

Morning Brief

Daily | May. 23, 2023

Today's Outlook:

US and European stock markets were mixed ahead of talks in Washington to avert a US debt default; while gold prices retreated under pressure from hawkish remarks by Federal Reserve officials. World oil prices were somewhat finished higher on demand optimism; US Treasury yields also crept up.

President Joe Biden and a Republican Kevin McCarthy met yesterday to sew up an agreement on a solution to the US government debt ceiling to avoid a catastrophic default, which due 10 days. UBS economists estimate that the Japanese Yen and Gold are the commodities that will benefit the most if a default does occur. Regarding interest rates, Federal Reserve officials are not yet in agreement on the future FFR hike plan, with St. Louis Fed President Bullard remain in hawkish tone as he foresees two more rate increases this year, while Minneapolis Fed President Kashkari, expressed support for a pause in June; and San Francisco Fed President Daly said it is too soon to confirm what the Fed will do next without looking at important economic data that will be released on Friday, including Durable Goods Orders, PCE Price Index, and Personal Spending.

Coming from Asia, China set its interest rate unchanged at 3.65% as the economic improvement has not developed much. More global macroeconomic reports are awaited by market participants today, including: from Japan: PMI (May) and BOJ Core CPI; while Germany, Eurozone, UK, and US simultaneously release: PMI (May). Also, the US will monitor the Building Permits and New Home Sales (Apr) figures as a measure of the property sector's health.

Gold prices have dropped by 0.25% to USD1971.68/ounce. The 10-year US Treasury benchmark yield rose to 3.7206% from 3.692% previously. Meanwhile, the 2-year tenor, which is almost in line with market participants' expectations of the FFR rate, hit 4.3346% compared to 4.289% in the previous trading session. The Dollar Index, which follows the USD's movement over a number of other major world currencies, also crept up to 103.25. The WTI variant of world crude oil closed up 0.61% almost reaching USD 72/barrel; while Brent oil almost reached USD 65/barrel.

Corporate News

Oversubscribed for 8.25 Times, Pertamina Geothermal's (PGEO) Green Bond is Well Sold The green bond issued by PT Pertamina Geothermal Energy Tbk (PGEO) was welcomed PGEO managed to book USD 400 million in the green bond issuance on April 27, 2023. These funds are used by PGEO to refinance geothermal resource development projects that have been carried out to provide access towards clean and environmentally friendly energy that is reliable and affordable. The interest earned by PGEO's green bond is very competitive, at 5.15%. This percentage shows investor confidence in PGEO's business prospects. Pertamina Geothermal Energy Finance Director Nelwin Aldriansyah revealed, from the value of this green bond issuance, PGEO managed to record oversubscribed up to 8.25 times or USD 3.3 billion. (Kontan)

Domestic Issue

Foreign Capital Inflow into Indonesian Bond Market Reaches IDR 59Trillion Finance Minister Sri Mulyani said that the flow of foreign capital into the domestic bond market has reached IDR 59 trillion since the beginning of the year to date or year-to-date (ytd). She added that in April 2023 there was an inflow into the bond market of IDR 4.16 trillion, while in May 2023 there was a capital outflow of IDR 1.43 trillion. In her presentation, Sri Mulyani revealed that foreign capital outflow from the Indonesian stock market was recorded at IDR 2.5 trillion during May 2023. She added that banking investors and Bank Indonesia (BI) still dominate the ownership of Government Securities (SBN). Meanwhile, the portion of foreign ownership has slightly increased to 15.20%, higher compared to the end of December 2022 which reached 14.36%. On the other hand, BI reported that foreign capital flows into the Indonesian financial market reached IDR 8.33 trillion during May 15-19, 2023. (Bisnis)

Recommendation

US10YT has a chance to advance further towards the TARGET yield around the 3.86%/3.965-4.0% level. Support test has proven successful in the Support area around 3.644-3.613% yield. ADVISE: Buy, or Average Up accordingly.

ID10YT is steadily breaking MA10 & MA20 Resistance; potentially ending this short-term downtrend AFTER successfully breaking the upper channel Resistance (downtrend) at the yield level of 6.54%; thus paving the way for strengthening ID10YT yield towards TARGET: 6.68% / 6.75% / 6.8%. 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	5.03%	5.01%
FX Reserve (USD bn)	144.20	145.20	Current Acc (USD bn)	4.54	4.02
Trd Balance (USD bn)	3.94	2.91	Govt. Spending Yoy	3.99%	-4.77%
Exports Yoy	-29.40%	-11.33%	FDI (USD bn)	5.27	5.14
Imports Yoy	-22.32%	-6.26%	Business Confidence	104.82	105.33
Inflation Yoy	4.33%	4.97%	Cons. Confidence*	126.10	123.30

PRICE OF BENCHMARK SERIES

FR0090	: 97.26 (5.92%)
FR0091	: 99.76 (6.41%)
FR0093	: 98.50 (6.54%)
FR0092	: 103.10 (6.83%)
FR0086	: 99.10 (5.84%)
FR0087	: 100.68 (6.38%)
FR0083	: 106.94 (6.80%)
FR0088	: 98.01 (6.48%)

CDS of Indonesia Bonds

CDS 2yr:	-2.07% to 38.74
CDS 5yr:	-0.46% to 91.08
CDS 10yr:	-1.78% to 152.16

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.43%	-0.01%
USDIDR	14,890	-0.23%
KRWIDR	11.29	0.35%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,286.58	(140.05)	-0.42%
S&P 500	4,192.63	0.65	0.02%
FTSE 100	7,770.99	14.12	0.18%
DAX	16,223.99	(51.39)	-0.32%
Nikkei	31,086.82	278.47	0.90%
Hang Seng	19,678.17	227.60	1.17%
Shanghai	3,296.47	12.93	0.39%
Kospi	2,557.08	19.29	0.76%
EIDO	23.86	0.27	1.14%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,971.9	(6.0)	-0.30%
Crude Oil (\$/bbl)	72.05	0.36	0.50%
Coal (\$/ton)	160.35	(1.90)	-1.17%
Nickel LME (\$/MT)	21,413	135.0	0.63%
Tin LME (\$/MT)	24,950	(501.0)	-1.97%
CPO (MYR/Ton)	3,428	(53.0)	-1.52%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	KR	07:00	Exports 20 Days YoY	May	-16.1%	—	-11.8%
22– May.	JP	06:50	Core Machine Orders MoM	Mar	-3.9%	0.5%	-4.5%
Tuesday	US	20:45	S&P Global US Manufacturing PMI	May P		50.0	50.2
23– May.	US	21:00	New Home Sales	Apr		660K	683K
	ID	10:00	BoP Current Account Balance	1Q		\$2,450Mn	\$4,300Mn
	ID	14:20	Bank Indonesia 7D Reverse Repo	May 24		5.75%	5.75%
Wednesday	US	18:00	MBA Mortgage Applications	May 19		—	-5.7%
24– May.	GE	15:00	IFO Business Climate	May		93.0	93.6
Thursday	US	19:30	Initial Jobless Claims	May 20		—	242K
25– May.	US	19:30	Continuing Claims	May 13		—	1,799K
	US	19:30	GDP Annualized QoQ	1Q S		1.1%	1.1%
Friday	US	19:30	Personal Income	Apr		0.4%	0.3%
26– May.	US	19:30	Personal Spending	Apr		0.4%	0.0%
	US	19:30	Durable Goods Orders	Apr P		-1.0%	3.2%
	US	21:00	U. of Mich. Sentiment	Apr P		57.7	57.7

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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