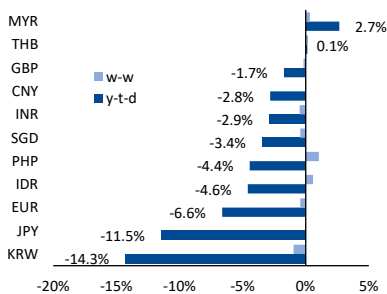


## Macro Strategy

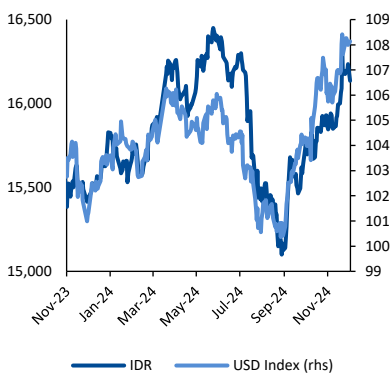
### 2024: A Year Defined by Volatility

#### 2024 Currency performance (%)



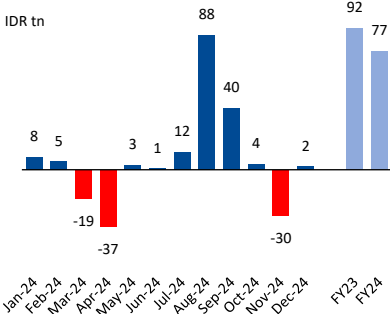
Source: Bloomberg

#### IDR vs DXY



Source: Bloomberg

#### Capital Inflow/Outflow (IDR tn)



Source: Bloomberg

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- The year 2024 stood out as one of the most volatile periods in capital markets outside a recession, marked by two distinct episodes.
- Concerns over a weaker IDR took center stage, prompting BI to actively intervene in stabilizing the market, an effort expected to intensify.
- An erratic foreign flow trend clearly shows investors' lack of alacrity, as they continue to view Indonesia as a trading market.

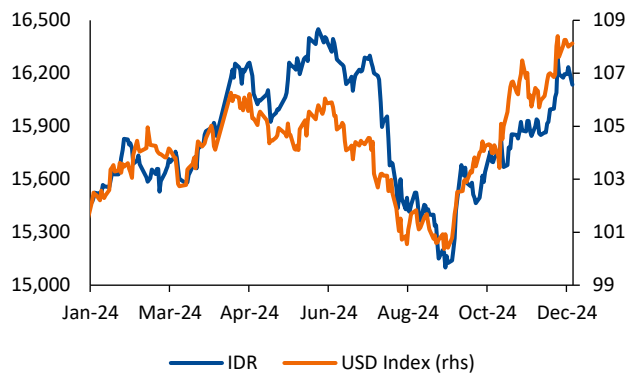
**2024: A Year Defined by Volatility.** The year 2024 emerged as one of the most volatile periods in capital markets outside of a recession, fueled by heightened global expectations for monetary easing. Indonesia's market, particularly government bonds, was significantly influenced by global sentiment, even as foreign ownership hit a record low. We note two distinctive episode last year:

- In 1H24, escalating geopolitical tensions heightened inflationary risks, altering rate-cut expectations. The 10-year US Treasury yield (UST) rose 30 basis points (bps) to 4.18%, while Indonesian government bond (INDOGB) yields increased 24 bps to 6.72%. Intensified tensions in Q2 pushed UST and INDOGB yields to 4.69% and 7.25%, respectively. INDOGB yields stayed elevated as global central banks cut rates more aggressively than the Federal Reserve, strengthening the US dollar.
- In 2H24, yields declined initially as the Federal Reserve clarified its rate-cut timeline, with the 10-year UST and INDOGB yields dropping 85 bps and 69 bps to 3.63% and 6.44%. However, renewed reflation risks, driven by Middle East tensions and Trump's election victory, reversed the trend, pushing yields back to 4.58% for UST and 7.02% for INDOGB toward year end.

