

Morning Brief

Daily | July 13, 2023

Today's Outlook:

Major US stock indexes ended solidly in positive territory on Wednesday (12/07/23), led by a gain of more than 1% in the Nasdaq after a report showed inflation subsided further, resulting the June CPI registering their slowest pace for 2 years or since March 2021. On a monthly basis, US CPI (June) rose 0.2% after growing 0.1% in May, but running at 3% YoY on an annual basis, lower than May's 4%. The data underscored expectations the Federal Reserve may let interest rate stand after one more 25 bps hike expected at its July FOMC Meeting. However, what remains to be considered is the position of Core CPI (June), which is still at 4.8% YoY (although managed to cool down from May at 5.3%); but still twice as high as the Federal Reserve's 2% target. This will certainly still be a matter of debate going forward regarding the Fed's continued tight monetary policy. Another sentiment that moved the market was the S&P 500 banks index, which crept up 0.6%; where traders are looking forward to the release of performance reports from major banks, such as JPMorgan Chase on Friday which will kick off the 2Q23 earnings season. Investors also digesting US Treasury Secretary Janet Yellen's trip to China, which raised Beijing's hopes that tariffs on imported Chinese goods could be reduced. Later tonight the US will again take the attention of the market, where the weekly Initial Jobless Claims and PPI (June) data will again be in the spotlight.

On the other hand, the Dollar dropped to its lowest point in over a year and US Treasuries plummeted on the back of the release of US Inflation data that has cooled. The Dollar Index dropped to 100.54, the lowest since April 2022, and was last down 1% at 100.55, on track for its biggest daily percentage loss since early February.

From the world's east, South Korea reported Unemployment Rate (June) growing at 2.6% (vs 2.5% on May). This morning they also reported the Export & Import Price Index (June) which dropped further below estimates. Later today South Korea's central bank will make a decision on interest rates which are expected to remain flat at 3.5%. Meanwhile, Japan reported Core Machine Orders (May) which fell sharply unexpectedly on both an annual and monthly basis. Not surprisingly, their PPI (June) figure also failed to meet expectations, and there was still deflation on a monthly basis of 0.2% MoM (Following -0.7% in May). Indonesia also reported significantly weaker Retail Sales (May) which grew by minus 4.5% YoY, compared to April's positive 1.5%. The aura of economic slowdown seems to be getting more noticeable on the Asian continent. The highlight will be China's Export & Imports figures (June) where exports are expected to start increasing to 0.5% YoY, while imports are predicted to slow even further at -6.1% YoY. Overall, the data will conclude China's Trade Balance which is expected to increase its coffers to USD93.9 billion, growing from the previous month at USD65.81 billion.

Meanwhile, from Europe, the UK will report GDP (May) where monthly growth is expected to be at minus 0.4% compared to 0.2% in April. The negative growth situation has also been predicted to haunt the UK Industrial & Manufacturing Production in May which is reported later this afternoon, along with Trade Balance (May). French CPI (June) follows later where they hope to tame Inflation to 4.5% YoY from 5.1% in May.

Corporate News

Releasing IDR 350 M Bonds, Pefindo Rates Arkora Hydro (ARKO) idA (pg). PEFINDO assigned an idA (pg) rating to the planned Environmental Bonds I Year 2023 of PT Arkora Hydro Tbk (ARKO) with a maximum value of IDR 350 billion. The proceeds will be used for debt refinancing. The debt instrument is partially guaranteed by PT Indonesia Infrastructure Finance (IIF, idAAA/Stable) covering the principal value of the Bonds on a prorated basis of at least 75%, quarterly coupon payments of at least 200%, and late bond coupon payments and/or penalty fees of at least IDR 7.0 billion. (Emiten News)

Domestic Issue

Bonds Considered Most Favorable Instrument in Political Year. PT Bursa Efek Indonesia Business Development Advisor Poltak Hotradero said Indonesia's economic growth from year to year when he was a speaker at the Investor Gathering 2023. Poltak predicts that entering the political year, Indonesia's macroeconomy is quite attractive and resilient in the 2023-2024 period. This is a strong asset because Indonesia has experience. "The most favorable market instrument at the moment is bonds, triggered by the falling inflation rate. It will be even more profitable when there is a decline in interest rates. Generally, this situation is also the beginning of a new bull market in equities," Poltak said on Wednesday. Meanwhile, PT Bursa Efek Indonesia Economist Adhel Rusd explained that the prospects for the capital market in Indonesia ahead of the political year are very good. In addition, he added, the lifting of the pandemic status has encouraged consumption levels to recover, so that purchasing power is maintained. (Tribune)

