

# Anticipating Guidance From The Fed

21 March 2024

Economist / Fikri C Permana

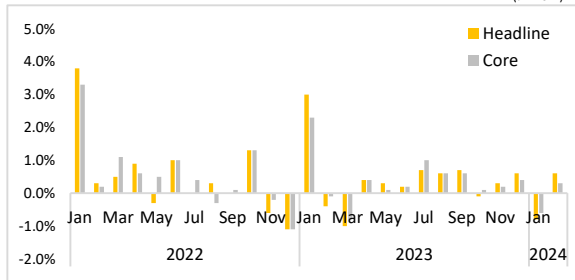
# US Economic Data

## INDICATORS OVERVIEW

Economic Indicators	Unit	Latest Period	Data	
			Latest	Previous
Policy Interest Rate	%	20 Mar '24	5.50	5.50
Economic Growth	%, yoy	4Q23	3.2	4.9
Inflation Rate	%, yoy	Feb '24	3.2	3.1
Unemployment Rate	%	Feb '24	3.9	3.7
S&P Credit Rating	Rating	16-Mar-23	AA+	AA+

Sources : various sources, KBVS Research (2024)

## RETAIL SALES



Sources : US CB, KBVS Research (2024)

- Core retail sales were flat.
- Meanwhile, the relatively modest uptick in headline retail sales hints at a possible deceleration in consumer spending.
- Noteworthy surges were observed in sales within Building Materials&Garden Equipment (2.2%), Motor Vehicles&Parts Dealers (1.6%), and Electronics Appliance Stores (1.5%).
- Downturn was noted in sales at Furniture Stores (-1.1%), Clothing (-0.5%), Health (-0.3%), and Nonstore Retailers (-0.1%).

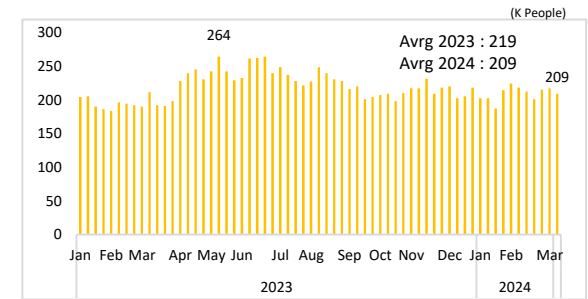
## ECONOMIC CALENDAR

(14 Mar – 20 Mar '24)

Event	Actual	Forecast	Previous
<b>Thursday, March 14, 2024</b>			
30-Year Bond Auction	4.33%		4.36%
IEA Monthly Report			
Core PPI (MoM) (Feb)	0.30%	0.20%	0.50%
Core Retail Sales (MoM) (Feb)	0.30%	0.50%	-0.80%
Initial Jobless Claims	209K	218K	210K
PPI (MoM) (Feb)	0.60%	0.30%	0.30%
Retail Sales (MoM) (Feb)	0.60%	0.80%	-1.10%
<b>Friday, March 15, 2024</b>			
Fed's Balance Sheet	7,542B		7,539B
Export Price Index (MoM) (Feb)	0.80%	0.20%	0.90%
Import Price Index (MoM) (Feb)	0.30%	0.30%	0.80%
NY Empire State Manufacturing Index (Mar)	-20.9	-7.0	-2.4
Industrial Production (MoM) (Feb)	0.10%	0.00%	-0.50%
Industrial Production (YoY) (Feb)	-0.23%		-0.31%
Michigan 1-Year Inflation Expectations (Mar)	3.00%	3.10%	3.00%
Michigan 5-Year Inflation Expectations (Mar)	2.90%	2.90%	2.90%
Michigan Consumer Expectations (Mar)	74.6	75.1	75.2
Michigan Consumer Sentiment (Mar)	76.5	77.1	76.9
<b>Tuesday, March 19, 2024</b>			
Building Permits (Feb)	1.518M	1.500M	1.489M
Housing Starts (MoM) (Feb)	10.70%		-12.30%
Housing Starts (Feb)	1.521M	1.430M	1.374M
Atlanta Fed GDPNow (Q1)	2.10%	2.30%	2.30%
<b>Wednesday, March 20, 2024</b>			
20-Year Bond Auction	4.54%		4.60%
TIC Net Long-Term Transactions (Jan)	36.1B	95.5B	158.6B
API Weekly Crude Oil Stock	-1.519M	0.077M	-5.521M

Sources : investing, KBVS Research (2024)

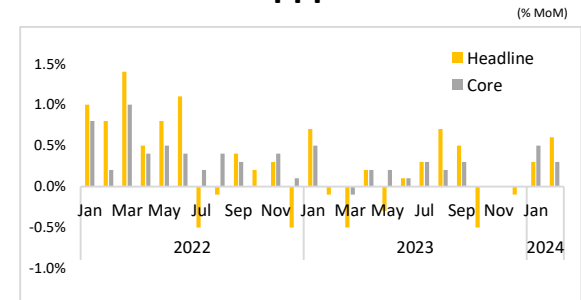
## WEEKLY INITIAL JOBLESS CLAIMS



Sources : US DoL, KBVS Research (2024)

The consistently low weekly initial jobless claims reflect the robust condition of the labor market in the US.

## PPI

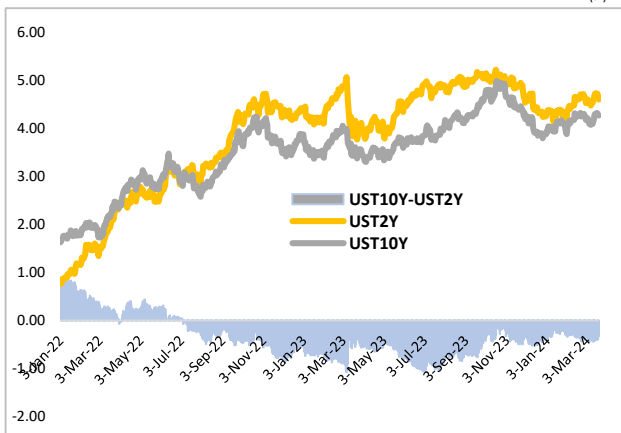


Sources : US BLS, KBVS Research (2024)

- The core rate experiencing a slowdown to 0.3% MoM, but exceeded expectations.
- Meanwhile, the headline PPI was driven by a 1.2% MoM increase in Goods Price, propelled by a 4.4% MoM surge in energy costs and a 1.0% MoM uptick in food prices.
- Consequently, the challenge of tackling inflation is escalating.

