

Morning Brief

Daily | July 05, 2023

Today's Outlook:

Global stock markets were flat, searching for direction with Wall Street set to remain closed on Tuesday for the 4th of July holiday. The markets were looking for clues from economic data announcements. From South Korea, which reported CPI (June) at 2.7% yoy, below expectations and the previous month's CPI as well. Germany announced a Trade Balance (May) surplus of EUR 14.4 billion, also lower than forecast and previous period. This morning South Korea has reported Foreign Exchange Reserves (June) at USD 421.45 billion (missed the prediction of USD 432.26 billion). The more crucial economic data may be data from Japan & China today where both are scheduled to release Services PMI (June) and Chinese Composite PMI. As it turns out, several major European countries such as France, Germany, Eurozone, UK will also publish their PMI (June) data in the afternoon WIB. The Eurozone will also monitor Inflation figures at the producer level or PPI (May) which is expected to be released at -1.3% yoy deflation, versus the previous period's positive 1%. Later in the evening, US Factory Orders (May) data will be released with monthly growth expected to rise 0.8% mom, compared to April's 0.4%.

Indonesia has released Manufacturing PMI (June) data at 52.5, higher than the previous month at 50.3. This pace of expansion in the country's manufacturing sector is one of the fastest increases observed over the past 1.5 years. The PMI figure is relatively strong as it is able to surpass the Asean Manufacturing PMI which only reached 51.0, even being able to outperform a number of major G20 countries such as China, the US, and Germany. Quoting S&P Global, the macroeconomic data release signaled an improvement in the health of Indonesia's manufacturing sector for 22 consecutive months.

Gold prices stabilized back above USD 1900/ounce after pocketing gains as investors priced in the imminent release of the June FOMC Meeting minutes, which will provide insight into the future direction of US interest rate policy. Market participants now predict an 88% chance of the US central bank raising interest rates by 25bps at its upcoming meeting in July. The continuation of this trend actually has the potential to put pressure on Gold prices in the coming months, although at the same time the expectation of a US recession has also led to increased demand for the safe-haven asset.

In term of interest rates, the Reserve Bank of Australia has decided to hold their benchmark interest rate at 4.1% (an 11-year high) as they try to digest the impact of the 400bps hike that has been implemented since May on the overall economy. However, the central bank also mentioned that the next rate hike is still wide open, as their Inflation rate is still perceived to be high at 5.6% (May), although it has successfully eased from the peak of 8.4% last December.

Corporate News

Sandiaga Uno's Affiliated Tower Company TBIG Offers IDR 1.5 Trillion Bonds Telecommunications infrastructure issuer of the Saratoga Group, PT Tower Bersama Infrastructure Tbk (TBIG) will conduct an ongoing public offering of Tower Bersama Infrastructure VI sustainable bonds with a principal amount of IDR 1.5 trillion. These bonds will be offered in 2 series, namely Series A with a principal amount of IDR 1 trillion with a fixed interest rate of 5.9% per annum and Series B amounting to IDR 500 billion with a fixed interest rate of 6.25% per annum. (Bisnis)

Domestic Issue

Bids Entered IDR 34 Trillion at Sukuk Auction, Local Investors Dominate The incoming bid at the State Sharia Bonds (SBSN) auction or sukuk auction was recorded at IDR 34 trillion, last Tuesday (4/7). Auction activity is still busy amid declining liquidity. Director of Sharia Financing of the DJPPR Ministry of Finance Dwi Irianti Hadiningdyah said that investor interest in this auction was still high, while liquidity conditions were lower than the previous auction. The decline in liquidity is due to the absence of Government Securities (SBN) maturing in early July. The total incoming bid at the sukuk auction this time amounted to IDR 34.05 trillion. Of the total incoming bids, the government won an auction bid of IDR 6 trillion which was in accordance with the indicative target. Thus, today's auction was oversubscribed with a bid to cover ratio of 5.68 times, or slightly lower than the previous auction of 5.91 times. (Kontan)

Recommendation

US10YT struggles to put the benchmark yield above the 3.86% level; it will pave the way to the TARGET around 3.97% - 4.0% yield. ADVISE: Average Up accordingly.