**Weak IDR left limited scope for monetary policy adjustments.** The Indonesian rupiah (IDR) faced notable volatility in 2024, peaking near IDR16,500 mid-year, strengthening to IDR15,100 by late September, and weakening again to IDR16k toward year-end. In response, Bank Indonesia actively intervened to stabilize markets, including substantial purchases of Indonesian Government Bonds of IDR490tn in 2024. These efforts were instrumental in mitigating excessive market fluctuations and supporting the currency. Toward year end, BI has up the intervention activity to stem further IDR decline, something that we would expect to continue until early 2025. Fiscal policy is expected to play a pivotal role in driving Indonesia's economic performance in 2025, marking the beginning of the country's journey toward its target of 8% economic growth by 2029.

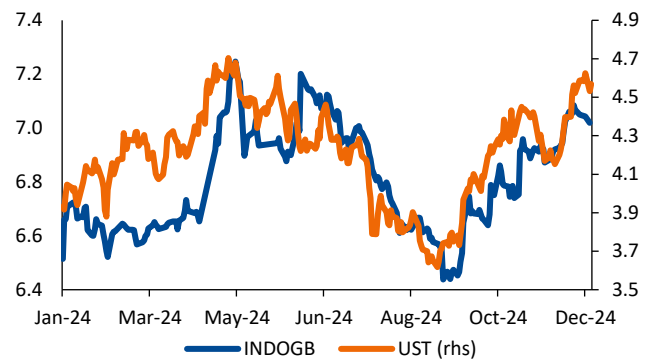
**Increasingly Weaker Foreign Flow Trend.** An erratic foreign flow trend clearly shows investors' lack of alacrity, as they continue to view Indonesia as a trading market. In 1Q24, total inflows declined significantly, turning negative in March, driven primarily by a sharp drop in INDOGB inflows, while outflows in equity and SRBI had minor impacts. In 2Q24, inflows rebounded strongly, peaking in May due to a surge in SRBI inflows, with moderate contributions from INDOGB, while equity inflows remained marginal. From June to August, inflows moderated but stayed positive, with INDOGB as the dominant contributor and smaller, steady inflows from SRBI and equity. However, the trend reversed in the last quarter, with inflows sharply declining in September and turning negative in Nov-Dec. This shift was driven by weakening INDOGB inflows, minimal or negative SRBI and equity inflows, which compounded the overall outflows. These fluctuations underscore the volatility in capital flows to Indonesia throughout 2024, shaped by external and domestic challenges. Foreign flow into INDOGB played a stabilizing role during certain periods, reflecting its attractiveness to investors amid uncertainty, although the broader trend points to the market's sensitivity to geopolitical risks and a lack of convincing domestic catalysts.

