

Morning Brief

Daily | June. 14, 2023

Today's Outlook:

US Inflation data (May) slipped to the lowest level in a year, boosting bets that the Federal Reserve will not raise interest rates later tonight (around 1 AM GMT on Thursday). The US Labor Department report showed the consumer price index (CPI) rose 0.1% mom in May, compared to 0.4% in April (an 11-month consecutive decline); while Core Inflation unchanged at 0.4% mom. On an annual basis, Inflation rose 4% yoy, successfully lower than the previous period at 4.9%. Thus, traders priced in the probability that the Federal Reserve will hold the Fed Funds Rate at the 5%-5.25% range, increasing to 95%, compared to 81% a day earlier. Likewise, the odds of the Fed resuming hikes in July increased to 60% from 50% a day earlier. Meanwhile, the Raw Materials Sector led market gains driven by rising commodities including metal prices on optimism over demand after China cut its short-term rates to bolster its post-pandemic recovery. The Energy Sector was also racked up gains following the accommodative move on the global economy from the Bank of China.

The Europe also reported Inflation levels that were safely under control, as evidenced by the German CPI (May) coming in at 6.1% yoy, successfully slipping from April at 7.2%. As for Germany and the Eurozone, economic sentiment in June is slightly more optimistic. Even in the UK, the labor market seems to remain heated with wage growth data still on an upward trend and unemployment claims declining. The UK also reported an above-expectation increase in new jobs in April of 250k (vs forecast 150k, vs previous 182k). Later in the afternoon, we will look forward to UK GDP data for April, as well as their Industrial Production, Manufacturing Production, and Trade Balance. In the evening, all eyes will be on one more important data from the US before the FOMC Meeting decision, namely PPI (May) or producer-level inflation, which is also expected to tame.

The Bank Of Japan and the European Central Bank will also announce their monetary policies this week, where it is likely that the ECB will still raise interest rates, while the BOJ will continue to maintain its super loose policy. As the world is predicted to undergo an economic slowdown this year, it is estimated that the Gold commodity will regain its safe-haven position in the second half of 2023. Global Gold prices are predicted to rebound when the Fed finally puts the brakes on interest rate hikes. Domestically, Indonesia reported a 1.5% yoy increase in Retail Sales in April, slowing from 4.9% the previous month; the third consecutive month of deceleration as consumption weakened due to higher costs.

Corporate News

Bank BRI Offers IDR 500 Billion Subordinated Bond IV The offering of Bank BRI Subordinated Bond IV Year 2023 starts on June 12, 2023 at 10.00 WIB until June 19, 2023 at 12.00 WIB. The principal value of the bonds offered reaches IDR 500 billion. Based on information from BRI Danareksa Sekuritas as the underwriter, this subordinated bond has a 5-year tenor with a coupon per year in the range of 6.25%-6.75%. Coupon payments are made every 3 months with a coupon tax of 10%. PT Permeringat Efek Indonesia (PEFINDO) gave this bond an idAA rating. (Kontan)

Domestic Issue

The Highest Bid for SUN Auction During 2023, DJPPR Give Remarks The government has conducted a Government Securities (SUN) Auction on Tuesday (13/6). The SUN auction this time recorded the highest incoming bids throughout 2023. Director of Government Securities of the Ministry of Finance DJPPR Deni Ridwan revealed that the incoming bid for today's SUN auction was recorded at IDR 76.24 trillion. This figure increased from the achievements of the previous two weeks of SUN auctions which amounted to IDR 58.44 trillion. According to Deni, investors have begun to priced-in that the Fed will maintain the Fed Funds Rate at the June FOMC meeting this week, amidst weakening economic indicators in the United States (US). This condition encouraged increased investor interest in the SUN auction yesterday. In addition, domestic economic conditions are quite positive, including Indonesia's foreign exchange reserves which remain high at USD 139.3 billion and the inflation rate which continues to decline from 4.33% (yoy) to 4.00% (yoy) in May 2023. This is evidenced by incoming bids by foreign investors at today's SUN auction increasing significantly to IDR 19.16 trillion from IDR 6.88 trillion in the previous two auctions. The incoming bids scored the highest bid value during 2023 from foreign investors. (Kontan)

Recommendation

US10YT appears to be clearly holding back at the Resistance yield of 3.845% (pending FOMC Meeting decision). A break above this Resistance area will pave the way for US10YT towards its TARGET of 3.968% - 4%; however, if interest declines, the yield will weaken back towards the nearest Support: MA10 & MA20 range and short term Trendline around 3.735% - 3.70%. ADVISE: Wait & See; Average Up accordingly.

