

Indonesian Bonds Fall on Credit Concern; Rupiah Little Changed

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Indonesia's 10-year government bonds fell for a second day on concern the global credit crisis threatens to spur capital outflows. The rupiah was little changed.

The yield rose as investors will need more rupiah to prepare for the Muslim holidays next week and on concern a \$700 billion package to avert a U.S. financial crisis will be held up by Congress. Credit-market losses forced Lehman Brothers Holdings Inc. to file for bankruptcy last week.

"Investors were selling ahead of the Id-ul-Fitr week-long holidays," said Helmi Arman, an economist and bond strategist at PT Bank Danamon Indonesia in Jakarta. "As we've seen lately, a lot can happen in a week, and many investors don't want the risk of getting stuck if something big in the U.S. happens."

The yield on the 9 percent note due September 2018 rose 14 basis points to 12.87 percent, according to closing prices at the Inter Dealer Market Association. The price dropped 0.6658, or 6,658 rupiah per 1 million rupiah face amount, to 78.5778. A basis point is 0.01 percentage point.

Local financial markets will be closed from Sept. 30 to Oct. 3 for the Id-ul-Fitr holidays when Indonesians increase spending to go home and celebrate with families.

Indonesia's rupiah was little changed on speculation the central bank will buy the currency to curb volatility as Asian shares fell for a second day.

Bank Indonesia "is guarding the market because they don't want turmoil in the local currency," said Muhammad Fauzi Halim, a currency trader at PT Bank Resona Perdania in Jakarta. "Demand for the rupiah is also high now because of the long holidays."

The rupiah traded at 9,335 per dollar as of 4:34 p.m. in Jakarta, from 9,330 yesterday, according to data compiled by Bloomberg.

Bank Indonesia sold dollars yesterday at 9,340, Halim said. Central banks intervene in currency markets by selling or buying foreign exchange.

Source: Bloomberg