Exhibit 1. IDR vs DXY in 2024



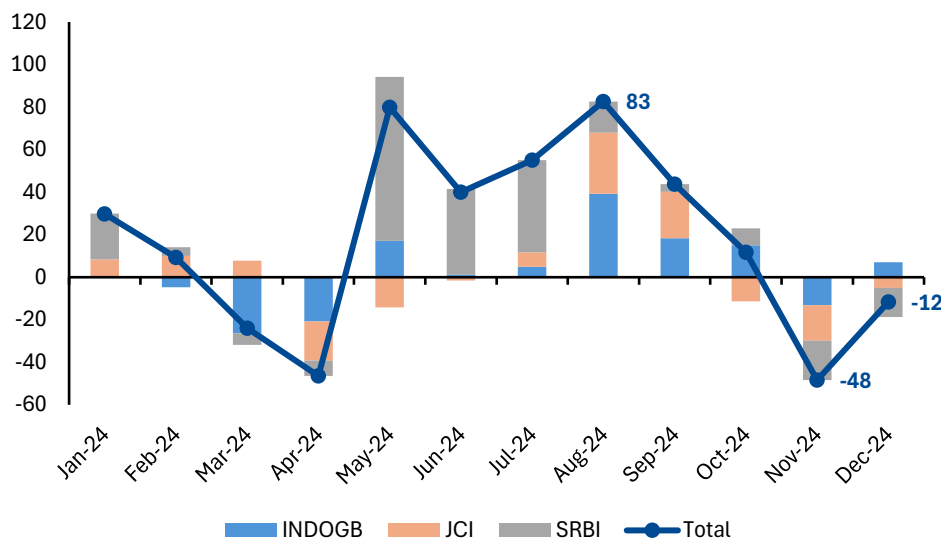
Source: Bloomberg

Exhibit 2. UST vs. INDOGB in 2024



Source: Bloomberg

Exhibit 3. Monthly Foreign Flow



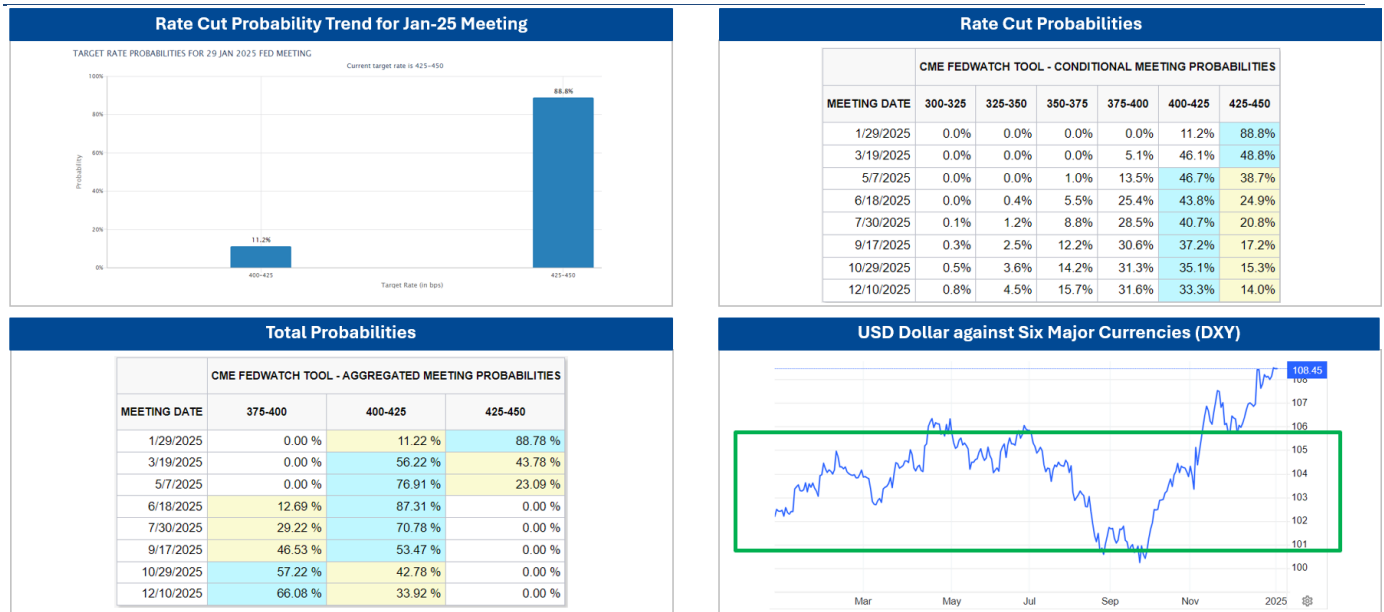
Source: BI, Bloomberg

Exhibit 4. INDOGB Historical Ownership Trend

Investors Type	Dec-18		Dec-19		Dec-20		Dec-21		Dec-22		Dec-23		27-Dec-24	
Banking	481	20%	581	21%	1,376	36%	1,591	34%	1,697	32%	1,495	27%	1,083	18%
Bank Indonesia	253	10%	262	10%	454	12%	801	17%	1,020	19%	1,096	19%	1,586	26%
Foreign Investor	893	37%	1,062	39%	974	25%	891	19%	762	14%	842	15%	880	15%
Insurance & Pension Fund	414	17%	472	17%	543	14%	655	14%	873	16%	1,041	18%	1,144	19%
Mutual Fund	119	5%	131	5%	161	4%	158	3%	146	3%	178	3%	187	3%
Individual	73	3%	81	3%	131	3%	221	5%	344	6%	435	8%	542	9%
Others	207	8%	163	6%	232	6%	360	8%	467	9%	552	10%	618	10%
<b>Total</b>	<b>2,442</b>	<b>100%</b>	<b>2,753</b>	<b>100%</b>	<b>3,871</b>	<b>100%</b>	<b>4,679</b>	<b>100%</b>	<b>5,309</b>	<b>100%</b>	<b>5,639</b>	<b>100%</b>	<b>6,040</b>	<b>100%</b>