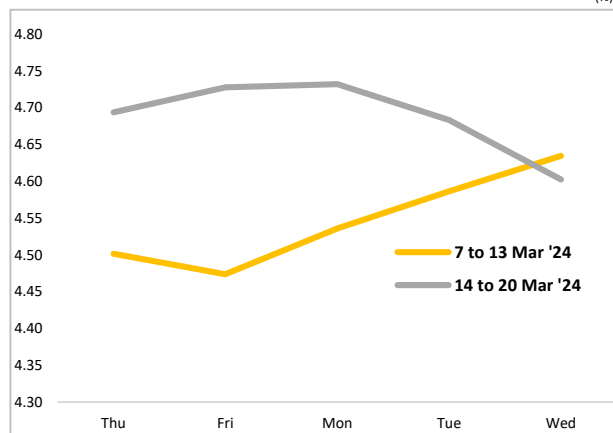
# The Movement of UST Yields

### YIELD UST2Y VS UST10Y (%)



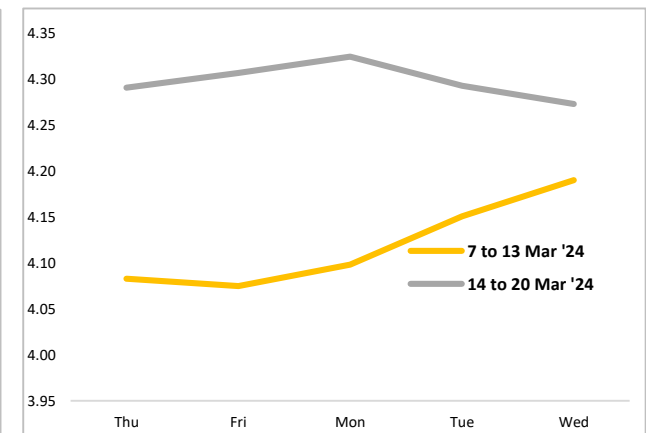
Sources : Bloomberg, KBVS Research (2024)

### YIELD UST2Y (%)



Sources : Bloomberg, KBVS Research (2024)

### YIELD UST10Y (%)



Sources : Bloomberg, KBVS Research (2024)

## FED PROBABILITIES (AS OF 20 MAR '24)

MEETING DATE	FED PROBABILITIES								
	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
1-May-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.4%	89.6%
12-Jun-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.5%	67.4%	25.1%
31-Jul-24	0.0%	0.0%	0.0%	0.0%	0.0%	3.7%	37.2%	46.4%	12.6%
18-Sep-24	0.0%	0.0%	0.0%	0.0%	3.0%	30.9%	44.7%	19.1%	2.4%
7-Nov-24	0.0%	0.0%	0.0%	1.5%	16.7%	37.6%	32.1%	10.9%	1.2%
18-Dec-24	0.0%	0.0%	1.0%	11.6%	30.6%	34.0%	18.0%	4.5%	0.4%
29-Jan-25	0.0%	0.6%	7.1%	22.5%	32.5%	24.8%	10.2%	2.1%	0.2%
19-Mar-25	0.3%	4.0%	15.3%	27.9%	28.4%	17.0%	5.9%	1.1%	0.1%
30-Apr-25	1.9%	9.0%	20.8%	28.1%	23.4%	12.2%	3.8%	0.6%	0.0%

Sources : CME Group, KBVS Research (2024)

- Amidst data indicating economic weakness in retail sales and industrial production, robust PPI inflation and labor market conditions are driving concerns about inflation reaching elevated levels.
- These concerns extend beyond the service sector, compounded by the risk of commodity-driven inflation, particularly in energy prices. As a result, expectations for the first Fed Rate cut remain constrained until the FOMC meeting on 12 Jun '24. Furthermore, the possibility of Fed Rate cuts throughout 2024 is limited to a total of 75 bps, reaching 4.75% by the end of the year.
- Moreover, the increasing risk of the US government budget deficit, coupled with the rise in the fiscal deficit to USD296.0 bn in Jan '24 (Cons: USD299.0 bn, Prev: USD22.0 bn), attributed to heightened defense spending and the replenishment of the Strategic Petroleum Reserve, further drives the increase in UST yields.
- These conditions have led UST yields to remain elevated this week, with the following changes in UST yields:
  - Yield UST2Y
    - -3.22 bps (WoW)
    - +35.24 bps (YtD, as of, 20 Mar '24)
    - +62.60 bps (YoY).
  - Yield UST10Y
    - +8.29 bps (WoW)
    - +39.37 bps (YtD, as of 20 Mar '24)
    - +78.81 bps (YoY).

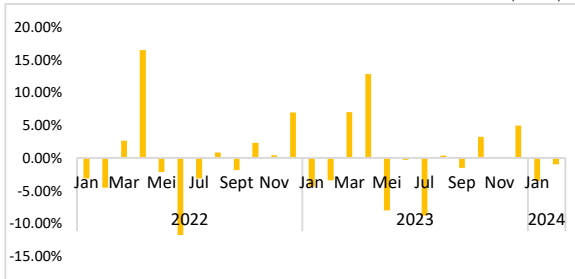
# Indonesia Economic Data

## INDICATORS OVERVIEW

Economic Indicators	Unit	Latest Period	Data	
			Latest	Previous
Policy Interest Rate	%	%	20 Mar '24	6.00
Economic Growth	%, yoy	%, yoy	4Q23	5.0
Inflation Rate	%, yoy	%, yoy	Feb '24	2.8
Unemployment Rate	%	%	Ags '23	5.3
S&P Credit Rating	Rating	Rating	4-Jul-23	BBB

Sources : various sources, KBVS Research (2024)

## RETAIL SALES



Sources : BI, KBVS Research (2024)

- Retail sales in Jan '24 stood at -3.52% MoM or +1.10% YoY.
- Meanwhile, BI also forecasts retail sales in Feb '24 to improve to -0.94% MoM or +3.64% YoY.
- Based on Economic Categories, the improvement in retail sales in Febr '24 is expected to stem from Information&Communication Equipment, while declines are feared to originate from the other 6 sectors.

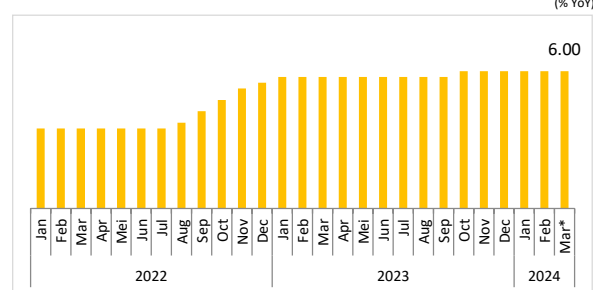
## ECONOMIC CALENDAR

(14 Mar – 20 Mar '24)

Event	Actual	Forecast	Previous
<b>Thursday, March 14, 2024</b>			
Retail Sales (YoY) (Jan)	1.10%		0.20%
<b>Friday, March 15, 2024</b>			
Export Growth (YoY) (Feb)	-9.45%	-6.50%	-8.20%
Import Growth (YoY) (Feb)	15.84%	9.30%	0.36%
Trade Balance (Feb)	0.87B	2.32B	2.00B
<b>Wednesday, March 20, 2024</b>			
Loans (YoY) (Feb)	11.28%		11.83%
Interest Rate Decision	6.00%	6.00%	6.00%
Deposit Facility Rate (Mar)	5.25%	5.25%	5.25%
Lending Facility Rate (Mar)	6.75%	6.75%	6.75%

