

# Morning Brief

Daily | Mar. 24, 2023

## Today's Outlook:

Regional markets were quite volatile over the 3 sessions as Indonesian markets celebrated the Nyepi holiday & first fasting day, along with various sentiments rolling in; including the Federal Reserve's decision to raise the Fed Fund Rate 25bps (as expected) to 5% and signaled (at least) one more hike this year, as well as ruling out the possibility of a rate cut this year. Meanwhile, US Treasury Secretary Janet Yellen sought to reassure market participants that the US government reassure market participants that the US government measures will be taken to keep Americans' deposits safe. US Treasury yields retreated at least 18bps on 2-year bonds; triggered by market optimism that the Fed may put the brakes on the pace of rate hikes sooner than expected at the next FOMC Meeting (in May); with a 55% probability compared to 31.4% on the prior week according to Investing.com's Fed Rate Monitor Tool. The rate pivot/cut is also expected to be faster than expected as the shocks in the banking sector could also help to ease the inflation. In contrast, so far, the latest US economic data shows that inflationary pressures are still resilient as evidenced by Initial Jobless Claims coming in lower than expected and the previous week; while Building Permits and New Home Sales (Feb.) still grew higher than the previous period.

From Europe, a similar 25 bps rate hike was also implemented by the Bank of England, placing their benchmark rate at 4.25%. The UK reported their Inflation rate (Feb.) still heating back up to a double digit level of 10.4% (higher than forecast of 9.9% and from previous of 10.1%). However, the BOE's further comments on Inflation coming down fast brought hope to the market on the future of the current tight monetary policy. The German ZEW Economic Sentiment (Mar.) has indeed shown a more contractionary 6-month outlook of the business situation, which stands at 13 (down considerably from the forecast of 17.1 and the previous month's figure of 28.1). Later this afternoon, UK Retail Sales (Feb.) data will be monitored. The data is expected to fall to 0.2% from 0.5% in the previous month; followed by German Manufacturing PMI (Mar.), UK PMI, US PMI (Mar.), and US Durable Goods Orders (Feb.) figures.

## Corporate News

**Provident Investasi (PALM) Issues IDR 750 Billion Bonds for This Purpose** PT Provident Investasi Bersama Tbk (PALM) will issue bonds worth IDR 750 billion. The funds will be used to pay all principal debt and interest expenses of USD 50 million or equivalent to IDR 750 billion (assuming an exchange rate of IDR 15,000). Based on the prospectus, PALM will issue Sustainable Bonds I Provident Investasi Bersama Phase I Year 2023 with a principal amount of IDR 750 billion. The bonds are issued in two series, namely Series A amounting to IDR 268 billion with an interest rate of 6.75%, and Series B worth IDR 482 billion with an interest rate of 8.50%. Bond interest will be paid every three months with the first payment to be made on June 28, 2023. Then for the last bond interest as well as bond repayment will be paid on April 7, 2024. Around 81% of the bond proceeds are planned to be used for the payment of all principal debt and interest expenses arising under the USD 50 million Facility Agreement dated October 10, 2022. (Bisnis)

## Domestic Issue

**SBN Is Predicted to Be Flooded With Foreign Capital Flows After the Fed Cut Interest Rates** Government Securities (SBN) yields and the rupiah are predicted to strengthen along with significant foreign capital inflows after the Fed's decision to raise interest rates and market expectations going forward. Mirae Asset Sekuritas Senior Economist Rully Wisnubroto explained that Bank Indonesia will pay attention to the difference between the yield of 2-year UST and 2-year SBN tenor coupled with the sentiment of a strong signal that the Fed will stop raising interest rates in May. This condition, said Rully, will have an impact on significant foreign capital inflows, which will have an impact on strengthening the Rupiah exchange rate and reducing the yield on SBN. Furthermore, Rully mentioned that short tenor SBN will be more attractive for the short and medium term. (Bisnis)

## Recommendation

**US10YT** is back to test Support to the yield area of 3.368-3.321%, although RSI positive divergence is still lurking. However, the new uptrend will begin if it is at least able to break through the nearest Resistance / MA10 at the 3.50% level, then follow the Resistance from the previous High level around the 3.60-3.644% yield. ADVISE: Speculative Buy; Average Up accordingly.

