

Morning Brief

Daily | July 11, 2023

Today's Outlook:

The Dow Jones Industrial Average closed higher early this week, rebounding from a slip last week as investors awaited key economic data, US CPI & PPI, for June which are due to be released next Wednesday & Thursday. Meanwhile, Federal Reserve officials issued statements that perhaps the upward trend in interest rates is nearing its end. The CPI of the world's largest economy is expected to ease further to 3.1% YoY (the slowest growth rate since March 2021). On a monthly basis, it is also expected to only slightly accelerate by 0.3% MoM. Meanwhile, Core Inflation, which is closely monitored by Federal Reserve policymakers, is predicted to come in at 5% YoY and 0.3% MoM. Traders will be keenly focused on seeing if Inflationary pressures could be tamed further, which could explain the outlook for the interest rate trend where many traders have priced in a 92% probability of the Fed raising rates by 25bps at this month's FOMC Meeting (as reported by Investing.com's Fed Rate Monitor Tool). On the other hand, some Fed officials said on Monday that further rate hikes are still needed to bring down Inflation which is still too high, but the end of the US central bank's current tight monetary policy cycle is approaching.

Kicking off this Inflation data-laden week, deflationary pressures were revealed to be mounting in China as their Producer Price Index (PPI) fell 5.4% YoY in June due to equally weak domestic and foreign demand. The sharpest fall since 2015 and steeper than analysts' estimates of a decrease of 5.0%. Additionally, the consumer price index was flat at 0% due to an accelerating drop of 7.2% in pork prices. The CPI that failed to meet the consensus of 0.2% was the slowest growth since 2021. The data release strengthened speculation that China's central bank will continue to cut interest rates and unveil new stimulus measures to provide fuel for the post-pandemic economic recovery.

Today comes Europe's turn to release a number of important data related to employment and wages (UK), followed by Germany who will announce their June Inflation data. Germany will also reveal its sentiment & economic outlook for the next 6 months through the German ZEW Current Conditions & Economic Sentiment (July) economic data which is predicted to still imply an aura of pessimism.

Bank Indonesia (BI) noted that consumer confidence towards economic conditions has decreased slightly, reflected in the June Consumer Confidence Index (CCI) at 127.1, down slightly from 128.3 in May. BI believes that the reading is still maintained in the strong zone, supported by consumer optimism that the Current Economic Conditions Index (CECI) and Consumer Expectations Index (CEI) remain solid.

Corporate News

Tower Bersama (TBIG) Receives AA+ Rating for IDR 20 Trillion Bond Issuance Fitch Ratings Indonesia has assigned PT Tower Bersama Infrastructure Tbk's (TBI, BBB-/AA+(idn)/Stable) IDR 20 trillion bond program and IDR 1.5 trillion first tranche issuance a 'AA+(idn)' Long-Term National Rating. The issuance is rated at the same level as TBI's National Long-Term Rating as the notes represent senior unsecured obligations. The Indonesia-based independent tower company will use the proceeds of the issuance to refinance its existing debt. (Emiten News)

Domestic Issue

Government Sets Indicative Target of IDR 21 trillion at SUN Auction Today. The government will hold an auction of rupiah-denominated Government Bonds (SUN) today (11/7). At this auction, the government set an indicative target of IDR 14 trillion-IDR 21 trillion. Based on information from the Directorate General of Financing and Risk Management (DJPPR) page of the Ministry of Finance, there are seven series of SUN that will be auctioned starting at 09.00 WIB until 11.00 WIB. The auction aims to fulfill part of the financing target in the 2023 State Budget. (Kontan)

Recommendation

US10YT yield has touched back to the highest area this year, although it still stays above the psychological level of yield above 4% but signs of pullback in this Resistance area are starting to appear, thanks to RSI negative divergence which became the leading indicator yesterday. Anticipate a short consolidation to the nearest Support: yield 3.968% - 3.948% (MA10). ADVISE: HOLD, SELL ON STRENGTH or set your Trailing Stop.