Recommendation

US10YT apparently broke its closest Support which is MA10, making the yield level of 3.926% the closest resistance at the moment. US10YT relies on the second Support which is MA20 / 3.844% which if unable to hold, will send the yield to the next Support level which is MA50 / 3.77-3.74%. ADVISE: Buy on Weakness.

ID10YT yield has not confirmed to break this downtrend channel. Yield needs to close steadily above the upper channel resistance in the range of : 6.294%. ADVISE: Average Up accordingly. TARGET : MA50 / yield 6.363%, 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 | : 97.86 (0.04%) |
| FR0091 | : 100.72 (0.20%) |
| FR0093 | : 99.97 (-0.05%) |
| FR0092 | : 105.36 (0.14%) |
| FR0086 | : 99.06 (0.05%) |
| FR0087 | : 101.27 (0.15%) |
| FR0083 | : 108.73 (0.21%) |
| FR0088 | : 99.79 (0.02%) |

CDS of Indonesia Bonds

| | |
|----------|---------------------------|
| CDS 2yr | : -3.88% to 35.18 |
| CDS 5yr | : -2.13% to 83.12 |
| CDS 10yr | : -3.14% to 144.42 |

Government Bond Yields & FX

| | Last | Chg. |
|----------------|--------|--------|
| Tenor: 10 year | 6.19% | -0.03% |
| USDIDR | 15,078 | -0.41% |
| KRWIDR | 11.70 | -0.11% |

Global Indices

| Index | Last | Chg. | % |
|-----------|-----------|----------|--------|
| Dow Jones | 34,347.43 | 86.01 | 0.25% |
| S&P 500 | 4,472.16 | 32.90 | 0.74% |
| FTSE 100 | 7,416.11 | 133.59 | 1.83% |
| DAX | 16,023.00 | 232.66 | 1.47% |
| Nikkei | 31,943.93 | (259.64) | -0.81% |
| Hang Seng | 18,860.95 | 201.12 | 1.08% |
| Shanghai | 3,196.13 | (25.23) | -0.78% |
| Kospi | 2,574.72 | 12.23 | 0.48% |
| EIDO | 23.67 | 0.63 | 2.73% |

Commodities

| Commodity | Last | Chg. | % |
|--------------------|---------|--------|--------|
| Gold (\$/troy oz.) | 1,957.4 | 25.1 | 1.30% |
| Crude Oil (\$/bbl) | 75.75 | 0.92 | 1.23% |
| Coal (\$/ton) | 129.05 | (1.95) | -1.49% |
| Nickel LME (\$/MT) | 21,685 | 981.0 | 4.74% |
| Tin LME (\$/MT) | 29,069 | 1113.0 | 3.98% |
| CPO (MYR/Ton) | 3,926 | 37.0 | 0.95% |

| 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 | 0.9% | — | -4.4% |
| | US | 19:30 | CPI MoM | Jun | 0.2% | 0.3% | 0.1% |
| | US | 19:30 | CPI YoY | Jun | 3.0% | 3.1% | 4.0% |
| | KR | 06:00 | Unemployment rate SA | Jun | 2.6% | 2.6% | 2.5% |
| | JP | 06:50 | PPI YoY | Jun | 4.1% | 4.4% | 5.1% |
| | JP | 06:50 | Core Machine Orders MoM | May | -7.6% | 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



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

DISCLAIMER

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein.

All rights reserved by PT NH Korindo Sekuritas Indonesia



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

Branch Office Denpasar:

Jl. Cok Agung Tresna

Ruko Griya Alamanda No. 9

Renon Denpasar, Bali 80226

Indonesia

Telp : +62 361 209 4230

A Member of NH Investment & Securities Global Network

Seoul | New York | Hong Kong | Singapore | Shanghai | Beijing | Hanoi |
Jakarta