

High for Longer Fed Rate Drives Capital Outflow from Domestic Bond Market

- In 2024, the government issued debt securities totalling IDR708.90 tn.** The average incoming bid in 2025 was IDR31.66 tn per auction. Meanwhile, the average awarded bid was IDR26.20 tn per auction. The bid-to-cover ratio on Dec-24 was 1.71 and Jan-25 was 1.61. Throughout Jan-25, a capital outflow was recorded by IDR1.91 tn. The recent fluctuation in the bond market influenced by global uncertainty. US economic policies under Trump's leadership have the potential to boost US economic growth and raise inflation. This condition can reduce the possibility of a Fed rate reduction in the future. Therefore, foreign ownership in SBN was reported at IDR874.73 tn or 14.35% of the total as of 23 Jan-25. However, SBN ownership is now dominated by insurance, pension funds, and banks. Insurance and pension funds are held by 19.04%, and banks are owned by 17.69%. In 2025, SBN to mature will be recorded at IDR757 tn, consisting of bonds (IDR448.5 tn) and sukuk (IDR308.5 tn).
- Bank Indonesia cuts benchmark interest rate by 25 bps to 5.75% on 14-15 Jan-25.** This decision aligns with pro-stability monetary policy, which aims to keep inflation within the $2.5 \pm 1\%$ goal in 2024 and 2025 while ensuring foreign capital inflows and rupiah currency rate stability. The Rupiah depreciated due to geopolitical tensions and changes in the Fed's stance, which is predicted to be less aggressive. BI will continue to strengthen strategies to enhance the effectiveness of monetary policy through: 1) strengthening the interest rate structure in the rupiah money market to maintain the attractiveness of yields and foreign portfolio inflows to domestic financial assets to support rupiah exchange rate stability, 2) optimizing SRBI, SVBI, and SUVBI to attract fund flows, and 3) stabilizing the rupiah exchange rate through triple interventions (intervention in the spot market, DNDF, and SBN). Since its first issuance, SRBI has attracted foreign investment, recorded at IDR224.2 tn as of Dec-24 (net inflow of IDR162 tn ytd), with an ownership ratio of 24.3% of the total.
- The Federal Reserve kept the Fed Funds Rate steady at the 4.25% - 4.5% range during its Jan-25 meeting.** The decision followed three straight cuts since Sep-24 and was the first Fed meeting since President Donald Trump took office and announced his intention for a rate decrease immediately. The Fed also said the economic outlook is uncertain, and is attentive to the risks to both sides of its dual mandate. The Fed still seeks to achieve maximum employment and inflation at the rate of 2% over the longer run and will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, before changing its policy interest rate.
- Our view: Market volatility remains high in line with the Fed's limited easing policy.** With the latest developments, we expect bond yields to tend still to be in an uptrend. In 2025, we forecast that the Fed Funds Rate and BI Rate have the potential to be cut by 50 bps to 4% and 5.5%, respectively. Meanwhile, the Rupiah will close around 15,800 - 16,100 against the US Dollar this year affected by the still high external pressure, so the projected 10-year IDR bond yield will be around 6.8% - 6.9%.

Economic Indicators	2024	2025F
Real GDP (% yoy)	5.05F	5.13
Inflation (% yoy, eoy)	1.57	2.38
BI Rate (%)	6.00	5.50
USD/IDR (eoy)	16,102	15,974

F = OCE BMRI forecast
yoy = year on year
eoy = end of year

Key Rates (%)	Dec'24	Jan'25*
BI Rate	6.00	5.75
BI Deposit Facility Rate	5.25	5.00
BI Lending Facility Rate	6.75	6.50
IndONIA	6.18	5.92
JIBOR 1-month	6.63	6.39
JIBOR 3-month	6.92	6.69
JIBOR 6-month	7.06	6.81
Fed Funds Rate	4.50	4.50
ECB Rate	3.15	3.15
BOE Rate	4.75	4.75
BOJ Rate	0.25	0.50

*) as of 30 Jan-25

IDR Bond Yield (%)	2024	2025F
1-year	7.01	6.78
5-year	7.04	6.83
10-year	7.00	6.86

