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FX

Global

FX Flash

One Round Only, Bullish on IDR

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- **Quick count results show Prabowo-Gibran have achieved 57-59% of the vote, implying run-off avoided though final official results may only be out about a month later**
- **Inauguration of the new President would be on 20 Oct 2024 although look out for hints of potential cabinet nominees from now onwards**
- **USDIDR testing the 15600 key level but maybe challenged to break it decisively for now**
- **The avoidance of a run-off at this juncture based on quick count results suggests the lifting of a political overhang but the Fed cuts would be more crucial to drive the pair significantly lower**
- **Pair may range trade around 15600 - 15800 near term**
- **Remain positive on IDR as we expect Fed easing and see USDIDR at 14600 by end 2024**
- **Recommend short USDIDR trade for 10M period**

Quick count results (Litbang Kompas, Indikator, LSI Denny JA, Charta Politika, and Poltracking) for the Indonesian Presidential Elections have shown that Prabowo-Gibran have achieved around 57-59% of the vote whilst opponents Anies-Muhaimin only grabbed 24-25% and Ganjar-Mahfud 16.2-16.7%. Official results are likely to be out in about a month's time possibly. With the large margin, it looks likely that a run-off has been avoided reducing some element of political uncertainty. However, there would now be increasing focus on the new cabinet line-up and especially the person that would helm the Coordinating Minister for Economic Affairs and Minister of Finance. The new President is only to be inaugurated on the 20 Oct 2024 and cabinet announcements for now could take until year-end. Regardless, we look out for hints of potential nominees between now until then. Back in the 2014 election, the cabinet had been announced on 26 Oct 2014 and sworn in on the 27 Oct 2014. However, the then President - elect Joko Widodo had mentioned the size of his cabinet earlier on 15 Sept 2014. As for the 2019 election, the cabinet was announced on the 23 Oct 2019 although the incumbent Joko Widodo was continuing for a second term then.

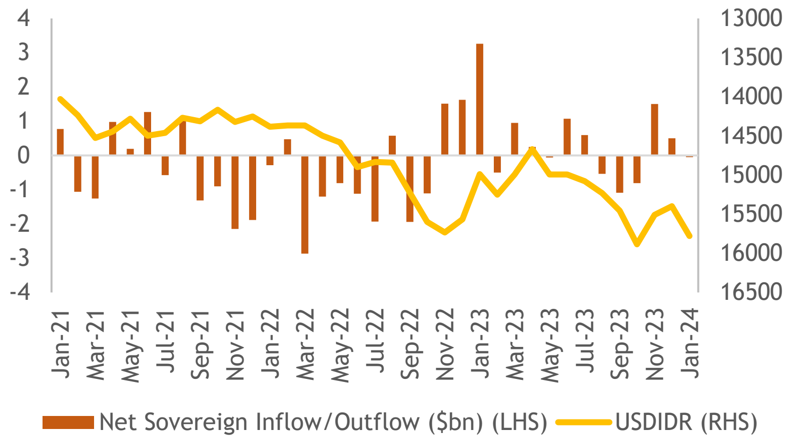
The 1M NDF had crossed above 15700 just before the election but the immediate reaction just after news of the quick count results had come out would see it back down by about a 100pips towards testing the key 15600 level. The pair had seen the formation of a bearish wedge recently and moved lower before coming to test the crucial 15600 level just before the election and continues to do so just after it today. In our view, we believe it would be challenged to break decisively below it given that an avoidance of a run-off has only lifted a political overhang on the pair. Instead, a Fed easing would be a more crucial factor in driving the pair lower. The 1M NDF could eventually ranged trade around 15600 – 15800. The same can be said for the onshore spot USDIDR where it is also testing the 15600 level and may likely similar range trade around 15600 – 15800 near term.

Overall, we stay bullish on the IDR as the focus can now move towards external developments such as how the Fed rate easing path pans out. Our house view continues to see that there should be 100bps of cuts from the Fed this year as inflation should still continue to gradually come-off albeit it maybe a little bumpy along the way. With the Fed cutting, BI can also be in the position to slash rates too (our house view is for it to reduce by 100bps) especially as inflation is well within target. This should attract more foreign inflows into IGBs and give more support to the IDR. Our year end USDIDR forecast remains at 14600, which is an upside of about 6.3% from current levels. **We recommend a short USDIDR trade for a 10M period with entry at 15800. Risk-reward ratio is at about 1:6 with stop loss at 16000.**

Chart 1: 1M NDF is continuing to test the 15600 level and could be challenged to break decisively lower

Source: Bloomberg, Maybank GM FX & Research

Chart 2: Inflows weakened recently but may pick-up with political overhang lifted and do so more strongly when Fed cut timing is clearer



Source: Bloomberg, Maybank GM FX & Research

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