

Morning Brief

Daily | June. 15, 2023

Today's Outlook:

The Federal Reserve finally announced to hold the Fed Funds Rate at 5% - 5.25% but at the same time also gave hawkish signals that the benchmark rate could still rise another 50bps (or two more times) until the end of the year, towards a range of 5.5% - 5.75%. Prior to the FOMC Meeting decision, PPI (May) data was released at 1.1% yoy and -0.3% mom, which fell below expectations of 1.5% and -0.1%. Market participants now see a 63% probability that the US central bank will raise interest rates in July, up from a 60% probability previously, as quoted from the CME FedWatch Tool. The Energy sector plunged more than 1% after oil prices were pressured by concerns that the prospect of a rate hike will again destabilize economic growth and fuel demand. Treasury bond yields closed at its highest point on yesterday's trading as a reflection of the hawkish outlook from the Fed.

From the Europe, the UK reported GDP (Apr.) at 0.5% yoy, falling short of expectations of 0.6% although it actually managed to rise from the previous month at 0.3%. On a monthly basis, UK economic growth managed to beat last month's -0.3% to 0.2% in April. UK Industrial Production & Manufacturing Production (Apr.) are still stumbling in negative territory, resulting in a Trade Balance deficit of GBP 15bn (lower than forecast & previous period). Today will see Industrial Production (May) figures from China, which plays a significant role in the global economic recovery. Indonesia and Eurozone will also release Trade Balance data where Indonesia is expected to come out at USD 3.5 billion for May (lower than previous month's USD 3.94 billion); and Eurozone at EUR 21.5 billion (also lower than previous month's EUR 25.6 billion). Later in the evening market participants will monitor the ECB's decision to raise interest rates to 4% (from the current 3.75%); while the US will report a myriad of economic data namely: Core Retail Sales (May), weekly Initial Jobless Claims, Philadelphia Fed Manufacturing Index (June), Retail Sales (May); and Industrial & Manufacturing Production (May).

Corporate News

Mandiri Tunas Finance Issues Sustainable Bonds, Aims to Raise IDR 1 Trillion with a Coupon Rate of 6.95% A subsidiary of PT Bank Mandiri (Persero), PT Mandiri Tunas Finance (MTF) issued bonds or sustainable bonds VI phase I in 2023. In the first phase, the company is targeting funds raised from bonds of IDR 1 trillion from the total overall offering target of IDR 5 trillion. Mandiri Tunas Finance President Director Pinohadi G. Sumadi said that the 2023 phase I bonds have been carried out since June 9, 2023, in an effort to increase financing. Mandiri Tunas Finance Sustainable Bond VI consists of two series with different tenors. Series A with a 3-year tenor offers an interest rate in the range of 5.8-6.6%, while series B with a 5-year tenor offers an interest rate in the range of 6.10-6.95%. (Tribun News)

Domestic Issue

Domestic Investors are Dominant, People's Potential to Invest in Bonds is Still High Based on data from the Indonesian Central Securities Depository (KSEI), the number of investors in government securities reached 887,801 people. The number is only 8.1% compared to capital market investors who have reached 10.8 million. Director of Government Securities at the Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance, Deni Ridwan, stated that from this data, the potential for the public to invest through the purchase of government securities (SBN) is still huge. Unfortunately, many people are still unfamiliar with these investment instruments. "It could be that so far people are still comfortable in deposits with 2% to 3% interest even though the SBN yield is much greater," he said, recently. Director of Global Markets UOB Indonesia, Sonny Samuel explained, domestic investors dominate bond investment instruments. Five years ago, the portion of funding from foreign investors reached 30%, now it's only 15%. (Kontan)

Recommendation

US10YT seems to be making an effort to break the Resistance yield of 3.835% - 3.854% along with the FFR outlook going forward. This will pave the way for US10YT towards the TARGET yield of 3.968% - 4%. ADVISE: Wait & See; Average Up accordingly.

ID10YT remain moving in a downward trend, where MA10 & MA20 and the upper channel (downtrend) still act as the nearest resistance, in the range of yield: 6.36% - 6.39%. 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)	139.30	144.20	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 : 98.27 (5.63%)
FR0091 : 100.91 (6.24%)
FR0093 : 100.36 (6.33%)
FR0092 : 105.69 (6.59%)

FR0086 : 99.80 (5.57%)
FR0087 : 101.37 (6.27%)
FR0083 : 109.01 (6.60%)
FR0088 : 99.35 (6.32%)

CDS of Indonesia Bonds

CDS 2yr: -0.78% to 34.80

CDS 5yr: -2.16% to 81.97

CDS 10yr: -0.82% to 145.08

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.26%	-0.03%
USDIDR	14,900	0.27%
KRWIDR	11.66	-0.25%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,979.33	(232.79)	-0.68%
S&P 500	4,372.59	3.58	0.08%
FTSE 100	7,602.74	7.96	0.10%
DAX	16,310.79	80.11	0.49%
Nikkei	33,502.42	483.77	1.47%
Hang Seng	19,408.42	(113.00)	-0.58%
Shanghai	3,228.99	(4.68)	-0.15%
Kospi	2,619.08	(18.87)	-0.72%
EIDO	23.46	(0.02)	-0.09%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,942.5	(1.2)	-0.06%
Crude Oil (\$/bbl)	68.27	(1.15)	-1.66%
Coal (\$/ton)	132.00	(0.25)	-0.19%
Nickel LME (\$/MT)	22,720	768.0	3.50%
Tin LME (\$/MT)	26,762	697.0	2.67%
CPO (MYR/Ton)	3,452	36.0	1.05%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	ID	—	Consumer Confidence Index	May	128.3	—	126.1
<i>12 – June</i>	GE	—	Wholesale Price Index YoY	May	—	—	-0.5%
Tuesday	US	19:30	CPI YoY	May	4.0%	4.1%	4.9%
<i>13 – June</i>	GE	13:00	CPI YoY	May F	6.1%	6.1%	6.1%
Wednesday	US	18:00	MBA Mortgage Applications	Jun 9	7.2%	—	-1.4%
<i>14 – June</i>	US	19:30	PPI Final Demand MoM	May	-0.3%	-0.1%	0.2%
Thursday	US	01:00	FOMC Rate Decision (Upper Bound)	Jun 14	5.25%	5.25%	5.25%
<i>15 – June</i>	US	01:00	FOMC Rate Decision (Lower Bound)	Jun 14	5.00%	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
<i>16 – June</i>	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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