Sources : investing, KBVS Research (2024)

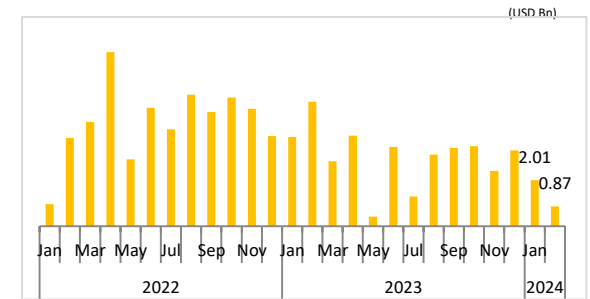
## BI-RATE



Sources : BI, KBVS Research (2024)

- BI has decided to maintain the BI Rate at 6.00%.
- BI anticipates a rate cut by the Fed in the 2H24, a move we also anticipate BI will follow.
- Looking ahead, BI will continue to adhere to a Pro-Stability stance, given the increasing risks of Rupiah volatility, the current account deficit throughout 2024, and the rising risk of imported inflation.

## TRADE BALANCE



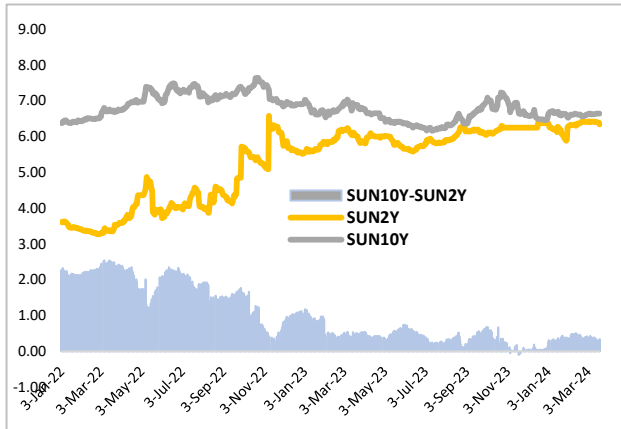
Sources : BPS, KBVS Research (2024)

- The decline in the trade surplus to USD0.87 bn raises concerns about the continuation of the current account deficit in 1Q24.
- On the export side, there was a decrease of -5.79% MoM or -9.45% YoY, primarily driven by a decline in Gas exports (-39.08% MoM), Steel (-27.08% MoM), and exports of Animal/Vegetable Fats&Oils (-22.44% MoM).
- Meanwhile, on the import side, it was recorded at -0.29% MoM or +15.84% YoY. The increase in imports came from the Consumer Goods Group (+5.11% MoM), driven by increased imports of Vehicles&Parts (+13.36% MoM), Oil products (+8.56% MoM), and Cereals (+4.31% MoM).
- Simultaneously, we are concerned that this could pose a fundamental risk to the Rupiah, with our expectation that the Rupiah could exceed IDR 15,700 per USD for the rest of Mar '24.
- Moreover, the decrease in the trade surplus is also feared to become a downside risk to economic growth in 1Q24, which we fear may approach +4.9% YoY.

# The Movement of SUN Yields

## YIELD SUN2Y VS SUN10Y (%)

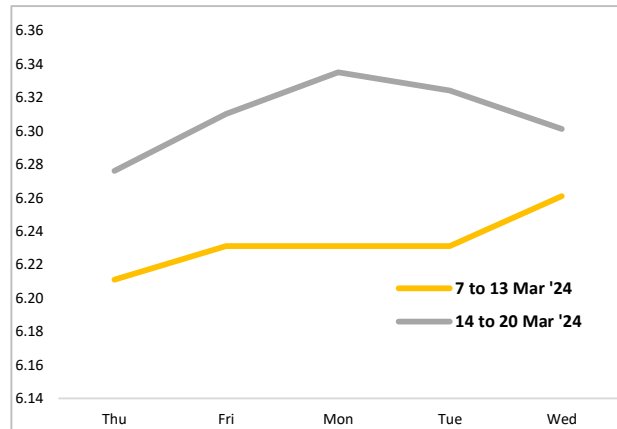
(%)



Sources : Bloomberg, KBVS Research (2024)

## YIELD SUN2Y (%)

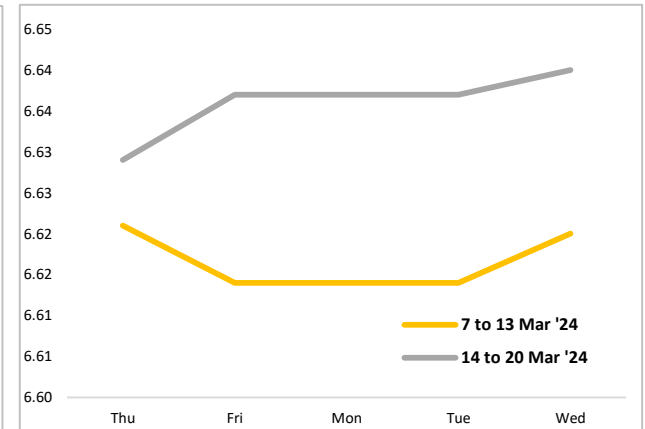
(%)



Sources : Bloomberg, KBVS Research (2024)

## YIELD SUN10Y (%)

(%)

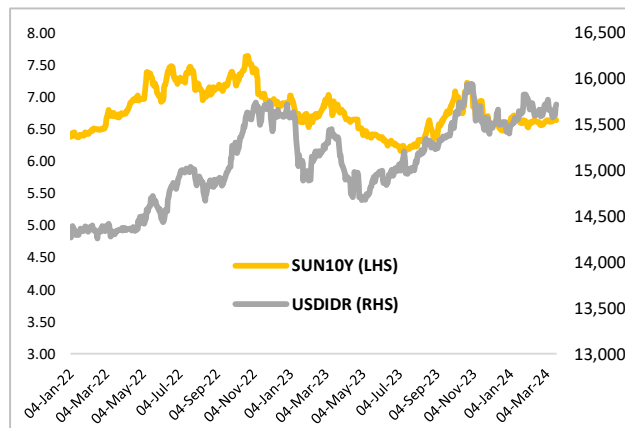


Sources : Bloomberg, KBVS Research (2024)

## YIELD SUN10Y VS USDIDR

(%)

(IDR per USD)

