

Morning Brief

Daily | June 23, 2023

Today's Outlook:

Wall Street Index closed mixed on Thursday (22/06/23) after US Federal Reserve Chairman Jerome Powell continue to beat a hawkish drum in front of the Senate Banking Committee and signaled that more interest rate hikes are likely in the months ahead, a sentiment echoed by Fed Governor Michelle Bowman earlier in the session. These comments sent the US Dollar and US Treasury yields crawling upwards. The US Dollar Index which measures the strength of the US Dollar over 6 other major world currencies, rose 0.4% to a level of 102.41; USD notably gained 0.9% against the Japanese Yen. The yield of the 10-year US Treasury rose 7.6bps to 3.798%. Powell also mentioned that the decision will be based entirely on future economic data; and Wall Street expects inflation to cool faster, as unemployment rate will start to creep higher which is what the Fed has intended with its rate increases. The financial markets have priced in a 77% probability of another 25 bps rate hike at the conclusion of the FOMC Meeting in July, according to CME's Group FedWatch tool.

On the economic front, US Initial Jobless Claims held steady at a 20-month high, remaining elevated for a third straight week; while the Conference Board's Leading Economic index posted its 14th consecutive monthly decline, suggesting that the Fed's efforts to dampen the economy are beginning to have their intended effect. Meanwhile, the housing market showed further signs of stabilizing last month after standing out last year as the sector most visibly upended by the Fed's rate hikes; although this time came at the cost of the largest decline in a decade for residential housing market prices.

From Europe, investors were surprised when the Bank of England implemented a higher-than-expected interest rate hike of 50 bps to 5% (from 4.75%) in order to tame the UK Inflation that has been struggling for the past two months at 8.7%. Domestically, Bank Indonesia's Board of Governors Meeting again held BI7DRR at 5.75%, with the composition of Deposit Rate (June) at 5% and Lending Rate (June) at 6.5%. As for today, it can also be called as PMI data day at least for Japan, Germany, Eurozone, UK, and US.

Corporate News

BTPN Collaborates with IFC to Issue IDR 7.4 Trillion Green Bonds PT Bank BTPN Tbk. (BTPN) in collaboration with the International Finance Corporation (IFC) will issue social bonds and green bonds equivalent to USD 500 million or around IDR 7.48 trillion (exchange rate: IDR 14,970). Under the partnership, IFC will invest up to USD 500 million in BTPN, consisting of the issuance of social bonds and green bonds. This bond issuance will be the first of its kind for BTPN. BTPN President Director Henoch Munandar said the bond issuance is the bank's effort to strengthen its commitment to support the micro, small, and medium enterprises (MSMEs) sector in Indonesia, especially women-driven businesses. Then, the issuance of green bonds is one of the supports for adaptation actions to climate change. (Bisnis)

Domestic Issue

Anticipating 2024 Elections, Investors Hunt Bonds Rather Than Stocks Ahead of the political year of the 2024 elections, retail investors tend to start aggressively hunting bond instruments in order to diversify. Corporate bonds and Government Securities (SBN) are in the spotlight. Head of Research & Investment Connoisseur of PT Moduit Digital Indonesia (Moduit) Manuel Adhi Purwanto explained that in general, big moments such as elections will indeed increase the need for fixed income instruments. Manuel said that because from the investor side, there will be a tendency to change risk profiles. For example, if they previously had a tendency to take risks, their portfolios were more in stocks, now they might start to reduce, starting to shift to bonds. In addition to anticipating capital market turmoil in the era of uncertainty in the political year, the increasing demand for fixed income instruments is also driven by the era of high benchmark interest rates. Moreover, there is the potential for the US Central Bank or the Fed to lift the benchmark interest rate once again towards the end of this year, before it is gradually reduced starting early next year. This means that debt instruments that will be issued in the near future still have the opportunity to provide high yields. (Bisnis)

Recommendation

US10YT unexpectedly crawled back above MA10 & MA20, seems to be back to test the mid-term Trendline Resistance that prevents Yield from rising further than 3.82%. ADVISE: Average Up accordingly. TARGET: 3.85-3.86% / 3.97-4.0%.

ID10YT has yet to break MA20 Resistance and upper channel (downtrend). ADVISE: Average Up if the yield is able to break through 6.37%. TARGET: MA50 / 6.46%, up to 6.48%.

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)	0.44	3.94	Govt. Spending Yoy	3.99%	-4.77%
Exports Yoy	0.96%	-29.40%	FDI (USD bn)	5.14	5.14
Imports Yoy	14.35%	-22.32%	Business Confidence	104.82	105.33
Inflation Yoy	4.00%	4.33%	Cons. Confidence*	128.30	126.10

PRICE OF BENCHMARK SERIES

FR0090 : 98.18 (-0.04%)
FR0091 : 100.39 (0.02%)
FR0093 : 99.92 (-0.08%)
FR0092 : 104.46 (-1.02%)

FR0086 : 99.40 (0.01%)
FR0087 : 101.07 (0.16%)
FR0083 : 108.43 (0.01%)
FR0088 : 99.23 (0.08%)

CDS of Indonesia Bonds

CDS 2yr: +0.75% to 36.44

CDS 5yr: +0.57% to 85.28

CDS 10yr: +0.56% to 150.18

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.29%	-0.02%
USDIDR	14,940	-0.03%
KRWIDR	11.54	-0.30%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,946.71	(4.81)	-0.01%
S&P 500	4,381.89	16.20	0.37%
FTSE 100	7,502.03	(57.15)	-0.76%
DAX	15,988.16	(34.97)	-0.22%
Nikkei	33,264.88	(310.26)	-0.92%
Hang Seng	19,218.35	(388.73)	-1.98%
Shanghai	3,197.90	(42.46)	-1.31%
Kospi	2,593.70	11.07	0.43%
EIDO	23.09	(0.09)	-0.39%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,914.0	(18.5)	-0.96%
Crude Oil (\$/bbl)	69.51	(3.02)	-4.16%
Coal (\$/ton)	125.75	1.60	1.29%
Nickel LME (\$/MT)	21,182	(56.0)	-0.26%
Tin LME (\$/MT)	27,079	(232.0)	-0.85%
CPO (MYR/Ton)	3,562	(52.0)	-1.44%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	US	21:00	NAHB Housing Market Index	June	55	51	50
19 – June	JP	12:00	Tokyo Condominium for Sales YoY	May	-21.5%	—	-30.3%
Tuesday	US	19:30	Building Permits	May	1491K	1430K	1416K
20 – June	US	19:30	Housing Starts	May	1631K	1400K	1401K
	JP	11:30	Industrial Production MoM	Apr F	0.7%	—	-0.4%
Wednesday	US	18:00	MBA Mortgage Applications	Jun 16	0.5%	—	7.2%
21 – June	KR	04:00	PPI YoY	May	0.6%	—	1.6%
Thursday	US	19:30	Initial Jobless Claims	Jun 17	264K	—	262K
22 – June	US	21:00	Existing Home Sales	May	4.30 Mn	4.25 Mn	4.28 Mn
	US	21:00	Leading Index	May	-0.7%	-0.8%	-0.6%
	ID	14:20	Bank Indonesia 7D Reverse Repo	Jun 21	5.75%	5.75%	5.75%
Friday	US	20:45	S&P Global US Manufacturing PMI	Jun P		48.5	48.4
23 – June	GE	14:30	HCOB Germany Manufacturing PMI	Jun P		43.0	43.2
	JP	06:30	Natl CPI YoY	May		3.2%	3.5%
	JP	07:30	Jibun Bank Japan PMI Mfg	Jun P		—	50.6

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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