

### Conventional Bond Auction: The Demand Remains Feeble

Total incoming bids in the conventional bond auction which was held on Tuesday (29/09) posted at Rp49.5 tn, increased from the previous auction at Rp46.2 tn, but still below average at Rp71.9 tn. This showed that the demand has not been strong yet. The total awarded was Rp26.1tn, higher than ever. The medium to long benchmark serie of next year, FR87 (11Y), still be the favorite of investors with an increasing demand of Rp15.4tn (Vs. 12.8 tn in the previous auction) or representing 31% of total incoming bids. Meanwhile, the short-end benchmark of next year, FR86 (6Y), which can be a proxy of the demand by the banks, still showed weak demand by only representing 8% of total incoming bids. The nominal competitive bids increased to Rp8.18 tn (Vs. Rp6.8 tn in the previous auction) or representing 31.3% of the total awarded.

According to Government Securities Investor Update (Biweekly) total BI contribution ao. 23-Sep is Rp48.03 tn (INDOGB: Rp21.48 tn; INDOIS: Rp26.5 5tn). Furthermore, Based on government securities fund flow ao. 08-Oct (settlement date of the auction), BI posted net buy of +Rp2.89tn at the auction or contributing 11% of the total awarded, below the maximum level of BI non-competitive purchases at conventional bond 25%. Ao. 06-Oct, the government has been issued Rp1,129.07 tn of government securities (INDOGB: 70.56%; INDOIS: 84.14%). The government is being tried to achieve the issuance target by the end of the year. This showed by the increase of total awarded in the last two auctions, sukuk (29-Sep) and conventional bond auction (06-Oct), which the government was increased the total awarded usually to Rp12 tn (Vs. Rp9.5 tn) and Rp26.1tn (Rp22 tn) respectively.

Table 1. The banks has been showed weak demand by recording net sell

Auction Date	-1D Before Auction			at Auction			+1D After Auction		
	Bank	BI	Foreign Investor	Bank	BI	Foreign Investor	Bank	BI	Foreign Investor
28-Apr	34.70	0.00	-1.70	22.50	9.10	3.90	57.80	0.00	0.50
12-May	-3.70	0.00	1.40	18.80	1.80	2.80	-16.40	0.00	2.60
2-Jun	-10.80	0.00	1.20	20.30	1.90	5.40	-5.20	0.00	2.30
16-Jun	-2.00	0.00	-0.30	29.90	1.80	0.80	1.80	-2.10	0.10
30-Jun	-1.30	0.00	-1.20	9.30	2.80	2.30	-5.70	-1.50	-2.60
14-Jul	-1.40	-0.20	1.20	26.40	2.80	-0.40	-5.50	0.00	1.70
28-Jul	8.10	-0.50	0.60	6.50	1.50	3.10	-8.90	0.00	-1.00
11-Jul	-3.10	0.00	0.20	13.60	1.80	0.00	-0.10	-1.90	-0.70
25-Aug	-9.80	0.00	-0.40	46.60	1.40	2.30	34.90	16.98	-1.29
8-Sep	-8.14	-0.20	0.97	0.00	1.46	1.35	-3.26	-1.08	-2.10
22-Sep	11.52	0.00	0.69	43.47	3.14	0.93	-5.06	0.00	0.27
6-Oct	-15.90	0.00	1.21	-13.08	2.89	2.29	N/A	N/A	N/A

Source: DMO & MCS Research

Table 2. Government Securities Realization

		in Rp tn		(Rp tn)	
				Realization (ao. 06-Sep)	
Government Securities (GS)		1,129.07	73.83%		
Government Debt Securities (GDS)		819.59	70.56%		
IDR Denominated GDS		512.62			
-Coupon GDS		376.59			
-Conventional T-bills		48.01			
-Private Placement		67.42			
-Retail Bonds		20.59			
Foreign Denominated Bonds		123.49			
Special instrument		183.48			
Sovereign Sharia Securities (Sukuk)		309.48	84.14%		
Domestic Sovereign Sharia Securities		273.48			
-IFR/PBS/T-Bills Sukuk		173.22			
-Retail Sukuk		37.81			
-Private Placement		62.80			
Global Sukuk		35.66			

The weighted government cost of fund was down to 6.23% (Vs. 6.36% in the previous auction) in line with the decrease of weighted average tenor which was down to 11.04-yr (Vs. 11.46-yr in the previous auction). The yield awarded is 1 bps lower from our forecast for FR87.