**ID10YT** is trying to maintain MA10 & MA20 Support around 6.9% yield level in this short term uptrend. The new upswing will occur again if at least it has been able to pass the yield of 6.915%, to then go towards the Resistance of the previous High level in the 6.987-7.0% yield. ADVISE: Average Up accordingly.

## 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)	140.30	139.40	Current Acc (USD bn)	4.54	4.02
Trd Balance (USD bn)	3.88	3.87	Govt. Spending Yoy	-4.77%	-2.88%
Exports Yoy	4.51%	16.37%	FDI (USD bn)	5.27	5.14
Imports Yoy	-4.32%	1.27%	Business Confidence	104.82	105.33
Inflation Yoy	5.47%	5.28%	Cons. Confidence*	122.40	123.00

## PRICE OF BENCHMARK SERIES

FR0090 : 95.58 (6.38%)  
FR0091 : 97.44 (6.76%)  
FR0093 : 97.00 (6.70%)  
FR0092 : 99.82 (7.14%)

FR0086 : 97.43 (6.44%)  
FR0087 : 99.16 (6.64%)  
FR0083 : 103.74 (7.12%)  
FR0088 : 93.25 (7.04%)

## CDS of Indonesia Bonds

CDS 2yr: +1.02% to 52.22  
CDS 5yr: +0.90% to 108.25  
CDS 10yr: +1.11% to 162.45

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.90%	-0.01%
USDIDR	15,345	-0.10%
KRWIDR	11.74	0.11%

## Global Indices

Index	Last	Chg.	%
Dow Jones	32,105.25	75.14	0.23%
S&P 500	3,948.72	11.75	0.30%
FTSE 100	7,499.60	(67.24)	-0.89%
DAX	15,210.39	(5.80)	-0.04%
Nikkei	27,419.61	(47.00)	-0.17%
Hang Seng	20,049.64	458.21	2.34%
Shanghai	3,286.65	20.90	0.64%
Kospi	2,424.48	7.52	0.31%
EIDO	22.58	0.13	0.58%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,993.4	23.3	1.18%
Crude Oil (\$/bbl)	69.96	(0.94)	-1.33%
Coal (\$/ton)	176.65	0.10	0.06%
Nickel LME (\$/MT)	22,517	56.0	0.25%
Tin LME (\$/MT)	24,348	953.0	4.07%
CPO (MYR/Ton)	3,569	(95.0)	-2.59%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b>	CH	—	5-Year Loan Prime Rate	Mar 20	4.30%	4.30%	4.30%
20 - Mar.	GE	14:00	PPI YoY	Feb	15.8%	—	12.7%
<b>Tuesday</b>	US	21:00	Existing Home Sales	Feb	4.58Mn	4.15Mn	4.00Mn
21 - Mar.	KR	04:00	PPI YoY	Feb	4.8%	—	5.1%
<b>Wednesday</b>	US	18:00	MBA Mortgage Applications	Mar 17	3.0%	—	6.5%
22 - Mar.	JP	13:00	Machine Tool Orders YoY	Feb F	10.7%	—	-10.7%
<b>Thursday</b>	US	01:00	FOMC Rate Decision (Upper Bound)	Mar 22	5.00%	5.00%	4.75%
23 - Mar.	US	01:00	FOMC Rate Decision (Lower Bound)	Mar 22	4.75%	4.75%	4.50%
	US	19:30	Initial Jobless Claims	Mar 18	191K	—	192K
	US	21:00	New Home Sales	Feb	640K	650K	670K
<b>Friday</b>	US	19:30	Durable Good Orders	Feb P		1.7%	-4.5%
24 - Mar.	US	20:45	S&P Global US Manufacturing PMI	Feb P		47.3	47.3
	JP	07:30	Jibun Bank Japan PMI Mfg	Mar P		—	47.7

Source: Bloomberg

## United States 10 Years Treasury



## Indonesia 10 Years Treasury



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