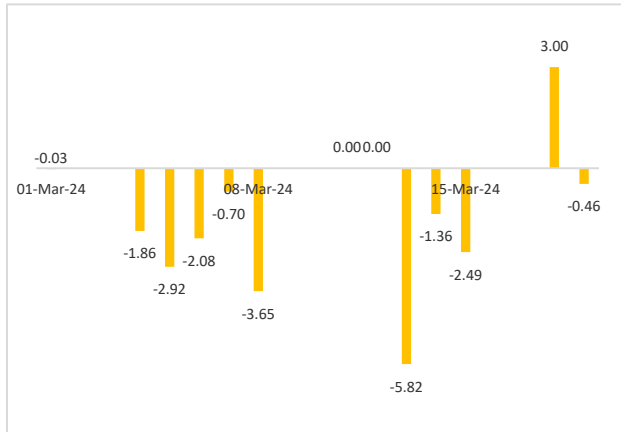


Sources : Bloomberg, KBVS Research (2024)

- The upward trend in global government bond yields, particularly UST, coupled with the pressure on Rupiah depreciation, has driven an increase in SUN yields this week.
- Nevertheless, favorable domestic economic developments, particularly with stable inflation and promising medium-term economic growth prospects, alongside well-maintained Government debt ratios, prompted Fitch Ratings to reaffirm Indonesia's sovereign credit rating at BBB (triple-B flat) with a stable outlook on 15 Mar '24.
- This led to the following developments in SUN yields last week:
  - Yield SUN2Y
    - +4.00 bps (WoW)
    - -8.20 bps (YtD, as of, 20 Mar '24)
    - -8.20 bps (YoY).
  - Yield SUN10Y
    - +2.00 bps (WoW)
    - +18.60 bps (YtD, as of 20 Mar '24)
    - -23.80 bps (YoY).

# Development of Tradable SBN

## CAPITAL FLOW IN SBN



Sources : Bloomberg, KBVS Research (2024)

During Mar '24 (as of 19 Mar), Non-Residents conducted net sales of tradable SBN amounting to IDR18.37 tn or IDR23.29 tn ytd (as of March 18).

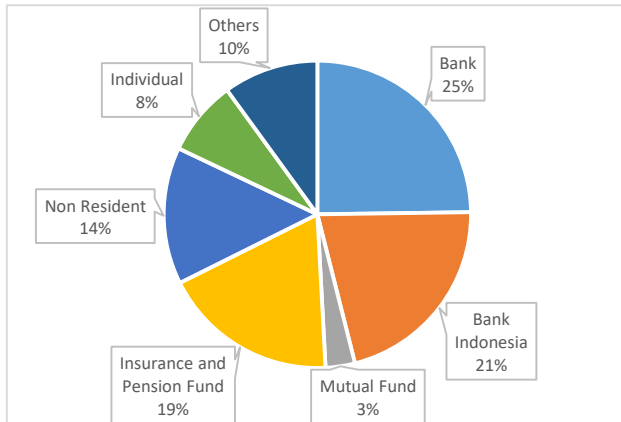
## SUN LATEST AUCTION

13 Mar '24								
Instruments	SPN03240613	SPN12250314	FR0101	FR0100	FR0098	FR0097	FR0102	Total
Incoming Bids (IDR tn)	2.28	4.19	18.86	19.44	5.59	2.57	6.01	58.94
Bid to Cover Ratio	15.18	2.99	3.89	2.14	1.80	1.28	1.77	2.46
Weighted Average Yields Awarded	6.376%	6.459%	6.490%	6.620%	6.800%	6.867%	6.940%	
27 Feb '24								
Instruments	SPN12240529	SPN12250213	FR0101	FR0100	FR0098	FR0097	FR0102	Total
Incoming Bids (IDR tn)	2.43	4.95	17.80	12.93	8.88	5.45	8.61	61.04
Bid to Cover Ratio	3.80	3.96	5.38	1.64	2.47	1.76	2.05	2.54
Weighted Average Yields Awarded	6.397%	6.470%	6.505%	6.597%	6.770%	6.849%	6.929%	

Sources : DJPPR, KBVS Research (2024)

## OWNERSHIP of IDR TRADABLE SBN

(% of total tradable SBN)



Sources : Bloomberg, KBVS Research (2024)

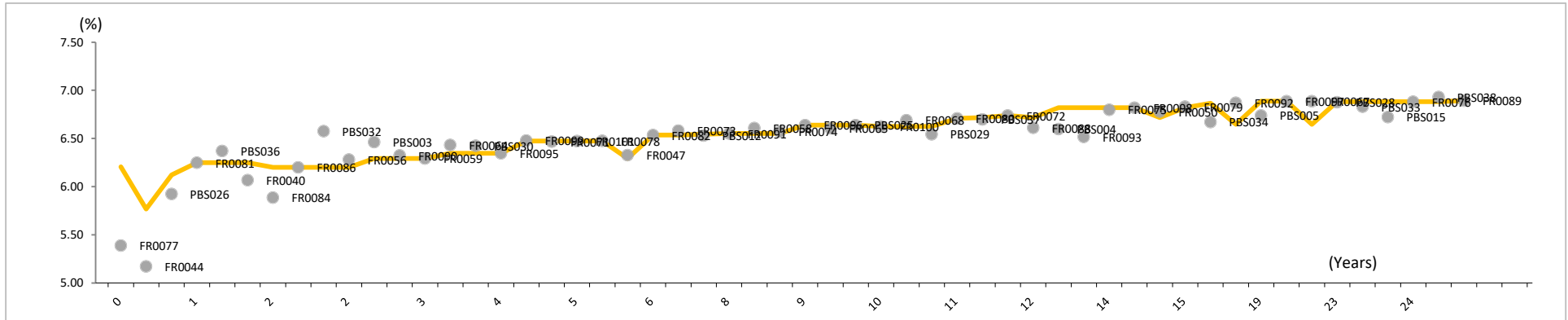
- The transactions led to Non-resident ownership in IDR Tradable SBN reaching IDR818.76 tn, accounting for 14.42% of the total tradable SBN.
- Meanwhile, BI continues its net purchases amounting to IDR7.96 tn mtd or IDR326.00 tn ytd (as of 19 Mar '24).