Source: OCE BMRI forecast, Bloomberg, CEIC

Reny Eka Putri
Senior Economist
reny.putri@bankmandiri.co.id
+62 21 524 5516

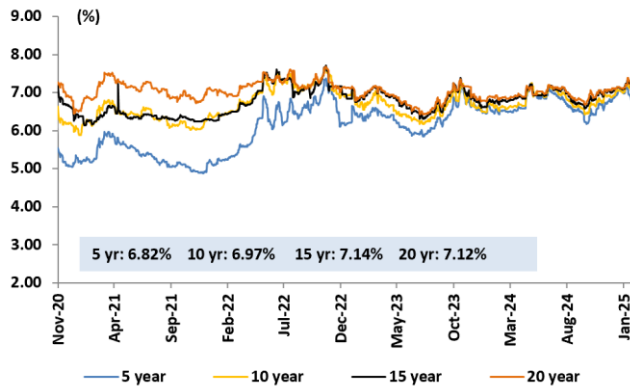
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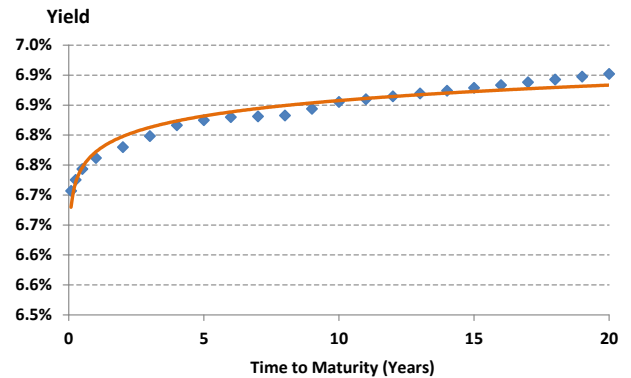


Government Bond Yield of Benchmark Series by Tenor



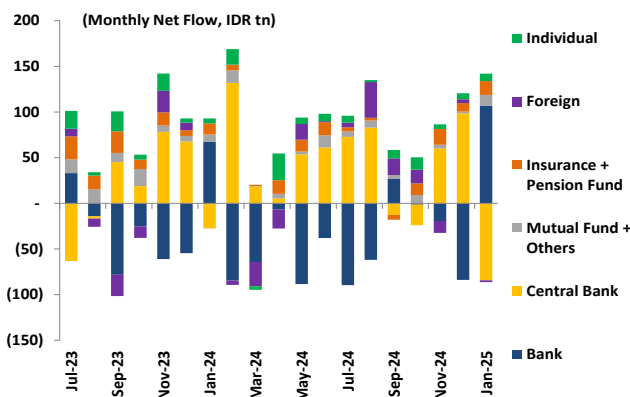
Source: Bloomberg, as of 30 January 2025

IDR Government Bond Yield Curve Forecast



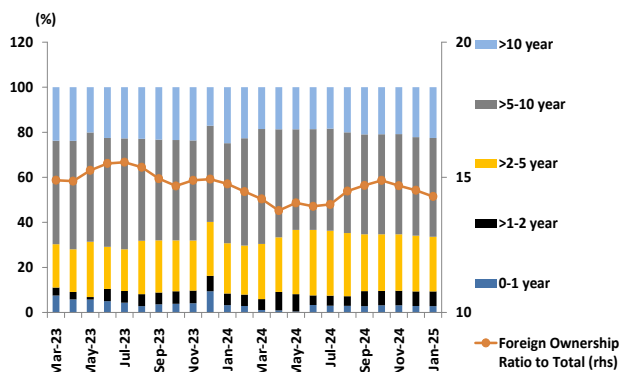
Source: Bloomberg, OCE Bank Mandiri Forecast

