

# FINDING THE EQUILIBRIUM

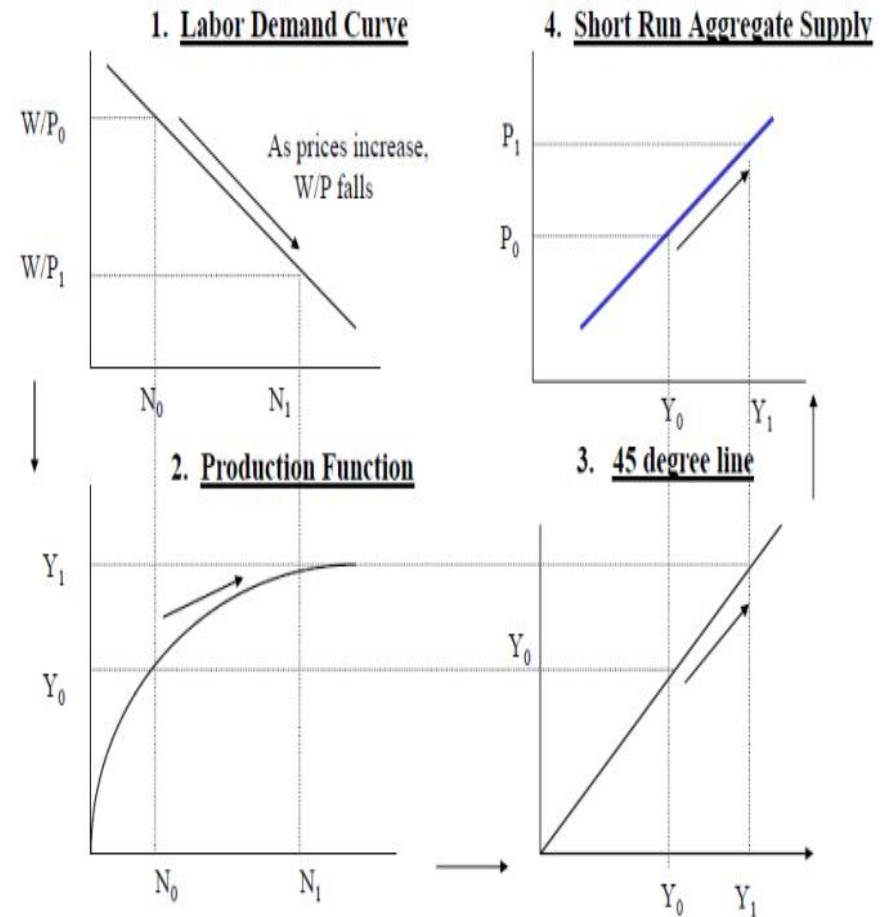
– Balancing The Demand, Labor Market and Economic Growth

3 October 2024

Economist / Fikri C Permana

# Executive Summary

- Anchoring inflation at 2% remains the Fed's benchmark in driving a balance between demand, the labor market, and economic growth.
  - Looking ahead, the Fed will continue to adopt a cautious and data-dependent approach in assessing economic developments and determining policy responses.
  - In his latest speech, Powell indicated that the Fed would remain cautious, with a potential Fed rate cut of only 25 bps at the upcoming FOMC meeting.
- 
- Five consecutive months of deflation and three straight months of contraction in the Manufacturing PMI have raised concerns about a decline in consumer purchasing power.
  - At the same time, the reduced likelihood of a Fed rate cut and rising tensions in the Middle East have sparked worries about negative sentiment in Indonesia's financial markets over the past week.
  - This comes amid a "*wait and see*" stance among market players as the cabinet reshuffle approaches in the next two weeks.



Source: <https://www.karlwhelan.com/MAMacroSem1/IS-LM-Summary.pdf> (2024)



## TABLE OF CONTENTS :

**3      Global Economy**

8      Domestic Economy

15     Economic Calendar

# 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	%	Aug'24	4.2	4.3

Sources : various sources, KBVS Research (2024)

The data releases that influenced yield movements in the week of 26 Sep – 2 Oct '24 are as follows:

- The number of people claiming unemployment benefits on the period ending Sep 21<sup>th</sup> in the US decrease to 218K (Cons: 224K, Prev: 222K).
- Durable Goods Orders for Aug '24 decreased to 0.00% MoM (Cons: -2.80% MoM, Prev: -9.90% MoM).
- GDP in 2Q24 increased to 3.00% MoM (Cons: 3.00% MoM, Prev: 1.60% MoM).
- Core PCE Price in Aug '24 down to 0.10% MoM (Cons: 0.20% MoM, Prev: 0.20% MoM).
- Chicago PMI in Sep '24 increased to 46.60 (Cons: 46.10, Prev: 46.10).
- S&P Global Manufacturing PMI in Sep '24 down to 47.30 (Cons: 47.00, Prev: 47.90).
- ISM Manufacturing PMI for Sep '24 stable at 47.20 (Cons: 47.60, Prev: 47.20).
- ISM Manufacturing Prices in Sep '24 decreased to 48.30 (Cons: 53.50, Prev: 54.00).
- JOLTs Job Openings in Aug '24 up to 8.040 mn (Cons: 7.640 mn, Prev: 7.711 mn).

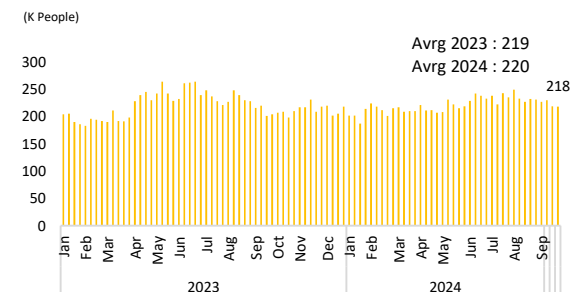
## ECONOMIC CALENDAR

(26 SEP-2 OCT '24)

