

Morning Brief

Daily | July 14, 2022

Today's Outlook:

The SUN Benchmark is relatively flat, amid investor attitudes that tend to wait and see. In addition to data on US June inflation at the consumer and producer levels, which remain high, investors will wait and see to determine BI's RDG figures for the third Thursday of the upcoming week. On the other hand, the potential for US inflation remains high, prompting the Fed to raise the FFR between 50 bps - 75 bps at the end of July.

Corporate Bonds

PT KAI Issues IDR 2 Trillion Bonds and Sukuk. PT Kereta Api Indonesia (Persero) will issue bonds and sukuk with a total value of IDR 2 trillion for expansion capital and debt repayment. This bond received a double A plus or AA + rating from PT Pemeringkat Efek Indonesia (Pefindo). PT KAI issues sustainable bonds I phase I 2022 amounting to IDR 1.5 trillion, from the target ceiling of IDR 2.2 trillion. The bond issuance coincides with the issuance of the 2022 Sustainable Sukuk Ijarah Phase I of IDR 500 billion, from the target ceiling of IDR 800 billion. (Bisnis Indonesia)

Domestic Issue

BI: On the Potential Increase in Benchmark Interest Rates. Bank Indonesia (BI) said it would remain vigilant about inflationary pressures and their impact on inflation expectations. In addition, BI is also ready to adjust interest rates if there are signs of higher core inflation. For the record, rising inflation was driven by pressure from the supply side due to rising international commodity prices. However, according to BI, core inflation is still within the target range. Data from the Statistics Indonesia (BPS) recorded inflation in June at 0.61% MoM and 4.35% YoY. (Kontan) (Kontan)

Recommendation

Hawkish aggressive FFR 100 Bps required, US inflation breaches 9%. FFR Futures support a 100 bps rate hike at the end of July, to reduce Headline Inflation or June CPI which reached 1.3% MoM (Vs. May 1.0% MoM) and 9.1% YoY (Vs. May 8.6% YoY). Inflation in June was driven by spikes in fuel and natural gas prices, which rose 11.2% MoM and 8.2% MoM, respectively. The increase also occurred in core inflation, with CPI Ex. Food and Energy which reached 0.7% MoM (Vs. May 0.6% MoM) and 5.9% YoY (Vs. May 6.0% YoY). This raises the question of how severe the impact of the Fed's aggressive Hawkish on a potential US economic recession will be, and has again boosted the safe-haven interest in UST10Y and USD. Yesterday, the Dow Jones led the pressure on Wall Street stocks, closing down 0.7%.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	3.50%	3.50%	Real GDP	5.01%	3.51%
FX Reserve (USD bn)	136.40	135.60	Current Acc (USD bn)	0.20	4.97
Trd Balance (USD bn)	2.90	7.56	Govt. Spending Yoy	-7.74%	5.25%
Exports Yoy	27.00%	47.76%	FDI (USD bn)	5.67	4.70
Imports Yoy	30.74%	21.97%	Business Confidence	104.82	105.33
Inflation Yoy	4.35%	3.55%	Cons. Confidence*	128.90	113.10

PRICE OF BENCHMARK SERIES

FR0090 : +2.5 Bps to 95.50 (6.23%)
FR0091 : -3.5 Bps to 94.13 (7.22%)
FR0093 : -1.0 Bps to 91.60 (7.30%)
FR0092 : -0.7 Bps to 97.72 (7.34%)

FR0086 : -1.6 Bps to 97.90 (6.13%)
FR0087 : -0.2 Bps to 95.72 (7.17%)
FR0083 : -0.6 Bps to 99.98 (7.50%)
FR0088 : 0.0 Bps to 90.55 (7.34%)

CDS of Indonesia Bonds

CDS 2yr: +1.77% to 70.84
CDS 5yr: +1.06% to 157.45
CDS 10yr: +1.43% to 235.12

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.24%	-0.03%
USDIDR	14,988	0.00%
KRWIDR	11.47	0.40%

Global Indices

Index	Last	Chg.	%
Dow Jones	30,772.79	(208.54)	-0.67%
S&P 500	3,801.78	(17.02)	-0.45%
FTSE 100	7,156.37	(53.49)	-0.74%
DAX	12,756.32	(149.16)	-1.16%
Nikkei	26,478.77	142.11	0.54%
Hang Seng	20,797.95	(46.79)	-0.22%
Shanghai	3,284.29	2.83	0.09%
KOSPI	2,328.61	10.85	0.47%
EIDO	21.46	(0.29)	-1.33%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,735.5	9.5	0.55%
Crude Oil (\$/bbl)	96.30	0.46	0.48%
Coal (\$/ton)	430.00	4.00	0.94%
Nickel LME (\$/MT)	21,150	(224.0)	-1.05%
Tin LME (\$/MT)	25,364	(210.0)	-0.82%
CPO (MYR/Ton)	3,761	(355.0)	-8.62%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	JP	06:50	Core Machine Orders MoM	May	-5.6%	-5.5%	10.8%
11 - July	JP	06:50	Core Machine Orders YoY	May	7.4%	5.6%	19.0%
	JP	13:00	Machine Tool Orders YoY	Jun.	17.1%	--	23.7%
Tuesday	JP	06:50	PPI YoY	Jun.	9.2%	8.9%	9.3%
12 - July	JP	06:50	PPI MoM	Jun.	0.7%	0.6%	0.1%
Wednesday	GE	13:00	CPI YoY	Jun.	7.6%	7.6%	7.6%
13 - July	US	18:00	MBA Mortgage Applications	Jul.	-1.7%	--	-5.4%
	US	19:30	CPI MoM	Jun.	1.3%	1.1%	1.0%
	US	19:30	CPI YoY	Jun.	9.1%	8.8%	8.6%
Thursday	US	19:30	PPI Final Demand MoM	Jun.		0.8%	0.8%
14 - July	US	19:30	PPI Final Demand YoY	Jun.		10.4%	10.8%
	US	19:30	Initial Jobless Claims	Jul.		--	235K
	US	19:30	Continuing Claims	Jul.		--	1,375K
Friday	ID	11:00	Trade Balance	Jun.		\$3,250Mn	\$2,900Mn
15 - July	ID	11:00	Exports YoY	Jun.		27.64%	27.00%
	ID	11:00	Imports YoY	Jun.		20.10%	30.74%
	US	21:00	U. of Mich. Sentiment	Jul.		49.0	50.0

Source: Bloomberg

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