Tradable Domestic Government Bond Net Flow by Ownership



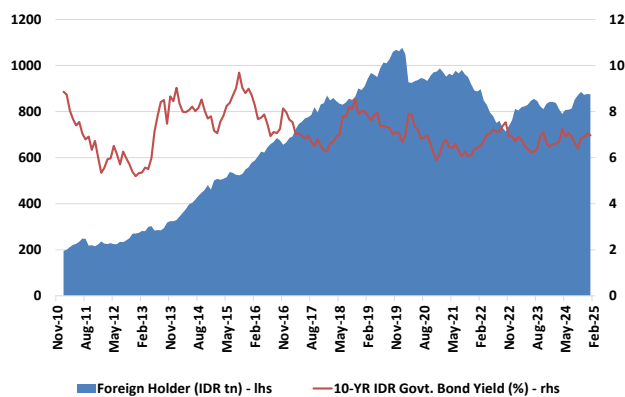
Source: DJPPR, as of 23 January 2025

Foreign Ownership of Government Bond by Tenor



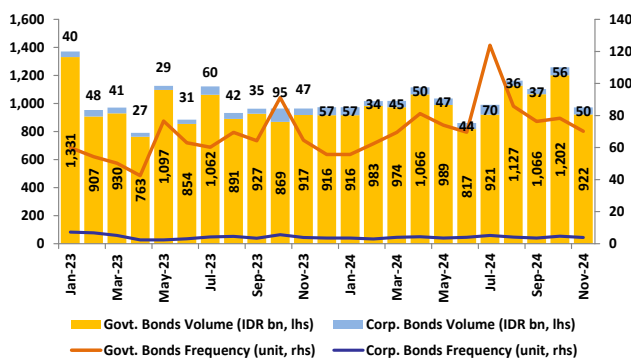
Source: DJPPR, as of 23 January 2025

Foreign Ownership vs. 10-yr IDR Government Bond Yields



Source: DJPPR, Bloomberg, as of 30 January 2025

Government Bond Market Activity



Source: Indonesia Stock Exchange (IDX)

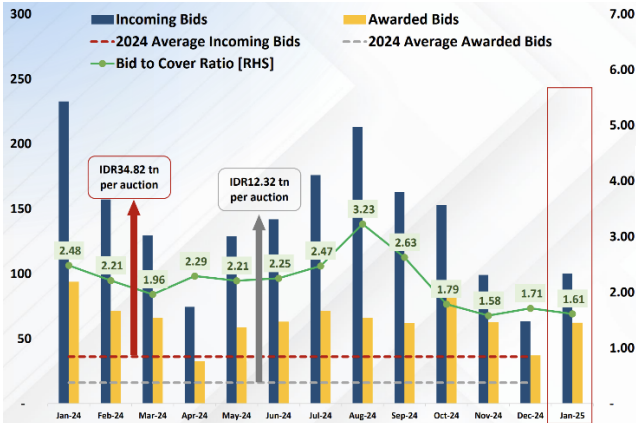
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Government Securities Primary Market Performances



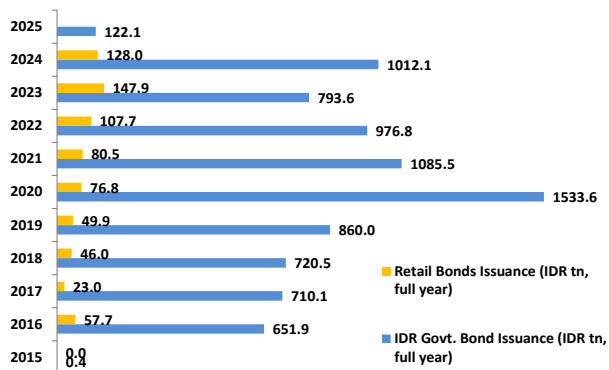
Source: DJPPR, as of 30 January 2025

Government Securities Financing Realization

SBN Issuances (in IDR tn)	2021 (YTD)	2022 (YTD)	2023 (YTD)	2024 (YTD)
Government Securities	1086.65	829.63	807.25	1056.86
Government Debt Securities (SUN)	764.63	542.96	506.05	708.90
IDR Denominated	649.38	480.02	447.08	616.02
- Prefunding				25.93
- Auction	577.38	415.82	369.92	524.36
- Retail Bonds	48.50	52.00	65.59	62.73
- Private Placement	23.50	12.20	11.57	3.00
FX Denominated	115.25	62.94	58.97	92.88
Sovereign Sharia Securities (Sukuk)	322.02	286.67	301.20	347.96
IDR Denominated	279.23	237.16	269.80	309.53
- Prefunding				13.14
- Auction	219.25	169.62	201.03	206.84
- Retail Bonds	48.73	55.42	61.94	85.78
- Private Placement	11.25	12.12	6.83	3.77
FX Denominated	42.79	49.51	31.40	38.43
BI Purchase (SKB)	215.00	224.00	-	-

