

Morning Brief

Daily | July 12, 2023

Today's Outlook:

US stock indexes were buzzing in positive territory, with the Dow Jones leading the gains with a surge of 317 points/+0.9%, buoyed by optimism ahead of the release of Inflation (CPI) data later on Wednesday night around 7.30 PM GMT, along with PPI data following on Thursday; plus rising prices of major bankig stocks such as JPMorgan ahead of its 2Q23 results announcement. Traders are fully expecting that Inflation could ease further to 3.1% YoY and 0.3% MoM. As for Core Inflation (which excludes food and fuel prices), analysts expect growth at 5% YoY and 0.3% MoM. Thus, market participants expect that after the FOMC Meeting on July 25-26, the Fed will no longer need to raise interest rates.

Markets are also awaiting more clues from the US central bank, such as the release of the Federal Reserve Beige Book which contains a report on economic conditions as well as an overview of current US economic trends and challenges from 12 federal districts in the US. This data is released 8 times a year, usually 2 weeks before the Federal Open Market Committee (FOMC) Meeting. The results of the report will be used by the Fed to determine the level of short-term interest rates. Investors will also highlight a number of comments from Federal Reserve officials scheduled to speak today.

From Europe, the UK reported Wage growth (May) of 6.9%, consistently higher than both forecasts and the previous month; amid an unexpected jump in the number of new unemployed in June of 25700, much higher than the 8600 decline predicted and the 22500 decline in the previous month. This left the UK Unemployment Rate at 4%, exceeding expectations & April's 3.8%. Germany reported CPI (June) which heated up further at 6.4% YoY and 0.3% MoM, higher than May at 6.1% and -0.1%. Along with the data, market participants in Germany still view the current economic situation and sentiment for the next 6 months with a bit more pessimism, as reflected in the German ZEW Current Conditions & Economic Sentiment (July) data.

Good indication from China: reported new credit disbursed to individual consumers & corporations in June managed to rise significantly to CNY 3.05 trillion, far exceeding expectations and more than doubled the amount in the previous month. It turns out that China's central bank policy, which has recently been diligently cutting interest rates (short-term) in order to pump up the improvement of their economy which seems stagnant post-pandemic, is starting to show results. In overall, this makes investors seem to start seeing a bright spot in the overall global economic outlook.

The Dollar Index, which measures the USD's strength over some of the world's other major currencies, retreated 0.27% to a 2-month low, in line with falling US Treasury yields. Against the Japanese Yen, the USD appeared to take a 0.7% hit to a 2-month low; whilst the Pound sterling hit a 15-month high after the release of above-expected Wage growth.

US Treasury yields for longer tenors were observed to weaken as investors hoped that US Inflation is actually taming and making the Fed close to the end of its tight monetary policy. The benchmark 10-year yield fell 2.6bps to 3.980%, collapsing from the psychological 4% level.

Corporate News

BRI Ensures to Prepare IDR 2.5 Trillion Funds to Pay Off Maturing Bonds PT Bank Rakyat Indonesia Tbk (BRI) has prepared funds in readiness for the repayment of Sustainable Green Bonds I Bank BRI Phase I Year 2022 Series A which will mature on July 30, 2023. BRI Corporate Secretary Aestika Oryza Gunarto said BRI had provided funds for the Greenbond principal payment of IDR 2.5 trillion. For information, this bond is part of the first greenbond owned by the state-owned bank with a fundraising target of IDR 15 trillion. (Bisnis)

Domestic Issue

Seven Series of Government Bonds Auction, Government Absorbs IDR 13 Trillion in Funds The government absorbed IDR 13 trillion in funds from the auction of seven series of Government Bonds (SUN) on July 11, 2023. The Directorate General of Financing and Risk Management of the Ministry of Finance in an official statement said that it received an incoming bid of IDR 47.96 trillion during the auction process. The seven series of SUN that were re-auctioned consisted of SPN12231012, SPN12240411, FR0095, FR0096, FR0098, FR0097 and FR0089. The auction was conducted using the Bank Indonesia (BI) auction system. Furthermore, the Directorate General of Financing and Risk Management of the Ministry of Finance explained that the auction was carried out to meet part of the financing target in the 2023 State Budget (APBN). The largest absorption came from the auction of SUN series FR0096 and FR0098 amounting to IDR 3.55 trillion each. (Katadata)

Recommendation

US10YT will most likely rely on the nearest Support, which is MA10 at the yield level of 3.935%, after moving away from the psychological level of 4%. This yield swing could still continue after US10YT proved successful in testing the Support and rebounding back above 4.091% which is the previous High level. ADVISE: HOLD, set your Trailing Stop.

ID10YT yield still needs further confirmation whether it is valid to break this downtrend channel. The yield needs to stabilize above MA10 & MA20 resistance and upper channel in the range of : 6.25-6.29%. ADVISE: Average Up accordingly. TARGET : MA50 / yield 6.364%, 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 : **97.82 (-0.17%)**
FR0091 : 100.51 (0.18%)
FR0093 : 100.02 (0.06%)
FR0092 : **105.21 (-0.46%)**

FR0086 : 99.00 (0.10%)
FR0087 : 101.12 (0.33%)
FR0083 : 108.50 (0.01%)
FR0088 : **99.77 (-0.04%)**

CDS of Indonesia Bonds

CDS 2yr: **-3.24%** to 36.60
CDS 5yr: **-2.03%** to 84.93
CDS 10yr: **-2.37%** to 149.10

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.22%	-0.04%
USDIDR	15,140	-0.36%
KRWIDR	11.71	0.62%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,261.42	317.02	0.93%
S&P 500	4,439.26	29.73	0.67%
FTSE 100	7,282.52	8.73	0.12%
DAX	15,790.34	117.18	0.75%
Nikkei	32,203.57	13.84	0.04%
Hang Seng	18,659.83	180.11	0.97%
Shanghai	3,221.37	17.67	0.55%
Kospi	2,562.49	41.79	1.66%
EIDO	23.04	0.15	0.66%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,932.2	6.9	0.36%
Crude Oil (\$/bbl)	74.83	1.84	2.52%
Coal (\$/ton)	131.00	(2.70)	-2.02%
Nickel LME (\$/MT)	20,704	(310.0)	-1.48%
Tin LME (\$/MT)	27,956	6.0	0.02%
CPO (MYR/Ton)	3,889	(31.0)	-0.79%

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%	—	0.3%
	GE	13:00	CPI YoY	Jun F	6.4%	—	6.4%
	GE	16:00	ZEW Survey Expectations	Jul	-14.7	—	-8.5
	GE	16:00	ZEW Survey Current Situation	Jul	-59.5	—	-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%
	JP	06:50	Core Machine Orders MoM	May	—	1.0%	5.5%
Thursday 13 – July	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
	KR	—	BoK 7-Day Repo Rate	Jul 13	—	3.5%	3.5%
Friday 14 – July	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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