

Morning Brief

Daily | Aug. 24, 2022

Today's Outlook:

Investors' negative response to the increase in fuel subsidies will push September inflation higher. The Government's plan to increase the price of Peralite subsidized fuel directly affects the inflation rate, which in turn has the potential to reduce people's purchasing power. From a global perspective, US manufacturing expansion is slowing. US S&P Global Data Aug. showed private sector activity slowed, with the Manufacturing PMI posting a slowdown in expansion to a level of 51.3 points (Vs. Jul. 52.2 points), facing demand pressures due to inflation and tighter corporate financial conditions.

Corporate Bonds

ADHI: Receives Payment for Two Big Projects. PT Adhi Karya (Persero) Tbk (ADHI) received the payments for two large projects during 1H22 valued at IDR2.8 trillion. The two projects are the Jabodebek Phase I LRT project of IDR1.6 trillion (including VAT) from the government through PT Kereta Api Indonesia (Persero) and the Sigli-Banda Aceh Toll Road project of IDR1.2 trillion (including VAT) from PT Hutama Karya (Persero). (Emiten News)

Domestic Issue

BI: Projects Inflation to Reach 5.24% Due to Pertamina Price Increase. Bank Indonesia (BI) projects inflation to reach 5.24% by the end of 2022 due to the increase in non-subsidized fuel prices. BI Governor Perry Warjiyo said that non-subsidized fuel price increase will also affect transportation fares. In addition, food prices have become increasingly expensive due to the Russo-Ukrainian war. Thus, BI predicts core inflation to reach 4.15% by the end of 2022. (CNN Indonesia)

Recommendation

Hawkish BI as risk mitigation, the government's subsidized fuel policy has the opportunity to have a significant Second Round Effect. Both the supply limitation and the increase in the price of subsidized fuel for Peralite and Solar types, gave the Domino Effect an increase in transportation fares, production costs and distribution in a number of sectors, including consumer. This inflation-resilient sector predominantly uses diesel fuel in its distribution process. On the other hand, the BI 7DRRR 25bps increase in August provided certainty to the market.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	3.75%	3.50%	Real GDP	5.44%	5.01%
FX Reserve (USD bn)	132.20	136.40	Current Acc (USD bn)	0.20	4.97
Trd Balance (USD bn)	5.15	5.09	Govt. Spending Yoy	-5.24%	-7.74%
Exports Yoy	32.03%	40.68%	FDI (USD bn)	5.67	4.70
Imports Yoy	39.86%	21.98%	Business Confidence	104.82	105.33
Inflation Yoy	4.94%	4.35%	Cons. Confidence*	123.20	128.20

PRICE OF BENCHMARK SERIES

FR0090 : +4.8 Bps to 94.44 (6.52%)
FR0091 : -5.1 Bps to 94.98 (7.10%)
FR0093 : +0.1 Bps to 93.83 (7.04%)
FR0092 : +2.5 Bps to 99.65 (7.15%)

FR0086 : +2.1 Bps to 97.71 (6.20%)
FR0087 : -4.3 Bps to 96.82 (7.00%)
FR0083 : -0.5 Bps to 102.54 (7.24%)
FR0088 : 0.0 Bps to 94.80 (6.83%)

CDS of Indonesia Bonds

CDS 2yr: -3.92% to 49.64
CDS 5yr: -2.36% to 111.27
CDS 10yr: -3.12% to 188.11

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.12%	-0.05%
USDIDR	14,838	-0.34%
KRWIDR	11.03	-0.79%

Global Indices

Index	Last	Chg.	%
Dow Jones	32,909.59	(154.02)	-0.47%
S&P 500	4,128.73	(9.26)	-0.22%
FTSE 100	7,488.11	(45.68)	-0.61%
DAX	13,194.23	(36.34)	-0.27%
Nikkei	28,452.75	(341.75)	-1.19%
Hang Seng	19,503.25	(153.73)	-0.78%
Shanghai	3,276.22	(1.57)	-0.05%
KOSPI	2,435.34	(27.16)	-1.10%
EIDO	23.76	0.41	1.76%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,748.2	11.9	0.68%
Crude Oil (\$/bbl)	93.74	3.38	3.74%
Coal (\$/ton)	417.60	(0.75)	-0.18%
Nickel LME (\$/MT)	21,745	(598.0)	-2.68%
Tin LME (\$/MT)	24,505	40.0	0.16%
CPO (MYR/Ton)	4,234	74.0	1.78%

Global & Domestic Economic Calendar

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Friday	ID	10:00	BoP Current Account Balance	2Q22	+\$3.9Bn	+\$4.5Bn	+\$407Mn
19 - Aug.	—	—	—	—	—	—	—
Monday	CH	08:15	1Y Loan Prime Rate	Aug.	3.65%	3.60%	3.70%
22 - Aug.	CH	08:15	5Y Loan Prime Rate	Aug.	4.30%	4.35%	4.45%
Tuesday	ID	09:00	BI 7DRRR	Aug.	3.75%	3.50%	3.50%
23 - Aug.	US	21:00	S&P Global US Manufacturing PMI	Aug.	51.3	51.8	52.2
	US	21:00	New Home Sales	Jul.	511K	575K	586K
Wednesday	US	18:00	MBA Mortgage Applications	Aug.		--	-2.3%
24 - Aug.	US	19:30	Durable Goods Orders	Jul.		0.8%	2.0%
Thursday	US	19:30	Initial Jobless Claims	Aug.		252K	250K
25 - Aug.	US	19:30	GDP Annualized QoQ	2Q22		-0.9%	-0.9%
Friday	US	19:30	Personal Income	Jul.		0.6%	0.6%
26 - Aug.	US	19:30	Personal Spending	Jul.		0.4%	1.1%

Source: Bloomberg

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