

Morning Brief

Daily | May. 5, 2023

Today's Outlook:

All three major Wall Street indexes ended lower in negative territory of less than 1% as latest US bank crisis threat emerged from PacWest Bancorp whose share price plunged 51% and dragged down other regional bank stocks. PacWest Bancorp confirmed it was exploring strategic options, including the possibility of having to sell its assets. The CBOE Volatility Index (or Wall Street's fear gauge) rose to as much as 21 pts, its highest since late March. With investors increasingly worried a widening bank crisis and a looming recession, traders begin expects the Federal Reserve to cut interest rates at the July FOMC Meeting, as reported by the CME Group FedWatch Tool. Even though the Fed just raised interest rates by another 25 bps at the meeting on May 3, where Chairman Jerome Powell commented that it was too soon to say with certainty that this upward trend in interest rates was over as inflation remains failed to reach the 2% target.

Meanwhile, US economic data reported Initial Jobless Claims rose to 242k, higher than the forecast and the previous period. On the other hand, the indicator of labor efficiency (excluding the agricultural sector) or Nonfarm Productivity 1Q23 also dropped to a minus 2.7% level, greater than the forecast & previous period; thus causing Unit Labor Costs 1Q23 to jump to a level of 6.3%, almost twice as high as the last quarter at 3.3%. More important labor data will be awaited this Friday evening, including Nonfarm Payrolls (Apr.) and Unemployment Rate (Apr.).

Data from other parts of the world stated that the economic slowdown is still plaguing China, with the Caixin Manufacturing PMI (Apr.) reading surprisingly entering the contraction area of 49.5, lower than the forecast & previous period, which is still at the safe limit of 50. Meanwhile, the economic stretch even looks a little more vibrant in the European part of the world as the Composite PMI for Germany, Eurozone, and the UK in April looks more expansionary than the previous month. ECB announced a 25bps rate hike to 3.75%.

Indonesian investors will be waiting for the 1Q23 GDP reading this morning, where it is expected that 1st quarter economic growth will fall below the 5% level on an annual basis (4.95%) and contracted 1% on a quarterly basis.

Corporate News

Pegadaian Prepares IDR 406 Billion to Pay Maturing Notes PT Pegadaian has prepared funds to pay two of its debt securities that will mature in July. The funds prepared by the company are worth IDR 406 billion. First, the Pegadaian IV Sustainable Bonds Phase II/2020 Series B which has a maturity value of IDR 303 billion and will mature on July 8, 2023. Second, the Sustainable Mudharabah Sukuk I Pegadaian Phase II 2020 Series B which also matures on July 8, 2023. The value to be paid is smaller, which is IDR 103 billion. Pegadaian Treasury Division Head Zulfan Adam said the source of funds used by the company to pay off the bond principal and interest rate came from bank loan facilities. (Kontan)

Domestic Issue

US Threatened with Default, Ministry of Finance Not Worried about Its Impact on Indonesian Bonds United States government is threatened with default if the debt ceiling issue does not reach an agreement by early next month. The Ministry of Finance ensures that the issue does not have a significant impact on the Indonesian government bond market. Director General of Financing and Risk Management (DJPPR) of the Ministry of Finance Suminto explained that the performance of the domestic SBN market is still very good. This is reflected in the yield of 10-year benchmark government securities at 6.52%, down 42 bps since the beginning of this year. Suminto also said that risk perception has improved, marked by credit default swaps, aka CDS for five-year tenors, which fell 2.91 bps year to date to the level of 96.66. (Katadata)

Recommendation

US10YT is on its way to test the minor time-frame trendline support around the yield range of 3.368-3.321%. Limited downside potential detected with a long-leg Hammer-like candle. ADVICE: Buy on Weakness. TARGET: 3.477% / 3.613-3.644%.

ID10YT turned out to break the Support yield from the previous Low level, making the 6,500-6,478% level as the nearest Resistance yield at this time. It is estimated that it has limited downside to the Support lower channel (Downtrend) around 6,408% as RSI entered Oversold territory. ADVISE: Buy on Weakness. TARGET: 6.584% / 6.649%.

