

### Sukuk Auction: The Come Back of The Banks

Total incoming bids in the sukuk auction which was held on Tuesday (13/10) posted at Rp25.86tn, lowered from the previous auction at Rp26.13tn and still below average at Rp35.19tn. This showed that the demand has not strong yet. The total awarded was Rp11.9tn. The long tenor series, PBS25 (13Y) and PBS28 (26Y) were the most in demand during the auction or representing 59% of total incoming bids. Meanwhile, the short tenor series, consist of: SPNS6mo, PBS27 (3Y), and PBS26 (4Y), started showing an increase in demand. This indicates that the banks have been starting to revive the government securities once more.

Furthermore, nominal non-competitive awarded ratio slightly higher to 28.40% (Vs. 28.23% in the previous auction). Based on government securities fund flow data as of 15-Oct (settlement date of the auction), BI posted net buy of +Rp1.45tn at the auction or contributing 12.2% of total awarded, below the maximum level of BI non-competitive purchases at sukuk of 30%. Meanwhile, the biggest buyer at the auction came from the banks with net buy of +Rp7.84tn or representing 66% of total awarded. Within a month, the banks posted net buy of +Rp155.84 tn (Indogb: +Rp148.68tn, Indois: +Rp7.16tn) and foreign investors net buy of +Rp10.36tn (Indogb: +Rp8.65tn, Indois: + Rp1.71tn). In the other side, Bank Indonesia posted net sell of -Rp100.55tn in Indogb, while did a net buy of +Rp0.46tn of Indois. Net selling by Bank Indonesia occurred amid easing volatility in the government bond. It seems that the omnibus law has succeeded in bringing fresh air to the financial markets in Indonesia.

Table 1. Sukuk Fund Flow Data

Auction Date	in Rp tn					
	-1D Before Auction		at Auction		+1D After Auction	
	Bank	BI	Bank	BI	Bank	BI
21-Apr	0.50	0.00	4.96	4.65	-0.72	0.00
5-May	0.03	0.08	1.84	3.64	-0.11	0.00
18-May	0.86	0.00	6.05	1.17	-0.25	0.00
9-Jun	0.04	0.00	5.54	1.53	0.46	0.00
23-Jun	-0.10	0.00	5.99	0.95	-1.23	0.00
7-Jul	-0.38	0.00	5.91	0.77	-0.44	0.00
21-Jul	0.07	0.00	6.77	0.80	-0.74	0.00
4-Aug	-0.05	0.00	6.33	0.93	0.45	0.00
18-Aug	3.76	0.00	4.56	1.44	-0.56	0.00
1-Sep	-1.03	0.00	4.98	0.67	0.63	0.00
15-Sep	0.72	0.00	7.17	1.24	-2.09	-0.48
29-Sep	-0.14	0.00	4.20	5.80	-0.29	-0.09
13-Oct	0.11	-0.12	7.84	1.45	N/A	N/A

Source: DMO & MCS Research

Table 2. Government Securities Ownership

Institution	IDR tn			
	Ao .15 - Oct		mtd	
	SUN	SBSN	SUN	SBSN
Bank	1127.16	286.17	148.68	7.16
as percentage	38.80	44.54		
Bank Indonesia	124.01	50.04	-100.55	0.46
as percentage	4.27	7.79		
Mutual Fund	95.07	57.23	1.63	0.19
as percentage	3.27	8.91		
Insurance & Pension Fund	402.62	124.71	5.67	1.28
as percentage	13.86	19.41		
Foreign Investors	925.25	19.86	8.65	1.71
as percentage	31.85	3.09		
Retail Investors	89.94	46.05	-1.19	-0.08
as percentage	3.10	7.17		
Others	140.92	58.51	-1.54	2.09
as percentage	4.85	9.11		
<b>Total</b>	<b>2,904.98</b>	<b>642.57</b>	<b>61.35</b>	<b>12.80</b>

Source: DMO & MCS Research

The weighted government cost of fund was slightly lower to 5.80% (Vs. 5.87% in the previous auction) in line with the decrease of weighted average tenor which was down to 10.40-yr (Vs. 11.57-yr in the previous auction). The yield awarded was 6 bps lower from our forecast for PBS25 (13Y).