Event	Actual	Forecast	Previous
<b>Thursday, 26 Sep '24</b>			
US 5-Year Note Auction	3.52%		3.65%
US Continuing Jobless Claims	1,834K	1,828K	1,821K
<b>US Initial Jobless Claims</b>	<b>218K</b>	<b>224K</b>	<b>222K</b>
US Core Durable Goods Orders (MoM) (Aug)	0.50%	0.10%	-0.10%
US Core PCE Prices (Q2)	2.80%	2.80%	2.80%
<b>US Durable Goods Orders (MoM) (Aug)</b>	<b>0.00%</b>	<b>-2.80%</b>	<b>9.90%</b>
US GDP (QoQ) (Q2)	3.00%	3.00%	1.60%
US GDP Price Index (QoQ) (Q2)	2.50%	2.50%	3.00%
US Pending Home Sales (MoM) (Aug)	0.60%	0.90%	-5.50%
US Fed Vice Chair for Supervision Barr Speaks			
US Treasury Secretary Yellen Speaks			
<b>Friday, 27 Sep '24</b>			
US 7-Year Note Auction	3.67%		3.77%
US Fed's Balance Sheet	7,080B		7,109B
<b>US Core PCE Price Index (MoM) (Aug)</b>	<b>0.10%</b>	<b>0.20%</b>	<b>0.20%</b>
US Core PCE Price Index (YoY) (Aug)	2.70%	2.70%	2.60%
US Goods Trade Balance (Aug)	-94.26B	-100.60B	-102.84B
US PCE Price Index (YoY) (Aug)	2.20%	2.30%	2.50%
US PCE Price Index (MoM) (Aug)	0.10%	0.20%	0.20%
US Personal Spending (MoM) (Aug)	0.20%	0.30%	0.50%
US Retail Inventories Ex-Auto (Aug)	0.40%		0.50%
US Michigan 1-Year Inflation Expectations (Sep)	2.70%	2.70%	2.70%
US Michigan 5-Year Inflation Expectations (Sep)	3.10%	3.10%	3.10%
US Michigan Consumer Expectations (Sep)	74.40	73.00	73.00
US Michigan Consumer Sentiment (Sep)	70.10	69.00	69.00
<b>Monday, 30 Sep '24</b>			
US FOMC Member Bowman Speaks			
US Chicago PMI (Sep)	46.60	46.10	46.10
<b>Tuesday, 1 Oct '24</b>			
US Fed Chair Powell Speaks			
<b>US S&amp;P Global Manufacturing PMI (Sep)</b>	<b>47.30</b>	<b>47.00</b>	<b>47.90</b>
US Construction Spending (MoM) (Aug)	-0.10%	0.20%	-0.50%
US ISM Manufacturing Employment (Sep)	43.90	47.00	46.00
<b>US ISM Manufacturing PMI (Sep)</b>	<b>47.20</b>	<b>47.60</b>	<b>47.20</b>
US ISM Manufacturing Prices (Sep)	48.30	53.50	54.00
<b>US JOLTs Job Openings (Aug)</b>	<b>8.040M</b>	<b>7.640M</b>	<b>7.771M</b>
US FOMC Member Bostic Speaks			
<b>Wednesday, 2 Oct '24</b>			
US API Weekly Crude Oil Stock	-1.458M	-2.100M	-4.339M
US FOMC Member Bostic Speaks			
US OPEC Meeting			
<b>US ADP Nonfarm Employment Change (Sep)</b>		<b>124K</b>	<b>99K</b>

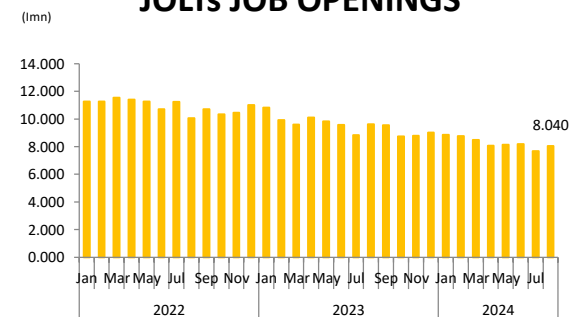
Sources : investing, KBVS Research (2024)

## WEEKLY INITIAL JOBLESS CLAIMS



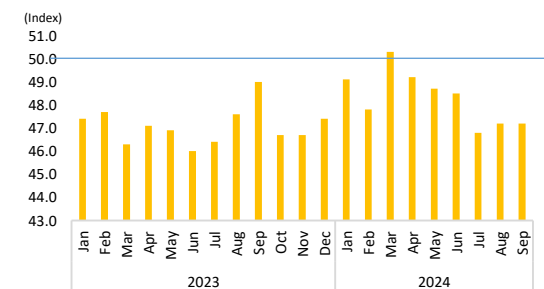
Sources : US DoL, KBVS Research (2024)

## JOLTs JOB OPENINGS



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

## ISM MANUFACTURING PMI



Sources : ISM-Chicago, KBVS Research (2024)

# POWELL SPEECH

September 30, 2024

## Economic Outlook

Chair Jerome H. Powell

At the National Association for Business Economics Annual Meeting, Nashville, Tennessee

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I have some brief comments on the economy and monetary policy and look forward to our discussion.

Our economy is strong overall and has made significant progress over the past two years toward achieving our dual-mandate goals of maximum employment and stable prices. Labor market conditions are solid, having cooled from their previously overheated state. Inflation has eased, and my Federal Open Market Committee colleagues and I have greater confidence that it is on a sustainable path to 2 percent. At our meeting earlier this month, we reduced the level of policy restraint by lowering the target range of the federal funds rate by 1/2 percentage point. That decision reflects our growing confidence that, with an appropriate recalibration of our policy stance, strength in the labor market can be maintained in an environment of moderate economic growth and inflation moving sustainably down to our objective.

### Recent Economic Data

#### The labor market

Many indicators show the labor market is solid. To mention just a few, the unemployment rate is well within the range of estimates of its natural rate. Layoffs are low. The labor force participation rate of individuals aged 25 to 54 (so-called prime age) is near its historic high, and the prime-age women's participation rate has continued to reach new all-time highs. Real wages are increasing at a solid pace, broadly in line with gains in productivity. The ratio of job openings to unemployed workers has moved down steadily but remains just above 1—so that there are still more open positions than there are people seeking work. Prior to 2019, that was rarely the case.

Still, labor market conditions have clearly cooled over the past year. Workers now view jobs as somewhat less available than they were in 2019. The moderation in job growth and the increase in labor supply have led the unemployment rate to increase to 4.2 percent, still low by historical standards. We do not believe that we need to see further cooling in labor market conditions to achieve 2 percent inflation.

#### Inflation

Over the most recent 12 months, headline and core inflation were 2.2 percent and 2.7 percent, respectively. Disinflation has been broad based, and recent data indicate further progress toward a sustained return to 2 percent. Core goods prices have fallen 0.5 percent over the past year, close to their pre-pandemic pace, as supply bottlenecks have eased. Outside of housing, core services inflation is also close to its pre-pandemic pace. Housing services inflation continues to decline, but sluggishly. The growth rate in rents charged to new tenants remains low. As long as that remains the case, housing services inflation will continue to decline.