## SBSN LATEST AUCTION

19 Mar '24								
Instruments	SPNS 03092024	SPNS 02122024	PBS032	PBS030	PBSG001	PBS004	PBS038	Total
Incoming Bids (IDR tn)	2.17	4.41	6.93	1.34	1.07	0.84	4.31	21.07
Bid to Cover Ratio	4.81	3.67	1.80	1.12	1.07	1.11	1.22	1.76
Weighted Average Yields Awarded	6.410%	6.472%	6.620%	6.488%	6.603%	6.720%	6.969%	
5 Mar '24								
Instruments	SPNS 03092024	SPNS 02122024	PBS032	PBS030	PBS004	PBS039	PBS038	Total
Incoming Bids (IDR tn)	2.11	3.92	6.00	1.55	0.73	0.30	2.44	17.05
Bid to Cover Ratio	10.55	4.36	1.67	1.01	1.46	1.22	6.09	2.31
Weighted Average Yields Awarded	6.350%	6.438%	6.600%	6.511%	6.698%	6.840%	6.978%	

Sources : DJPPR, KBVS Research (2024)

# SUN Yield Curve

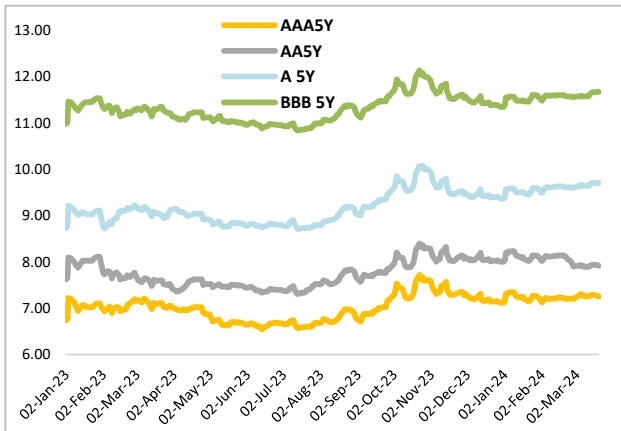


Sources : Bloomberg, KBVS Research (2024)

TTM	Series	Coupon	Price	Benchmark Price	Yield	Benchmark Yield	Maturity	Notes
0	FR0077	8.13	100.28	98.86	5.39	6.21	15 May 2024	Premium
0	FR0044	10.00	102.14	97.64	5.17	5.77	15 Sep 2024	Premium
1	PBS026	6.63	100.31	96.18	5.92	6.12	15 Oct 2024	Premium
1	FR0081	6.50	100.18	100.28	6.25	6.25	15 Jun 2025	Fair
1	PBS036	5.38	98.57	100.28	6.37	6.25	15 Aug 2025	Discounted
1	FR0040	11.00	106.74	100.28	6.07	6.25	15 Sep 2025	Premium
2	FR0084	7.25	102.17	98.66	5.89	6.20	15 Feb 2026	Premium
2	FR0086	5.50	98.47	98.66	6.20	6.20	15 Apr 2026	Fair
2	PBS032	4.88	96.30	98.66	6.58	6.20	15 Jul 2026	Discounted
2	FR0056	8.38	104.60	98.66	6.28	6.20	15 Sep 2026	Fair
3	PBS003	6.00	98.70	101.98	6.46	6.29	15 Jan 2027	Discounted
3	FR0090	5.13	96.49	101.98	6.32	6.29	15 Apr 2027	Discounted
3	FR0059	7.00	101.80	101.98	6.29	6.29	15 May 2027	Fair
4	FR0064	6.13	98.76	100.10	6.43	6.35	15 May 2028	Discounted
4	PBS030	5.88	97.65	100.10	6.42	6.35	15 Jul 2028	Discounted
4	FR0095	6.38	99.93	100.10	6.35	6.35	15 Aug 2028	Fair
5	FR0099	6.40	99.54	101.70	6.48	6.47	15 Jan 2029	Discounted
5	FR0071	9.00	110.43	101.70	6.47	6.47	15 Mar 2029	Premium
5	FR0101	6.88	101.57	101.70	6.47	6.47	15 Apr 2029	Fair
5	FR0078	8.25	107.47	101.70	6.48	6.47	15 May 2029	Fair
4	FR0047	10.00	112.22	101.98	6.33	6.29	15 Feb 2028	Fair
6	FR0082	7.00	102.26	102.42	6.54	6.54	15 Sep 2030	Fair
7	FR0073	8.75	111.94	102.42	6.58	6.54	15 May 2031	Fair
8	PBS012	8.88	113.73	99.76	6.53	6.54	15 Nov 2031	Premium
8	FR0091	6.38	98.76	98.90	6.55	6.55	15 Apr 2032	Fair
8	FR0058	8.25	110.04	98.90	6.61	6.55	15 Jun 2032	Fair
8	FR0074	7.50	105.63	98.90	6.57	6.55	15 Aug 2032	Fair
9	FR0096	7.00	102.26	102.40	6.64	6.64	15 Feb 2033	Fair
9	FR0065	6.63	99.95	102.40	6.61	6.64	15 May 2033	Fair
9	PBS025	8.38	111.50	102.40	6.64	6.64	15 May 2033	Fair
10	FR0100	6.63	99.88	99.98	6.63	6.63	15 Feb 2034	Fair
10	FR0068	8.38	112.01	99.98	6.69	6.63	15 Mar 2034	Fair
10	PBS029	6.38	98.43	99.98	6.55	6.63	15 Mar 2034	Fair
11	FR0080	7.50	105.92	106.16	6.71	6.71	15 Jun 2035	Fair
12	PBS037	6.88	101.29	126.20	6.70	6.72	15 Mar 2036	Fair
12	FR0072	8.25	112.17	112.39	6.74	6.74	15 May 2036	Fair
12	FR0088	6.25	96.68	126.20	6.61	6.72	15 Jun 2036	Fair
13	PBS004	6.10	95.19	102.72	6.60	6.82	15 Feb 2037	Fair
13	FR0093	6.38	97.79	102.72	6.52	6.82	15 Jul 2037	Fair
14	FR0075	7.50	106.07	102.72	6.80	6.82	15 May 2038	Premium
14	FR0098	7.13	102.54	102.72	6.82	6.82	15 Jun 2038	Fair
14	FR0050	10.50	133.42	126.20	6.78	6.72	15 Jul 2038	Fair
15	FR0079	8.38	114.14	102.72	6.83	6.82	15 Apr 2039	Fair
15	PBS034	6.50	98.07	106.11	6.67	6.87	15 Jun 2039	Fair
18	FR0092	7.13	102.36	97.16	6.87	6.65	15 Jun 2042	Fair
19	PBS005	6.75	99.47	102.50	6.74	6.89	15 Apr 2043	Fair
19	FR0097	7.13	102.32	102.50	6.89	6.89	15 Jun 2043	Fair
20	FR0067	8.75	119.76	97.16	6.89	6.65	15 Feb 2044	Fair
23	PBS028	7.75	109.68	105.77	6.88	6.88	15 Oct 2046	Premium
23	PBS033	6.75	98.80	105.77	6.83	6.88	15 Jun 2047	Fair
23	PBS015	8.00	114.34	105.77	6.72	6.88	15 Jul 2047	Premium
24	FR0076	7.38	105.38	105.77	6.88	6.88	15 May 2048	Fair
26	PBS038	6.88	99.06	105.77	6.93	6.88	15 Dec 2049	Discounted
27	FR0089	6.88	99.47	99.75	6.89	6.89	15 Aug 2051	Fair