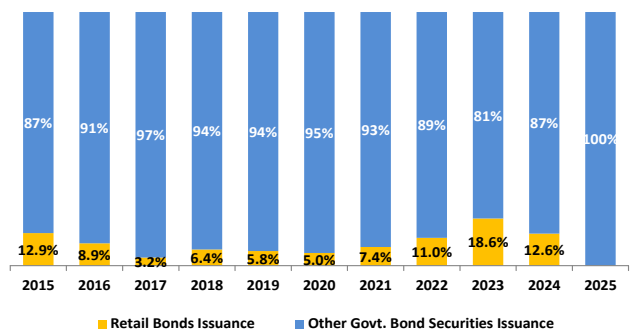
Source: DJPPR, as of 30 January 2025

Government Bonds Issuance Trends



Source: DJPPR, as of 30 January 2025

Retail Bonds to Total Issuance Ratio



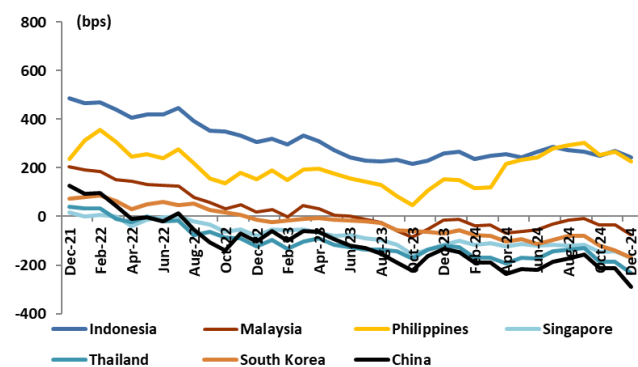
Source: DJPPR, as of 30 January 2025

Indonesia LT Sovereign Credit Ratings

Year	Rating Agency				
	Standard & Poor's	Fitch	Moody's	R&I	JCRA
2012	BB+	BBB-	Baa3	BBB-	BBB-
2013	BB+	BBB-	Baa3	BBB-	BBB-
2014	BB+	BBB-	Baa3	BBB-	BBB-
2015	BB+	BBB-	Baa3	BBB-	BBB-
2016	BB+	BBB-	Baa3	BBB-	BBB-
2017	BBB-	BBB	Baa3	BBB-	BBB-
2018	BBB	BBB	Baa2	BBB	BBB
2019	BBB	BBB	Baa2	BBB	BBB
2020	BBB	BBB	Baa2	BBB+	BBB+
2021	BBB	BBB	Baa2	BBB+	BBB+
2022	BBB	BBB	Baa2	BBB+	BBB+
2023	BBB	BBB	Baa2	BBB+	BBB+
2024	BBB	BBB	Baa2	BBB+	BBB+
2025	BBB	BBB	Baa2	BBB+	BBB+

Source: Bloomberg, as of 30 January 2025

10-year Regional Government Bond Yield vs. UST Spread

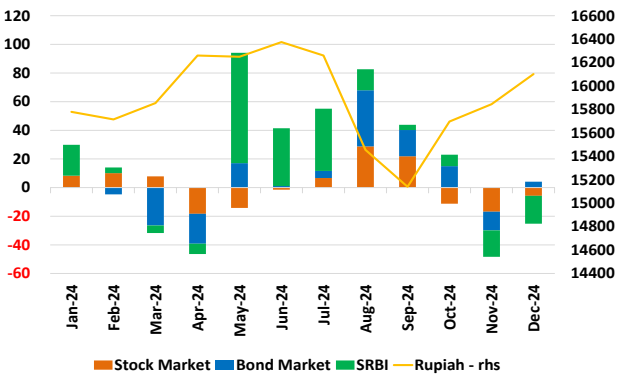


Source: Bloomberg, as of 30 January 2025

SRBI Market Developments

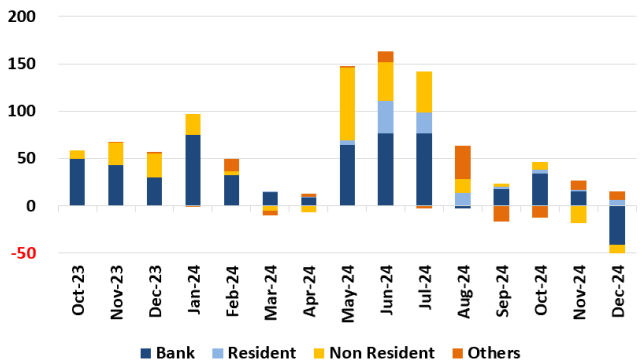
Capital Flow Trend in Indonesia's Financial Markets