Broader economic conditions also set the table for further disinflation. The labor market is now roughly in balance. Longer-run inflation expectations remain well anchored.

#### Monetary Policy

Over the past year, we have continued to see solid growth and healthy gains in the labor force and productivity. Our goal all along has been to restore price stability without the kind of painful rise in unemployment that has frequently accompanied efforts to bring down high inflation. That would be a highly desirable result for the communities, families, and businesses we serve. While the task is not complete, we have made a good deal of progress toward that outcome.

For much of the past three years, inflation ran well above our goal, and the labor market was extremely tight. Appropriately, our focus was on bringing down inflation. By keeping monetary policy restrictive, we helped restore the balance between overall supply and demand in the economy. That patient approach has paid dividends: Inflation is now much closer to our 2 percent objective. Today, we see the risks to achieving our employment and inflation goals as roughly in balance.

Our policy rate had been at a two-decade high since the July 2023 meeting. At the time of that meeting, core inflation was above 4 percent, well above our target, and unemployment was 3.5 percent, near a 50 year low. In the 14 months since, inflation has moved down, and unemployment has moved up, in both cases significantly. It was time for a recalibration of our policy stance to reflect progress toward our goals as well as the changed balance of risks.

As I mentioned, our decision to reduce our policy rate by 50 basis points reflects our growing confidence that, with an appropriate recalibration of our policy stance, strength in the labor market can be maintained in a context of moderate economic growth and inflation moving sustainably down to 2 percent.

Looking forward, if the economy evolves broadly as expected, policy will move over time toward a more neutral stance. But we are not on any preset course. The risks are two-sided, and we will continue to make our decisions meeting by meeting. As we consider additional policy adjustments, we will carefully assess incoming data, the evolving outlook, and the balance of risks. Overall, the economy is in solid shape; we intend to use our tools to keep it there.

We remain resolute in our commitment to our maximum-employment and price-stability mandates. Everything we do is in service to our public mission.

Thank you. I look forward to our conversation.

Source : Fed Reserves (2024), link: <https://www.federalreserve.gov/newsevents/speech/powell20240930a.htm>

Key Points from Powell's Statement on Sep 30, '24 at the National Association for Business Economics Annual Meeting, Nashville, Tennessee:

- The Fed's 2% inflation target remains the anchor of its policy framework.
- Current inflation data indicates a trend towards this target, particularly over the long term.
- The labor market continues to show resilience.
- Future monetary policy decisions will be highly data-dependent.
- The likelihood of a Fed rate cut in the upcoming FOMC meeting appears more limited, as the policy is following a "preset course".

# FED PROBABILITIES AND THEIR IMPACT

## FED PROBABILITIES, as of 2 OCT '24

MEETING DATE	FED PROBABILITIES										
	200-225	225-250	250-275	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%	0.0%	0.0%	0.0%	37.1%	62.9%
18-Dec-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	17.2%	49.1%	33.7%	0.0%
29-Jan-25	0.0%	0.0%	0.0%	0.0%	0.0%	4.1%	24.9%	45.4%	25.6%	0.0%	0.0%
19-Mar-25	0.0%	0.0%	0.0%	0.6%	7.0%	27.7%	42.6%	22.0%	0.0%	0.0%	0.0%
30-Apr-25	0.0%	0.0%	0.5%	5.6%	23.2%	39.4%	26.5%	4.8%	0.0%	0.0%	0.0%
18-Jun-25	0.0%	0.3%	3.8%	17.0%	33.6%	31.1%	12.5%	1.7%	0.0%	0.0%	0.0%
30-Jul-25	0.1%	1.7%	9.0%	23.5%	32.6%	23.8%	8.3%	1.0%	0.0%	0.0%	0.0%
17-Sep-25	0.6%	4.0%	13.6%	26.4%	29.8%	18.9%	6.0%	0.7%	0.0%	0.0%	0.0%

Sources : CME Group, and KBVS Research (2024)

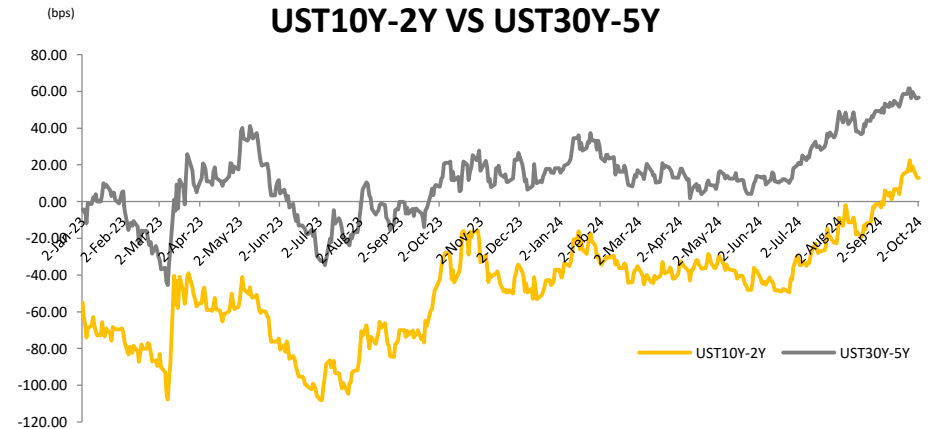
- Powell's statement on Sep 30, '24 shifted market expectations for the upcoming Fed rate cut on next FOMC (Nov 7, '24), reducing the anticipated decrease to just 25 bps.
- At the same time, this development bolstered expectations for a more stable movement in the DXY (+0.33% WoW), while other major currencies depreciated against the USD last week:
  - CAD 0.01%
  - GBP 0.22%
  - JPY 0.43%
  - CHF 0.58%
  - EUR 0.59%
  - SEK 0.88%
- Meanwhile, a normal yield curve has persisted since Sep 9, '24.

