

Morning Brief

Daily | July 20, 2023

Today's Outlook:

US stock indexes moved modestly in positive territory; the Dow Jones index even registered its eighth consecutive day of gains amidst quarterly earnings sentiment. Bank stocks extended their rally, with the S&P 500 bank index advancing 1.70%, gaining for a third straight session. Goldman Sachs was one of the major companies in the spotlight (besides Tesla & Netflix) after reporting a 3-year profit decline. Q2/2023 earnings are expected to drop 8.2%, as reported by Refinitiv, more than the 5.7% drop expected at the beginning of the month. Prior to that, the US reported Retail Sales (Jun) growth which came in below expectations, growing just 0.2% on a monthly basis and 1.49% on an annualized basis; failing to meet expectations and clearly below the previous month. Similarly, their Industrial Production (Jun) recorded negative growth of -0.43% yoy and -0.5% mom, far from expectations of positive or at least flat growth. Data on the health of the property sector has also been published where US Building Permits and Housing Starts data in June all showed declines.

Good news came from continental Europe where the UK managed to report increasingly subdued inflation growth, recorded at 7.9% yoy and 0.1% mom in June, clearly beating consensus & May position. Similarly they managed to suppress their Input & Output PPI in June further cooling down from the previous period. Eurozone also reported tamer Inflation growth where CPI (June) was recorded at 5.5% yoy, a significant slope compared to 6.1% in May; although on a monthly basis this CPI was recorded up 0.3% mom (vs. 0% in the previous month). In contrast, on a Core CPI basis, the Eurozone recorded growth of 5.5% yoy and 0.4% which was still above the previous month's performance.

Japan released their Trade Balance (June) this morning where they unexpectedly reported a surplus of JPY43 billion, on the back of increased Exports & lower Imports; amidst deficit predictions and last month's heavily deficit performance. Coming up next will be some important highlights from around the world, starting with China's central bank decision on interest rates where consensus expects it to remain flat at 3.55%. After that, Indonesia will report Retail Sales, followed in the afternoon by German PPI (June) data which is also expected to cool down further following previous European countries. And finally this evening, global market participants will monitor the release of US Initial Jobless Claims data which is expected to grow; as well as the Philadelphia Fed Manufacturing Index which seems quite important as a benchmark for US economic growth. Another eagerly awaited complement to the US housing sector data is the Existing Home Sales (June) which is actually also predicted to experience a decline.

Corporate News

Pay Debt, Steel Pipe Industry (ISSP) Offers IDR 110.35 Billion Bonds Steel Pipe Industry aka Spindo (ISSP) will offer debt securities of IDR 110.35 billion. The sustainable bonds II Spindo phase II in 2023, part of Spindo's sustainable bonds II with a target of IDR 500 billion. Bonds amounting to IDR 110.35 billion are offered with an interest rate of 7 percent per year, and a period of 367 calendar days from the date of issuance. (Emiten News)

Domestic Issue

The Value of National Bond Issuance Decreased in the First Semester, What's the Cause? The national issuance of debt securities in the first semester of 2023 was recorded at IDR 45.99 trillion. This amount is 37% lower than the same period in 2022, where the total issuance value reached IDR 72.73 trillion. Head of the Corporate Rating Division of the Indonesian Securities Rating Agency (Pefindo) Niken Indriasih said, there were a number of factors that made the issuance of national debt securities in the first half of this year lower. Externally, the risk of global uncertainty is still high due to political tensions between Russia-Ukraine and the United States-China. In addition, high inflation in a number of countries and regions has led central banks to continue raising interest rates in 2023. Domestically, the need to refinance debt securities in 2023 is not as high as in 2022. The decline in commodity prices has also made working capital requirements this year not as high as last year. Furthermore, Niken sees that 2023 is a phase of decline in debt securities issuance in a five-year cycle. The highest phase has occurred in 2022. (Kontan)

Recommendation

US10YT apparently broke the lower channel Support and MA50, making the 3.768-3.794% level the closest yield Resistance now. Consolidation could continue as low as 3.437%. This seems to be influenced by US economic data releases that are increasingly leading to soft trading conditions. ADVISE: SELL, reduce position.

On the contrary, ID10YT proved to be able to break the upper channel resistance (downtrend), which opens the potential for strengthening towards the TARGET yield: 6.339% (MA50) or 6.407% according to the pattern. ADVISE: do AVERAGE UP or BUY.

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

FRO090 : 97.99 (0.01%)
FRO091 : 100.92 (0.07%)
FRO093 : 100.13 (0.00%)
FRO092 : 105.64 (0.02%)

FRO086 : 99.09 (0.02%)
FRO087 : 101.35 (-0.04%)
FRO083 : 108.73 (0.01%)
FRO088 : 99.96 (-0.02%)

CDS of Indonesia Bonds

CDS 2yr: -1.08% to 34.80

CDS 5yr: -0.59% to 80.68

CDS 10yr: -0.02% to 143.22

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.21%	0.00%
USDIDR	14,995	-0.07%
KRWIDR	11.89	0.34%

Global Indices

Index	Last	Chg.	%
Dow Jones	35,061.21	109.28	0.31%
S&P 500	4,565.72	10.74	0.24%
FTSE 100	7,588.20	134.51	1.80%
DAX	16,108.93	(16.56)	-0.10%
Nikkei	32,896.03	402.14	1.24%
Hang Seng	18,952.31	(63.41)	-0.33%
Shanghai	3,198.84	1.02	0.03%
Kospi	2,608.24	0.62	0.02%
EIDO	23.53	0.02	0.09%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,976.6	(2.1)	-0.11%
Crude Oil (\$/bbl)	75.35	(0.40)	-0.53%
Coal (\$/ton)	132.00	(2.35)	-1.75%
Nickel LME (\$/MT)	20,907	(177.0)	-0.84%
Tin LME (\$/MT)	28,114	(426.0)	-1.49%
CPO (MYR/Ton)	3,895	(35.0)	-0.89%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	US	19:30	Empire Manufacturing	Jul	1.1	0.0	6.6
<i>17 – July</i>	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	US	19:30	Retail Sales Advance MoM	Jun	0.2%	0.5%	0.3%
<i>18 – July</i>	US	20:15	Industrial Production MoM	Jun	-0.5%	0.0%	-0.2%
	JP	11:30	Tertiary Industry Index MoM	May	1.2%	0.4%	1.2%
Wednesday	US	18:00	MBA Mortgage Applications	Jul 14	1.1%	—	0.9%
<i>19 – July</i>	US	19:30	Housing Starts	Jun	1434K	1465K	1631K
	US	19:30	Building Permits	Jun	1440K	1483K	1491K
Thursday	US	19:30	Initial Jobless Claims	Jul 15	—	—	237K
<i>20 – July</i>	US	21:00	Existing Home Sales	Jun	4.25m	4.30m	4.30m
	US	21:00	Leading Index	Jun	-0.6%	-0.6%	-0.7%
	JP	06:50	Trade Balance	Jun	-¥46.7b	-¥46.7b	-¥1372.5b
	JP	13:00	Machine Tool Orders YoY	Jun F	—	—	-21.7%
Friday	KR	04:00	PPI YoY	Jun	—	—	0.6%
<i>21 – July</i>	JP	06:30	NatI CPI YoY	Jun	—	3.3%	3.2%
	JP	06:30	NatI 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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