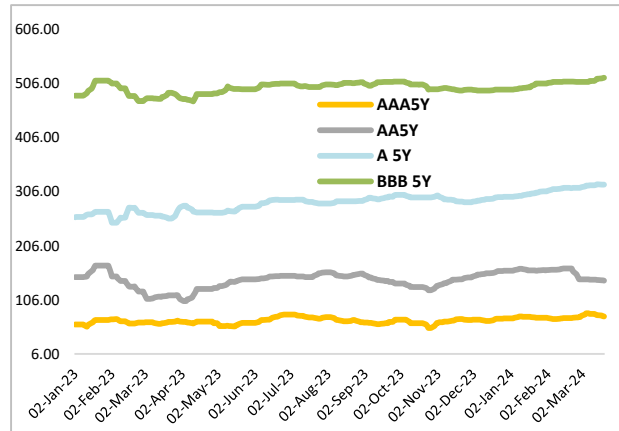
# The Movement of Corporate Bond Yields

## YIELD CORP BONDS 5Y (%)



Sources : Bloomberg, KBVS Research (2024)

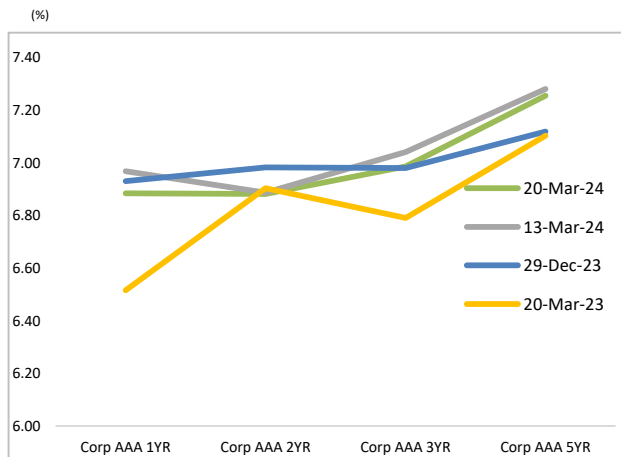
## YIELD SPREAD 5Y TENOR



Sources : Bloomberg, KBVS Research (2024)

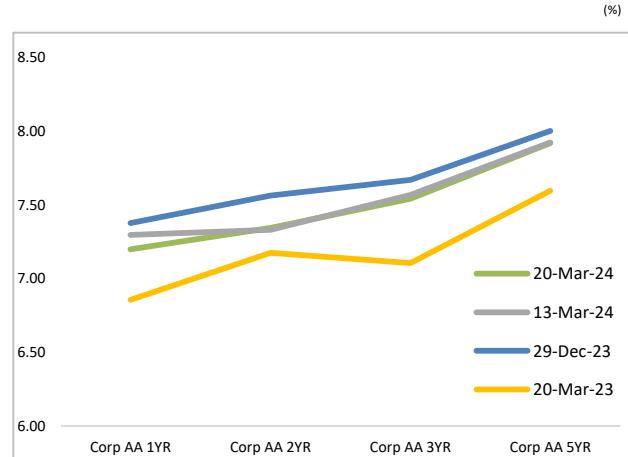
- The trend of rising SUN yields also impacts the trend of increasing corporate bond yields.
- Moreover, the rise in corporate bond yields is further driven by an increase in yield spreads, evident in the 5Y tenor yield spread across almost all rating groups.

## YIELD AAA-RATED



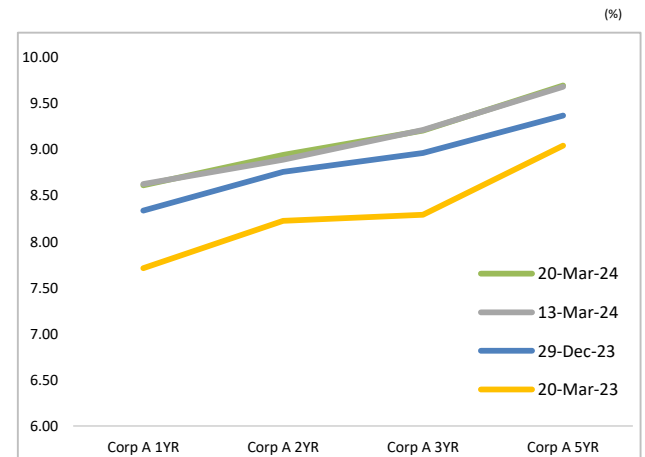
Sources : Bloomberg, KBVS Research (2024)

## 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			
15-Sep-23	6.30	6.39	6.40	29,872.00	24,456.00	1.22
20-Sep-23	6.31	6.39	6.42	15,635.00	13,275.00	1.18
22-Sep-23	6.31	6.40	6.43	15,850.00	14,950.00	1.06
27-Sep-23	6.32	6.40	6.43	11,525.00	10,590.00	1.09
29-Sep-23	6.32	6.40	6.43	8,730.00	8,230.00	1.06
4-Oct-23	6.32	6.40	6.43	12,275.00	9,075.00	1.35
6-Oct-23	6.32	6.40	6.43	12,034.00	11,184.00	1.08
11-Oct-23	6.32	6.40	6.43	14,585.00	14,135.00	1.03
13-Oct-23	6.32	6.40	6.43	8,005.00	7,805.00	1.03
18-Oct-23	6.32	6.39	6.43	6,775.00	6,665.00	1.02
20-Oct-23	6.64	6.64	6.71	4,680.00	4,480.00	1.04
25-Oct-23	6.77	6.82	6.76	2,330.00	2,320.00	1.00
27-Oct-23	6.78	6.87	6.97	5,626.00	3,000.00	1.88
1-Nov-23	6.79	6.93	7.02	6,252.00	4,000.00	1.56
3-Nov-23	6.79	6.95	7.02	10,143.00	10,143.00	1.00
8-Nov-23	6.80	6.99	7.01	11,086.00	3,000.00	3.70
10-Nov-23	6.81	6.98	6.99	13,155.00	6,000.00	2.19
15-Nov-23	6.78	6.91	6.94	18,200.00	7,000.00	2.60
17-Nov-23	6.75	6.85	6.90	21,607.00	8,500.00	2.54
22-Nov-23	6.73	6.82	6.87	15,320.00	10,000.00	1.53
24-Nov-23	6.71	6.82	6.88	11,499.00	10,000.00	1.15
29-Nov-23	6.73	6.83	6.87	8,885.00	8,885.00	1.00
1-Dec-23	6.74	6.84	6.91	8,184.00	3,300.00	2.48
6-Dec-23	6.72	6.84	6.92	8,586.00	7,474.00	1.15
8-Dec-23	6.71	6.84	6.92	8,920.00	6,205.00	1.44
13-Dec-23	6.70	6.84	6.92	8,410.00	4,935.00	1.70
15-Dec-23	6.70	6.84	6.90	11,257.00	10,342.00	1.09
20-Dec-23	6.70	6.85	6.89	12,630.00	7,090.00	1.78
22-Dec-23	6.72	6.85	6.89	11,620.00	9,615.00	1.21
29-Dec-23	6.71	6.85	6.90	8,812.00	7,802.00	1.13
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