Table 3. Sukuk Auction Results Vs. Forecast

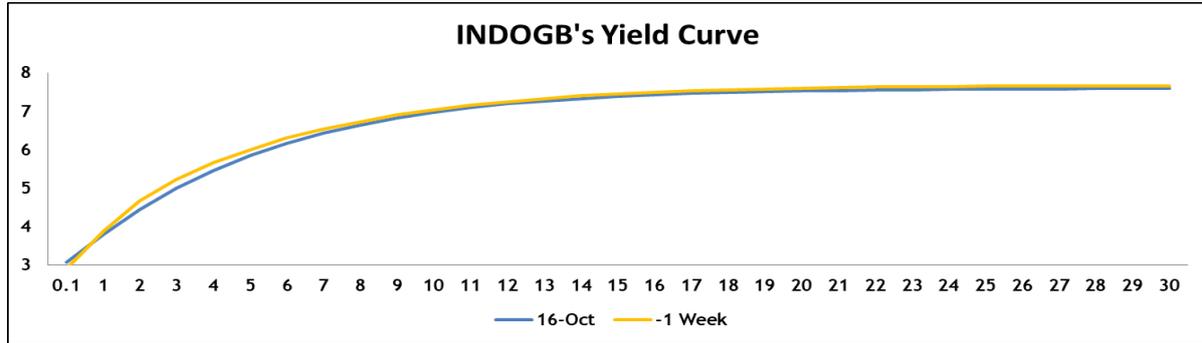
13-Oct	SPNS6Mo	PBS27 (3Y)	PBS26 (4Y)	PBS25 (13Y)	PBS28 (26Y)
Total incoming bids (IDR tn)	4.921	2.733	2.915	8.128	7.158
Total awarded (IDR tn)	2.2	1.6	2	3.75	2.35
Bid to cover ratio	2.24	1.71	1.46	2.17	3.05
Wighted Average Yield	3.13%	4.56%	5.34%	7.09%	7.48%
Cut Off	3.15%	4.59%	5.41%	7.09%	7.50%
<b>MCS Forecast</b>	<b>3.13-3.23%</b>	<b>4.59-4.63%</b>	<b>5.33-5.36%</b>	<b>7.15-7.17%</b>	<b>7.47-7.50%</b>

Source: DMO & MCS Research

### Accelerating in Risk Appetite has Shifted Govt. Sec Trade Higher

The average trading volume per day of GS in the third week of October was higher to Rp15.1tn (Vs. Rp13.4tn in the previous week). Trading frequency per day was up to 960x (Vs. 832x in the previous week). Based on IBPA's fair yield, within a week, the difference between Indogb 2Y Vs. Indogb10Y steeper by +14 bps to 252 bps. The benchmark series, which consist of: FR81 (5Y) +70 bps to 103.80 (5.559%), FR82 (10Y) +150 bps to 102.85 (6.671%), FR80 (15Y) +100 bps to 102.00 (7.274%), and FR83 (20Y) +130 bps to 102.25 (7.328%).

Graph 1. The spread of Indogb 2Y Vs. Indogb 10Y increased by +14 bps to 252 bps



Source: DMO & MCS Research

**Next Tuesday's Conventional Bond Auction: Will the accelerating in risk appetite be able to increase incoming bids?**

The government is going to hold another conventional bond auction on Tuesday (20/10), targeting Rp20tn for SPN3Mo, SPN6Mo, 5.49-yr FR86 (r: 5.500%), 10.33-yr FR87 (r: 6.500%), 14.67-yr FR80 (r: 8.500%), 19.05-yr FR83 (r: 7.500%), and 27.59-yr FR76 (r: 7.375%).

**Most Active Government Bonds**

Ticker	Coupon Rate (%)	Maturity	Volume	Freq
FR87 (11Y)	6.500	02/15/31	8,242,355,000,000	565
FR76 (26Y)	7.375	05/15/48	727,414,000,000	542
FR65 (13Y)	6.625	05/15/33	742,685,000,000	422
FR80 (15Y)	7.500	06/15/35	6,933,660,000,000	401
FR82 (10Y)	7.000	09/15/30	10,709,351,000,000	383

**Most Active Government Sukuk**

Ticker	Coupon Rate (%)	Maturity	Volume	Freq
PBS05 (23Y)	6.750	04/15/43	136,150,000,000	76
PBS12 (11Y)	8.875	11/15/31	367,000,000,000	29
PBS28 (26Y)	7.750	10/15/46	682,007,000,000	26
PBS02 (2Y)	5.450	01/15/22	1,375,334,000,000	24
PBS26 (4Y)	6.625	10/15/24	410,599,000,000	16

**Most Active Corporate Bonds**

Ticker	Rating	Coupon Rate (%)	Maturity	Volume	Freq
KAI02A	idAAA	7.750	12/13/24	140,000,000,000	19
BBNI01CN1	idAAA	8.000	07/11/22	554,800,000,000	16
MORA01A	idA	9.900	12/06/20	81,600,000,000	14
PPLN03BCN5	idAAA	8.400	10/01/26	8,000,000,000	14
WSKT03BCN1	A(idn)	8.500	09/28/21	52,000,000,000	12

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