

Morning Brief

Daily | June. 08, 2023

Today's Outlook:

Investors took profits after a megacap stocks rallied over the past month, ahead of the release of Inflation data and the US central bank meeting decision next week. Market participants now see a 69% chance that the US central bank will skip raising interest rates at the upcoming FOMC Meeting on 13-14 June, down from 77% probability, as reported by the CME Group FedWatch Tool. The 2-year US Treasury yield and 20-year benchmark also crept up after the Bank of Canada set another rate hike, adding to investors' concerns about the Federal Reserve's next move regarding the FFR.

The JCI was apparently affected by the gloomy market atmosphere yesterday after China released Trade Balance data (in May) which failed to meet expectations. China's Trade Balance surplus dropped to USD65.81 billion in May, versus USD 90.21 billion in April. China's exports contracted 7.5% yoy, the first decline in 3 months and the deepest fall since January; while Imports also eroded 4.5% yoy amid weak domestic market demand, sluggish commodity prices, and a stronger USD against other major world currencies. In addition to China, the US also announced Trade Balance (Apr.) which recorded a lower-than-expected deficit at minus USD 74.6 billion, but swelled from the previous period at USD 60.6 billion. The atmosphere of economic slowdown is also still felt in continental Europe; where Germany reported April Industrial Production could not exceed expectations or performance in the previous month. Meanwhile, the UK reported housing sector health indicators were also lower than expected. On the other hand, this indicates that UK inflation may be getting more subdued and explains why the British Pound may look rather bearish going forward.

Furthermore, earlier this morning, positive sentiment has emerged from the release of Japan's 1Q23 GDP data which managed to record economic growth above forecasts & the previous period. In the afternoon, global market participants will focus on the (revised) Euro Zone GDP reports for 4Q22 and 1Q23; as well as the weekly US Initial Jobless Claims figures.

Corporate News

WSKT & WIKA Rumbblings, State-Owned Bond Issuance to be Tightened Minister of State-Owned Enterprises (SOEs) Erick Thohir revealed that his party will tighten the issuance of bonds to state-owned companies whose shares are also listed on the capital market. In this case, the SOE ministry will collaborate with the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX). This was done because several state-owned construction companies, such as PT Waskita Karya (Persero) Tbk (WSKT), experienced bond coupon defaults and PT Wijaya Karya (Persero) Tbk (WIKA) experienced a rating downgrade. The hope is that OJK and IDX can issue a unified voice regarding the plans of state-owned companies when raising funds through the issuance of debt securities. This is done to minimize the risk of default for SOEs that raise funds. (CNBC Indonesia)

Domestic Issue

Domestic Bond Market Outlook If Interest Rates Reach Peak Levels The outlook for bonds is considered brighter as inflation slows and the interest rate hike cycle is estimated to be at peak levels. According to the Indonesian Securities Price Evaluator (PHEI), the yield of the 10-year benchmark SUN moved down at 6.3%. The decline in yield indicates an increase in demand for debt securities. Mandiri Sekuritas' Head of Fixed Income Research, Handy Yunianto, observed that the pressure to increase interest rates is increasingly limited. The decline in inflation coupled with expectations that interest rates will slope, then bond instruments should be prospective, thus pushing the US treasury yield down. Domestically, Handy assessed that domestic conditions are quite solid because the inflation rate has fallen. Fiscal policy is also running positively, which is reflected in the current account surplus. Handy said, it is interesting to watch now that investors are waiting for the sustainability of the current account surplus trend. This is because commodity prices are currently falling, which may put pressure on the current account. According to Handy, the biggest macro issue now is no longer inflation. The market is shifting from inflation concerns to economic growth concerns. This shift will further support the bond market next year. (Kontan)

Recommendation

US10YT seems to continue its northward journey towards TARGET yields in the range of 3.968-4.0%. ADVISE: AVERAGE UP above crucial mid-term resistance: 3.85-3.86%.

ID10YT is currently struggling to break the downtrend pattern where the yield is now trying to rise above MA10 & MA20, or hold above Support 6.408-6.416%. . If the upper channel resistance (downtrend) is broken above the yield of 6.43%, then there is a potential to rise towards the TARGET: 6.574% (MA50) or 6.683%. ADVISE: Average Up above yield 6.478%.

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	4.00%	4.33%	Cons. Confidence*	126.10	123.30

PRICE OF BENCHMARK SERIES

FR0090 : 98.17 (5.66%)
FR0091 : 100.08 (6.36%)
FR0093 : 99.80 (6.40%)
FR0092 : 104.34 (6.72%)

FR0086 : 99.84 (5.56%)
FR0087 : 100.77 (6.37%)
FR0083 : 108.11 (6.69%)
FR0088 : 98.82 (6.38%)

CDS of Indonesia Bonds

CDS 2yr: +2.04% to 36.25

CDS 5yr: +0.42% to 86.14

CDS 10yr: +1.65% to 150.68

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.34%	-0.02%
USDIDR	14,878	0.12%
KRWIDR	11.41	-0.32%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,665.02	91.74	0.27%
S&P 500	4,267.52	(16.33)	-0.38%
FTSE 100	7,624.34	(3.76)	-0.05%
DAX	15,960.56	(31.88)	-0.20%
Nikkei	31,913.74	(593.04)	-1.82%
Hang Seng	19,252.00	152.72	0.80%
Shanghai	3,197.76	2.42	0.08%
Kospi	2,615.60	0.19	0.01%
EIDO	23.22	(0.56)	-2.35%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,940.0	(23.5)	-1.20%
Crude Oil (\$/bbl)	72.53	0.79	1.10%
Coal (\$/ton)	136.00	1.55	1.15%
Nickel LME (\$/MT)	21,417	449.0	2.14%
Tin LME (\$/MT)	25,650	32.0	0.12%
CPO (MYR/Ton)	3,320	4.0	0.12%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	US	21:00	Factory Orders	Apr	0.4%	0.8%	0.9%
5 – June	US	21:00	Durable Goods Orders	Apr F	1.1%	—	1.1%
	ID	07:30	S&P Global Indonesia PMI Mfg	May	50.3	—	52.7
	ID	11:00	CPI Core YoY	May	2.66%	2.82%	2.83%
	ID	11:00	CPI YoY	May	4.00%	4.24%	4.33%
Tuesday	GE	13:00	Factory Orders MoM	Apr	-0.4%	—	-10.7%
6 – June	GE	13:00	Factory Orders WDA YoY	Apr	-9.9%	—	-11.0%
Wednesday	US	18:00	MBA Mortgage Applications	June 2	-1.4%	—	—
7 – June	US	19:30	Trade Balance	Apr	-\$74.6 Bn	-\$75.1 Bn	-\$64.2 Bn
	CH	—	Trade Balance	May	\$65.81 Bn	—	\$90.21 Bn
Thursday	US	19:30	Initial Jobless Claims	June 3	—	—	—
8 – June	IR	17:00	CPI YoY	May	—	—	7.2%
Friday	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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