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			
21-Nov-23	5.45	5.60	266.50	236.50	1.13
28-Nov-23	5.62	5.63	100.10	92.10	1.09
5-Dec-23	5.66	5.68	50.90	48.90	1.04
12-Dec-23	5.71	5.77	25.00	25.00	1.00
19-Dec-23	5.71	5.76	24.00	19.00	1.26
27-Dec-23	5.74	-	18.00	13.00	1.38
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

Sources : BI, KBVS Research (2024)

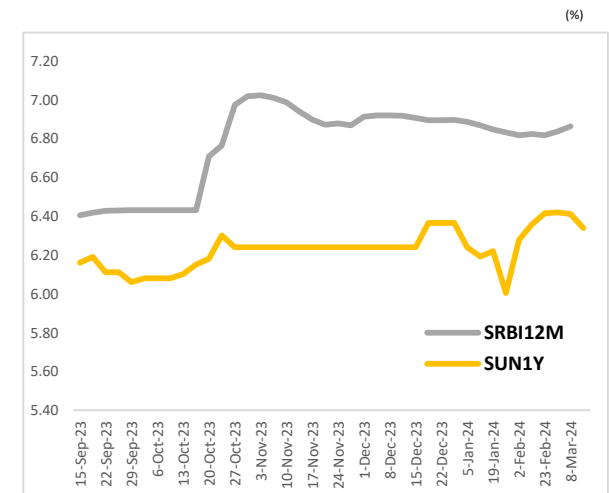
- Through its twist operation policy, BI remains actively engaged in issuing SBRI, SVBI, SuKBI, and SUVBI in the market.
- The promotion of these instruments is also accompanied by offering yields higher than SUN1Y.

## 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

Sources : BI, KBVS Research (2024)

## YIELD OF SRBI12M VS SUN1Y (%)



Sources : BI, KBVS Research (2024)

# This Week's Economic Calendar

## ECONOMIC CALENDAR

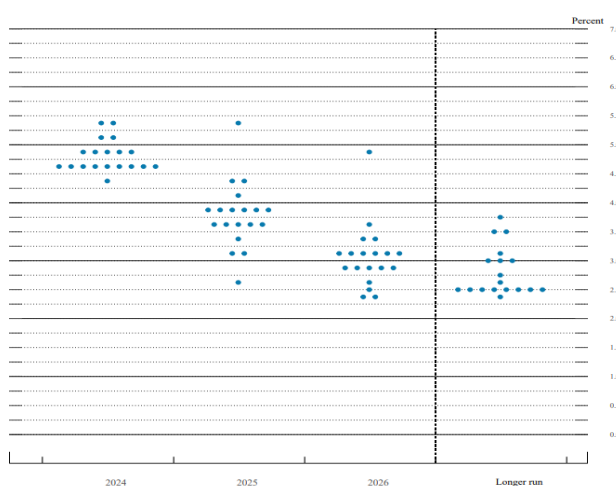
(21 - 27 MAR 2024)

Country	Event	Forecast	Previous	Country	Event	Forecast	Previous	Country	Event	Forecast	Previous
<b>Thursday, 21 Mar '24</b>				<b>Friday, 22 Mar, 2024</b>				<b>Tuesday, 26 Mar, 2024</b>			
CAD	BOC Summary of Deliberations			US	10-Year TIPS Auction		0.0	US	2-Year Note Auction		0.0
US	FOMC Economic Projections			US	Fed's Balance Sheet		7,542B	EUR	GfK German Consumer Climate (Apr)		-29.0
US	FOMC Statement			US	Reserve Balances with Federal Reserve Banks		3.573T	GB	5-Year Treasury Gilt Auction		0.0
US	Fed Interest Rate Decision	0.1	0.1	JPN	CPI, n.s.a (MoM) (Feb)		0.0	US	Core Durable Goods Orders (MoM) (Feb)		0.0
JPN	Adjusted Trade Balance	-0.83T	0.24T	JPN	National Core CPI (YoY) (Feb)	0.0	0.0	US	Durable Goods Orders (MoM) (Feb)		-0.1
JPN	Exports (YoY) (Feb)	0.1	0.1	JPN	National CPI (MoM)		0.0	US	Durables Excluding Defense (MoM) (Feb)		-0.1
JPN	Imports (YoY) (Feb)	0.0	-0.1	JPN	National CPI (YoY) (Feb)		0.0	US	Durables Excluding Transport (MoM)		0.0
JPN	Trade Balance (Feb)	-810.2B	-1,758.3B	JPN	Foreign Bonds Buying		1,579.6B	US	Goods Orders Non Defense Ex Air (MoM) (Feb)		0.0
JPN	au Jibun Bank Japan Manufacturing PMI (Mar)	47.5	47.2	IDR	M2 Money Supply (YoY) (Feb)		0.1	CAD	Wholesale Sales (MoM)		0.0
INR	S&P Global India Manufacturing PMI		56.9	GB	Core Retail Sales (MoM) (Feb)	0.0	0.0	US	House Price Index (YoY) (Jan)		0.1
EUR	HCOB Germany Manufacturing PMI (Mar)	43.1	42.5	GB	Retail Sales (MoM) (Feb)	0.0	0.0	US	House Price Index (MoM) (Jan)		0.0
EUR	Current Account (Jan)	32.3B	32.0B	EUR	German Import Price Index (MoM) (Jan)	0.0	0.0	US	House Price Index (Jan)		417.8
EUR	Current Account n.s.a. (Jan)		42.7B	EUR	German Import Price Index (YoY) (Jan)	-0.1	-0.1	US	S&P/CS HPI Composite - 20 s.a. (MoM) (Jan)		0.0
EUR	HCOB Eurozone Manufacturing PMI (Mar)	47.0	46.5	CNY	FDI		-0.1	US	CB Consumer Confidence (Mar)		106.7
GB	S&P Global/CIPS UK Manufacturing PMI	47.9	47.5	EUR	Euro Summit		-20.0	US	Richmond Manufacturing Index (Mar)		-5.0
GB	S&P Global/CIPS UK Services PMI	53.8	53.8	GB	CBI Industrial Trends Orders (Mar)		-20.0	US	Richmond Manufacturing Shipments (Mar)		-15.0
GB	BoE Interest Rate Decision (Mar)	0.1	0.1	INR	Bank Loan Growth		0.2	US	Richmond Services Index (Mar)		-16.0
US	Continuing Jobless Claims		1,811K	INR	Deposit Growth		0.1	US	Dallas Fed Services Revenues (Mar)		5.2
US	Current Account (Q4)	-209.0B	-200.3B	INR	FX Reserves, USD		636.10B	US	Texas Services Sector Outlook (Mar)		-3.9
US	Initial Jobless Claims	214K	209K	CAD	Core Retail Sales (MoM) (Jan)	0.0	0.0	US	Atlanta Fed GDPNow (Q1)	0.0	0.0
US	S&P Global US Manufacturing PMI (Mar)	51.8	52.2	CAD	Retail Sales (MoM) (Jan)	0.0	0.0	<b>Wednesday, 27 Mar, 2024</b>			
US	Existing Home Sales (Feb)	3.95M	4.00M	US	Fed Chair Powell Speaks		-4.47B	US	5-Year Note Auction		0.0
US	4-Week Bill Auction		0.1	CAD	Budget Balance (Jan)		-23.61B	US	API Weekly Crude Oil Stock		-1.519M
US	8-Week Bill Auction		0.1	CAD	Budget Balance (YoY) (Jan)		-23.61B	CNY	Chinese Industrial profit YTD (Feb)		0.0
				<b>Monday, 25 Mar, 2024</b>							
				India - Holi				GB	CBI Distributive Trades Survey		-7.0
				JPN	Leading Index (MoM)		0.0	EUR	Business and Consumer Survey (Mar)		95.4
				JPN	Leading Index	109.9	110.5	EUR	Business Climate (Mar)		-0.4
				GB	CBI Distributive Trades Survey (Mar)		-7.0	EUR	Consumer Confidence (Mar)		
				EUR	German Buba Monthly Report		0.0	EUR	Consumer Inflation Expectation (Mar)		15.5
				US	Building Permits (MoM)	0.0	0.0	EUR	Selling Price Expectations (Mar)		3.8
				US	Building Permits	1.518M	1.489M	EUR	Services Sentiment (Mar)		6.0
				US	Chicago Fed National Activity (Feb)		-0.3	EUR	Industrial Sentiment (Mar)		-9.5
				CAD	Manufacturing Sales (MoM)		0.0				
				US	New Home Sales (Feb)		661K				
				US	New Home Sales (MoM) (Feb)		0.0				
				US	Dallas Fed Mfg Business Index (Mar)		-11.3				
				US	3-Month Bill Auction		0.1				
				US	6-Month Bill Auction		0.1				

