

Morning Brief

Daily | May. 16, 2023

Today's Outlook:

US stock markets slowly moved into positive territory, and government bond yields also crept up on optimism that the officials will be able to reach an agreement regarding the US debt ceiling issue. After the sentiment of the first quarter earning season began to pass, market participants focused on the release of economic data on manufacturing activity in New York which further confirmed that the slowdown in the US economy could help in dragging down inflation. The NY Empire State Manufacturing Index (May), tumbled to a reading of -31.8, against expectations of -3.75. Analysts/economists expect the economy to be weak enough to bring down inflation but not so weak that it causes a recession. This week will be filled with other economic data reports, such as Retail Sales, weekly Initial Jobless Claims, and housing sector data. Macroeconomic data that begin to show an economic slowdown has heightened expectations for when the Federal Reserve will pause its interest rate hike, although some Fed officials indicated they expect interest rates to stay high while monitoring the level of inflation consistently declining; in contrast to market expectations for a rate cut before the end of the year. The comments prompted US Treasury yields to move up, with the price of the 10-year benchmark bond falling 9.32, sending the yield to 3.4962%, from 3.463% previously. The price of the 30-year bond also fell 35/32 and brought the yield to 3.8392%, from 3.777% in Friday's trading. Federal Reserve Chairman Jerome Powell is scheduled to speak on Friday, and investors will be monitoring his comments for clues on the future direction of interest rate policy.

The USD also retreated modestly against a number of other world currencies after touching a 5-week high; the Dollar Index slipped 0.25%, while the Euro edged up 0.23%. Gold prices gained positive momentum from the weak USD as ongoing debt ceiling solution concerns somewhat fueled fears of a global recession. A recessionary atmosphere also began to prevail in the Eurozone when they reported Industrial Production (Mar) data of -4.1% on a monthly basis, a bigger drop than the -2.5% forecast. From Asia, China offered 125 billion Yuan (USD 18 billion) of medium-term credit facilities, 25 billion Yuan higher than the amount due in May. China's central bank kept their interest rates at fixed levels as they started to lower deposit rates and narrow banks' interest margins. Indonesia reported a green report card of economic data by successfully posting its 36th consecutive month of Trade Balance surplus, this time in April at USD 3.94 billion, higher than expectations of USD 3.38 billion. Indonesia also reported 1Q23 external debt levels remained under control at USD 402.8 billion.

Corporate News

Peeking at Banks' Readiness to Pay Bond Debt, from Maybank Indonesia (BNI) to Bank BJB PT Bank Maybank Indonesia Tbk. (BNI) has prepared funds of IDR 819.25 billion for the repayment of bonds that will mature in June 2023. Apart from Maybank, other banks also have bonds that will mature this year, such as PT Bank Rakyat Indonesia (Persero) Tbk (BRI) and PT Bank Pembangunan Daerah Jawa Barat and Banten Tbk (BJBR). BRI Corporate Secretary Aestika Oryza Gunarto said BRI has a total of IDR 5.31 trillion and USD 500 million in maturing bonds. Then, President Director of Bank BJB Yuddy Renaldi said that BJBR has bonds that will mature this year worth IDR 916.5 billion (Bisnis)

Domestic Issue

The Supported by the Declining Inflation Trend, SUN Auction on Tuesday (5/16) is Predicted to be Festive Today's auction of Government Bonds (SUN) is estimated to remain festive. The downward trend in inflation is a positive sentiment for investors participating in the auction. Research & Consulting Manager of PT Infovesta Kapital Advisori Nicodimus Kristiantoro estimates that the SUN auction will be more crowded than the previous SUN auction. This is because the bond market is currently in a bullish trend. According to Nico, the Indonesian bond market is now attractive due to several positive sentiments. Domestically, Indonesia's inflation continues to slope, and the Bank Indonesia (BI) benchmark interest rate has peaked. (Kontan)

Recommendation

US10YT is slowly breaking through one Moving Average Resistance after another. It is now perched slightly above the yield of 3.49% (the nearest support now). ADVISE: Buy; Average Up >3.532%. TARGET: 3.613-3.644%.

