

Morning Brief

Daily | July 06, 2023

Today's Outlook:

The US markets digested the Federal Reserve's minutes from its June meeting, which showed further appetite to resume hike, bringing the major stock indexes down just under 0.5%. Nearly 90% of traders expect the Fed to resume rate hike in July, according to Investing.com's Fed Rate Monitor Tool. Expectations for further hikes come just as investor worries about global slowdown were exacerbated by weaker than expected services data from China. The Caixin Services PMI (June) came in at 53.9, clearly lower than both consensus and the previous month, thereby dragging the Chinese Composite PMI to 52.5, contracting from the previous period at 55.6. The same condition also hit Japan's Services PMI where it came in at 54.0 for June, slightly below expectation.

One interesting fact coming out of Japan, they released Foreign Bonds Buying this morning which soared to JPY 1.253 trillion, much higher than the previous period at JPY 162.3 billion; indicating a large net sale of foreign investment instruments by residents. Meanwhile, foreign investment in Japanese stocks was also recorded to have jumped to JPY 195 billion, a positive turnaround from a week earlier, where sales of JPY 542.4 billion were recorded. Both of the above actions brought in significant capital inflow and potentially made the Japanese Yen stronger.

The weak Composite & Services PMI situation was also seen in continental Europe, where France, Germany, the Eurozone itself, as well as the UK; where none managed to show reports of increased expansion, in which some of them are still in the contraction zone, aka below the 50 mark. However, the Eurozone succeeded in suppressing Inflation among producers in May to a deflationary rate of -1.5% YoY, even lower than the forecast at -1.3%. On a monthly basis, PPI also fell more than expected to -1.9% MoM, although the pace of decline has slowed from April's -3.2%. The world is still struggling with the global economic slowdown as the US reported Factory Orders (May) remained in the same place at 0.3% MoM, failing to meet expectations at 0.8%. Later in the afternoon, Germany will announce German Factory Orders (May) which may be better than the US where German data is expected to rise to 1.5%, higher than the previous month which was minus 0.4%. Additionally, market participants will also be monitoring Construction PMI (June) data from the UK as well as Retail Sales (May) across the Eurozone.

Later in the evening, a slew of important economic data from the US will be reported, starting with the ADP Nonfarm Employment Change (June) which predicts the addition of new jobs in the private sector in June to shrink to 230k; followed by the publication of US Trade Balance (May), Initial Jobless Claims (consensus: new jobless claims increased to 245k), and the S&P Global Composite PMI where the US Services PMI in June is the highlight. Not to forget the ISM Non-Manufacturing PMI (June) as well as another labor data JOLTs Job Openings (May) which plays a big role for the US central bank to determine their future monetary policy moves.

Corporate News

Adira Finance (ADMF) Offers IDR 2 T Bonds, With 5.5 - 6.25 Percent Interest Rate PT Adira Dinamika Multi Finance Tbk (Adira Finance) or (ADMF) plans to issue debt securities or bonds worth IDR 2 trillion. The bonds consist of Sustainable Bonds VI phase I/2023 worth IDR 1.7 trillion, and Sukuk Mudharabah V phase I/2023 amounting to IDR 300 billion. In the prospectus published on Wednesday (5/7), it is stated that the bonds consist of series A amounting to IDR 405 billion with a tenor of 370 calendar days and an interest rate of 5.50% per annum. Series B IDR 410 billion with an interest rate of 6% per annum and a three-year tenor. Series C IDR 885 billion with an interest of 6.25% per annum and a tenor of five years. Meanwhile, ADMF Sukuk Mudharabah V phase I/2023 consists of series A amounting to IDR 64 billion with a tenor of 370 calendar days. Series B IDR 141 billion with a tenor of three years. Series C amounting to IDR 95 billion with a tenor of five years. (Emiten News)

Domestic Issue

Economist Suggests Government Reduce Portion of Government Securities Issuance This Year The government plans to reduce debt financing this year by IDR 289.9 trillion, or a decrease of 41.6% from the target of IDR 696.3 trillion. To note, government debt financing usually comes from two sources, namely the issuance of state securities (SBN) or in the form of loans. Center of Reform on Economic (CORE) economist Yusuf Rendy Manilet assessed that the government should prioritize the portion of SBN issuance. The reason is because the issuance of SBN is more flexible. Flexible means that the government can decide to reduce or increase the issuance of SBN by adjusting the conditions of state revenue. So that state revenues are relatively sufficient to finance a variety of various state expenditures until the end of the year, the issuance of SBN can be reduced. On the other hand, Yusuf assessed that although Bank Indonesia has held the same benchmark interest rate several times, the actual trend is that Indonesia is in a relatively high interest rate trend, especially when compared to conditions during the pandemic. (Bisnis)

Recommendation

US10YT finally broke the decisive resistance at 3.86% yield and immediately headed north as Fed rate hike expectations became more widespread. US10YT yield almost reached the TARGET of 3.97-4.0% but unfortunately, the RSI failed to follow along so a negative divergence was detected; it is suspected that the buying momentum near this resistance area has decreased. ADVISE: Sell on Strength; or set your Trailing Stop.

On the other hand, ID10YT proved not to be a better investment than US10YT as the yield could not break out of the downturn curve within the PARALLEL CHANNEL pattern. The nearest resistance is still MA10 & MA20 in the yield range: 6.285% - 6.302%; 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 : 98.16 (-0.08%)
FR0091 : 100.82 (0.08%)
FR0093 : 100.12 (0.24%)
FR0092 : 105.71 (0.09%)

FR0086 : 99.36 (-0.09%)
FR0087 : 101.37 (0.01%)
FR0083 : 109.00 (0.08%)
FR0088 : 99.52 (0.19%)

CDS of Indonesia Bonds

CDS 2yr: 0.90% to 36.00

CDS 5yr: 0.35% to 83.89

CDS 10yr: 0.31% to 147.76

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.18%	-0.03%
USDIDR	15,015	0.15%
KRWIDR	11.56	0.35%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,288.64	(129.83)	-0.38%
S&P 500	4,446.82	(8.77)	-0.20%
FTSE 100	7,442.10	(77.62)	-1.03%
DAX	15,937.58	(101.59)	-0.63%
Nikkei	33,338.70	(83.82)	-0.25%
Hang Seng	19,110.38	(305.30)	-1.57%
Shanghai	3,222.95	(22.40)	-0.69%
Kospi	2,579.00	(14.31)	-0.55%
EIDO	23.09	(0.03)	-0.13%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,915.3	(10.2)	-0.53%
Crude Oil (\$/bbl)	71.79	2.00	2.87%
Coal (\$/ton)	144.80	1.65	1.15%
Nickel LME (\$/MT)	21,207	699.0	3.41%
Tin LME (\$/MT)	27,633	313.0	1.15%
CPO (MYR/Ton)	3,862	(21.0)	-0.54%

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	0.3%	—	0.4%
5 – July	US	21:00	Durable Goods Orders	May F	1.8%	—	—
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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