ID10YT yield is getting interesting by jumping up to the yield level of 6.335%, **there is an attempt to break Resistance by attacking above MA10 & MA20 as well as the upper channel; making the range: 6.304-6.261% as the current yield Support.** ADVISE: Average Up accordingly. TARGET : MA50 / yield 6.377%, followed by 6.438% / 6.478%

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)	137.50	139.30	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*	127.10	128.30

PRICE OF BENCHMARK SERIES

FR0090 : 97.98 (0.06%)
FR0091 : **100.33 (-0.01%)**
FR0093 : **99.96 (-0.01%)**
FR0092 : 105.78 (0.11%)

FR0086 : **98.91 (-0.14%)**
FR0087 : **100.79 (-0.09%)**
FR0083 : **108.48 (-0.37%)**
FR0088 : 99.82 (0.03%)

CDS of Indonesia Bonds

CDS 2yr: **-0.67%** to 37.83
CDS 5yr: **-0.48%** to 86.69
CDS 10yr: **-0.78%** to 152.72

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.26%	0.02%
USDIDR	15,195	0.40%
KRWIDR	11.64	0.31%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,944.40	209.52	0.62%
S&P 500	4,409.53	10.58	0.24%
FTSE 100	7,273.79	16.85	0.23%
DAX	15,673.16	69.76	0.45%
Nikkei	32,189.73	(198.69)	-0.61%
Hang Seng	18,479.72	114.02	0.62%
Shanghai	3,203.70	7.09	0.22%
Kospi	2,520.70	(6.01)	-0.24%
EIDO	22.89	(0.03)	-0.13%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,925.4	0.3	0.02%
Crude Oil (\$/bbl)	72.99	(0.87)	-1.18%
Coal (\$/ton)	133.70	(4.30)	-3.12%
Nickel LME (\$/MT)	21,014	210.0	1.01%
Tin LME (\$/MT)	27,950	(392.0)	-1.38%
CPO (MYR/Ton)	3,920	86.0	2.24%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 10 – July	US	21:00	Wholesale Inventories MoM	May F	0.0%	-0.1%	-0.1%
	CH	08:30	CPI YoY	Jun	0.0%	0.2%	0.2%
	CH	08:30	PPI YoY	Jun	-5.4%	-5.0%	-4.6%
	JP	06:50	BoP Current Account Balance	May	¥1862.4b	¥1900.0b	¥1895.1b
Tuesday 11 – July	GE	13:00	CPI MoM	Jun F	—	—	0.3%
	GE	13:00	CPI YoY	Jun F	—	—	6.4%
	GE	16:00	ZEW Survey Expectations	Jul	—	—	-8.5
	GE	16:00	ZEW Survey Current Situation	Jul	—	—	-56.5
Wednesday 12 – July	US	18:00	MBA Mortgage Applications	Jul 7	—	—	-4.4%
	US	19:30	CPI MoM	Jun	—	0.3%	0.1%
	US	19:30	CPI YoY	Jun	—	3.1%	4.0%
	KR	06:00	Unemployment rate SA	Jun	—	2.6%	2.5%
	JP	06:50	PPI YoY	Jun	—	4.4%	5.1%
Thursday 13 – July	JP	06:50	Core Machine Orders MoM	May	—	1.0%	5.5%
	US	19:30	PPI Final Demand MoM	Jun	—	0.2%	-0.3%
	US	19:30	PPI Final Demand YoY	Jun	—	0.4%	1.1%
	US	19:30	Initial Jobless Claims	Jul 8	—	—	248K
	CH	—	Trade Balance	Jun	—	\$74.40b	\$65.81b
Friday 14 – July	KR	—	BoK 7-Day Repo Rate	Jul 13	—	3.5%	3.5%
	US	21:00	U. of Mich. Sentiment	Jul P	—	65.5	64.4
	JP	11:30	Industrial Production MoM	May F	—	—	-1.6%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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