

# Morning Brief

Daily | June. 05, 2023

## Today's Outlook:

Global stocks and US Treasury yields rose on Friday following the release of US employment data which still rose above expectations, giving rise to speculation that the Federal Reserve will continue its upward trend in interest rates. The US employment data still showed growth (Nonfarm Payroll released at 339k, vs forecast 180k & previous 294k); however the unemployment rate has reached a 7-month high of 3.7% (vs 53-year low of 3.4% in April). This means that there is an increase in labor supply, which will eventually depress wage growth and inflation. It is evident that hourly wage growth during May was recorded to have weakened below expectations. This data brought relief to investors on their expectation that the Fed will have a strong reason to hold off on raising interest rates at the upcoming FOMC Meeting on June 13-14. The market has priced in a 71.3% probability, as reported by the CME Group FedWatch Tool.

In terms of the US debt ceiling, the US Senate finally passing an agreement to raise the US debt ceiling which has reached USD31.4 trillion, provides the answer that market participants have been waiting for to avoid a catastrophic default. The CBOE Volatility Index, which implies the financial market fear index, finally deflated as well to its lowest point since November 2021.

With two sides of expectations regarding interest rates, it inevitably brought the 10-year US Treasury yield to 3.965%; while the more sensitive 2-year tenor is perched at 4.509%. Meanwhile, Gold prices slipped 1.5% to USD 1948.11/ounce; as the US Dollar Index crept up 0.483%.

Indonesia Inflation Data (May) is predicted to contribute positive sentiment today, if the estimate of 4.23% can be realized, then it means that the figure is down from the previous month at 4.33%.

## Corporate News

**Maturing, IDR 726 Billion Bonds of Sandi Uno's Gold Mine (MDKA) Receive idA+ Rating** The Indonesian Securities Rating Agency (Pefindo) assigned Merdeka Gold's debt securities worth IDR 726.35 billion with an idA+ rating. The sustainable bonds I Phase I 2020 Series B will mature on July 30, 2023. The gold mining issuer made by Sandi Uno, will pay off the maturing bonds using internal cash. (Emiten News)

## Domestic Issue

**Consider Bond Market Opportunities at the End of Interest Rate Hike Cycle** The outlook for the bond market is improving along with the end of the Bank Indonesia (BI) interest rate hike cycle and the potential for a more accommodative Fed Funds Rate policy. "These two catalysts can encourage further strengthening of the bond market. Historically, the Indonesian bond market offers attractive performance potential following a pause in interest rate hikes," said PT Manulife Aset Manajemen Indonesia Investment Specialist Dimas Ardhinugraha. The impact of aggressive monetary tightening in 2022 will only be reflected in the real economy in 2023. Market volatility in the first quarter of 2023 reinforces the strategic view that market fluctuations will still be high throughout the first half of 2023. Market sentiment is expected to improve in the second half of 2023 as the economic downturn has been digested by the market and attention turns towards the potential for more accommodative monetary conditions. (Katadata)

## Recommendation

**US10YT** seems to have to test MA10 Resistance in the range of 3.73% yield; in order to be on the way to bullish Targets at the following yield points: 3.83-3.86% / 3.97-4.0%. ADVISE: Buy; Average Up accordingly.

**ID10YT** has not yet managed to break the channel pattern (downtrend) and a number of MA, placing the nearest Resistance level in the yield range: 6.423-6.488% . ADVISE: Buy on Break; or Average Up accordingly. TARGET: MA50/6.60%, and then 6.69-6.75%.

## 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	: 97.98 (5.71%)
FR0091	: 99.92 (6.38%)
FR0093	: 99.70 (6.41%)
FR0092	: 104.01 (6.75%)
FR0086	: 99.72 (5.60%)
FR0087	: 100.80 (6.36%)
FR0083	: 107.67 (6.73%)
FR0088	: 98.60 (6.41%)

## CDS of Indonesia Bonds

CDS 2yr:	-3.16% to 35.43
CDS 5yr:	-1.45% to 85.75
CDS 10yr:	-2.47% to 148.16

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.37%	-0.04%
USDIDR	14,993	0.05%
KRWIDR	11.33	-0.05%

## Global Indices

Index	Last	Chg.	%
Dow Jones	33,762.76	701.19	2.12%
S&P 500	4,282.37	61.35	1.45%
FTSE 100	7,607.28	117.01	1.56%
DAX	16,051.23	197.57	1.25%
Nikkei	31,524.22	376.21	1.21%
Hang Seng	18,949.94	733.03	4.02%
Shanghai	3,230.07	25.43	0.79%
Kospi	2,601.36	32.19	1.25%
EIDO	23.78	0.29	1.23%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,948.0	(29.6)	-1.50%
Crude Oil (\$/bbl)	71.74	1.64	2.34%
Coal (\$/ton)	131.00	0.85	0.65%
Nickel LME (\$/MT)	21,211	(107.0)	-0.50%
Tin LME (\$/MT)	25,651	214.0	0.84%
CPO (MYR/Ton)	3,381	102.0	3.11%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b>	US	21:00	Factory Orders	Apr		0.8%	0.9%
5 – June	US	21:00	Durable Goods Orders	Apr F		—	1.1%
	ID	07:30	S&P Global Indonesia PMI Mfg	May		—	52.7
	ID	11:00	CPI Core YoY	May		2.82%	2.83%
	ID	11:00	CPI YoY	May		4.24%	4.33%
	<b>Tuesday</b>	GE	13:00	Factory Orders MoM	Apr		—
6 – June	GE	13:00	Factory Orders WDA YoY	Apr		—	-11.0%
<b>Wednesday</b>	US	18:00	MBA Mortgage Applications	June 2		—	—
7 – June	US	19:30	Trade Balance	Apr		-\$75.1 Bn	-\$64.2 Bn
	CH	—	Trade Balance	May		—	\$90.21 Bn
<b>Thursday</b>	US	19:30	Initial Jobless Claims	June 3		—	—
8 – June	IR	17:00	CPI YoY	May		—	7.2%
<b>Friday</b>	ID	10:00	Foreign Reserves	May		—	\$144.20 Bn
9 – June	CH	08:30	CPI YoY	May		—	0.1%
	CH	08:30	PPI YoY	May		—	-3.6%

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury



## Indonesia 10 Years Treasury



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