Indonesia Macroeconomic Data

| Monthly Indicators | Last | Prev. | Quarterly Indicators | Last | Prev. |
|------------------------|---------|--------|----------------------|--------|--------|
| BI 7 Day Rev Repo Rate | 5.75% | 5.75% | Real GDP | 5.01% | 5.72% |
| FX Reserve (USD bn) | 145.20 | 140.30 | 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* | 123.30 | 122.40 |

PRICE OF BENCHMARK SERIES

FR0090 : 96.63 (6.10%)
FR0091 : 99.46 (6.45%)
FR0093 : 97.75 (6.62%)
FR0092 : 102.13 (6.92%)

FR0086 : 98.36 (6.12%)
FR0087 : 100.33 (6.44%)
FR0083 : 106.08 (6.89%)
FR0088 : 96.00 (6.71%)

CDS of Indonesia Bonds

CDS 2yr: +1.66% to 43.20
CDS 5yr: +2.33% to 101.01
CDS 10yr: +1.52% to 167.83

Government Bond Yields & FX

| | Last | Chg. |
|----------------|--------|--------|
| Tenor: 10 year | 6.43% | -0.05% |
| USDIDR | 14,680 | -0.03% |
| KRWIDR | 11.11 | 1.18% |

Global Indices

| Index | Last | Chg. | % |
|-----------|-----------|----------|--------|
| Dow Jones | 33,127.74 | (286.50) | -0.86% |
| S&P 500 | 4,061.22 | (29.53) | -0.72% |
| FTSE 100 | 7,702.64 | (85.73) | -1.10% |
| DAX | 15,734.24 | (80.82) | -0.51% |
| Nikkei | 29,157.95 | 34.77 | 0.12% |
| Hang Seng | 19,948.73 | 249.57 | 1.27% |
| Shanghai | 3,350.46 | 27.18 | 0.82% |
| Kospi | 2,500.94 | (0.46) | -0.02% |
| EIDO | 24.16 | 0.02 | 0.08% |

Commodities

| Commodity | Last | Chg. | % |
|--------------------|---------|----------|--------|
| Gold (\$/troy oz.) | 2,050.3 | 11.3 | 0.55% |
| Crude Oil (\$/bbl) | 68.56 | (0.04) | -0.06% |
| Coal (\$/ton) | 170.65 | (9.95) | -5.51% |
| Nickel LME (\$/MT) | 23,997 | (746.0) | -3.01% |
| Tin LME (\$/MT) | 25,600 | (1177.0) | -4.40% |
| CPO (MYR/Ton) | 3,425 | 4.0 | 0.12% |

| Date | Country | Hour Jakarta | Event | Period | Actual | Consensus | Previous |
|------------------|---------|--------------|----------------------------------|--------|-----------|-----------|-----------|
| Monday | US | 20:45 | S&P Global US Manufacturing PMI | Apr F | 50.2 | — | 50.4 |
| 1– Mei. | US | 21:00 | ISM Manufacturing | Apr | 47.1 | 46.8 | 46.3 |
| Tuesday | US | 21:00 | Factory Orders | Mar | 0.9% | 0.6% | -0.7% |
| 2– Mei. | US | 21:00 | Durable Goods Orders | Mar F | 3.2% | — | 3.2% |
| | ID | — | CPI YoY | Apr | 4.33% | 4.51% | 4.97% |
| Wednesday | US | 18:00 | MBA Mortgage Applications | Apr 28 | -1.2% | — | 3.7% |
| 3– Mei. | US | 19:15 | ADP Employment Change | Apr | 296K | 145K | 145K |
| Thursday | US | 01:00 | FOMC Rate Decision (Upper Bound) | May 3 | 5.25% | 5.25% | 5.00% |
| 4– Mei. | US | 01:00 | FOMC Rate Decision (Lower Bound) | May 3 | 5.00% | 5.00% | 4.75% |
| | US | 19:30 | Trade Balance | Mar | -\$64.2Bn | -\$69.2Bn | -\$70.5Bn |
| | US | 19:30 | Initial Jobless Claims | Apr 29 | 242K | — | — |
| | US | 19:30 | Continuing Claims | Apr 22 | 1,805K | — | — |
| Friday | US | 19:30 | Change in Nonfarm Payrolls | Apr | — | 175K | 236K |
| 5– Mei. | US | 19:30 | Unemployment Rate | Apr | — | 3.6% | 3.5% |
| | CH | 08:45 | Caixin China PMI Composite | Apr | — | — | 54.5 |

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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