## 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

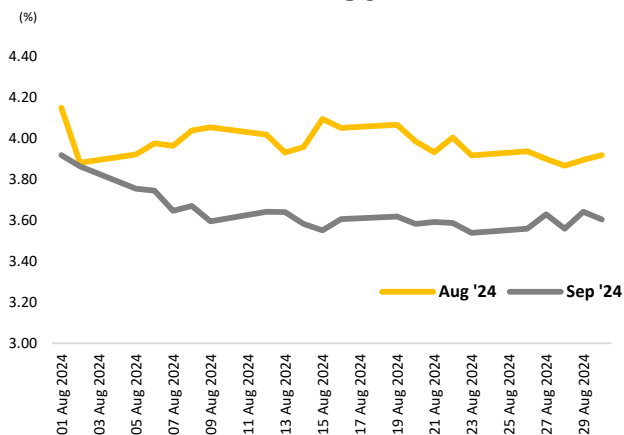
US FISCAL INDICATORS	Unit	Latest Period	Data	
			Latest	Previous
Govt Debt	USD Tn	Mar'24	34.67	34.47
Govt Debt to GDP	%	4Q23	124.3	122.9
Govt Budget	USD Bn	Feb '24	296.28	21.93
S&P Credit Rating	Rating	16-Mar-23	AA+	AA+

Sources : US Treasury, KBVS Research (2024)

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

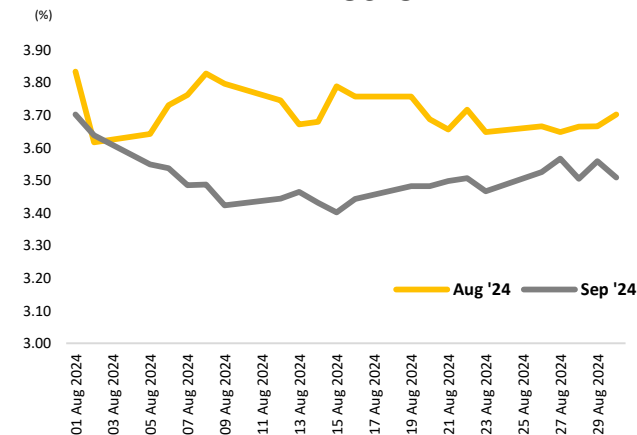
- UST6M
  - -3.7' bps (WoW)
  - -90.08 bps (YtD, as of Oct 2,'24)
- UST52W (1Y)
  - +0.65 bps (WoW)
  - -84.04 bps (YtD, as of Oct 2,'24)
- UST2Y
  - +6.16 bps (WoW)
  - -62.91 bps (YtD, as of Oct 2,'24)
- UST5Y
  - +0.56 bps (WoW)
  - -31.62 bps (YtD, as of Oct 2,'24)
- UST10Y
  - -2.68 bps (WoW)
  - -12.10 bps (YtD, as of Oct 2,'24)
- UST30Y
  - -3.69 bps (WoW)
  - +7.47 bps (YtD, as of Oct 2,'24)

## YIELD UST2Y



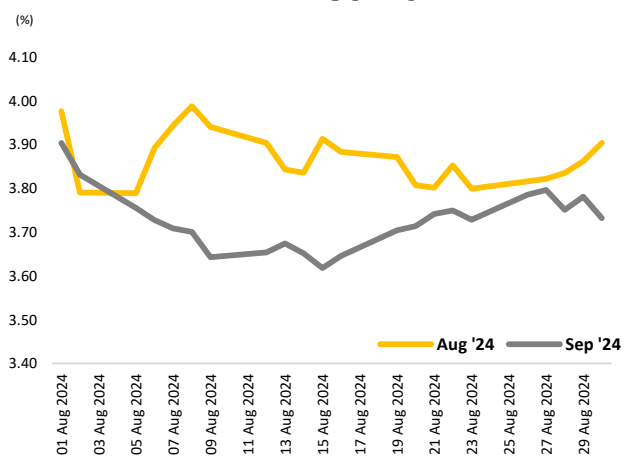
Sources : Bloomberg, KBVS Research (2024)

## YIELD UST5Y



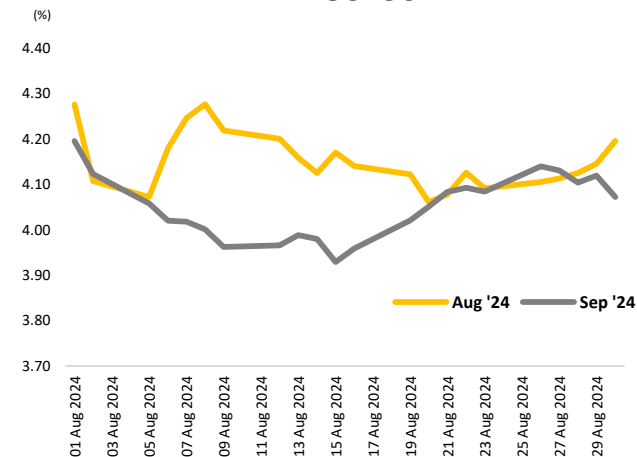
Sources : Bloomberg, KBVS Research (2024)

## YIELD UST10Y



Sources : US Treasury, KBVS Research (2024)

## YIELD UST30Y



Sources : US Treasury, KBVS Research (2024)





## TABLE OF CONTENTS :

3

Global Economy

8

**Domestic Economy**

15

Economic Calendar



# 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)

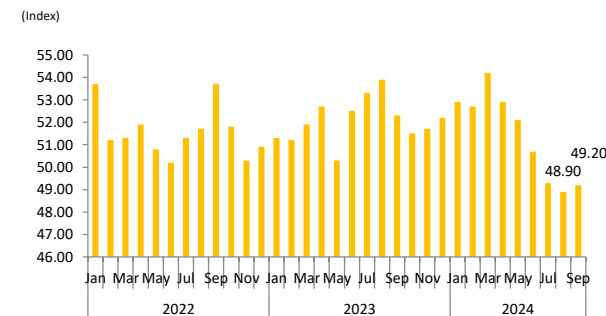
## ECONOMIC CALENDAR

(26 SEP-2 OCT '24)

Event	Actual	Forecast	Previous
Thursday, 26 Sep '24			
Friday, 27 Sep '24			
Monday, 30 Sep '24			
Tuesday, 1 Oct '24			
ID Nikkei Manufacturing PMI (Sep)	49.20		48.90
ID Core Inflation (YoY) (Sep)	2.09%		2.02%
ID Inflation (MoM) (Sep)	-0.12%		-0.03%
ID Inflation (YoY) (Sep)	1.84%		2.12%
Wednesday, 2 Oct '24			

