

Morning Brief

Daily | Feb. 17, 2023

Today's Outlook:

The **USD hit a 6-week high**, and Treasury yields rallied after US economic data showed producer-level inflation (Jan.) came in higher than expected, while jobless claims were lower; further pressuring the Federal Reserve to continue maintaining a tight monetary policy to combat the inflation. According to the US Department of Labor, Initial Jobless Claims were recorded at 194K, lower than economists' forecast of 200K. January's Producer Price Index (PPI) rose 0.7% MoM vs. the forecast of 0.4%. On an annual basis, PPI advanced to 6% YoY, vs. a survey of 5.4%. The Fed official responded by stating that the next FOMX Meeting (March) may need to implement a higher rate hike, such as 50bps. Treasury yields jumped on the remarks, lowering growth sectors of the market, including consumer discretionary and tech. This discourse might follow the ECB's decision on a 50 bps rate hike next month, as ECB President Christine Lagarde stated in a speech to EU lawmakers in Strasbourg last Wednesday.

In response to the US macroeconomic data, the 10-year Treasury yield touched its highest point since Dec 30 as investors considering an increasingly hawkish Fed move. Benchmark US10YT yield rose 5.4bps to 3.861%, from 3.807% at Wednesday's close. The US Dollar index also rose by 0.15% to 103.95, after hitting a 6-week high of 104.24.

Corporate News

Waskita Karya Postpones the Interest Payment of Shelf Registration Bond III Phase IV. PT Waskita Karya (Persero) Tbk (WSKT) will conduct equal treatment for all debt holders, both working credit and bond holders. As a result of this equal treatment, Waskita postponed the interest payment for Sustainable Bonds III Phase IV. As for now, Waskita is in the process of restructuring, as stipulated in the Master Restructuring Agreement (MRA), as one of WSKT's strategies in conducting financial restructuring. (Kontan)

Domestic Issue

The Cause of Foreign Funds Exiting the Indonesian SBN Market

The amount of foreign funds in the Government Securities (SBN) Market fell again. Based on data from the Ministry of Finance's DJPPR, foreign funds in SBN were recorded at IDR 809.19 trillion as of February 14, 2023, lower than foreign funds in SBN at the end of January 2023, which amounted to IDR 811.89 trillion. The foreign portion also fell from 15.1% to 14.97% of the total. The decline was caused by the recent sell-off by foreign investors. Looking ahead, the flow of foreign funds into the Indonesian SBN market will depend on the direction of inflation and the benchmark interest rate policy. If dovish, it will be a positive catalyst for the Indonesian bond market. (Kontan)

Recommendation

ID10YT will try to break the Neckline of the bullish reversal pattern, DOUBLE BOTTOM, in the yield area of 6,791-6,80; which will end this Bottoming phase and free up the yield towards TARGET 7.06 / 7,202 / 7,234. ADVISE: Average Up accordingly.

The US10YT yield is indeed moving orderly on its way to the previous High level of 3.905, after exceeding the TARGET of 3.832 yield. With conditions in the Resistance area and RSI slightly entering the Overbought region, our best ADVISE is: to Sell on Strength or at least set your Trailing Stop, because it is actually not urgent to sell as yield is still moving above the first Support / MA10 = signaling a strong Uptrend.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	5.75%	5.75%	Real GDP	5.01%	5.72%
FX Reserve (USD bn)	139.40	137.20	Current Acc (USD bn)	4.02	4.97
Trd Balance (USD bn)	3.87	3.89	Govt. Spending Yoy	-4.77%	-2.88%
Exports Yoy	16.37%	6.58%	FDI (USD bn)	5.14	4.70
Imports Yoy	1.27%	-6.61%	Business Confidence	104.82	105.33
Inflation Yoy	5.28%	5.51%	Cons. Confidence*	123.00	119.90

PRICE OF BENCHMARK SERIES

FR0090 : 96.06 (6.21%)
FR0091 : 98.37 (6.61%)
FR0093 : 98.05 (6.59%)
FR0092 : 101.10 (7.02%)

FR0086 : 97.98 (6.21%)
FR0087 : 99.39 (6.60%)
FR0083 : 104.55 (7.04%)
FR0088 : 93.90 (6.96%)

CDS of Indonesia Bonds

CDS 2yr: -0.15% to 40.11
CDS 5yr: +0.74% to 90.79
CDS 10yr: -0.23% to 158.29

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.70%	-0.06%
USDIDR	15,157	-0.31%
KRWIDR	11.80	-0.49%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,696.85	(431.20)	-1.26%
S&P 500	4,090.41	(57.19)	-1.38%
FTSE 100	8,012.53	14.70	0.18%
DAX	15,533.64	27.30	0.18%
Nikkei	27,696.44	194.58	0.71%
Hang Seng	20,987.67	175.50	0.84%
Shanghai	3,249.03	(31.46)	-0.96%
KOSPI	2,475.48	47.58	1.96%
EIDO	23.29	(0.11)	-0.47%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,836.4	0.4	0.02%
Crude Oil (\$/bbl)	78.49	(0.10)	-0.13%
Coal (\$/ton)	214.00	(5.90)	-2.68%
Nickel LME (\$/MT)	26,489	346.0	1.32%
Tin LME (\$/MT)	27,004	346.0	1.30%
CPO (MYR/Ton)	4,069	125.0	3.17%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	CH	—	FDI YTD YoY CNY	Jan	—	—	6.3%
13 - Feb.	GE	—	Wholesale Price Index YoY	Jan	—	—	12.8%
Tuesday	US	20:30	CPI YoY	Jan	6.4%	6.2%	6.5%
14 - Feb.	JP	06:50	GDP Annualized SA QoQ	4Q P	0.6%	2.0%	-0.8%
Wednesday	US	20:30	Retail Sales Advance MoM	Jan	3.0%	1.7%	-1.1%
15 - Feb.	US	21:15	Industrial Production MoM	Jan	0.0%	0.5%	-0.7%
	ID	—	Imports YoY	Jan	1.27%	0.95%	-6.61%
	ID	—	Trade Balance	Jan	\$3,870M	\$3,258M	\$3,890M
	ID	—	Exports YoY	Jan	16.37%	12.95%	6.58%
Thursday	US	20:30	Housing Starts	Jan	1,309K	1,355K	1,382K
16 - Feb.	US	20:30	Initial Jobless Claims	Feb 11	194K	—	196K
	US	20:30	Continuing Claims	Feb 4	1,696K	—	1,688K
	US	20:30	PPI Final Demand MoM	Jan	0.7%	0.4%	-0.5%
	ID	14:20	Bank Indonesia 7D Reverse Repo	Feb 15	5.75%	5.75%	5.75%
Friday	US	20:30	Import Price Index MoM	Jan	—	-0.1%	0.4%
17 - Feb.	US	20:30	Export Price Index MoM	Jan	—	-0.2%	-2.6%
	FR	14:45	CPI YoY	Jan F	—	—	6.0%

Source: Bloomberg

United States 10 Years Treasury



Indonesia 10 Years Treasury



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