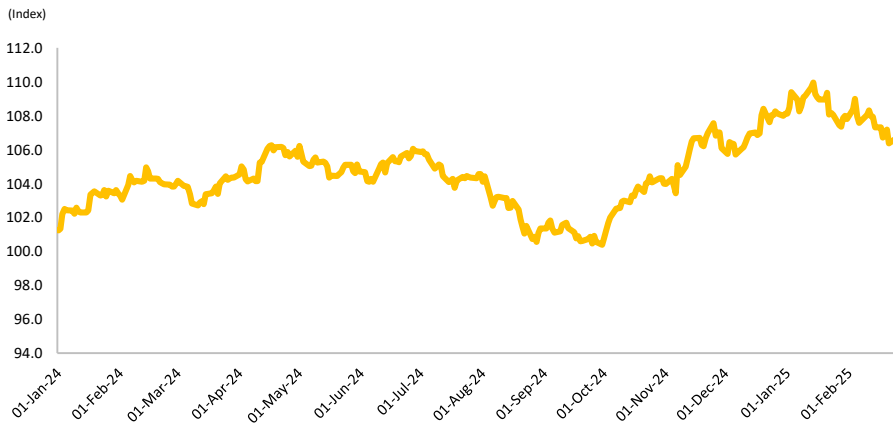
FED PROBABILITIES, as of 26 FEB '25

MEETING DATE	FED PROBABILITIES (in bps)						
	275-300	300-325	325-350	350-375	375-400	400-425	425-450
19-Mar-25	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	95.5%
30-Apr-25	0.0%	0.0%	0.0%	0.0%	0.8%	20.3%	79.0%
18-Jun-25	0.0%	0.0%	0.0%	0.4%	11.8%	53.6%	34.2%
30-Jul-25	0.0%	0.0%	0.1%	3.9%	24.3%	47.7%	23.9%
17-Sep-25	0.0%	0.1%	2.0%	14.4%	36.4%	35.5%	11.6%
29-Oct-25	0.0%	0.6%	5.2%	20.0%	36.1%	29.4%	8.7%
10-Dec-25	0.2%	2.1%	10.2%	25.5%	33.9%	22.4%	5.7%
28-Jan-26	0.4%	3.1%	12.1%	26.5%	32.5%	20.4%	5.0%

- The release of U.S. economic data, particularly initial jobless claims, the Philly Fed Manufacturing Index, the S&P Global Services PMI, existing home sales, and CB Consumer Confidence, indicates economic weakness across the labor market, housing sector, industry, and consumer demand. This has strengthened expectations that the Federal Reserve will implement a more aggressive countercyclical policy by cutting the Fed Rate twice this year.
- This is also supported by the reduced political and fiscal risks in Germany.
- These conditions create room for a decline in the DXY and a further drop in U.S. Treasury yields in the coming periods.

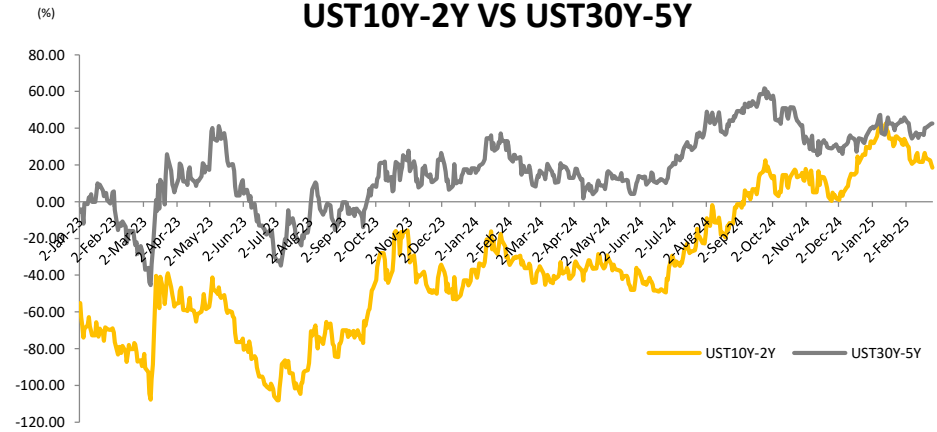
Sources : CME Group, and KBVS Research (2025)

DXY



Sources : Bloomberg, and KBVS Research (2025)

YIELD SPREAD UST10Y-2Y VS UST30Y-5Y



Sources : Bloomberg, and KBVS Research (2025)

