

Morning Brief

Daily | Jan. 5, 2023

Today's Outlook:

The Federal Reserve December Meeting Minutes implied a trend of interest rate hikes that will still be high for some time to come, as well as job vacancy data on Job Openings and Labor Turnover Survey (JOLTs), which rose by 10.5 million (above the forecast of 10 million); this shows that labor demand remains strong, thereby reducing the possibility that the Fed will put brakes on the rate hikes, let alone cut the FFR. US Treasury yields moved in negative territory, with US10YT closing down 2.21% in Federal Reserve's hawkish tone. As for banking stocks, those are still relatively immune to the decline in Treasury yields, which threatens the Net Interest Margin Position, with the hope of a relatively satisfactory financial report for quarter 4/2022.

Corporate News

The Upward Trend in Yields to the Slowdown in Third Party Funds Becomes a Concern for Bankers. The Financial Service Authority (OJK) completed the banking orientation survey for the fourth quarter of 2022. Regulators found information related to several issues in banking circles. First, an upward trend in yields can lead to a decrease in the fair value of the securities portfolio due to an increase in interest rates. This matter needs to be anticipated to prevent market risks from arising. Bankers also began to reduce holdings in the securities portfolio, placing securities into shorter tenors. It is as well set the securities portfolio to be placed in the form of Hold to Maturity (HTM). Second, third-party funds (DPK) tend to slow down amid increasing demand for credit. (Kontan)

Domestic Issue

Moody's Investors Service assigns a senior Baa2 rating with a stable outlook for 30-year USD-denominated bonds issued by the Government of Indonesia (Baa2 stable). The bonds to be issued are direct obligations, unconditional and without subordination from the Government of Indonesia as the issuer. The Baa2's rating is supported by a policy emphasis on macroeconomic stability that increases its resilience to economic shocks, such as: a country's credit profile supported by its large economy, low fiscal deficit, and a relative debt burden to other similarly rated countries.

Recommendation

US10YT will test the yield Support of 3.63 on a weekly uptrend pattern. If the yield is able to rise above MA10/3.74, it will continue the Uptrend towards the previous high: 3.88-3.9 before heading towards the TARGET area: 4.16-4.33. Advise is to do a gradual buy or Average Up when the yield breaks out of the MA10 Resistance will be wiser if applied. Meanwhile, the ID10YT daily chart yield tested the critical short-term resistance, which was quite critical around 7.135-7.15, coinciding with the Fibonacci retracement position of 38.2%, although we believe that there is still a potential increase in yield up to TARGET 7.21-7.25 (along with closing the Gap and FR50). If a pullback occurs from the current position, it is recommended to watch the nearest Support: MA50/7.08 up to 7.02 as the Buy on Weakness area.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	5.50%	5.25%	Real GDP	5.72%	5.44%
FX Reserve (USD bn)	134.00	130.20	Current Acc (USD bn)	4.02	4.97
Trd Balance (USD bn)	4.97	5.67	Govt. Spending Yoy	-2.88%	-7.74%
Exports Yoy	5.58%	12.30%	FDI (USD bn)	5.14	4.70
Imports Yoy	-1.89%	17.44%	Business Confidence	104.82	105.33
Inflation Yoy	5.42%	5.71%	Cons. Confidence*	119.10	120.30

PRICE OF BENCHMARK SERIES

FR0090 : 96.06 (6.19%)
FR0091 : 95.73 (7.01%)
FR0093 : 95.75 (6.84%)
FR0092 : 100.22 (7.10%)

FR0086 : 97.93 (6.20%)
FR0087 : 97.43 (6.92%)
FR0083 : 103.01 (7.19%)
FR0088 : 93.72 (6.98%)

CDS of Indonesia Bonds

CDS 2yr: -0.52% to 41.83
CDS 5yr: -0.43% to 96.81
CDS 10yr: -0.10% to 164.58

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.04%	-0.02%
USDIDR	15,588	-0.06%
KRWIDR	12.25	-0.18%

Global Indices

Index	Last	Chg.	%
Dow Jones	36,799.65	214.59	0.59%
S&P 500	4,793.54	(3.02)	-0.06%
FTSE 100	7,505.15	120.61	1.63%
DAX	16,152.61	131.88	0.82%
Nikkei	29,301.79	510.08	1.77%
Hang Seng	23,289.84	15.09	0.06%
Shanghai	3,632.33	(7.45)	-0.21%
KOSPI	2,989.24	0.47	0.02%
EIDO	23.24	0.04	0.17%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,814.6	13.2	0.73%
Crude Oil (\$/bbl)	71.02	0.99	1.41%
Coal (\$/ton)	174.10	16.60	10.54%
Nickel LME (\$/MT)	21,137	380.0	1.83%
Tin LME (\$/MT)	39,195	335.0	0.86%
CPO (MYR/Ton)	3,976	0.0	0.00%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	FR	15:50	S&P Global France Manufac. PMI	Dec F	49.2	48.9	48.9
2 - Jan.	ID	11:07	CPI YoY	Dec	5.51%	5.39%	5.42%
	GE	15:55	S&P Global/BME Germany Man. PMI	Dec F	47.1	47.4	47.4
Tuesday	US	21:45	S&P Global US Manufacturing PMI	Dec F	46.2	46.2	46.2
3 - Jan.	CH	08:45	Caixin China PMI Mfg	Dec	49.0	49.1	49.4
	GE	20:00	CPI MoM	Dec P	-0.8%	-0.6%	-0.5%
	GE	20:00	CPI YoY	Dec P	8.6%	9.0%	10.0%
Wednesday	US	19:00	MBA Mortgage Applications	Dec 30	-10.3%	--	-3.2%
4 - Jan.	US	22:00	ISM Manufacturing	Dec	48.4	48.5	49.0
	FR	14:45	CPI YoY	Dec P	5.9%	6.4%	6.2%
Thursday	US	02:00	FOMC Meeting Minutes	Dec 14	--	--	--
5 - Jan.	US	20:30	Trade Balance	Nov	--	-\$75.3 B	-\$78.2 B
	US	20:30	Initial Jobless Claims	Dec 31	--	--	--
	CH	08:45	Caixin China PMI Composite	Dec	--	--	47.0
	CH	08:45	Caixin China PMI Services	Dec	--	46.8	46.7
	US	20:30	Change in Nonfarm Payrolls	Dec	--	200K	263K
Friday	US	20:30	Unemployment Rate	Dec	--	3.7%	3.7%
	GE	14:00	Retail Sales MoM	Nov	--	1.8%	-2.8%

Source: Bloomberg

United States 10 Years Treasury



Indonesia 10 Years Treasury



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