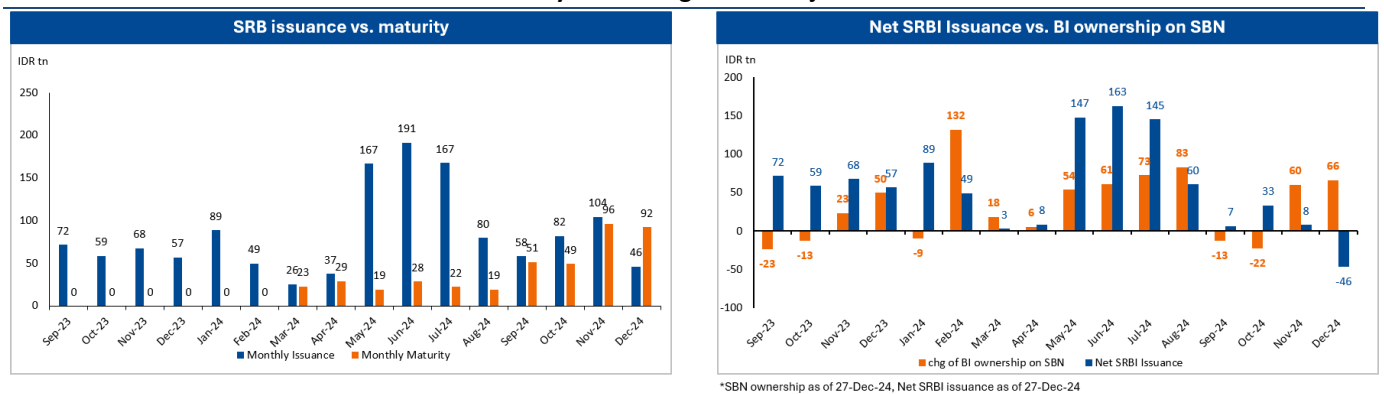
Source: DJPPR

Exhibit 5. Rate Cut Expectation Is Rising, DXY Retreating



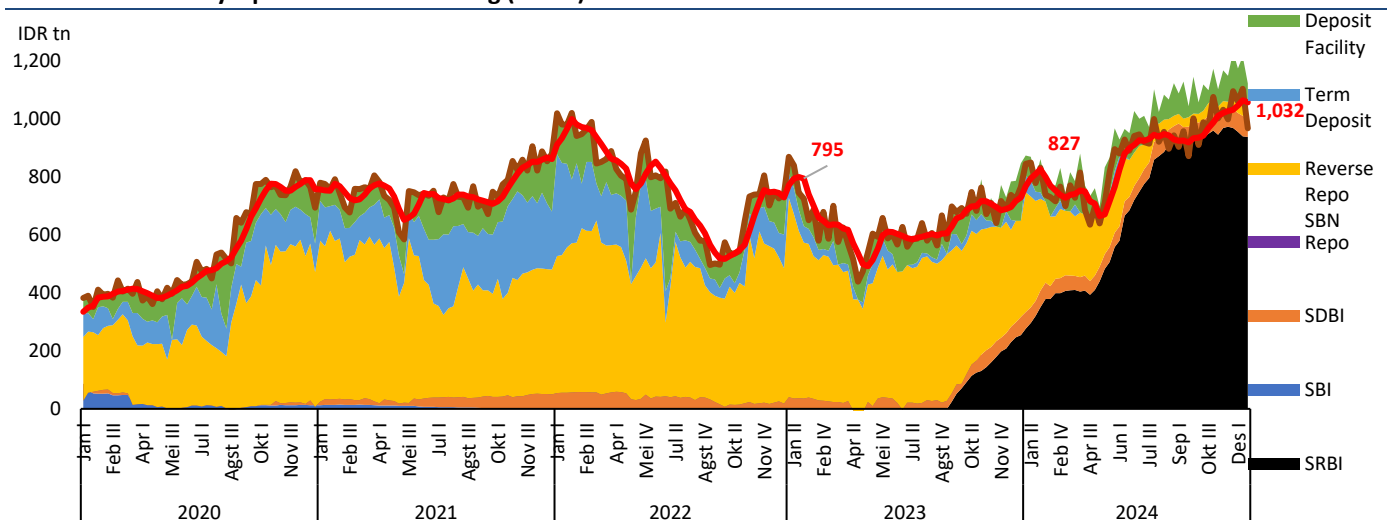
Source: CME, Trading Economics

Exhibit 6. BI Recent Intervention to SBN Secondary Market Signals Net Injections




Source: BI; Kemenkeu; BRI Danareksa Sekuritas

Exhibit 7. Monetary Operations Outstanding (IDRtn)



Source: Bank Indonesia, BRIDS

Exhibit 8. Yields Scenarios Revisions -2024-25



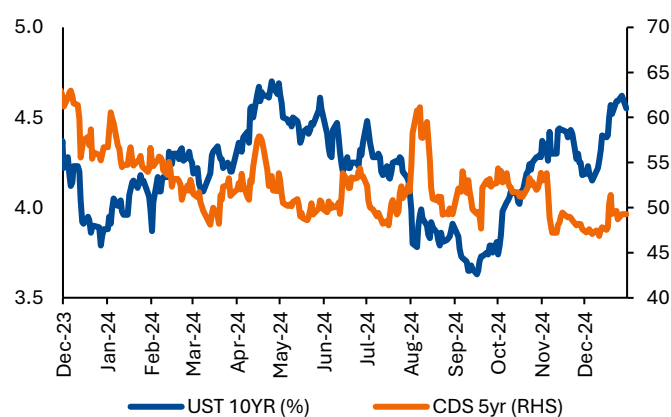
Previous vs Current

Scenario	CDS 5 Yr	UST 10yr (%)	USDIDR	BI Rate %	% Foreign	% BI	Forecast	
2024	Optimistic	0.65	3.20	15,501	5.75	14.70	26.00	6.35
	Base	0.70	3.70	15,683	6.00	14.30	25.00	6.58
	Pesimistic	0.80	4.20	15,879	6.00	14.00	24.00	6.90
2025	Optimistic	0.60	3.00	15,345	5.25	15.30	27.00	5.95
	Base	0.70	3.50	15,491	5.50	14.75	26.00	6.15
	Pesimistic	0.80	4.00	15,708	5.50	14.20	25.00	6.59

Scenario	CDS 5 Yr	UST 10yr (%)	USDIDR	BI Rate %	% Foreign	% BI	Forecast	
2024	Optimistic	0.60	3.80	15,683	5.75	14.80	26.00	6.44
	Base	0.70	4.00	15,781	5.75	14.50	25.00	6.65
	Pesimistic	0.85	4.30	15,989	6.00	14.20	24.00	6.93
2025	Optimistic	0.60	3.40	15,449	5.00	15.50	27.00	6.08
	Base	0.70	3.70	15,680	5.25	14.90	26.00	6.23
	Pesimistic	0.80	4.10	16,100	5.50	14.50	25.00	6.64

