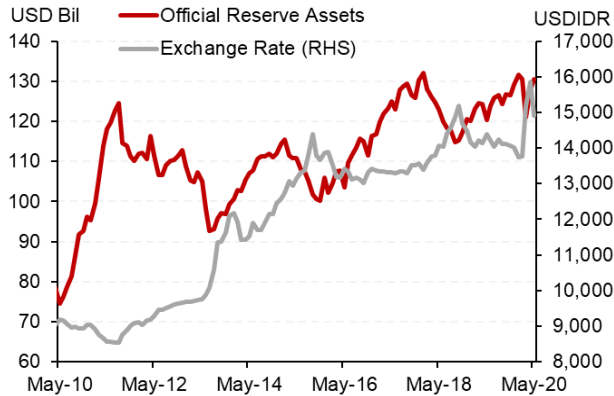


Indonesia Official Reserve Assets

Up 2.1% MoM to USD130.5b in May, a four-month high

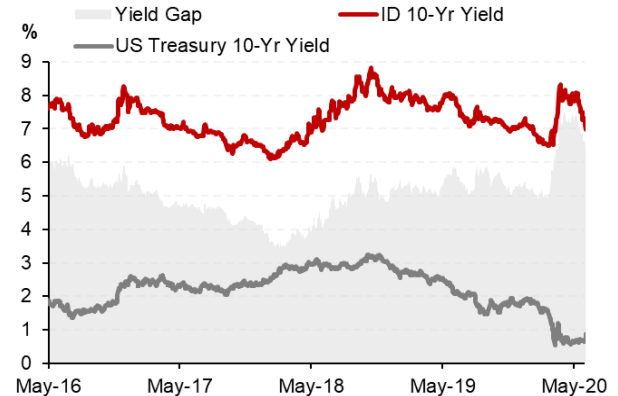
- Bank Indonesia (BI) official reserve assets increased by USD2.7b or up 2.1% MoM to USD130.5b as at end-May 2020**
 - The reserve assets remained high and sufficient to finance 8.3 months of retained imports and are 8.0 times the total short-term external debt.
 - The increase in foreign exchange reserves in May was attributable to the government's external debt withdrawal and banks' foreign currency placement in BI.
- Rupiah continues to strengthen on favourable risk-seeking environment**
 - The net inflow of foreign capital has increased since the second week of May. In the first week of June, the net capital inflow registered at Rp7.0 trillion versus Rp2.5 trillion in the previous week, reflecting an increase of risk appetite among foreign investors and reaffirmed rupiah's strength in line with its fundamental value.
 - Against these backdrop, the rupiah strengthened by 1.9% MoM in May (Apr: 9.6%). The local note has appreciated almost 14.0% since the end of March to around 13,900 level on Monday.
 - Regional currencies (end of period value): On MoM, the Thai Baht (THB) appreciated by 1.8%, while MYR (-1.0%), PHP (-0.4%) and SGD (-0.3%) weakened.
- BI may slash rates this month to boost growth**
 - The probability for BI to cut its benchmark interest rate by 25-50 bps at the next Board of Governor meeting on 18 June is increasing given that rupiah has gained its traction and potentially back to its pre-pandemic level soon.
 - While the government recently unveiled a bigger stimulus package to support its sagging economy from further downside, we believe BI has ample room for further easing to aid economic recovery and bolster growth going forward.

Graph 1: Official Reserves Assets Vs USDIDR (average)



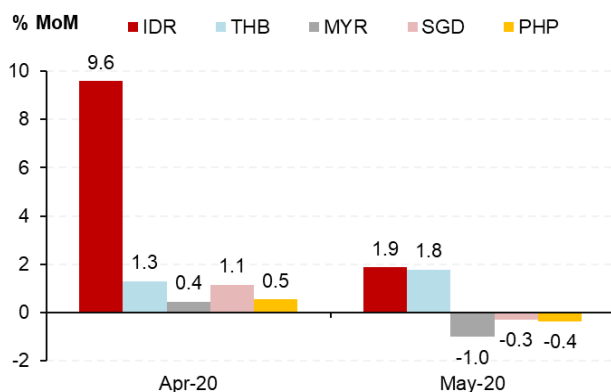
Source: BI, CEIC, Kenanga Research

Graph 2: 10yr US Treasury Vs 10yr ID Govt Yield



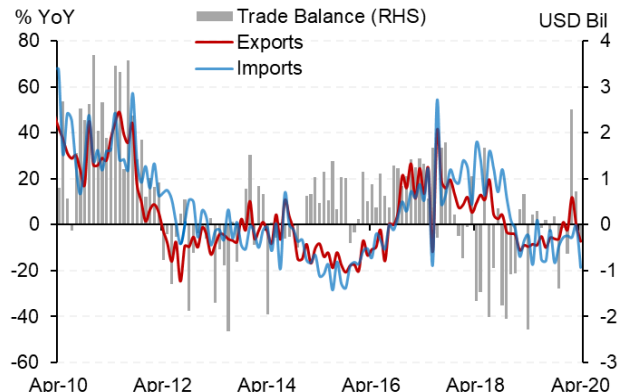
Source: CEIC, Kenanga Research

Graph 3: ASEAN-5 Currencies Vs USD (end of period)



Source: CEIC, Kenanga Research

Graph 4: External Trade Performance



Source: CEIC, Kenanga Research

09 June 2020

Table 1: Latest Update and Historical Milestone for BI Official Reserve Assets (USD Bil)

	2018	2019	May-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
International Reserve	120.7	129.2	120.3	129.2	131.7	130.4	121.0	127.9	130.5
Foreign Currency	114.2	122.1	113.9	122.1	124.5	123.0	113.6	120.3	123.0
IMF Reserve Position	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
SDRs	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Gold	3.2	3.8	3.2	3.8	4.0	4.1	4.1	4.3	4.3
Other	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Months of Imports	6.7	7.6	6.9	7.6	7.8	7.7	7.2	7.8	8.3
Months of Imports and Government External Debt	6.5	7.3	6.7	7.3	7.5	7.4	7.0	7.5	8.0

Source: Bank Indonesia, Kenanga Research, CEIC

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