Digesting the outcomes of the FOMC Meeting, including economic projections, appears to be the primary driver of sentiment in the global financial markets.

# The Outcome of The FOMC Meeting on 20 Mar '24

## FED DOT PLOT



Source : The Fed (2024)

- The Federal Reserve once again maintained the Fed Rate at 5.50%.
- However, simultaneous interest rate projections, known as the Fed dot plot, suggest the possibility of three cuts this year, aligning with the quarterly forecast from Dec '23. The plot also indicates three cuts in 2025, one fewer than previously projected, and three additional reductions in 2026.
- Meanwhile, the summary of The Fed Economic Projection on the US economy:
  - GDP growth is anticipated to be higher in 2024 (2.1% YoY VS 1.4% YoY in the Dec '23 projection), 2025 (2.0% YoY VS 1.8% YoY), and 2026 (2.0% YoY VS 1.9% YoY).
  - Projections for PCE inflation remain unchanged for 2024 (2.4% YoY VS 2.4% YoY), but have been revised upward for 2025 (2.2% YoY VS 2.1% YoY),
  - While the core PCE inflation is expected to be higher this year (2.6% YoY VS 2.4% YoY). Forecasts for 2025 remain unchanged at 2.2% YoY.
  - The unemployment rate is expected to decrease to 4.0% in 2024 (VS 4.1%), with projections remaining steady at 4.1% for the following year.
- We anticipate that this will promptly lower the UST10Y to approximately 4.0% to 4.1% in early Apr '24, thereafter aiming to approach the 3.5% level ahead of the first anticipated rate cut by the end of 1H24.
- At the same time, we anticipate that this will open the possibility of a reduction in the Bi Rate in Jun or Jul '24, thereby also contributing to a *sentiment-driven* decrease in SUN10Y yields to around 6.5% in early Apr '24 and 6.2% by the end of 1H24.

## SUMMARY OF ECONOMIC PROJECTION

Variable	Median <sup>1</sup>				Central Tendency <sup>2</sup>				Range <sup>3</sup>			
	2024	2025	2026	Longer run	2024	2025	2026	Longer run	2024	2025	2026	Longer run
Change in real GDP	2.1	2.0	2.0	1.8	2.0-2.4	1.9-2.3	1.8-2.1	1.7-2.0	1.3-2.7	1.7-2.5	1.7-2.5	1.6-2.5
December projection	1.4	1.8	1.9	1.8	1.2-1.7	1.5-2.0	1.8-2.0	1.7-2.0	0.8-2.5	1.4-2.5	1.6-2.5	1.6-2.5
Unemployment rate	4.0	4.1	4.0	4.1	3.9-4.1	3.9-4.2	3.9-4.3	3.8-4.3	3.8-4.5	3.7-4.3	3.7-4.3	3.5-4.3
December projection	4.1	4.1	4.1	4.1	4.0-4.2	4.0-4.2	3.9-4.3	3.8-4.3	3.9-4.5	3.8-4.7	3.8-4.7	3.5-4.3
PCE inflation	2.4	2.2	2.0	2.0	2.3-2.7	2.1-2.2	2.0-2.1	2.0	2.2-2.9	2.0-2.5	2.0-2.3	2.0
December projection	2.4	2.1	2.0	2.0	2.2-2.5	2.0-2.2	2.0	2.0	2.1-2.7	2.0-2.5	2.0-2.3	2.0
Core PCE inflation <sup>4</sup>	2.6	2.2	2.0		2.5-2.8	2.1-2.3	2.0-2.1		2.4-3.0	2.0-2.6	2.0-2.3	
December projection	2.4	2.2	2.0		2.4-2.7	2.0-2.2	2.0-2.1		2.3-3.0	2.0-2.6	2.0-2.3	
Memo: Projected appropriate policy path												
Federal funds rate	4.6	3.9	3.1	2.6	4.6-5.1	3.4-4.1	2.6-3.4	2.5-3.1	4.4-5.4	2.6-5.4	2.4-4.9	2.4-3.8
December projection	4.6	3.6	2.9	2.5	4.4-4.9	3.1-3.9	2.5-3.1	2.5-3.0	3.9-5.4	2.4-5.4	2.4-4.9	2.4-3.8

Source : The Fed (2024)

## AVERAGE HISTORICAL PROJECTION ERROR RANGES

(%)

Variable	2024	2025	2026
Change in real GDP <sup>1</sup> .....	±1.6	±2.0	±2.2
Unemployment rate <sup>1</sup> .....	±0.8	±1.4	±1.9
Total consumer prices <sup>2</sup> .....	±1.4	±1.8	±1.8
Short-term interest rates <sup>3</sup> .....	±0.9	±2.0	±2.5

Sources : The Fed (2024)



 KB Valbury Sekuritas