On the other hand, ID10YT is still unable to rise from the slump in this downtrend channel pattern. ID10YT yield instead looks to potentially test the lower channel support around 6.2% making investment in ID10YT more unattractive than US10YT. The nearest resistance should be MA10 & MA20 in the yield range: 6.291% - 6.309%; up to 6.32% upper channel resistance. ADVISE: HOLD.

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	3.52%	4.00%	Cons. Confidence*	128.30	126.10

PRICE OF BENCHMARK SERIES

FR0090 : 98.23 (0.00%)
FR0091 : 100.74 (0.12%)
FR0093 : **99.89 (-0.01%)**
FR0092 : 105.61 (0.79%)

FR0086 : 99.45 (-0.02%)
FR0087 : 101.36 (0.13%)
FR0083 : 108.92 (0.29%)
FR0088 : 99.33 (0.01%)

CDS of Indonesia Bonds

CDS 2yr: 0.24% to 35.68
CDS 5yr: **-0.28%** to 83.60
CDS 10yr: 0.31% to 146.83

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.21%	-0.03%
USDIDR	14,993	-0.21%
KRWIDR	11.52	0.30%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,418.47	10.87	0.03%
S&P 500	4,455.59	5.21	0.12%
FTSE 100	7,519.72	(7.54)	-0.10%
DAX	16,039.17	(41.87)	-0.26%
Nikkei	33,422.52	(330.81)	-0.98%
Hang Seng	19,415.68	109.09	0.57%
Shanghai	3,245.35	1.37	0.04%
Kospi	2,593.31	(9.16)	-0.35%
EIDO	23.12	0.07	0.30%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,925.5	3.8	0.20%
Crude Oil (\$/bbl)	69.79	(0.85)	-1.20%
Coal (\$/ton)	143.15	(4.90)	-3.31%
Nickel LME (\$/MT)	20,508	(72.0)	-0.35%
Tin LME (\$/MT)	27,320	(57.0)	-0.21%
CPO (MYR/Ton)	3,883	(102.0)	-2.56%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	US	20:45	S&P Global US Manufacturing PMI	Jun F	46.3	—	46.3
3 – July	US	21:00	ISM Manufacturing	Jun	46.0	47.1	46.9
	CH	08:45	Caixin China PMI Mfg	Jun	50.5	50.0	50.9
	ID	07:30	S&P Global Indonesia PMI Mfg	Jun	52.5	—	50.3
	ID	11:00	CPI YoY	Jun	3.52%	3.68%	4.00%
	GE	14:55	HCOB Germany Manufacturing PMI	Jun F	40.6	—	41.0
	KR	07:30	S&P Global South Korea PMI Mfg	Jun	47.8	—	48.4
	JP	06:50	Tankan Large Mfg Index	2Q	5	3	1
	JP	06:50	Tankan Large Non-Mfg Index	2Q	23	22	20
	JP	06:50	Tankan Large Mfg Outlook	2Q	9	4	3
	JP	06:50	Tankan Large All Industry Capex	2Q	13.4	9.9%	3.2%
	JP	07:30	Jibun Bank Japan PMI Mfg	Jun F	49.8	—	49.8
Tuesday	KR	06:00	CPI YoY	Jun	0.0%	—	3.3%
4 – July	JP	06:50	Monetary Base YoY	Jun	-1.0%	—	-1.1%
Wednesday	US	21:00	Factory Orders	May	—	—	0.4%
5 – July	US	21:00	Durable Goods Orders	May F	—	—	—
Thursday	US	18:00	MBA Mortgage Applications	Jun 30	—	—	—
6 – July	US	19:15	ADP Employment Change	Jun	—	—	278K
	US	19:30	Trade Balance	May	—	-70.5bn	-74.6bn
	US	19:30	Initial Jobless Claims	Jul 1	—	—	—
	GE	13:00	Factory Orders MoM	May	—	—	-0.4%
Friday	US	19:30	Change in Nonfarm Payrolls	Jun	—	213K	339K
7 – July	US	19:30	Unemployment Rate	Jun	—	3.7%	3.7%
	ID	10:00	Foreign Reserves	Jun	—	—	\$139.3
	GE	13:00	Industrial Production SA MoM	May	—	—	0.3%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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