

Morning Brief

Daily | July 07, 2023

Today's Outlook:

The Dow Jones closed lower by 366 points/1.1% on Thursday (06/07/23), leading the weakness between the Nasdaq and the S&P 500, as economic data showing the job market continues to run hot sparked a flurry of bets on further Federal Reserve rate hikes; sending Treasury yields surging higher ahead of the monthly jobs report due Friday. US ADP Nonfarm Employment Change turned out to record 497 thousand new jobs in the private sector in June, far above economists' estimates of 228 thousand and last month's 267 thousand. The data gave a more significant negative sentiment to the market because the actual Initial Jobless Claims also turned out to be slightly higher than expected, and the US JOLTS Job Openings data for May was also below expectations. Stoking market fears that the Fed is likely to follow its guidance for two more hikes. Adding to the signs of economic strength, service sector activity data as reflected in the US ISM Non-Manufacturing PMI expanded further, supported by rising demand; although prices paid both by consumers as well as at the producer level (as an indicator of inflation), fell more than the 3-year low.

In response to the economic data announcement above, Treasury yields jumped in anticipation of more Fed tightening ahead, with the 2-year yield and 10-year yield topping 5% and 4%, respectively. Currently, market participants priced in a 93% chance that the US central bank will raise interest rates this July, as quoted from Investing.com's Fed Rate Monitor Tool.

From continental Europe, German Factory Orders in May also jumped significantly above estimates, growing 6.4% (higher than the consensus of 1.2%, and April's 0.2%). Unfortunately, business activity elsewhere was still sluggish, with UK Construction PMI in June falling into contractionary territory and Retail Sales (May) for Eurozone unable to recover from the previous month's negative growth.

Today will be monitored: Indonesia's Foreign Exchange Reserves (June), German Industrial Production (May), and the most awaited by market participants later tonight at around 7.30 pm GMT, the US Nonfarm Payrolls data for June (consensus: 225k, down from May at 339k), as well as the Unemployment Rate which currently stands at 3.7%. The market is quite nervous waiting for this additional public sector employment data (excluding the livestock sector) as previously ADP Nonfarm Payrolls (private sector) has recorded an unexpected surge. One more surprise above expectation will add confidence that the labor market is indeed still tight and therefore the Fed deserves to continue its upward trend in interest rates.

Corporate News

Pefindo Revises J Resources (PSAB) Rating to Stable PEFINDO affirmed the idBBB+ rating for PT J Resources Asia Pasifik Tbk (PSAB) as well as the Sustainable Bonds I and MTN I issued. PEFINDO revised the outlook on the company's rating to "stable" from previously "CreditWatch with negative implications", along with PSAB's ability to pay off PUB I Phase I Year 2019 and the Company's better liquidity profile after successfully restructuring its debt securities. The ratings reflect the Company's sizable resources and mining reserves, moderate financial flexibility, and high gold demand. However, the ratings are constrained by the Company's aggressive capital structure, exposure to gold price fluctuations, and risks related to the development of immature mines. The rating can be upgraded if PSAB has fully operated a new project that can sustainably improve the Company's financial profile. (Emiten News)

Domestic Issue

The Government Conducts Private Placement Worth IDR 2.5 Trillion Through the Issuance of FR006 Series SUNs The government on Wednesday, July 5, 2023, issued Government Bonds (SUN) through Private Placement with a total amount of IDR 2.5 trillion, the transaction of which was carried out on June 27, 2023. As announced by the Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance, the state bonds issued are the type of fixed-rate SUN series FR0065 which can be traded. The FR0065 series SUN provides a coupon of 6.625% and a yield of 6.24% with a maturity date of May 15, 2033, and a settlement date of July 5, 2023. (Emiten News)

Recommendation

US10YT has arrived at the highest area in 4 months, entering the psychological level of yield above 4% and even the high reached 4.083%. Although a strong Uptrend must be recognized, please consider the leading indication of RSI negative divergence when US10YT is in the resistance area. It would be very natural for a reversal to occur around this yield, especially if US economic data sentiment plays a role later tonight, so our ADVISE: HOLD, anticipate SELL ON STRENGTH.