Table 3. Conventional Bond Auction Results Vs. Forecast

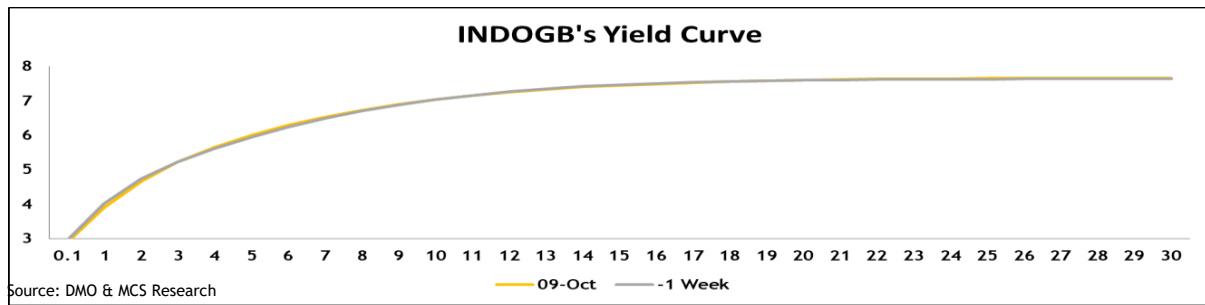
06-Oct	SPN3Mo	SPN12Mo	FR86	FR87	FR80	FR83	FR76
Total incoming bids (IDR tn)	2.67	5.7	4.149	15.44	10.35	6.271	4.903
Total awarded (IDR tn)	2.05	2.9	2.2	10.1	5.3	2.3	1.25
Bid to cover ratio	1.30	1.97	1.89	1.53	1.95	2.73	3.92
Wighted Average Yield	3.01%	3.30%	5.67%	6.82%	7.39%	7.40%	7.42%
Cut Off	3.03%	3.35%	5.69%	6.84%	7.40%	7.42%	7.43%
<b>MCS Forecast</b>	<b>2.99-3.20%</b>	<b>3.35-3.45%</b>	<b>5.67-5.69%</b>	<b>6.85-6.87%</b>	<b>7.36-7.39</b>	<b>7.40-7.44%</b>	<b>7.40-7.46%</b>

Source: DMO & MCS Research

### INDOGB's Yield Curve Has Been Steeper in A Week

The average trading volume per day of GS in the second week of October was higher to Rp13.4 tn (Vs. Rp10.4 tn in the previous week). Trading frequency per day was up to 832x (Vs. 720x in the previous week). In a week, INDOGB 2-yr yield dropped by 8 bps to 4.66%, whilst INDOGB 10-yr yield stable at 7.04%. The difference between the two shows that INDOGB's yield curve has been steeper, with a spread of 238 bps (Vs. 230 bps in the last week). That means that during a week, the price of INDOGB short tenor series has been trying to rise, whilst the long tenor remained unchanged.

Graph 1. INDOGB's Yield Curve Has Been Steeper in A Week



### Next Tuesday's Sukuk Auction

The government is going to hold another Sukuk auction on Tuesday (13/10), targeting Rp10tn for SPNS6Mo, 2.59-yr PBS27 (r: 6.500%), 4.02-yr PBS26 (r: 6.625%), 12.60-yr PBS25 (r: 8.375%), 26.03-yr PBS28(r: 7.500%), and 27.63-yr PBS76 (r: 7.750%).

#### Most Active Government Bonds

Ticker	Coupon Rate (%)	Maturity	Volume	Freq
FR0087 (11Y)	6.500	02/15/31	11,390,688,000,000.00	488
FR0076 (28Y)	7.375	05/15/48	1,069,136,000,000.00	377
FR0065 (13Y)	6.625	05/15/33	1,065,306,000,000.00	371
FR0075 (18Y)	7.500	05/15/38	2,095,184,000,000.00	367
FR0080 (15Y)	7.500	06/15/35	4,476,888,000,000.00	337

#### Most Active Government Sukuk

Ticker	Coupon Rate (%)	Maturity	Volume	Freq
PBS005 (23Y)	6.750	04/15/43	35,055,000,000.00	36
PBS002 (2Y)	5.450	01/15/22	1,748,000,000,000.00	33
PBS012 (11Y)	5.900	03/10/21	281,060,000,000.00	30
PBS026 (4Y)	8.875	11/15/31	345,000,000,000.00	22
PBS017 (5Y)	6.625	10/15/24	700,000,000,000.00	11

#### Most Active Corporate Bonds

Ticker	Rating	Coupon Rate (%)	Maturity	Volume (bn)	Freq
APIA01A (1Y)	idAAA	8.600	06/30/21	347,000,000,000	21
SMPPGD01ACN3 (1Y)	idAAA(sy)	5.500	10/02/21	639,000,000,000	21
BMTR02BCN1 (3Y)	idA	11.250	09/11/23	94,000,000,000	16
BBRI02DCN2 (7Y)	idAAA	8.800	04/11/27	8,200,000,000	14
WSKT03BCN1 (2Y)	A(idn)	8.500	10/06/22	94,000,000,000	14

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