ID10YT seems to reflect the low probability of an interest rate hike that will push up sovereign bond yields. Meanwhile, ID10YT is still at ease moving in a downtrend, where MA10 & MA20 and the upper channel (downtrend) still act as the nearest resistance, in the range of yield: 6.366% - 6.393%. ADVISE: Hold; Wait & See.

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)	5.14	5.14
Imports Yoy	-22.32%	-6.26%	Business Confidence	104.82	105.33
Inflation Yoy	4.00%	4.33%	Cons. Confidence*	128.30	126.10

PRICE OF BENCHMARK SERIES

FR0090 : 98.24 (5.64%)
FR0091 : 100.81 (6.25%)
FR0093 : 102.82 (6.07%)
FR0092 : 104.54 (6.70%)

FR0086 : 99.81 (5.57%)
FR0087 : 101.28 (6.28%)
FR0083 : 108.91 (6.61%)
FR0088 : 99.20 (6.34%)

CDS of Indonesia Bonds

CDS 2yr: -0.68% to 35.07

CDS 5yr: +0.20% to 83.78

CDS 10yr: -0.49% to 146.27

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.28%	-0.04%
USDIDR	14,860	-0.03%
KRWIDR	11.69	1.31%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,212.12	145.79	0.43%
S&P 500	4,369.01	30.08	0.69%
FTSE 100	7,594.78	24.09	0.32%
DAX	16,230.68	132.81	0.83%
Nikkei	33,018.65	584.65	1.80%
Hang Seng	19,521.42	117.11	0.60%
Shanghai	3,233.67	4.84	0.15%
Kospi	2,637.95	8.60	0.33%
EIDO	23.48	(0.03)	-0.13%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,943.7	(14.1)	-0.72%
Crude Oil (\$/bbl)	69.42	2.30	3.43%
Coal (\$/ton)	132.25	(1.75)	-1.31%
Nickel LME (\$/MT)	21,952	1197.0	5.77%
Tin LME (\$/MT)	26,065	164.0	0.63%
CPO (MYR/Ton)	3,416	67.0	2.00%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	ID	—	Consumer Confidence Index	May	128.3	—	126.1
12 – June	GE	—	Wholesale Price Index YoY	May	—	—	-0.5%
Tuesday	US	19:30	CPI YoY	May	4.0%	4.1%	4.9%
13 – June	GE	13:00	CPI YoY	May F	6.1%	6.1%	6.1%
Wednesday	US	18:00	MBA Mortgage Applications	Jun 9	—	—	-1.4%
14 – June	US	19:30	PPI Final Demand MoM	May	—	-0.1%	0.2%
Thursday	US	01:00	FOMC Rate Decision (Upper Bound)	Jun 14	—	5.25%	5.25%
15 – June	US	01:00	FOMC Rate Decision (Lower Bound)	Jun 14	—	5.00%	5.00%
	US	19:30	Retail Sales Advance MoM	May	—	0.0%	0.4%
	US	19:30	Initial Jobless Claims	Jun 10	—	—	261K
	US	19:30	Empire Manufacturing	Jun	—	-15.6	-31.8
	US	20:15	Industrial Production MoM	May	—	0.1%	0.5%
	CH	09:00	Industrial Production YoY	May	—	3.5%	5.6%
	CH	09:00	Retail Sales YoY	May	—	13.9%	18.4%
	ID	11:00	Trade Balance	May	—	\$2,573 Mn	\$3,940 Mn
	ID	11:00	Exports YoY	May	—	-12.0%	-29.4%
	ID	11:00	Import YoY	May	—	-12.1%	-22.3%
Friday	US	21:00	U. of Mich. Sentiment	Jun P	—	60.0	59.2
16 – June	JP	—	BoJ Policy Balance Rate	Jun 16	—	—	-0.1%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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