

Morning Brief

Daily | July 18, 2023

Today's Outlook:

US stocks closed in positive territory on Monday (17/07/23) on expectations corporate earnings will exceed forecasts, but global shares and the dollar traded little changed after data showed the Chinese economy grew slower than anticipated. China overnight reported growth of 0.8% in the second quarter, above the 0.5% forecast, but the annual pace was 6.3%, well below expectations for a reading of 7.3%. From the beginning of the year, China's GDP has grown by 5.5% yoy in these two running quarters. Apart from Industrial Production (June), none of China's other macroeconomic data managed to surpass the previous period's performance. Analysts think the post-COVID economic boom is over and China's economic situation has lost its momentum.

However, fears earlier in the year of a US hard landing have lessened as slower consumer inflation has brightened the outlook on Wall Street as companies begin to report second-quarter results, which is expected to fall 8.1% (according to Refinitiv data), down further from the 5.7% decline expected at the beginning of the month. On the other hand, inflation is still above the Federal Reserve's target of 2%. Most market participants expect a 25bps rate hike by the Federal Reserve at next week's meeting, with a 97.3% probability, according to the CME Group FedWatch Tool. Futures are pricing in an additional 32 basis points of tightening this year, with the benchmark rate expected to peak at 5.40% in November. That implies the market sees a low chance of further rate hikes after the Fed concludes a two-day meeting on July 25-26. Analysts expect only limited upside potential for US stocks which are already highly valued; in fact the S&P500 is now trading at a forward P/E of 19.7x. Speaking of other economic data, the announcement of Retail Sales (June), Industrial Production (June), and Business Inventories (May) on Tuesday evening WIB will be in the spotlight for market participants today, although the data may have little bearing on monetary policy or market direction.

Indonesia reported a Trade Balance surplus (June) that surged unexpectedly to USD3.46 billion, more than double the estimate, and much higher than May's USD440mn; at a time when Export & Import growth actually plummeted compared to June 2022, at -21.18% yoy and -18.35% yoy respectively. But fortunately, compared to May 2023, Imports fell more by 19.4% than Exports which only fell by 5.08%; so that Indonesia's Trade Balance in June 2023 was able to book 38 consecutive months of surplus mainly from the non-oil & gas sector of USD4.41 billion, but was reduced by a deficit in the oil & gas sector worth USD0.96 billion.

The Dollar Index fell 0.064%, but the Euro rose 0.08% to USD1.1236/Euro. US Treasury yields fell sharply last week as slowing consumer and producer price inflation in June raised expectations that price pressures will continue to tame and lead to more dovish monetary policy. The 2-year US Treasury yield, which typically moves in line with interest rate expectations, fell 0.9 bps to 4.742%, while the benchmark 10-year bond yield fell 1.5 bps to 3.805%. World Gold prices were little changed, as Gold traders are still uncertain about whether the Fed will soon signal an end to its tight monetary policy. Gold price futures moved down 0.4% to USD1,956.40 per ounce.

Corporate News

Indomobil Finance (IMFI) Bonds Maturing Today, Customer Installments becomes a Source of Repayment PT Indomobil Finance Indonesia (IMFI) has bonds that will mature on Tuesday today (07/18/2023). Indomobil Finance Sustainable Bond V with Fixed Interest Rate Phase I Year 2022 Series A has an emission value of IDR 500 billion. Indomobil Finance Executive Board Gunawan Effendi said that his party has prepared funds to pay off the maturing bonds. Gunawan said that the funds come from debtor collections / installments received and also credit facilities owned. (Bisnis)

Domestic Issue

Bond Issuance Prospects for Semester II/2023, Which are the Most Favored? Bond issuance is expected to increase in the second semester of 2023. The rise in bond issuance until the end of 2023 was triggered by the bright prospects for bonds in the second half of this year. Head of Fixed Income Fikri Syuhada assesses that people who are interested in investing directly tend to prefer government bond products. The high public interest in government bonds can be seen from the increasing issuance of Retail Government Bonds (ORI) over the past few years. Similarly, Pinnacle CEO Guntur Putra confirmed that the selection of maturity time is one of the things that must be considered by investors. Guntur believes that shorter tenor series will be more suitable for investors who seek liquidity and protection from interest rate changes. Meanwhile, for investors who are aiming for higher return offers, then they are suitable to choose a longer tenor series. (Bisnis)

Recommendation

US10YT is trying to resist in the Support lower channel (Uptrend), but needs more struggle to break MA20 & MA10 Resistance in the range of : 3.851-3.897%. ADVISE: Speculative Buy; or Average Up gradually. TARGET: 4.0% / 4.091%.