ID10YT has the potential for a technical rebound as an Inverted Hammer candle appears in the Support area from the previous Low level (yield 6.402%). ADVISE : Speculative Buy; Average Up above MA10 / yield 6.46%. TARGET : 6.50-6.545% / 6.578%.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	5.75%	5.75%	Real GDP	5.03%	5.01%
FX Reserve (USD bn)	144.20	145.20	Current Acc (USD bn)	4.54	4.02
Trd Balance (USD bn)	2.91	5.48	Govt. Spending Yoy	-4.77%	-2.88%
Exports Yoy	-11.33%	4.51%	FDI (USD bn)	5.27	5.14
Imports Yoy	-6.26%	-4.32%	Business Confidence	104.82	105.33
Inflation Yoy	4.33%	4.97%	Cons. Confidence*	126.10	123.30

PRICE OF BENCHMARK SERIES

FR0090 : 97.03 (5.99%)
FR0091 : 99.93 (6.38%)
FR0093 : 101.00 (6.27%)
FR0092 : 104.67 (6.69%)

FR0086 : 98.80 (5.95%)
FR0087 : 100.72 (6.38%)
FR0083 : 106.89 (6.81%)
FR0088 : 97.97 (6.48%)

CDS of Indonesia Bonds

CDS 2yr: -0.44% to 41.11
CDS 5yr: -0.31% to 95.08
CDS 10yr: -0.57% to 160.24

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.43%	0.04%
USDIDR	14,800	0.34%
KRWIDR	11.08	0.18%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,348.60	47.98	0.14%
S&P 500	4,136.28	12.20	0.30%
FTSE 100	7,777.70	23.08	0.30%
DAX	15,917.24	3.42	0.02%
Nikkei	29,626.34	238.04	0.81%
Hang Seng	19,971.13	343.89	1.75%
Shanghai	3,310.74	38.38	1.17%
Kospi	2,479.35	3.93	0.16%
EIDO	23.78	0.22	0.93%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,016.5	5.7	0.28%
Crude Oil (\$/bbl)	71.11	1.07	1.53%
Coal (\$/ton)	163.75	(1.15)	-0.70%
Nickel LME (\$/MT)	21,622	(595.0)	-2.68%
Tin LME (\$/MT)	24,994	158.0	0.64%
CPO (MYR/Ton)	3,616	(32.0)	-0.88%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 15– Mei.	US	19:30	Empire Manufacturing	Apr	-31.8	-4.0	10.8
	ID	11:00	Trade Balance	Apr	\$3,940M	\$3,695M	\$2,910M
	ID	11:00	Export YoY	Apr	-29.40%	-21.25%	-11.33%
	ID	11:00	Import YoY	Apr	-22.32%	-7.30%	-6.26%
Tuesday 16– Mei.	US	19:30	Retail Sales Advance MoM	Apr		0.7%	-1.0%
	US	20:15	Industrial Production MoM	Apr		0.0%	0.4%
	CH	09:00	Industrial Production YoY	Apr		10.8%	3.9%
	CH	09:00	Retail Sales YoY	Apr		22.0%	10.6%
Wednesday 17– Mei.	US	18:00	MBA Mortgage Applications	May 12		—	6.3%
	US	19:30	Housing Starts	Apr		1,396K	1,420K
Thursday 18– Mei.	US	19:30	Initial Jobless Claims	May 13		—	264K
	US	21:00	Existing Home Sales	Apr		4.28M	4.44M
	US	21:00	Leading Index	Apr		-0.5%	-1.2%
Friday 19– Mei.	GE	13:00	PPI MoM	Apr		—	13.4%
	GE	13:00	PPI YoY	Apr		—	0.0%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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