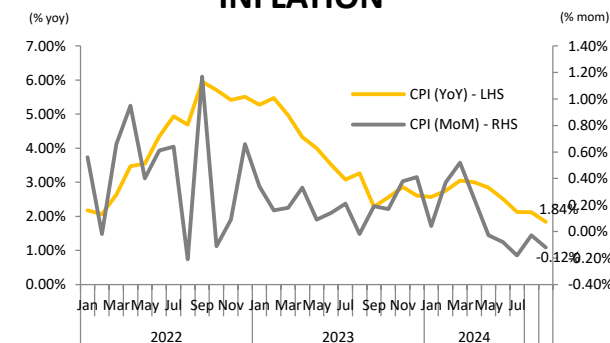
Sources : Investing, KBVS Research (2024)

## NIKKEI MANUFACTURING PMI



Sources : Markit, KBVS Research (2024)

## INFLATION

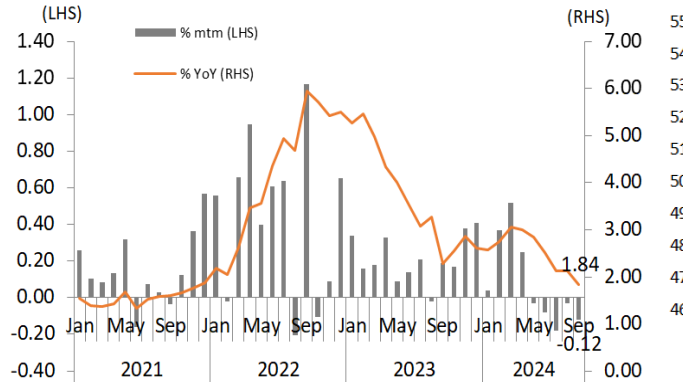


The data releases that influenced yield movements in the week of 26 Sep– 1 Oct '24 are:

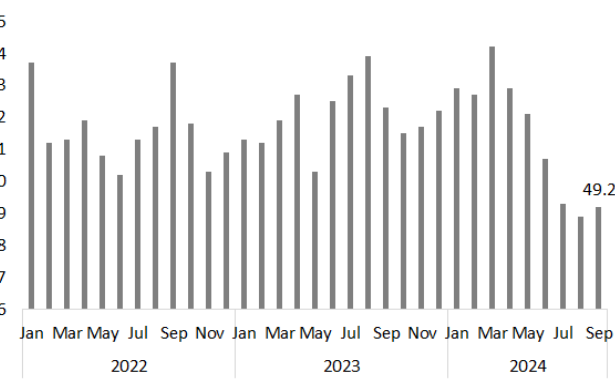
- In Sep '24, the Nikkei Manufacturing PMI rose to 49.20 (Prev: 48.90). Despite this increase, it marked the third consecutive month of contraction in factory activity, with both output and new orders declining for the third month in a row. Additionally, foreign orders saw their sharpest contraction since Nov '22, marking the seventh straight month of decline.
- CPI Inflation in Sep '24 decreased to -0.12% MoM or 1.84% YoY (Prev: -0.03% MoM or 2.12% YoY), reaching its lowest level since Nov '21. On a monthly basis, continuing its downward trend for the fifth consecutive month.
- Core inflation in Sep '24 rose to 2.09% YoY (Prev: 2.02% YoY), hitting a 13-month high.

# INFLATION&MANUFACTURING PMI

## INFLATION



## NIKKEI MANUFACTURING PMI



Indicators	Index		Inflation	
	Latest	M-1	MoM	YoY
Consumer Price Index (CPI)	105.93	106.06	-0.12%	1.84%
Food, Beverages, and Tobacco	108.02	108.66	-0.59%	2.57%
Clothing and Footwear	103.21	103.16	0.05%	1.18%
Housing, Water, Electricity, and Household Fuels	102.47	102.43	0.04%	0.60%
Equipment, Tools, and Routine Household Maintenance	103.75	103.63	0.12%	1.08%
Health	103.96	103.92	0.04%	1.69%
Transport	109.90	110.08	-0.16%	0.92%
Info, Comm. and Financial Services	99.53	99.54	-0.01%	-0.28%
Recreation, Sport and Culture	104.07	104.02	0.05%	1.55%
Education Services	104.83	104.53	0.29%	1.94%
Food and Beverages Services/Restaurants	106.02	105.88	0.13%	2.25%
Personal Care and Other Services	111.15	110.73	0.38%	6.25%
Core inflation	104.76	104.59	0.16%	2.09%
Administered Price	108.91	108.95	-0.04%	1.40%
Volatile Food	107.16	108.61	-1.34%	1.43%
Wholesale Price Index (WPI)	119.03	119.24	-0.18%	2.20%
Agriculture	111.75	113.46	-1.51%	2.14%
Mining and Quarrying	125.70	125.31	0.31%	0.88%
Manufacturing	120.74	120.59	0.12%	2.23%
Farmer Exchange Rate	120.30	119.85	0.38%	5.40%
Farmers Price Received Index	145.01	144.73	0.19%	8.25%
Farmers Price Paid Index	120.54	120.76	-0.18%	2.71%

- In Sep 2024, the headline CPI inflation rate recorded -0.12% MoM or 1.84% YoY (Cons: -0.03% MoM or 2.00% YoY, KBVS: -0.05% MoM or 2.00% YoY, Prev: -0.03% MoM or 2.12% YoY), indicating monthly deflation for the fifth consecutive month.
- Additionally, deflation occurred in the Administered Price component, registering -0.04% MoM in Sep '24.
- However, we also anticipate that the ongoing deflation for five consecutive months is accompanied by a **decline in urban middle-class purchasing power**.
- Looking ahead, we expect further deflation, supported by lower prices of non-subsidized fuel as of Oct 1, '24, and the resumption of India's non-Basmati rice exports at a price of IDR 7,411 per kg, while the average price of lower quality rice in Indonesia stood at IDR 13,850 per kg as of Oct 1, '24.
- This deflationary moment provides headroom for BI to lower the interest rates along with the fed.

# DEVELOPMENT OF TRADABLE SBN

## CAPITAL FLOW IN SBN&JCI



Sources : Bloomberg, KBVS Research (2024)

Between 26 Sep and 2 Oct '24, non-residents conducted:

- a net sell of tradable SBN amounting to IDR3.57 tn, and
- A net sell of JCI, amounting IDR4.85 tn.