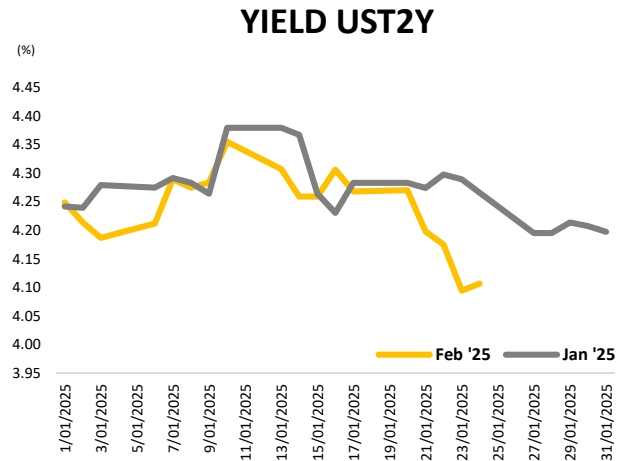
THE MOVEMENT OF UST YIELDS

US FISCAL INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Govt Debt	USD Tn	Nov' 24	36.08	35.95
Govt Debt to GDP	%	4Q24	124.35	122.3
Govt Budget	USD Bn	Nov '24	-367.30	-257.00
S&P Credit Rating	Rating	27-Mar-24	AA+	AA+

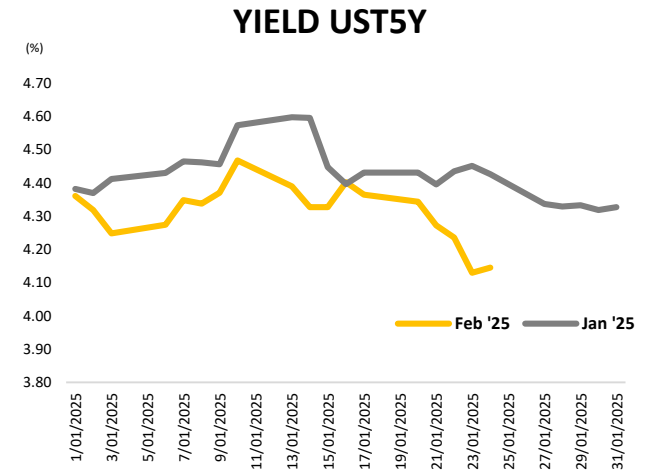
Sources : US Treasury, KBVS Research (2025)

Over the past week, UST yields moved tends to decrease:

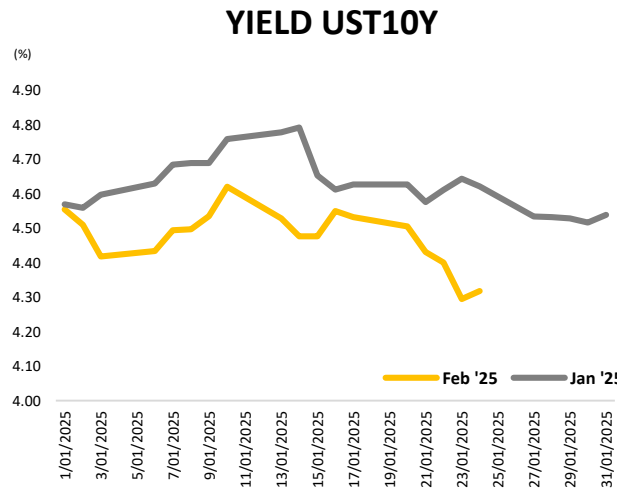
- Yield UST6M
 - -5.55 bps (WoW)
 - +4.23 bps (YtD, as of Feb 26, '25)
- Yield UST1Y
 - -9.67 bps (WoW)
 - -3.26 bps (YtD, as of Feb 26, '25)
- Yield UST2Y
 - -19.60 bps (WoW)
 - -17.00 bps (YtD, as of Feb 26, '25)
- Yield UST5Y
 - -28.12 bps (WoW)
 - -29.84 bps (YtD, as of Feb 26, '25)
- Yield SUN10Y
 - -27.65 bps (WoW)
 - -31.28 bps (YtD, as of Feb 26, '25)
- Yield SUN30Y
 - -25.64 bps (WoW)
 - -27.19 bps (YtD, as of Feb 26, '25)



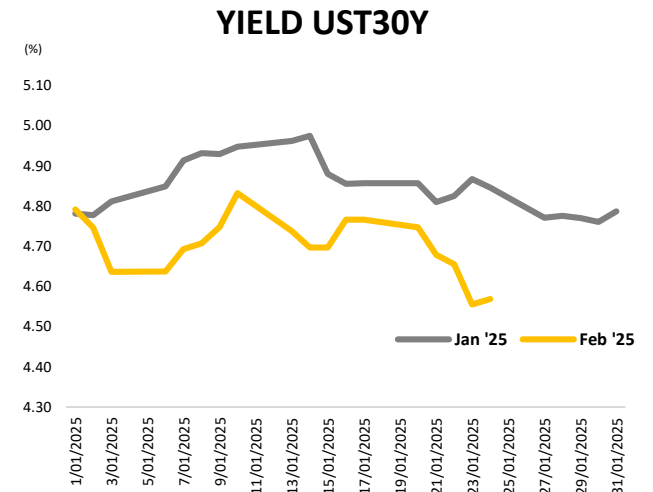
Sources : Bloomberg, KBVS Research (2025)



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Sources : US Treasury, KBVS Research (2025)



