

Morning Brief

Daily | May. 9, 2023

Today's Outlook:

Global stock markets moved in positive territory and USD maintained a flat position on Monday trading (08/05/23) ahead of some important moments such as the US government's discussion with their parliament regarding the debt ceiling issue, as well as the awaited release of US Inflation data (Apr.) which will give an overview of the direction where the Federal Reserve's monetary policy will go forward. US President Joe Biden and the US Parliament are scheduled to meet this week in an attempt to reach an agreement on the US debt ceiling which is at risk of default by the end of May.

The US Inflation (Apr.) data scheduled for release this Wednesday (07.30 pm GMT), where monthly CPI is predicted to creep up 0.4% MoM (vs. 0.1% previous month). Investors are monitoring this data closely after the release of the US Nonfarm Payrolls and Unemployment Rate (Apr.) last Friday that still showed a tight labor market; while on the other hand it somewhat cutting the risk of a global recession yet making market participants have to reconsider the need for high interest rates until the end of the year. Government bond yields began to rebound on the back of optimism that the shock to the US banking system has subsided; while global Gold prices began to flatten near the psychological limit of USD2000 and global Crude Oil prices accelerated by around 2%. The 2-year US Treasury yield, which is most sensitive to interest rate direction expectations, rose above the psychological 4% level. The gap between the 2- and 10-year yields which indicates a coming recession when the 2-year yield is higher than the 10-year, inverted at -49.4bps. Financial market participants are factoring in the possibility that the US benchmark rate has peaked and could end the year below 4.4%. USD still triumphs over the Japanese Yen as the Bank of Japan is the only central bank that enforces loose monetary policy. The Federal Reserve survey revealed that most US banks tightened credit requirements during the first months of the year, and they also saw weak demand for credit from corporate and personal customers. This is an indication that tight monetary policy is starting to affect the financial sector's revenue.

From Asia, Japan's Services PMI (Apr.) shifted slowly into expansionary territory, while they released Household Spending (Mar.) this morning, which turned out to be weaker than expected; while Indonesia reported Foreign Exchange Reserves (Apr.) at USD 144.2 billion (equivalent to 6.3 months of import cover), slightly lower than March's USD 145.2 billion due to the need for external debt repayment as well as liquidity provision in the festive season of Eid al-Fitr. China will follow with Trade Balance (Apr.) data, which is not predicted to be as strong as March's figure of USD 88.19 billion but instead expected to be around USD 71.6 billion. By noon before European markets open, the UK will release the Halifax House Price Index (Apr.), a leading indicator of the health of the property sector.

Corporate News

Bank Victoria is Ready to Pay Off Bond Debt Worth IDR 200 Billion PT Bank Victoria International Tbk (BVIC) is ready to pay off the principal of its Sustainable Bonds I Phase II Year 2018 Series B. Based on its report on the disclosure of information from the Indonesia Stock Exchange (IDX), Saturday (6/5), Bank Victoria has prepared funds to pay off bonds that will mature on June 5, 2023 worth IDR 200 billion along with interest coupons amounting to IDR 5.15 billion. Bank Victoria Corporate Secretary, Caprie Ardira Azhar said that the repayment funds are currently placed in Bank Indonesia (BI) term deposits and Government Securities (SUN). (Kontan)

Domestic Issue

Pefindo Predicts Lower Bond Issuance Value in 2023 Due to High Interest Rates PT Perneringkat Efek Indonesia (PEFINDO) predicts that the issuance of debt securities in 2023 will be lower than last year. The estimated total emission value is in the range of IDR 157 trillion. PEFINDO Director Hendro Utomo said, one of the reasons the value of debt securities issuance may be lower is because the benchmark interest rate has increased since last year. This condition is usually a fairly dominant factor in influencing the value of debt securities issuance. (Kontan)

Recommendation

US10YT successfully broke through the MA10 & MA20 Resistance, making the yield range of 3.505-3.460% the closest Support at the moment. US10YT has a chance to test the next Resistance which is MA50 / 3.542%; before freeing the yield rate towards the TARGET area: 3.613-3.644%. ADVISE: Average Up accordingly.

ID10YT, successful Doji candle followed by Gap Up to test MA10 Resistance / yield 6.555%. The next step is attempting to overcome MA20 / yield 6.62%; up to Resistance upper channel 6.64% which if broken, then it will end the downtrend of ID10YT yield. ADVISE: Buy; Average Up >6.573%. TARGET: 6.62%-6.64%.

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)	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 : 96.61 (6.11%)
FR0091 : 99.31 (6.48%)
FR0093 : 99.90 (6.38%)
FR0092 : 102.10 (6.92%)

FR0086 : 98.21 (6.18%)
FR0087 : 100.26 (6.45%)
FR0083 : 105.95 (6.90%)
FR0088 : 97.52 (6.53%)

CDS of Indonesia Bonds

CDS 2yr: -0.64% to 41.21
CDS 5yr: -1.95% to 97.51
CDS 10yr: -0.61% to 160.92

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.48%	0.04%
USDIDR	14,700	0.17%
KRWIDR	11.14	0.03%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,618.69	(55.69)	-0.17%
S&P 500	4,138.12	1.87	0.05%
FTSE 100	7,778.38	75.74	0.98%
DAX	15,952.83	(8.19)	-0.05%
Nikkei	28,949.88	(208.07)	-0.71%
Hang Seng	20,297.03	247.72	1.24%
Shanghai	3,395.00	60.50	1.81%
Kospi	2,513.21	12.27	0.49%
EIDO	24.02	(0.27)	-1.11%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,021.2	4.4	0.22%
Crude Oil (\$/bbl)	73.16	1.82	2.55%
Coal (\$/ton)	169.65	0.00	0.00%
Nickel LME (\$/MT)	24,713	629.5	2.61%
Tin LME (\$/MT)	26,064	464.0	1.81%
CPO (MYR/Ton)	3,762	161.0	4.47%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 8– Mei.	US	21:00	Wholesale Inventories MoM	Mar F	0.0%	0.1%	0.1%
	ID	10:00	Foreign Reserves	Apr	\$144.20Bn	—	\$145.20Bn
Tuesday 9– Mei.	CH	—	Trade Balance	Apr		\$69.00Bn	\$88.19Bn
	ID	—	Consumer Confidence Index	Apr		—	123.3
Wednesday 10– Mei.	US	19:30	CPI MoM	Apr		0.4%	0.1%
	US	19:30	CPI YoY	Apr		5.0%	5.0%
Thursday 11– Mei.	US	19:30	PPI Final Demand MoM	Apr		0.3%	-0.5%
	US	19:30	Initial Jobless Claims	May 6		—	242K
	CH	08:30	CPI YoY	Apr		0.3%	0.7%
	CH	08:30	PPI YoY	Apr		-3.2%	-2.5%
Friday 12– Mei.	US	21:00	U. of Mich. Sentiment	May P		63.0	63.5
	FR	13:45	CPI YoY	Apr F		—	5.9%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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