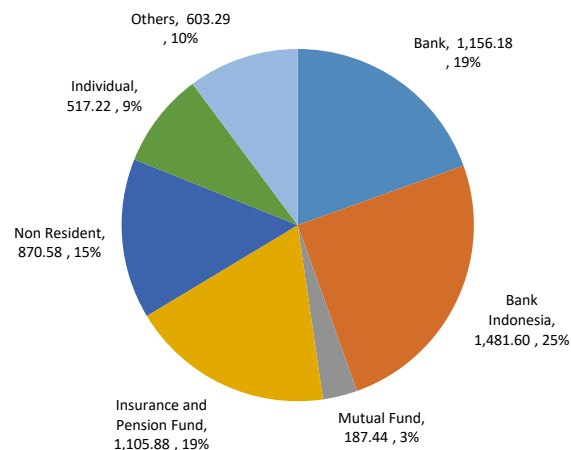
## SUN LATEST AUCTION

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

(IDR tn,  
% of total tradable SBN)



Sources : DJPPR, and KBVS Research (2024)

As of 30 Sep '24, the largest ownership of tradable SBN is as follows:

- Bank Indonesia : IDR1,481.60 tn (-IDR13.97 tn, WoW),
- Banks : IDR1,156.18 tn (+IDR22.94 tn, WoW), and
- Insurance & Pension Funds: IDR1,105.88 tn (+IDR0.79 tn, WoW)

## SBSN LATEST AUCTION

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%	
10 Sep '24								
Instruments	SPNS01042025	SPNS09062025	PBS032	PBS030	PBS004	PBS039	PBS038	Total
Incoming Bids (IDR tn)	2.07	4.02	6.21	2.26	1.55	0.34	4.83	21.27
Bid to Cover Ratio	8.26	2.87	5.18	1.96	1.15	1.38	2.01	2.66
Weighted Average Yields Awarded	6.424%	6.499%	6.570%	6.584%	6.705%	6.829%	6.960%	

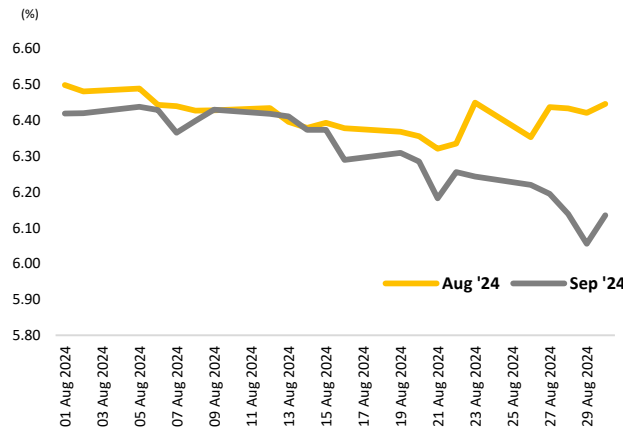
Sources : DJPPR, KBVS Research (2024)

# The Movement of SUN Yields

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

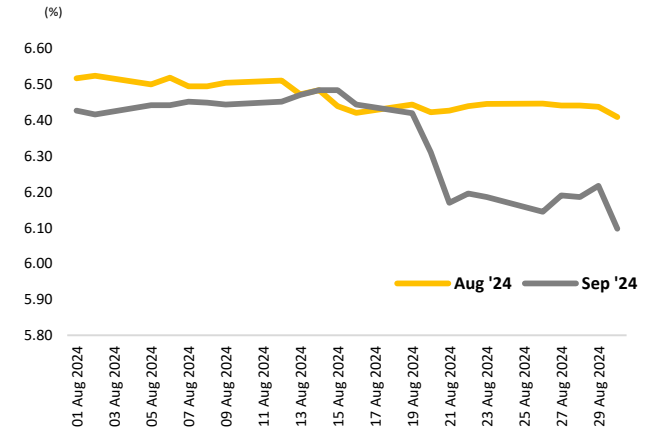
- Yield SUN1Y
  - -12.70 bps (WoW)
  - -27.30 bps (YtD, as of Oct 2, '24)
- Yield SUN2Y
  - -5.10 bps (WoW)
  - -29.00 bps (YtD, as of Oct 2, '24)
- Yield SUN5Y
  - +7.90 bps (WoW)
  - -17.80 bps (YtD, as of Oct 2, '24)
- Yield SUN10Y
  - +4.60 bps (WoW)
  - +1.90 bps (YtD, as of Oct 2, '24)
- Yield SUN30Y
  - +5.60 bps (WoW)
  - +2.20 bps (YtD, as of Oct 2, '24)

## YIELD SUN1Y



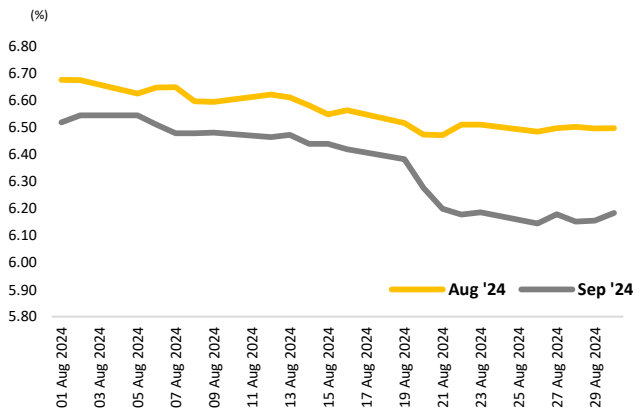
Sources : Bloomberg, KBVS Research (2024)

## YIELD SUN2Y



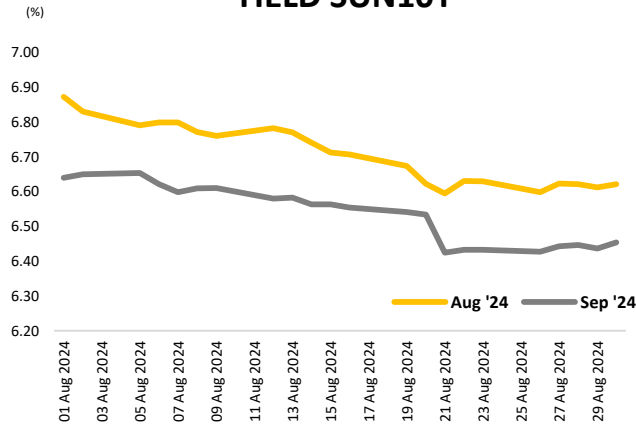
Sources : Bloomberg, KBVS Research (2024)