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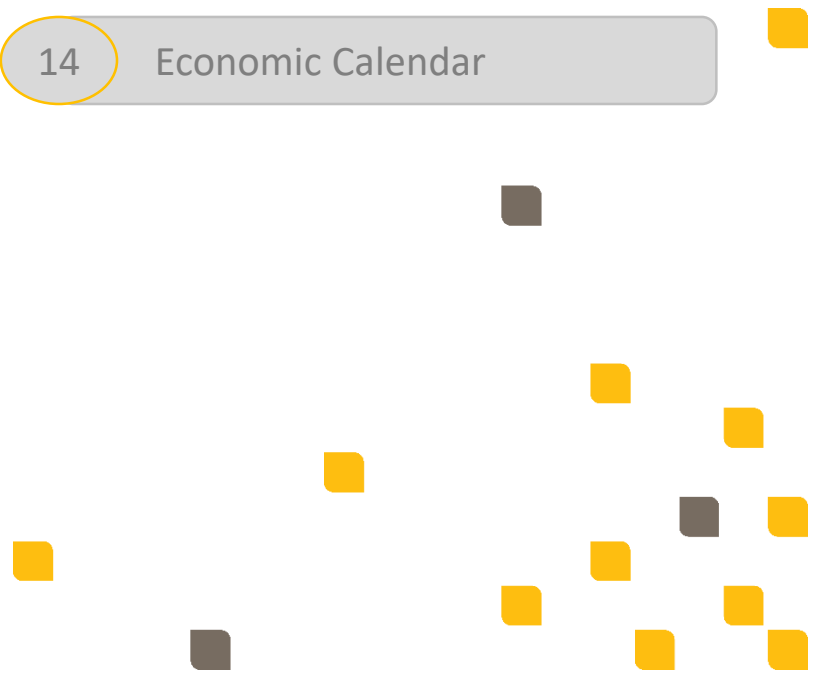


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INDONESIA ECONOMIC DATA

INDICATORS OVERVIEW

Economic Indicators	Unit	Latest Period	Data	
			Latest	Previous
Policy Interest Rate	%	18 Feb '25	5.75	5.75
Economic Growth	%, yoy	4Q24	5.02	4.95
Inflation Rate	%, yoy	Jan '25	0.76	1.57
Unemployment Rate	%	Sep '24	4.91	4.82
S&P Credit Rating	Rating	17 July '24	BBB	BBB

Sources : various sources, KBVS Research (2025)

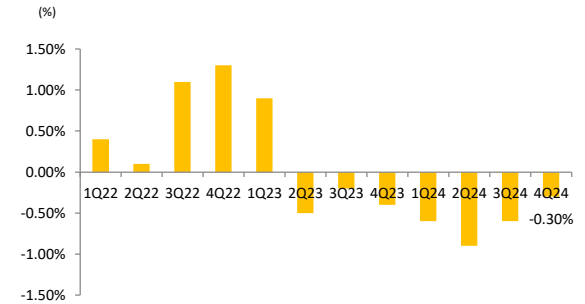
ECONOMIC CALENDAR

(20-26 FEB '25)

Event	Actual	Forecast	Previous
Thursday, 20 Feb '25			
ID Balance of Payments (EUR) (Q4)	7.9B		5.9B
ID Current Account % of GDP (Q4)	-0.30%		-0.60%
Friday, 21 Feb '25			
Monday, 24 Feb '25			
ID M2 Money Supply (YoY) (Jan)	5.90%		4.40%
Tuesday, 25 Feb '25			
Wednesday, 26 Feb '25			

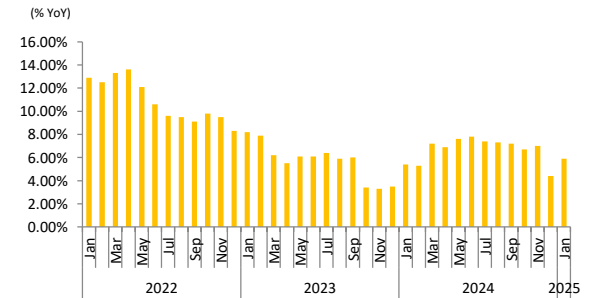
Sources : Investing, KBVS Research (2025)

CURRENT ACCOUNT % OF GDP



Sources : BI, KBVS Research (2025)

M2 Money Supply



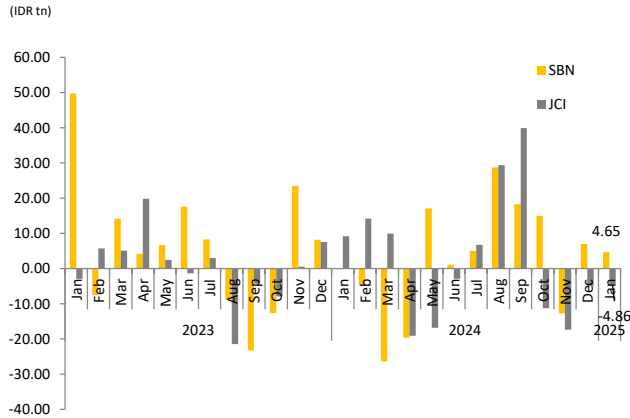
Sources : BPS, KBVS Research (2025)

The data releases in the week of 20-26 Feb '25 are as follows:

- Balance of Payment in 4Q24 increased to 7.90B (Prev: 5.90B).
- Current Account % of GDP in 4Q24 increased to -0.30% (Prev: -0.60%).
- M2 Money Supply in Jan '25 increased to 5.90% YoY (Prev: 4.40% YoY).