ID10YT is indeed a less attractive investment than US10YT at the moment so no wonder it has not been able to break out of the down channel. ID10YT yield is still sluggish below the MA10 & MA20 network at the nearest Resistance range: 6.265% - 6.291%; up to 6.308% upper channel barrier. There is potential for a slight technical rebound in yield at the current 6.188% lower channel support position. 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)	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 : 98.07 (-0.09%)
FR0091 : 100.68 (-0.14%)
FR0093 : 100.05 (-0.08%)
FR0092 : 105.69 (-0.01%)

FR0086 : 99.28 (-0.07%)
FR0087 : 101.14 (-0.23%)
FR0083 : 108.86 (-0.13%)
FR0088 : 99.63 (0.11%)

CDS of Indonesia Bonds

CDS 2yr: 4.32% to 37.56

CDS 5yr: 2.25% to 85.78

CDS 10yr: 3.27% to 152.59

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.20%	0.03%
USDIDR	15,045	0.20%
KRWIDR	11.57	0.05%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,922.26	(366.38)	-1.07%
S&P 500	4,411.59	(35.23)	-0.79%
FTSE 100	7,280.50	(161.60)	-2.17%
DAX	15,528.54	(409.04)	-2.57%
Nikkei	32,773.02	(565.68)	-1.70%
Hang Seng	18,533.05	(577.33)	-3.02%
Shanghai	3,205.58	(17.37)	-0.54%
Kospi	2,556.29	(22.71)	-0.88%
EIDO	22.82	(0.27)	-1.17%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,910.9	(4.4)	-0.23%
Crude Oil (\$/bbl)	71.80	0.01	0.01%
Coal (\$/ton)	139.65	(5.15)	-3.56%
Nickel LME (\$/MT)	21,209	2.0	0.01%
Tin LME (\$/MT)	28,530	897.0	3.25%
CPO (MYR/Ton)	3,911	49.0	1.27%

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	-4.4%	—	—
6 – July	US	19:15	ADP Employment Change	Jun	497K	—	278K
	US	19:30	Trade Balance	May	-\$69.0bn	-70.5bn	-74.6bn
	US	19:30	Initial Jobless Claims	Jul 1	248K	—	—
	GE	13:00	Factory Orders MoM	May	6.4%	—	-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



Research Division

Head of Research

Liza Camelia Suryanata

Equity Strategy, Technical

T +62 21 5088 ext 9134

E liza.camelia@nhsec.co.id

Analyst

Cindy Alicia Ramadhania

Consumer, Healthcare

T +62 21 5088 ext 9129

E cindy.alicia@nhsec.co.id

Analyst

Leonardo Lijuwardi

Banking, Infrastructure

T +62 21 5088 ext 9127

E leonardol.lijuwardi@nhsec.co.id

Research Support

Amalia Huda Nurfalah

Editor & Translator

T +62 21 5088 ext 9132

E amalia.huda@nhsec.co.id

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PT. NH Korindo Sekuritas Indonesia

JAKARTA (HEADQUARTER):

District 8 Treasury Tower 51st Fl. Unit A, SCBD Lot.28

Jl. Jendral Sudirman Kav. 52-53

Jakarta Selatan 12190

Telp : +62 21 5088 9102

Branch Office BSD:

ITC BSD Blok R No.48

Jl. Pahlawan Seribu Serpong

Tangerang Selatan 15311

Indonesia

Telp : +62 21 509 20230

Branch Office Medan :

Jl. Asia No. 548 S

Medan – Sumatera Utara 20214

Indonesia

Telp : +62 614 156500

Branch Office Bandung:

Paskal Hypersquare Blok A1

Jl. Pasirkaliki No 25-27

Bandung 40181

Indonesia

Telp : +62 22 860 22122

Branch Office Bandengan (Jakarta Utara):

Jl. Bandengan Utara Kav. 81

Blok A No.02, Lt 1

Jakarta Utara 14440

Indonesia

Telp : +62 21 6667 4959

Branch Office Kamal Muara (Jakarta Utara):

Rukan Exclusive Mediterania

Blok F No.2

Jakarta Utara 14470

Indonesia

Telp : +62 24 844 6878

Branch Office Pekanbaru:

Sudirman City Square

Jl. Jend. Sudirman Blok A No.7

Pekanbaru

Indonesia

Telp : +62 761 801 1330

Branch Office Makassar:

Jl. Gunung Latimojong No.120A

Makassar

Indonesia

Telp : +62 411 360 4650

Branch Office Denpasar:

Jl. Cok Agung Tresna

Ruko Griya Alamanda No. 9

Renon Denpasar, Bali 80226

Indonesia

Telp : +62 361 209 4230

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