## YIELD SUN5Y



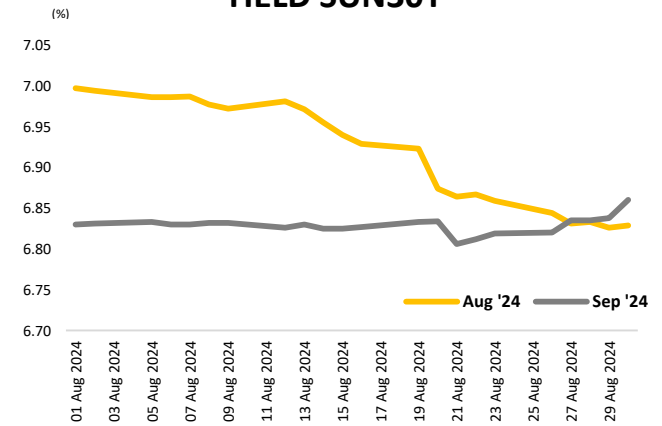
Sources : Bloomberg, KBVS Research (2024)

## YIELD SUN10Y



Sources : Bloomberg, KBVS Research (2024)

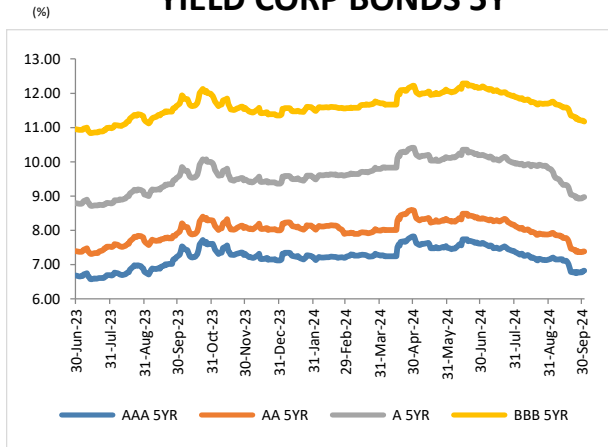
## YIELD SUN30Y



Sources : Bloomberg, KBVS Research (2024)

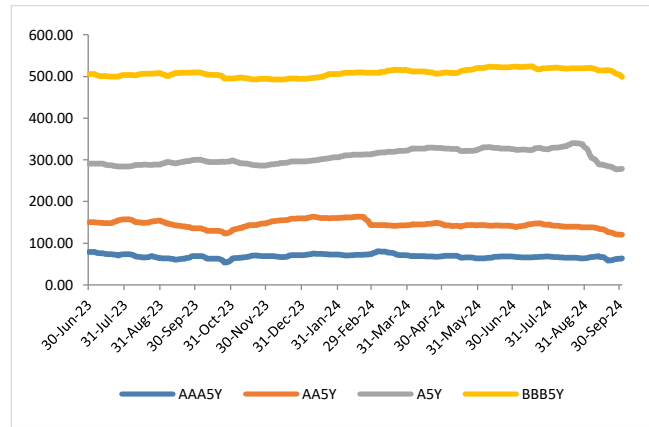
# The Movement of Corporate Bond Yields

## YIELD CORP BONDS 5Y



Sources : Bloomberg, KBVS Research (2024)

## YIELD SPREAD 5Y TENOR

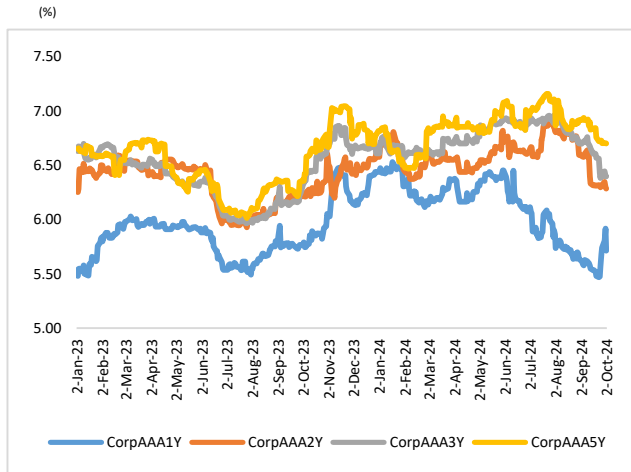


Sources : Bloomberg, KBVS Research (2024)

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

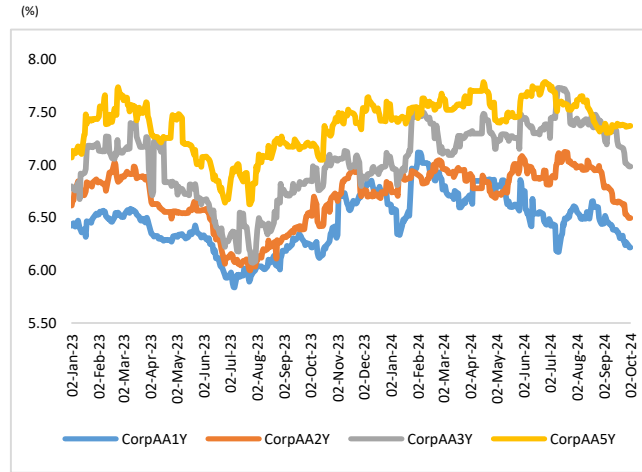
- AAA-rated
  - Tenor 1Y : +12.65 bps (WoW)
  - Tenor 2Y : -7.33 bps (WoW)
  - Tenor 5Y : -3.02 bps (WoW)
- AA-rated
  - Tenor 1Y : -6.87 bps (WoW)
  - Tenor 2Y : -12.10 bps (WoW)
  - Tenor 5Y : -1.45 bps (WoW)
- A-rated
  - Tenor 1Y : +18.92 bps (WoW)
  - Tenor 2Y : +48.21 bps (WoW), and
  - Tenor 5Y : +13.55 bps (WoW)