DEVELOPMENT OF TRADABLE SBN

CAPITAL FLOW IN SBN&JCI



Sources : Bloomberg, KBVS Research (2025)

Between 20-26 Feb '25, non-residents conducted:

- A net buy of tradeable SBN, amounting IDR7.40 tn.
- A net sell of JCI, amounting IDR8.23 tn.

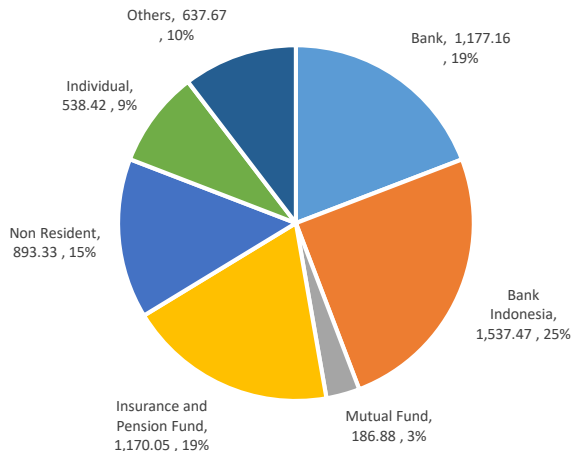
SUN LATEST AUCTION

18 Feb '25									
Instruments	SPN03250521	SPN12260205	FR0104	FR0103	FR0106	FR0107	FR0102	FR0105	Total
Incoming Bids (IDR tn)	1.57	5.02	37.33	21.33	8.36	5.80	1.62	29763.00	84.00
Bid to Cover Ratio	-	2.51	4.32	2.25	2.20	2.15	2.49	1.10	2.80
Weighted Average Yields Awarded	-	6.250%	6.550%	6.784%	6.990%	7.030%	7.039%	7.120%	
4 Feb '25									
Instruments	SPN03250507	SPN12260205	FR0104	FR0103	FR0106	FR0107	FR0102	FR0105	Total
Incoming Bids (IDR tn)	1.00	4.92	31.31	19.32	11.16	6.40	1.28	1.69	77.08
Bid to Cover Ratio	-	2.46	3.00	2.86	2.82	1.94	5.14	1.30	2.75
Weighted Average Yields Awarded	-	6.400%	6.860%	7.055%	7.270%	7.280%	7.156%	7.208%	

Sources : DJPPR, KBVS Research (2025)

OWNERSHIP of IDR TRADABLE SBN

(IDR tn, % of total tradable SBN)



Sources : DJPPR, and KBVS Research (2025)

As of 24 Feb '25, the largest ownership of tradable SBN is as follows:

- Bank Indonesia : IDR1,537.47 tn (+IDR18.00 tn, WoW),
- Banks : IDR1,177.16 tn (-IDR1.05 tn, WoW), and
- Insurance & Pension Funds: IDR1,170.05 tn (+IDR4.32 tn, WoW)

SBSN LATEST AUCTION

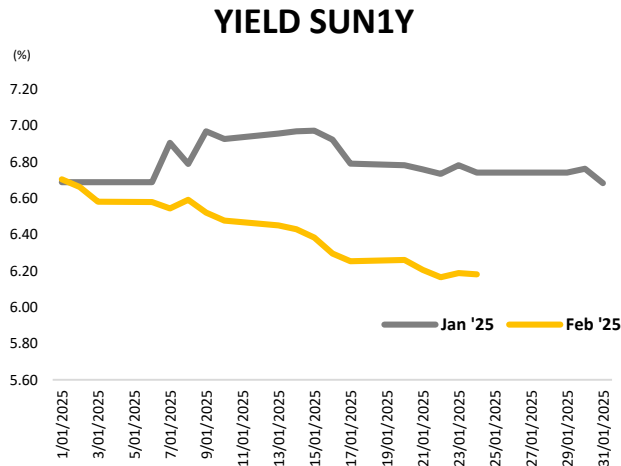
25 Feb '25								
Instruments	SPNS04082025	SPNS10112025	PBS003	PBS030	PBSG001	PBS034	PBS038	Total
Incoming Bids (IDR tn)	1.04	5.93	4.52	2.33	2.63	0.52	2.95	30.26
Bid to Cover Ratio	1.30	2.37	1.96	1.29	1.60	1.73	1.11	3.03
Weighted Average Yields Awarded	6.050%	6.150%	6.389%	6.449%	6.519%	6.798%	7.070%	
11 Feb '25								
Instruments	SPNS04082025	SPNS10112025	PBS003	PBS030	PBS034	PBS039	PBS038	Total
Incoming Bids (IDR tn)	1.26	4.87	9.92	8.11	0.57	0.30	5.23	30.26
Bid to Cover Ratio	-	9.75	3.89	2.32	-	-	1.51	3.03
Weighted Average Yields Awarded	-	6.300%	6.580%	6.640%	-	-	7.100%	

