

Morning Brief

Daily | May. 25, 2023

Today's Outlook:

Market sentiment turned gloomy, as the US debt ceiling talks reached another stalemate, which stoked worries about a potential US default for the first time in four decades, right on June 1 as its deadline. Energy sector became the only sector that received a good wind from the OPEC+ production cut plan, plus the release of US Crude Oil Inventories data, which surprisingly fell far below expectations, dropping by 12.456 million barrels. The CBOE Volatility Index, also known as the Wall Street "fear" index, rose to around a 3-week high. The outlook on interest rates from the Federal Reserve also became market participants' focus. The release of the Fed Meeting Minutes from the last meeting on 2-3 May, showed that most Fed officials think that there might not be a need to raise interest rates again at the upcoming FOMC Meeting on 13-14 June (as expected by investors); although a pivot (rate cut) is also not likely to happen considering that there are not enough strong reasons to end the trend of tight monetary policy.

From Europe, the UK managed to record a decline in April Inflation to 8.7% YoY, finally leaving the previous month's double digit rate of 10.1%; however, on a monthly basis, UK CPI still recorded a rise of 1.2% MoM, higher than forecast & previous period of 0.8%. Meanwhile, they managed to significantly reduce the PPI Input, or the price of raw materials paid by manufacturers; a leading indicator of consumer price Inflation. The German Ifo Business Climate Index (May) could not be more optimistic about the business climate for the next 6 months as the reading was released at 91.7 (lower than forecast & previous period which was around 93). Today the German 1Q23 GDP figure will be awaited; from the US the 1Q23 GDP and Initial Jobless Claims will be announced where it is predicted that the number of jobless claims will come out at 250 thousand, up from the previous week at 242 thousand. The US will also await Pending Home Sales (Apr.) data where growth of 0.5% is expected, which is significantly higher than the previous month's decline of -5.2%.

The Central Bank of Indonesia re-appointed Perry Warjiyo as BI Governor for a second term. The Government held an auction of 6 series of sukuk on Tuesday (23/05/23) with total bids reaching IDR 54.75 trillion, while the government only absorbed IDR 7 trillion, below the initial target of IDR 9 trillion.

Corporate News

Issuing Green Bonds, Bank Mandiri (BMRI) Seeks Fresh Funds of IDR 10 T PT Bank Mandiri Tbk (BMRI) began the initial offering of Sustainable Green Bonds 1 Bank Mandiri Phase 1 year 2023 with a maximum of IDR 5 trillion. The bonds are part of the Sustainable Public Offering 1 with total proceeds of IDR 10 trillion. The corporate action continues if it gets an effective statement of debt securities offering from OJK on June 16, 2023. The plan is that the proceeds from the issuance of the debt securities will be used for financing green loans and green corporate debt. (Emiten News)

Domestic Issue

Multifinance Still Dominates Bond Issuance during Q1/2023 PT Perneringkat Efek Indonesia (Pefindo) noted that finance companies (multifinance) or leasing became the industry with the highest contribution in issuing bonds during the first quarter of 2023, although the nominal value decreased to IDR 9.67 trillion. Head of Pefindo's Financial Services Rating Division Danan Dito said the contribution of corporate debt securities issuance by the multifinance industry was still the highest during the first quarter of 2023. Danan said that the issuance of debt securities from the multifinance industry contributed around 34.8 percent of the total issuance of IDR 27.79 trillion during the first quarter of 2023. He stated that the percentage of the multifinance industry's portion was much higher compared to several other industries. (Bisnis)

Recommendation

US10YT looks quite stable on the way to the yield TARGET at around the 3.85%/3.97-4.0% level. If a pullback occurs, it is estimated that the Support Test will lead to around 3.644-3.613% yield. ADVISE: Buy (on Weakness), or Average Up accordingly above yield 3.761%.

ID10YT appears to attempt a break out of upper channel resistance (Downtrend), after successfully perched above MA10 & MA20. A breakout above the yield of 6.52% will make the yield Uptrend towards TARGET: 6.66% / 6.753-6.781%. 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)	3.00	4.54
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 : 97.38 (5.89%)
FR0091 : 99.65 (6.43%)
FR0093 : 98.65 (6.52%)
FR0092 : 103.34 (6.81%)

FR0086 : 99.28 (5.77%)
FR0087 : 100.62 (6.39%)
FR0083 : 106.82 (6.81%)
FR0088 : 98.01 (6.48%)

CDS of Indonesia Bonds

CDS 2yr: +1.70% to 39.39
CDS 5yr: +0.14% to 90.31
CDS 10yr: +1.29% to 153.93

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.42%	-0.01%
USDIDR	14,905	0.17%
KRWIDR	11.31	-0.22%

Global Indices

Index	Last	Chg.	%
Dow Jones	32,799.92	(255.59)	-0.77%
S&P 500	4,115.24	(30.34)	-0.73%
FTSE 100	7,627.10	(135.85)	-1.75%
DAX	15,842.13	(310.73)	-1.92%
Nikkei	30,682.68	(275.09)	-0.89%
Hang Seng	19,115.93	(315.32)	-1.62%
Shanghai	3,204.75	(41.49)	-1.28%
Kospi	2,567.45	(0.10)	0.00%
EIDO	23.70	(0.09)	-0.38%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,957.2	(18.1)	-0.91%
Crude Oil (\$/bbl)	74.34	1.43	1.96%
Coal (\$/ton)	160.25	0.25	0.16%
Nickel LME (\$/MT)	20,732	(315.0)	-1.50%
Tin LME (\$/MT)	23,965	(355.0)	-1.46%
CPO (MYR/Ton)	3,407	29.0	0.86%

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%	0.4%	-4.5%
Tuesday	US	20:45	S&P Global US Manufacturing PMI	May P	48.5	50.0	50.2
23– May.	US	21:00	New Home Sales	Apr	683K	665K	683K
	ID	10:00	BoP Current Account Balance	1Q	\$3,000Mn	\$2,500Mn	\$4,300Mn
Wednesday	US	18:00	MBA Mortgage Applications	May 19	-4.6%	—	-5.7%
24– May.	GE	15:00	IFO Business Climate	May	91.7	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%	1.1%
	ID	14:20	Bank Indonesia 7D Reverse Repo	May 24	5.75%	5.75%	5.75%
Friday	US	19:30	Personal Income	Apr	0.4%	0.4%	0.3%
26– May.	US	19:30	Personal Spending	Apr	0.4%	0.4%	0.0%
	US	19:30	Durable Goods Orders	Apr P	-1.0%	-1.0%	3.2%
	US	21:00	U. of Mich. Sentiment	Apr P	57.7	57.7	57.7

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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