

Morning Brief

Daily | May. 31, 2023

Today's Outlook:

An uncertain atmosphere is still suppressing financial market sentiment on Tuesday (30/05/23), pressured by worries about US lawmakers opposed to a deal to raise the USD 31.4 trillion debt ceiling. The uncertainty still remains although US President Joe Biden and Republican Kevin McCarthy met over the weekend and reached an agreement, it is still likely to be opposed by other Republican officials. In terms of interest rates, economic data showed US Consumer Confidence (May) rose above forecasts, this reinforces the prediction that the US central bank may still need to raise interest rates further to combat inflation. Traders are pricing in a 65% probability of a 25 bps Fed Fund Rate hike at the upcoming FOMC Meeting on June 13-14.

Today, other important economic data from other regions of the world will be awaited, such as: Japan Industrial Production (Apr) which was released unexpectedly lower than expected this morning, entering the negative 0.4% area; followed immediately by Chinese Composite PMI (May), German Unemployment Change (May), German CPI (May), and in the evening the US JOLTs Job Opening (Apr) labor report which is expected to add 9.775 million, up from the previous period of 9.590 million.

This week become a short trading week for Indonesia as the JCI is faced with a two-day holiday June 1-2, while on Friday investors will closely monitor the Nonfarm Payrolls (May) and US Unemployment Rate (May) data which will give some impact on the Fed's decision at their meeting next month.

Corporate News

Pefindo Downgrades Wijaya Karya (WIKA) Bond Rating to Negative PT Wijaya Karya (Persero) Tbk (WIKA), Sustainable Bonds (SR) I, II, III, and Sustainable Mudharabah Sukuk I, II, III to idBBB from idA. Outlook revised to Negative from stable. The downgrade reflects WIKA's weak financial profile, as demonstrated by a very aggressive capital structure and weak liquidity to meet maturing short-term debt obligations. This is due to WIKA's elongated operating cash cycle and high capital expenditure from its investments, making it highly dependent on external funds to finance its construction activities. (Emiten News)

Domestic Issue

Election, Will the Foreign Funds Flee or Stay in Indonesia Next Year? Foreign funds are expected to continue to flow next year, even though Indonesia will experience general elections. Sri Mulyani said that this capital inflow will support lower yields. "The 10-year SBN yield on the right illustrates our economic and fiscal foundation and the attractiveness of Indonesian securities is excellent," Sri Mulyani said during a meeting of the Indonesian Budget Agency. "This suppresses the yield of our investors, it remains attractive to investors," she added further. Sri Mulyani is not too worried considering that debt securities investors in the country are supported by domestic investors. From her records, more than 89% of Indonesian SBN holders are local investors. The Ministry of Finance estimates that the 10-year SBN yield is 6.91% - 7.05%. This yield is triggered by a decrease in global inflation. (CNBC Indonesia)

Recommendation

US10YT turned to sink below the MA10 Support (making the yield level of 3.744% as the nearest Resistance now). The short-term uptrend seems to be consolidating first at the next Support: MA20 / yield 3.644-3.623%. ADVISE : BUY ON WEAKNESS.

ID10YT is still struggling to break out of its falling channel, but MA10 & MA20 are detected to be approaching a goldencross; which, if it happens, could create a platform for an Uptrend. ADVISE: BUY ON BREAK; or Average Up if it breaks above the upper channel resistance at 6.48% yield. TARGET: yield 6.62% / 6.73-6.753%.

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 : 97.56 (5.84%)
FR0091 : 99.80 (6.40%)
FR0093 : 99.58 (6.42%)
FR0092 : 103.95 (6.75%)

FR0086 : 99.53 (5.68%)
FR0087 : 100.70 (6.38%)
FR0083 : 107.34 (6.76%)
FR0088 : 98.80 (6.39%)

CDS of Indonesia Bonds

CDS 2yr: -3.46% to 37.25
CDS 5yr: -4.53% to 86.21
CDS 10yr: -0.64% to 146.91

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.41%	0.02%
USDIDR	14,985	0.10%
KRWIDR	11.33	0.07%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,042.78	(50.56)	-0.15%
S&P 500	4,205.52	0.07	0.00%
FTSE 100	7,522.07	(105.13)	-1.38%
DAX	15,908.91	(43.82)	-0.27%
Nikkei	31,328.16	94.62	0.30%
Hang Seng	18,595.78	44.67	0.24%
Shanghai	3,224.21	2.77	0.09%
Kospi	2,585.52	26.71	1.04%
EIDO	23.77	(0.02)	-0.08%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,959.3	16.1	0.83%
Crude Oil (\$/bbl)	69.46	(3.21)	-4.42%
Coal (\$/ton)	135.10	(5.55)	-3.95%
Nickel LME (\$/MT)	21,027	(135.0)	-0.64%
Tin LME (\$/MT)	25,561	715.0	2.88%
CPO (MYR/Ton)	3,403	(143.0)	-4.03%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	JP	12:00	Leading index CI	Mar F	—	—	97.5
29– May	FI	13:00	Trade Balance	Mar F	69 Mn	—	65 Mn
Tuesday	US	21:00	Conf. Board Consumer Confidence	May	102.3	99.9	101.3
30– May	JP	06:30	Jobless Rate	Apr	2.6%	2.7%	2.8%
Wednesday	US	18:00	MBA Mortgage Applications	May 26	—	—	-4.6%
31– May.	US	20:45	MNI Chicago PMI	May	47.5	47.5	48.6
	CH	08:30	Manufacturing PMI	May	49.6	49.6	49.2
Thursday	US	19:15	ADP Employment Change	May	160K	160K	296K
1– June	US	19:30	Initial Jobless Claims	May 27	—	—	229K
	US	20:45	S&P Global US Manufacturing PMI	May F	—	—	48.5
	US	21:00	ISM Manufacturing	May	47.0	47.0	47.1
	CH	08:45	Caixin China PMI Mfg	May	49.5	49.5	49.5
Friday	US	19:30	Change in Nonfarm Payrolls	May	180K	180K	253K
2– June	US	19:30	Unemployment Rate	May	3.5%	3.5%	3.4%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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