Sources : DJPPR, KBVS Research (2025)

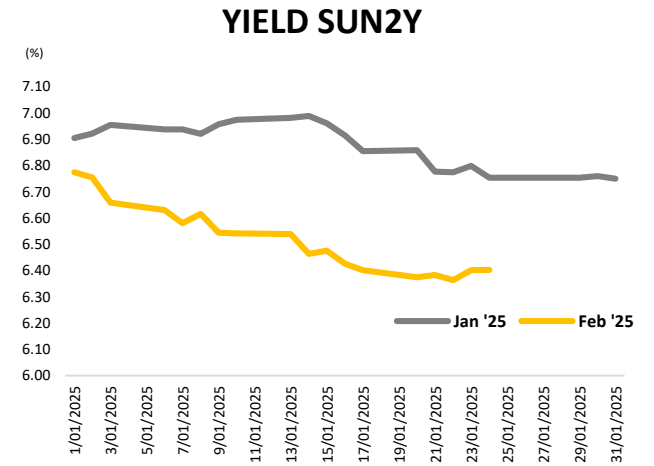
THE MOVEMENT OF SUN YIELDS

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

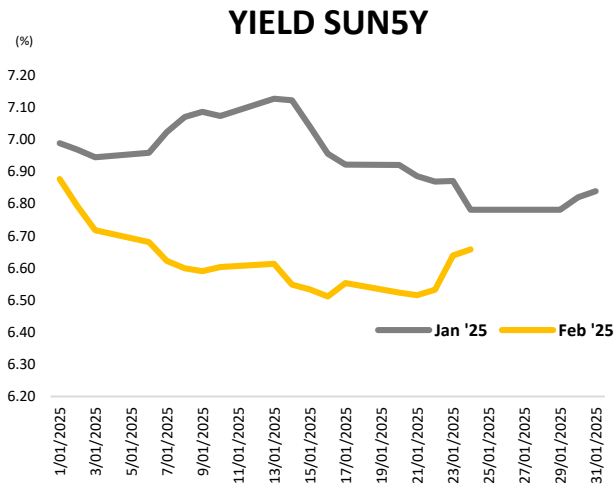
- Yield SUN1Y
 - -8.40 bps (WoW)
 - -52.00 bps (YtD, as of Feb 26, '25)
- Yield SUN2Y
 - +2.60 bps (WoW)
 - -47.70 bps (YtD, as of Feb 26, '25)
- Yield SUN5Y
 - +9.70 bps (WoW)
 - -33.80 bps (YtD, as of Feb 26, '25)
- Yield SUN10Y
 - +3.50 bps (WoW)
 - -12.50 bps (YtD, as of Feb 26, '25)
- Yield SUN30Y
 - -2.70 bps (WoW)
 - -7.80 bps (YtD, as of Feb 26, '25)



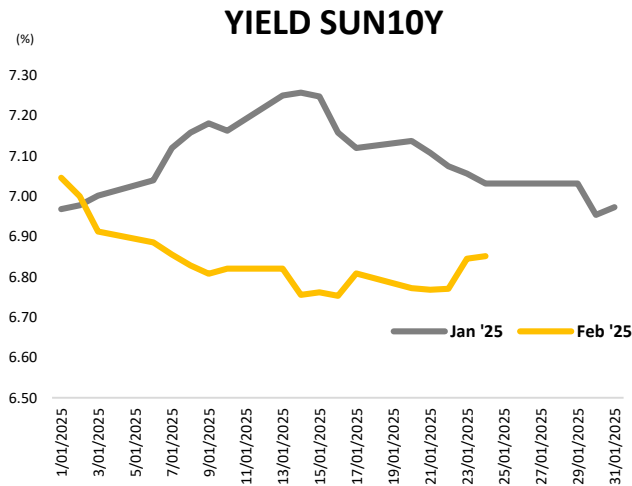
Sources : Bloomberg, KBVS Research (2025)



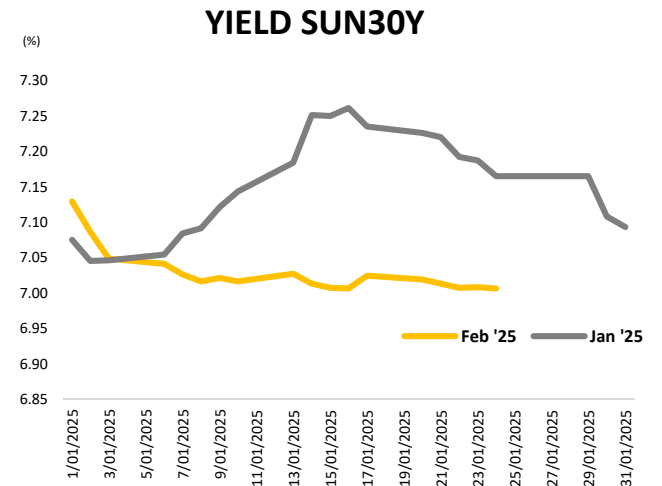
Sources : Bloomberg, KBVS Research (2025)