Capital Flow (IDR tn, mom) and USD/IDR trend



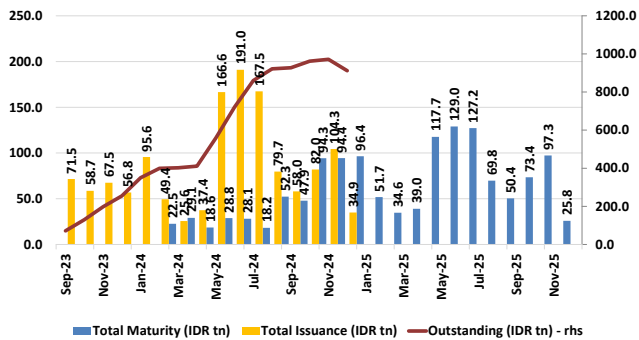
SRBI Net Flow by Ownerships

(SRBI Monthly Net Flow, IDR tn)

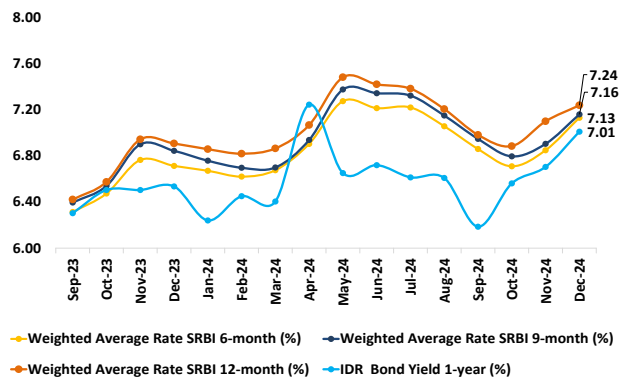


SRBI Maturity Forecast vs. Issuances Trend

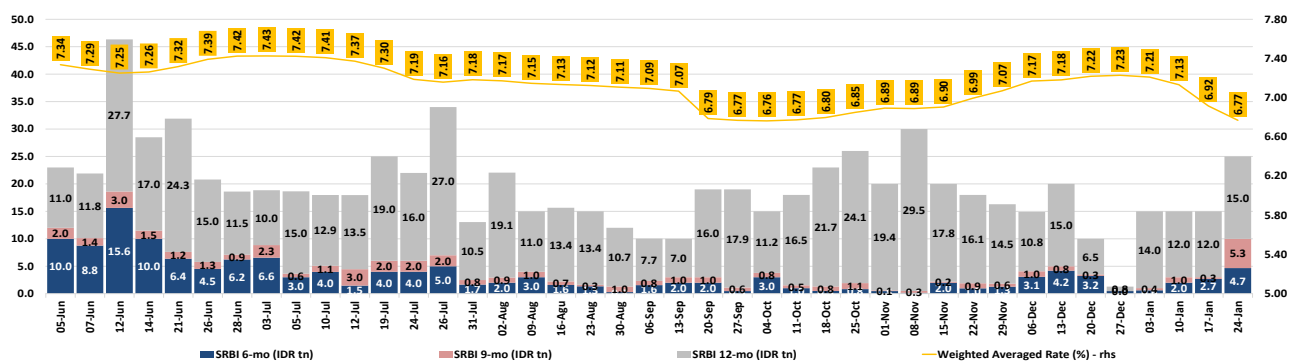
(SRBI Maturity Forecast vs. Issuances)



SRBI Weighted Average Rate vs. SBN Yields (%)



SRBI Issuance Trends



Our Team

MACROECONOMIC AND FINANCIAL MARKET RESEARCH

Chief Economist

Andry Asmoro

Head of Macroeconomic and Financial Market Research

Dian Ayu Yustina

Senior Economist

Reny Eka Putri

Economist

Andhi Prasetyo Hadi

Economist

Shahifa Assajjadiyyah

Economist

Agus Santoso

Office Address

Plaza Mandiri 18th Floor

Jl. Jend. Gatot Subroto Kav. 36 - 38, Jakarta 12190, Indonesia

Email : oce@bankmandiri.co.id

Website: www.bankmandiri.co.id

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