



## INDON Dual-tranche USD BOND ISSUANCE

### DETAILS

Issue: USD Senior Unsecured Fixed Rate Notes

Size: US\$ Benchmark (\$2bn - \$3bn)

Tenor:

10Y / 30Y

Settlement Date: September 10, 2024 (t+5)

Optionality: 3-month par call (10Y) / 6-month par call

(30Y)

IPG:

**10-year:** 5.150% area

**30-year:** 5.500% area

### Short discussion



### HTM:

Buy new 5.5Y and 10.5Y ROP post-INDON issuance

### Trading:

**10Y:** Order at 4.900% area or better

**30Y:** Order at 5.250% area or better

Bond/s	Announced details		Desk estimate	Comparison	
	Tenor (years)	IPG (initial price guidance)	Est. FPG (Final Price Guidance) after compression*	Comparable Bond	Offer Price and Yield of Comparable Bond
INDON 10Y	10	5.150% area	4.850% - 4.900%	INDON 34 INDON 35	99.625 (4.75%) 130.250 (4.93%)
INDON 30Y	30	5.500% area	5.200% - 5.250%	INDON 54	99.625 (5.13%)

\*assuming US Treasury yields are unchanged vs the NY close on September 03, 2024

- Following ROP's issuance last week, INDON has followed suit with its own issuance as it announced a dual-tranche issue of a 10Y and 30Y paper. US Treasury yields have since moved higher by 5-10bps led by the long-ends, and the desk suspect that the higher outright yield will attract buyers.
- The pricing for the new INDON is fair, and the desk expects a 25-30bps compression. In terms of fair value, the desk sees the 10-year coming in at least at 4.850%. This should put it at +10bps over the nearest 10-year comparable INDON 34 (4.75% YTM), but relatively flat in yield to the cash price-expensive INDON 35. For the 30-year, the desk believes fair value should be around 5.20% to 5.25%, or at least CT30+100bps as INDON 54 is trading at CT30+90bps.
- The desk prefers to leave limit orders for clients looking to participate in the new INDONs. Should the new INDONs come in as expected, then the desk suggests that clients look to the temporary widening in spread to pick-up belly bonds, such as the new 5.5Y and 10.5Y ROP.
- If the new 30-year INDON prices flat to ROP 49NEW, then the desk would suggest that clients just pick-up the latter. The Bureau of Treasury is expected to reduce its foreign-currency borrowings next year, which should make ROPs outperform on pull-backs on scarcity value.

### Our Play

- **HTM:**
  - o Buy new 5.5Y and 10.5Y ROP post-INDON issuance
- **Trading:**
  - o INDON 10-year limit order at 4.900% area or better
  - o INDON 30-year limit order at 5.250% area or better

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