Sources : Bloomberg, KBVS Research (2025)



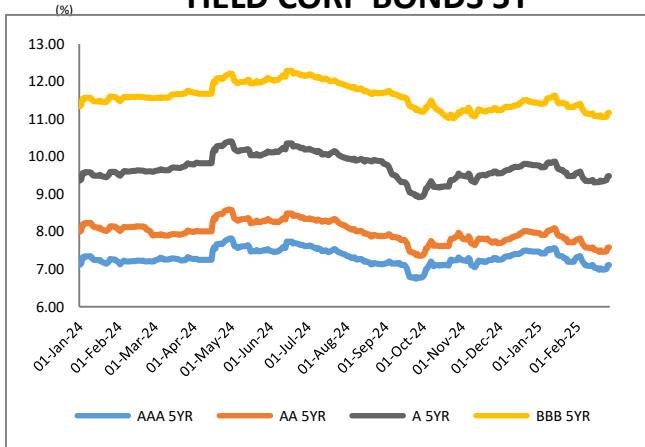
Sources : Bloomberg, KBVS Research (2025)



Sources : Bloomberg, KBVS Research (2025)

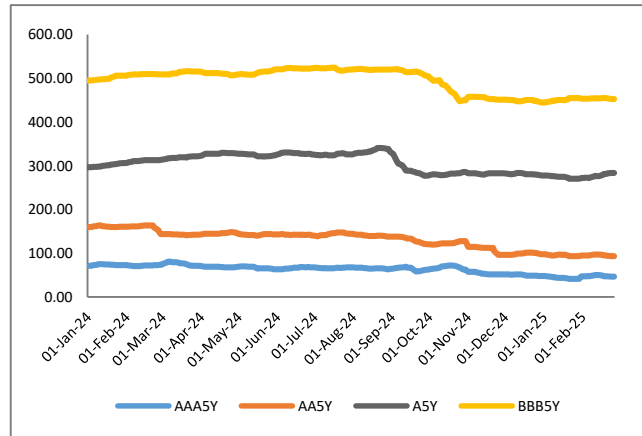
THE MOVEMENT OF CORPORATE BOND YIELD

YIELD CORP BONDS 5Y



Sources : Bloomberg, KBVS Research (2025)

YIELD SPREAD 5Y TENOR

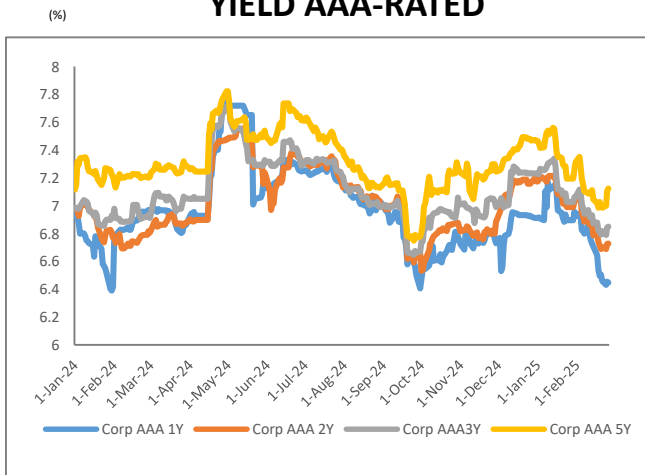


Sources : Bloomberg, KBVS Research (2025)

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

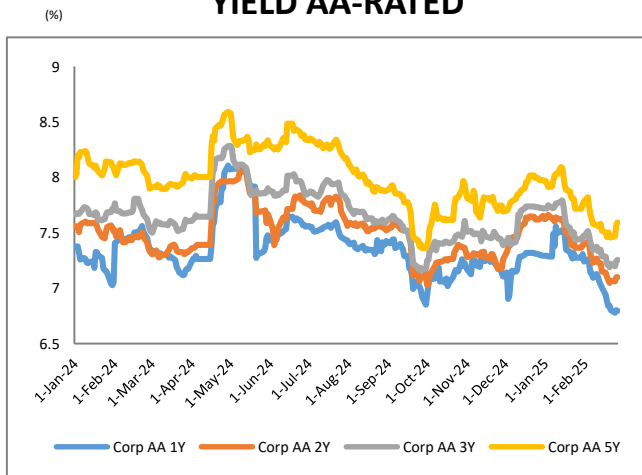
- AAA-rated
 - Tenor 1Y : -25.75 bps (WoW)
 - Tenor 2Y : -14.91 bps (WoW)
 - Tenor 5Y : -7.40 bps (WoW)
- AA-rated
 - Tenor 1Y : -22.01 bps (WoW)
 - Tenor 2Y : -15.59 bps (WoW)
 - Tenor 5Y : -6.84 bps (WoW)
- A-rated
 - Tenor 1Y : -19.02 bps (WoW)
 - Tenor 2Y : -9.92 bps (WoW), and
 - Tenor 5Y : -0.29 bps (WoW)

