

# Morning Brief

Daily | May. 26, 2023

## Today's Outlook:

US President Joe Biden and Republican lawmaker Kevin McCarthy on Thursday were edging close to a deal to raise the US debt ceiling to avoid an immediate default on June 1, with the parties just USD 70 billion apart on discretionary spending. The threat of default could result in a US credit rating downgrade from rating agencies such as Fitch. From the macroeconomic report, the US revised 1Q23 economic growth to 1.3% (from 1.1% forecast) but indeed weaker than the previous quarter's 2.6%; and reported jobless claims rose to 229k from the previous week's 225k, but still below the forecast of 250k. Both readings signaled that the US economy is still strong and dashed hopes of a slowdown in the pace of interest rate hikes next month. Market participants began to calculate a 50% probability of a further rate hike at next month's FOMC Meeting (from 28% probability previously), as reported by the Fed Rate Monitor Tool. Due to market uncertainty, the 2-year US Treasury yield touched its highest point since last March.

From Europe, Germany announced 1Q23 GDP contracted to -0.2% yoy (recession below expectations and the previous quarter which was still in positive territory, 0.2% and 0.3% respectively). Meanwhile, today will be awaited for Retail Sales (Apr.) figures from the UK as well as some important economic data from the US such as Core Durable Goods Orders (Apr.), Core PCE Price Index (Apr.), Personal Spending, Michigan Consumer Expectations & Sentiment (May).

Bank Indonesia decided to keep BI7DRR at 5.75%, and again expressed optimism for GDP projection in the range of 4.5-5.3% underpinned by more aggressive economic growth in the second half of this year.

## Corporate News

**KB Finansia (KreditPlus) Offers IDR 1 T Bonds** Finance company PT KB Finansia Multi Finance aka KreditPlus is also starting its bond offering. KB Finansia aka KreditPlus is currently holding an initial offering of the KB Finansia Multi Finance Bond II Year 2023. The maximum principal amount is IDR 1 trillion. KB Finansia will use the proceeds from the bond offering to pay off the principal debt of KB Finansia Multi Finance Bond I Year 2022 Series A amounting to IDR 686.39 billion. The bonds, which were released in the middle of last year, will mature on August 2. While the rest will be used by KB Finansia for the company's working capital in the form of consumer financing. (Kontan)

## Domestic Issue

**Ministry of Finance Aims IDR 150 T from the Issuance of Retail SBNs This Year** The Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance (Finance) has increased the target of issuing Retail Government Securities (SBN) by IDR 150 trillion this year. The increase in retail SBN issuance was carried out through the Retail State Bond (ORI) series, Retail State Sukuk (SR), Retail Savings Bond (SBR), and Savings Sukuk (ST), and Cash Waqf Linked Sukuk (CWLS). Director of Government Bonds (SUN) of the Ministry of Finance's DJPPR Deni Ridwan said the increase in issuance was carried out in accordance with the direction of Minister of Finance Sri Mulyani. He said Sri Mulyani wanted to provide opportunities for investors to invest in retail SBN. This cannot be separated from last year's increasing demand. He said the achievement of retail SBN issuance continued to increase in 2020, 2021 and 2022 amounting to IDR 76 trillion, IDR 97 trillion and IDR 107 trillion, respectively. (CNN Indonesia)

## Recommendation

**US10YT** looks quite stable on its way to TARGET yield around 3.884%/3.97-4.0% level. ADVISE: Buy, or Average Up accordingly.

**ID10YT** failed to break out of the upper channel resistance (downtrend), and instead fell back below the MA10 & MA20 resistance (making the yield range of 6.417-6.451% the closest resistance at the moment). If ID10YT yield needs a further pullback then the previous Low yield level of 6.35% will be used as Support again. ADVISE: Hold; Wait & See.

## 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 : 97.40 (5.88%)  
FR0091 : 99.59 (6.43%)  
FR0093 : 98.37 (6.55%)  
FR0092 : 103.34 (6.81%)

FR0086 : 99.36 (5.74%)  
FR0087 : 100.59 (6.40%)  
FR0083 : 106.81 (6.81%)  
FR0088 : 98.85 (6.38%)

## CDS of Indonesia Bonds

CDS 2yr: +0.15% to 39.45  
CDS 5yr: +2.44% to 92.38  
CDS 10yr: +0.03% to 153.98

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.43%	0.01%
USDIDR	14,950	0.30%
KRWIDR	11.28	-0.30%

## Global Indices

Index	Last	Chg.	%
Dow Jones	32,764.65	(35.27)	-0.11%
S&P 500	4,151.28	36.04	0.88%
FTSE 100	7,570.87	(56.23)	-0.74%
DAX	15,793.80	(48.33)	-0.31%
Nikkei	30,801.13	118.45	0.39%
Hang Seng	18,746.92	(369.01)	-1.93%
Shanghai	3,201.26	(3.49)	-0.11%
Kospi	2,554.69	(12.76)	-0.50%
EIDO	23.66	(0.04)	-0.17%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,941.4	(15.8)	-0.80%
Crude Oil (\$/bbl)	71.83	(2.51)	-3.38%
Coal (\$/ton)	160.00	(0.25)	-0.16%
Nickel LME (\$/MT)	21,228	496.0	2.39%
Tin LME (\$/MT)	24,607	642.0	2.68%
CPO (MYR/Ton)	3,493	86.0	2.52%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b>	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%
<b>Tuesday</b>	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
<b>Wednesday</b>	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
<b>Thursday</b>	US	19:30	Initial Jobless Claims	May 20	229K	—	242K
25– May.	US	19:30	Continuing Claims	May 13	1,794K	—	1,799K
	US	19:30	GDP Annualized QoQ	1Q S	1.3%	1.1%	1.1%
	ID	14:20	Bank Indonesia 7D Reverse Repo	May 24	5.75%	5.75%	5.75%
<b>Friday</b>	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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