Source: BRI Danareksa Sekuritas

Exhibit 9. 10y US Treasury and CDS



Source: Bloomberg

Exhibit 10. US Treasury Across Tenors

Date	1 yr yield	2 yr yield	3 yr yield	5 yr yield	7 yr yield	10 yr yield	CDS 5yr (RHS)
2022	4.73	4.41	4.22	3.99	3.96	3.88	82
2023	4.79	4.23	4.01	3.84	3.88	3.88	56
30-Dec-24	4.17	4.24	4.29	4.37	4.46	4.55	49
YTD Avg	4.69	4.37	4.21	4.12	4.16	4.20	52
YTD Changes	-0.62	0.01	0.28	0.53	0.58	0.67	-7
MTD Changes	-0.13	0.11	0.19	0.32	0.36	0.37	1
Weekly Changes	-0.09	-0.06	-0.07	-0.07	-0.06	-0.04	0

Source: Bloomberg

Exhibit 11. 10y INDOGB and 5y CDS



Source: Bloomberg

Exhibit 12. IBPA Return – Govt Bond



Source: Bloomberg

Exhibit 13. INDOGB – YTD Performance and Investor Type

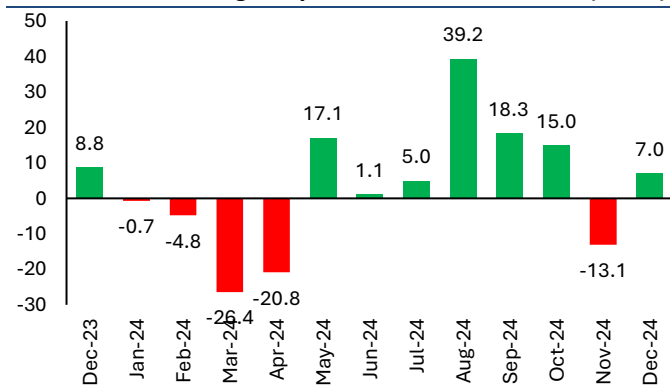
Date	1 yr yield	3 yr yield	5 yr yield	7 yr yield	10 yr yield	CDS 5yr (RHS)
2022	5.64	6.30	6.20	6.72	6.94	104
2023	6.54	6.37	6.44	6.71	6.48	70
30-Dec-24	6.98	7.06	7.03	7.05	7.02	79
YTD Avg	6.59	6.56	6.69	6.76	6.80	73
YTD Changes	0.44	0.69	0.59	0.34	0.54	9
MTD Changes	0.28	0.52	0.27	0.14	0.14	4
Weekly Changes	0.00	0.02	-0.02	0.00	-0.04	2

As of Dec 27th, 2024 - (IDR tn)

Investor Type	WoW	MtD	YTD
Banks	(34.9)	(52.3)	(430.5)
Bank Indonesia (exclude repo)	34.4	66.3	508.2
Non-Banks:	5.5	22.7	322.5
Mutual Fund	(0.7)	(1.8)	9.8
Insurance & Pension Fund	1.1	8.1	102.7
Foreign Investor	(1.2)	7.0	36.9
Individual	1.4	5.8	106.6
Others	5.0	3.6	66.6
<b>Total</b>	<b>5.0</b>	<b>36.7</b>	<b>400.1</b>
Domestic Investor	(28.1)	(36.6)	(144.9)
Foreign Investor	(1.2)	7.0	36.9
Bank Indonesia (include repo)	3.1	17.8	123.0