YIELD AAA-RATED



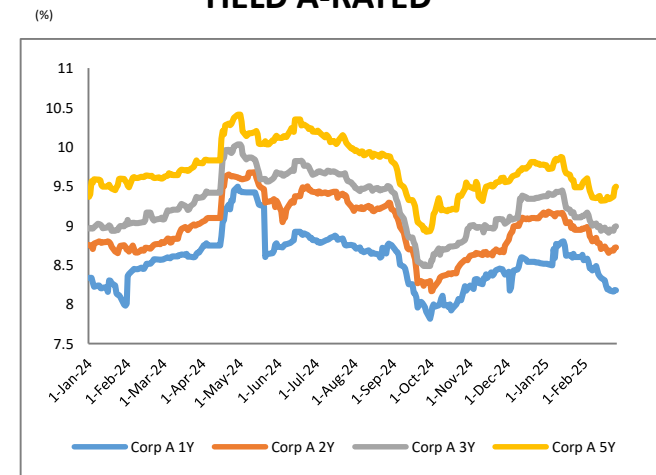
Sources : Bloomberg, KBVS Research (2025)

YIELD AA-RATED



Sources : Bloomberg, KBVS Research (2025)

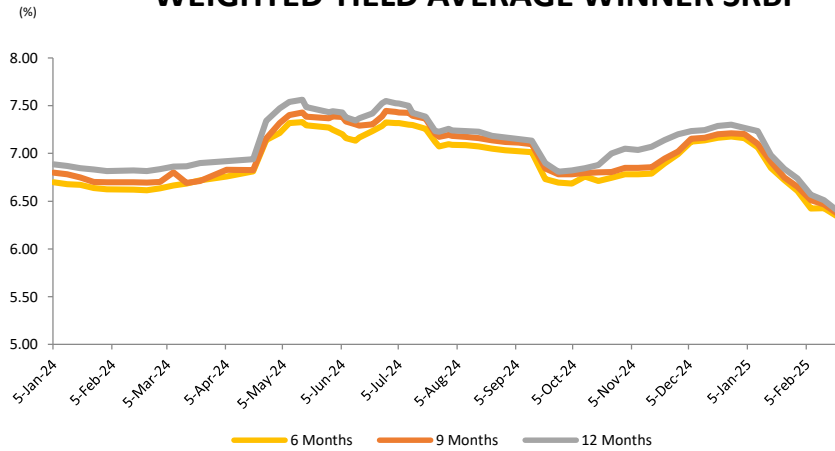
YIELD A-RATED



Sources : Bloomberg, KBVS Research (2025)

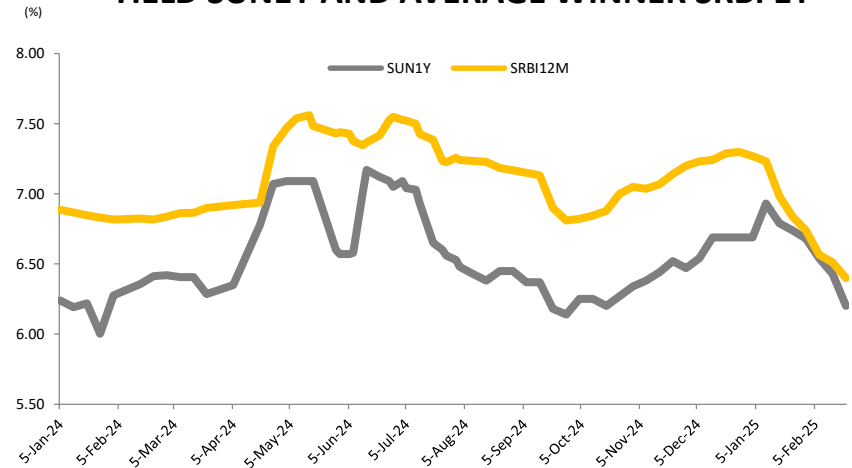
BI'S MONETARY OPERATION

WEIGHTED YIELD AVERAGE WINNER SRBI



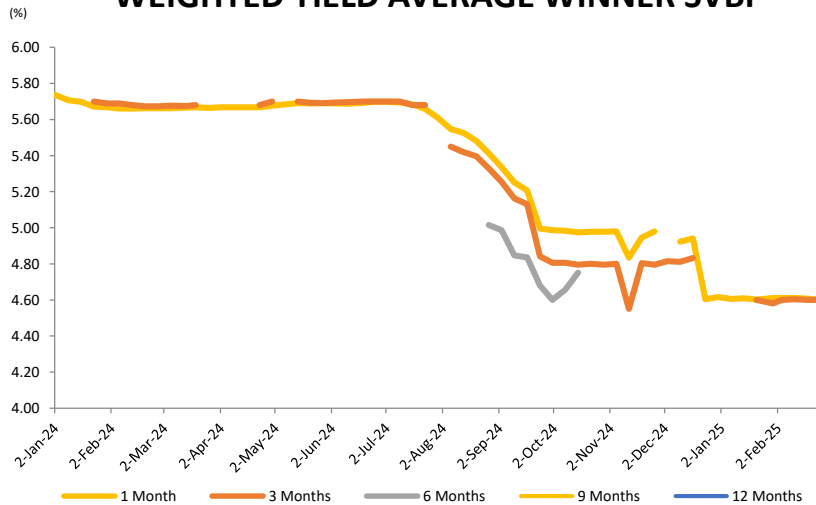
Sources : BI, KBVS Research (2025)