## YIELD AAA-RATED



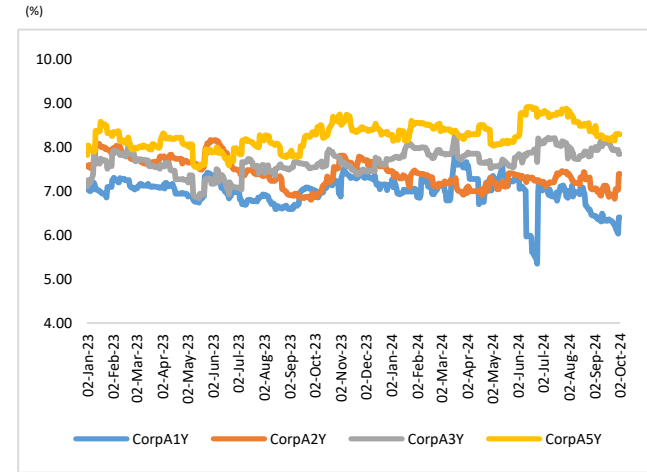
Sources : Bloomberg, KBVS Research (2024)

## YIELD AA-RATED



Sources : Bloomberg, KBVS Research (2024)

## YIELD A-RATED



Sources : Bloomberg, KBVS Research (2024)

# BI'S MONETARY OPERATION

## SRBI's DEVELOPMENT

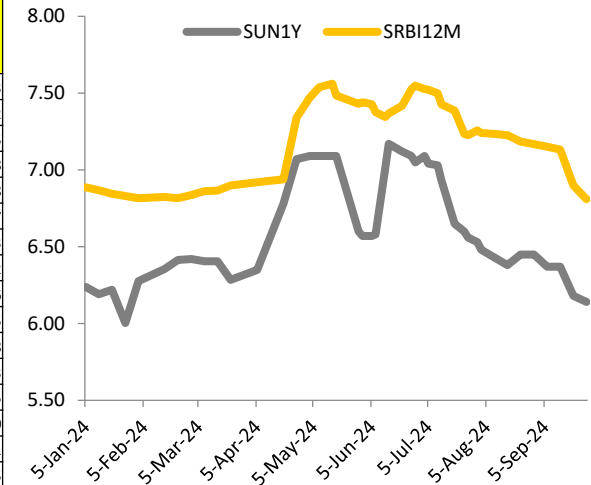
SRBI	Weighted Yield Average Winner (%)			Bidding Amount (IDR bn)	Total Nominal Awarded (IDR bn)	Bid to Cover Ratio
	6 Months	9 Months	12 Months			
5-Jan-24	6.70	6.80	6.89	31,667.00	22,050.00	1.44
12-Jan-24	6.68	6.78	6.87	33,833.00	19,520.00	1.73
19-Jan-24	6.67	6.75	6.85	39,987.00	25,000.00	1.60
26-Jan-24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

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

Sources : BI, KBVS Research (2024)



USD Libor Rates in 30 Sep '24:

- 1 month : 4.96018% (Prev: 4.96895%)
- 3 months : 4.85372% (Prev: 4.92044%)
- 6 months : 4.68213% (Prev: 4.73788%)

Euribor Rates in 1 Oct '24:

- 1 month : 3.330% (Prev: 3.382%)
- 3 months : 3.252% (Prev: 3.402%)
- 6 months : 3.092% (Prev: 3.196%)

Sources : Global Rates, KBVS Research (2024)

The yield on SRBI has continued to decline.

The most recent auction results on Sep 27<sup>th</sup>, '24, recorded a weighted average yield for the 12-month SRBI tenor at 6.81% (Prev: 6.90%), the lowest level in, '24.



## TABLE OF CONTENTS :

3 Global Economy

8 Domestic Economy

**15 Economic Calendar**



# Next Week's Economic Calendar

## ECONOMIC CALENDAR

(3 -9 OCT 2024)

Country	Event	Forecast	Previous
Thursday, Oct 3, 2024			
JP	Au Jibun Bank Japan Services PMI (Sep)	53.90	53.70
JP	BoJ Board Member Noguchi Speaks		
JP	10-Year JGB Auction		0.92%
GE	HCOB Services PMI (Sep)	50.60	51.20
EU	HCOB Composite PMI (Sep)	48.90	51.00
EU	HCOB Services PMI (Sep)	50.50	52.90
GB	S&P Global/CIPS Composite PMI (Sep)	52.90	53.80
GB	S&P Global/CIPS Services PMI (Sep)	52.80	53.70
US	Continuing Jobless Claims		1.834K
US	Initial Jobless Claims	221K	218K
US	S&P Global Composite PMI (Sep)	54.40	54.60
US	S&P Global Services PMI (Sep)	55.40	55.70
US	Factory Orders (MoM) (Aug)	0.10%	5.00%
US	ISM Non-Manufacturing Employment (Sep)		50.20
US	ISM Non-Manufacturing PMI (Sep)	51.60	51.50
US	ISM Non-Manufacturing Prices (Sep)		57.30
US	FOMC Member Bostic Speaks		
Friday, Oct 4, 2024			
US	Fed's Balance Sheet		7,080B
GB	BoE MPC Member Pill Speaks		
GE	Buba Vice President Buch Speaks		
GB	S&P Global/CIPS Construction PMI (Sep)	53.10	53.60
EU	ECB's De Guindos Speaks		
US	Average Hourly Earnings (YoY) (Sep)	3.30%	3.80%
US	Average Hourly Earnings (MoM) (Sep)	0.30%	0.40%
US	Nonfarm Payrolls (Sep)	144K	142K
US	Participation Rate (Sep)		62.70%
US	Private Nonfarm Payrolls (Sep)		118K
US	U6 Unemployment Rate (Sep)		7.90%
US	Unemployment Rate (Sep)		4.20%
US	FOMC Member Williams Speaks		
EU	ECB's Elderson Speaks		

Country	Event	Forecast	Previous
Monday, Oct 7, 2024			
ID	Fx Reserves (USD) (Sep)		150.20B
GB	Halifax House Price Index (MoM) (Sep)		0.30%
GB	Halifax House Price Index (YoY) (Sep)		4.30%
GE	Factory Orders (MoM) (Aug)		2.90%
Tuesday, Oct 8, 2024			
US	Consumer Credit (Aug)		25.45B
GB	BRC Retail Sales Monitor (YoY) (Sep)		0.80%
JP	Household Spending (MoM) (Aug)		-1.70%
JP	Household Spending (YoY) (Aug)		0.10%
JP	Adjusted Current Account (Aug)		280.29T
JP	Current Account n.s.a. (Aug)		3.193T
ID	Consumer Confidence (Sep)		124.40
GE	Industrial Production (MoM) (Aug)		-2.40%
US	Trade Balance (Aug)		-78.80B
Wednesday, Oct 9, 2024			
ID	Retail Sales (YoY) (Aug)		4.50%
GE	Trade Balance (Aug)		16.80B

# 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.