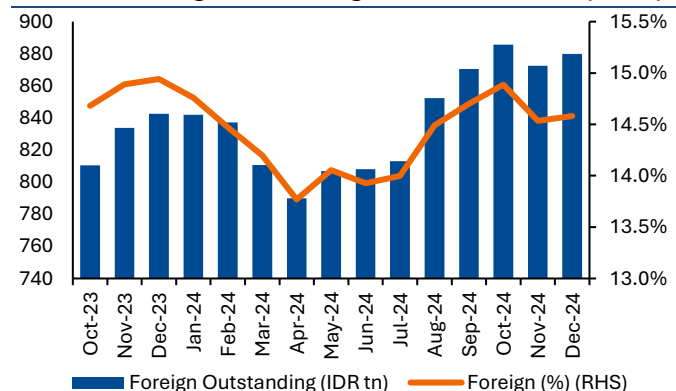
Source: Bloomberg

Exhibit 14. Net Foreign Buy/Sell as of Dec 27<sup>th</sup>, 2024 (IDRtn)



Source: DJPPR

Exhibit 15. Foreign Outstanding as of Dec 27<sup>th</sup>, 2024 (IDRtn)



Source: DJPPR

Exhibit 16. YTD Net Buy/Sell (IDR tn)

Investors Type	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	FY 2024	YTD 2024	Weekly 2024
Banking	49.3	(84.6)	(64.4)	(6.8)	(88.4)	(38.0)	(89.7)	(61.9)	27.1	(1.5)	(19.4)	(52.3)	(74.8)	(430.5)	(34.9)
Bank Indonesia	(9.3)	132.0	18.3	5.5	53.6	61.1	72.8	82.9	(12.7)	(22.4)	60.1	66.3	(44.3)	508.2	34.4
Foreign Investor	(0.7)	(4.8)	(26.4)	(20.8)	17.1	1.1	5.0	39.2	18.3	15.0	(13.1)	7.0	86.9	36.9	(1.2)
Insurance & Pension Fund	12.2	6.2	1.6	15.0	12.9	14.3	4.5	3.0	(5.2)	12.8	17.3	8.1	169.3	102.7	1.1
Mutual Fund	0.6	2.4	(2.0)	(0.0)	(1.6)	2.6	1.5	5.0	1.7	0.9	0.7	(1.8)	32.7	9.8	(0.7)
Individual	5.6	17.2	(4.0)	29.2	7.0	8.1	7.7	2.2	9.2	13.6	5.1	5.8	91.4	106.6	1.4
Others	7.6	11.3	2.4	4.9	4.9	10.9	4.5	2.7	2.1	5.0	3.4	3.6	86.0	66.6	5.0

Source: DJPPR

Exhibit 17. Ownership Outstanding (IDR tn)

Investors Type	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024	Dec 2024	YTD 2024	YTD 2024
Banking	1,562.9	1,478.3	1,413.9	1,407.1	1,318.6	1,280.6	1,190.9	1,129.1	1,156.2	1,154.7	1,135.3	1,083.0	(74.8)	(430.5)
Bank Indonesia	1,068.2	1,200.1	1,218.4	1,224.0	1,277.5	1,338.6	1,411.4	1,494.3	1,481.6	1,459.2	1,519.4	1,585.6	(44.3)	508.2
Foreign Investor	841.9	837.1	810.7	789.9	807.0	808.1	813.1	852.3	870.6	885.6	872.5	879.5	86.9	36.9
Insurance & Pension Fund	1,053.6	1,059.8	1,061.3	1,076.3	1,089.2	1,103.5	1,108.1	1,111.0	1,105.9	1,118.6	1,136.0	1,144.0	169.3	102.7
Mutual Fund	178.0	180.3	178.4	178.3	176.7	179.2	180.7	185.7	187.4	188.3	189.0	187.1	32.7	9.8
Individual	440.7	457.8	453.8	483.0	490.0	498.1	505.8	508.0	517.2	530.8	535.9	541.7	91.4	106.6
Others	559.5	570.9	573.3	578.2	583.1	594.0	598.5	601.2	603.3	608.3	614.9	618.5	86.0	66.6

Source: DJPPR

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