YIELD SUN1Y AND AVERAGE WINNER SRBI 1Y



Sources : BI, KBVS Research (2025)

WEIGHTED YIELD AVERAGE WINNER SVBI



Sources : BI, KBVS Research (2025)

- The implementation of the revised DHE policy, set to take effect on Mar 1, '25, is expected to positively impact demand for SRBI, SVBI, SuVBI, and SUKBI, as well as FX Swap and DHE Valas.
- At the same time, this development appears to have contributed to the continued decline in SRBI auction yields last week. The average winning yields for SRBI in the latest auction were as follows:
 - 6-month tenor 6.34076% (Prev: 6.38295%)
 - 9-month tenor 6.37000% (Prev: 6.42475%)
 - 12-month tenor 6.40008% (Prev: 6.46377%)
- Similarly, the average winning yields for SVBI in the Feb 25, '25 auction also declined:
 - 1-month tenor 4.60004% (Prev: 4.60783%)
 - 3-month tenor 4.60000% (Prev: 4.60000%)
- Encouragingly, this trend has also supported a decline in SUN yields, particularly for short-term tenors.

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NEXT WEEK ECONOMIC CALENDAR

ECONOMIC CALENDAR

(27 FEB-5 MAR 2025)

Country	Event	Forecast	Previous	Country	Event	Forecast	Previous	Country	Event	Forecast	Previous
Thursday, Feb 27, 2025				Friday, Feb 28, 2025				Monday, Mar 3, 2025			
US	FOMC Member Bostic Speaks			US	FOMC Member Harker Speaks			ID	Core Inflation (YoY) (Feb)		2.36%
US	7-Year Note Auction		4.46%	US	Fed's Balance Sheet		6,782B	ID	Inflation (MoM) (Feb)		-0.76%
GE	Unemployment Change (Feb)		11K	JP	Tokyo Core CPI (YoY) (Feb)	2.30%	2.50%	ID	Inflation (YoY) (Feb)		0.76%
GE	Unemployment Rate (Feb)		6.20%	JP	Industrial Production (MoM) (Jan)	-0.90%	-0.20%	EU	CPI (YoY) (Feb)		2.50%
EU	ECB Publishes Account of Monetary Policy Meeting			GB	MPC Member Ramsden Speaks			US	Construction Spending (MoM) (Jan)		0.50%
US	Continuing Jobless Claims		1,869K	GB	Nationwide HPI (YoY) (Feb)		4.10%	US	ISM Manufacturing Employment (Feb)		50.30
US	Initial Jobless Claims	220K	219K	GB	Nationwide HPI (MoM) (Feb)	0.20%	0.10%	US	ISM Manufacturing PMI (Feb)		50.90
US	Core Durable Goods Orders (MoM) (Jan)	0.40%	0.30%	GE	Retail Sales (MoM) (Jan)	0.10%	-1.60%	US	ISM Manufacturing Prices (Feb)		54.90
US	Core PCE Prices (Q4)	2.50%	2.20%	GE	Unemployment Change (Feb)		15K				
US	Durable Goods Orders (MoM) (Jan)	2.00%	-2.20%	GE	Unemployment Rate (Feb)	6.20%	6.20%	Tuesday, Mar 4, 2025			
US	GDP (QoQ) (Q4)	2.30%	3.10%	GE	CPI (MoM) (Feb)	0.40%	-0.20%	JP	Capital Spending (YoY) (Q4)		8.10%
US	GDP Price Index (QoQ) (Q4)	2.20%	1.90%	GE	CPI (YoY) (Feb)	2.30%	2.30%	EU	Unemployment Rate (Jan)		6.30%
US	Fed Vice Chair for Supervision Barr Speaks			US	Core PCE Price Index (MoM) (Jan)	0.30%	0.20%	Wednesday, Mar 5, 2025			
US	Pending Home Sales (MoM) (Jan)	-1.30%	-5.50%	US	Core PCE Price Index (YoY) (Jan)		2.80%	US	ADP Nonfarm Employment Change (Feb)		183K
US	FOMC Member Bowman Speaks			US	Goods Trade Balance (Jan)		-122.01B	US	Factory Orders (MoM) (Jan)		-0.90%
				US	PCE Price Index (YoY) (Jan)	144.90B	2.60%	US	ISM Non-Manufacturing Employment (Feb)		52.30
				US	PCE Price Index (MoM) (Jan)		0.30%	US	ISM Non-Manufacturing PMI (Feb)		52.80
				US	Personal Spending (MoM) (Jan)	0.20%	0.70%	US	ISM Non-Manufacturing Prices (Feb)		60.40
				US	Retail Inventories Ex Auto (Jan)		-0.10%				
				US	Chicago PMI (Feb)	40.30	39.50				