ID10YT has proven unable to break out of the downtrend channel; yesterday's high yield of 6.277% stopped exactly at the upper channel resistance, but at least it has managed to surpass MA10 & MA20 at once (making the level of 6.261-6.223% the nearest yield support at this time. ADVISE: Average Up accordingly after breaking this down channel. TARGET: MA50 at 6.343% yield; followed by Target pattern at 6.398-6.40%.

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)	3.46	0.44	Govt. Spending Yoy	3.99%	-4.77%
Exports Yoy	-21.18%	0.96%	FDI (USD bn)	5.14	5.14
Imports Yoy	-18.35%	14.35%	Business Confidence	104.82	105.33
Inflation Yoy	3.52%	4.00%	Cons. Confidence*	127.10	128.30

PRICE OF BENCHMARK SERIES

FR0090 : 97.96 (0.05%)
FR0091 : **100.85 (-0.09%)**
FR0093 : 100.13 (0.04%)
FR0092 : 105.62 (0.04%)

FR0086 : **99.06 (-0.07%)**
FR0087 : **101.40 (-0.08%)**
FR0083 : **108.72 (-0.04%)**
FR0088 : **99.98 (-0.17%)**

CDS of Indonesia Bonds

CDS 2yr: 0.72% to 35.18
CDS 5yr: 0.89% to 82.05
CDS 10yr: 0.44% to 144.35

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.20%	0.03%
USDIDR	15,005	0.31%
KRWIDR	11.85	0.32%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,585.35	76.32	0.22%
S&P 500	4,522.79	17.37	0.39%
FTSE 100	7,406.42	(28.15)	-0.38%
DAX	16,068.65	(36.42)	-0.23%
Nikkei	32,391.26	(28.07)	-0.09%
Hang Seng	19,413.78	63.16	0.33%
Shanghai	3,209.63	(28.07)	-0.87%
Kospi	2,619.00	(9.30)	-0.35%
EIDO	23.68	0.07	0.30%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,955.0	(0.2)	-0.01%
Crude Oil (\$/bbl)	74.15	(1.27)	-1.68%
Coal (\$/ton)	131.10	(0.55)	-0.42%
Nickel LME (\$/MT)	21,054	(576.0)	-2.66%
Tin LME (\$/MT)	28,363	(180.0)	-0.63%
CPO (MYR/Ton)	3,930	31.0	0.80%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 17 – July	US	19:30	Empire Manufacturing	Jul	1.1	0.0	6.6
	CH	09:00	GDP YoY	2Q	6.3%	7.1%	4.5%
	CH	09:00	Industrial Production YoY	Jun	4.4%	2.5%	3.5%
	CH	09:00	Retail Sales YoY	Jun	3.3%	3.2%	12.7%
	ID	11:00	Trade Balance	Jun	\$3460m	\$1162m	\$440m
Tuesday 18 – July	US	19:30	Retail Sales Advance MoM	Jun		0.5%	0.3%
	US	20:15	Industrial Production MoM	Jun		0.0%	-0.2%
	JP	11:30	Tertiary Industry Index MoM	May		0.4%	1.2%
Wednesday 19 – July	US	18:00	MBA Mortgage Applications	Jul 14		—	0.9%
	US	19:30	Housing Starts	Jun		1465K	1631K
	US	19:30	Building Permits	Jun		1483K	1491K
Thursday 20 – July	US	19:30	Initial Jobless Claims	Jul 15		—	237K
	US	21:00	Existing Home Sales	Jun		4.25m	4.30m
	US	21:00	Leading Index	Jun		-0.6%	-0.7%
	JP	06:50	Trade Balance	Jun		-¥46.7b	-¥1372.5b
	JP	13:00	Machine Tool Orders YoY	Jun F		—	-21.7%
Friday 21 – July	KR	04:00	PPI YoY	Jun		—	0.6%
	JP	06:30	Natl CPI YoY	Jun		3.3%	3.2%
	JP	06:30	Natl CPI Ex Fresh Food YoY	Jun		3.2%	3.2%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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