

Morning Brief

Daily | July 27, 2023

Today's Outlook:

Global stock markets mostly closed flat, while US bond yields fell on Wednesday (26.07.23) after the Federal Reserve set its 11th consecutive interest rate hike aimed at controlling inflation. The rate hike, which was in line with market expectations, brought the benchmark interest rate to a range of 5.25% - 5.50%, the highest level since around the global financial crisis in 2007-2009. The Fed stated that the Federal Open Market Committee (FOMC) will continue to evaluate additional information and its implications for monetary policy going forward; thereby indicating that the US central bank remains open to various policy options in order to find the end point of this interest rate hike cycle and to keep inflation under control. Fed Chair Jerome Powell said in a press conference the central bank will make decisions meeting by meeting, closely watching economic data, but noted that a rate cut is very unlikely this year; because although headline inflation was able to flatten, core inflation still remains quite high above the 2% target limit. The good news is that the central bank no longer expects a recession. Goldman Sachs said in a note to clients that the Fed's statement did not signal a slower pace of hikes in the future, but that the bank was expecting a hold in September.

Not to mention other economic data released yesterday, one of which from the Europe, with France recorded a Consumer Confidence Index that remained the same as the previous period at 85. Meanwhile, the US released Building Permits and New Home Sales (June) data which clearly showed a weakening compared to the previous month. In terms of commodities, oil prices (US WTI) closed down 1.1% to USD78.78/barrel, as data showed US crude oil inventories fell less than expected.

The IMF released its latest projection of global economic growth where they cut the global economic growth forecast from the previous 3.5% to 3% this year and next year. The IMF also expects developed countries' economic growth to drop to 1.5% this year, from 2.7% in 2022, and will still drop to 1.4% in 2024; less than the achievements of emerging countries which are predicted in 2023 to stay at the same 4% level as last year and even increase to 4.1% in 2024. As for today, the European Central Bank (ECB) will announce its interest rate decision where it is expected to rise by 25 bps to 4.25%. Later in the evening, the US will release Durable Goods Orders (June) and revised second quarter GDP, Goods Trade Balance (June), Pending Home Sales (June), as well as Initial Jobless Claims which is expected to rise to 235k from 228k in the previous week.

Corporate News

PGE Will Issue USD 500 Million New Bonds to Pursue 1 GW Capacity State-owned company engaged in the EBT business, PT Pertamina Geothermal Energy Tbk (P GEO) will issue new bonds worth USD 500 million or around IDR 7.50 trillion. The proceeds from the bond issuance will be used to finance geothermal power plant development projects in order to reach an installed capacity of 1 Gigawatt (GW) in the next two years. Currently, the installed capacity managed by PGE reaches 672 Megawatts (MW), so there is still a gap of 340 MW. "The average geothermal powerplant requires an investment of USD 3 million per megawatt, so it will require a capital expenditure of USD 1 billion," P GEO Finance Director Nelwin Aldriansyah told the media in Jakarta on Wednesday (26/7). (Katadata)

Domestic Issue

Indonesia's Bond Market Remains Solid, Despite BI's Decision to Hold Interest Rate in July The country's bond market is still solid amid the potential for a global interest rate hike. Market players have generally expected the possible steps taken by the Fed in the future. Director & Chief Investment Officer Fixed Income PT Manulife Aset Manajemen Indonesia (MAMI) Ezra Nazula observed that the market has anticipated Bank Indonesia's (BI) policy to hold interest rates this year. As is known, BI again held the benchmark interest rate at 5.75% at the Board of Governors Meeting (RDG) on Tuesday (25/7). Ezra sees that the Indonesian bond market is supported by domestic conditions that are still supportive, such as the falling inflation rate and a surplus trade balance. This in turn also strengthens the rupiah exchange rate. (Kontan)

Recommendation

US10YT seems to have to test support for a moment on the MA10/yield of 3.837%. In overall, it is still comfortably moving within the Uptrend channel. After the MA20/3.877% resistance and the previous High yield level of 3.922%, US10YT only has a smoother chance towards the TARGET of 4.0-4.091% / 4.20-4.243% (= equivalent to the previous High level of November 2022). ADVISE: AVERAGE UP accordingly.

ID10YT finally broke the Downtrend channel, even able to perch above the MA50 Support, making 6.316% the closest Support yield level at this time. The strengthening of this yield opens up the potential to rise towards the TARGET yield of 6.39% / 6.46% - 6.478%. ADVISE: AVERAGE UP accordingly.

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	: 97.89 (0.00%)
FR0091	: 100.57 (-0.02%)
FR0093	: 100.10 (0.01%)
FR0092	: 105.65 (0.05%)
FR0086	: 98.90 (-0.09%)
FR0087	: 101.04 (-0.11%)
FR0083	: 108.23 (-0.03%)
FR0088	: 99.95 (-0.03%)

CDS of Indonesia Bonds

CDS 2yr	: -0.01% to 33.94
CDS 5yr	: -1.80% to 78.79
CDS 10yr	: -0.14% to 139.71

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.27%	0.03%
USDIDR	15,018	0.17%
KRWIDR	11.79	0.23%

Global Indices

Index	Last	Chg.	%
Dow Jones	35,520.12	82.05	0.23%
S&P 500	4,566.75	(0.71)	-0.02%
FTSE 100	7,676.89	(14.91)	-0.19%
DAX	16,131.46	(80.13)	-0.49%
Nikkei	32,668.34	(14.17)	-0.04%
Hang Seng	19,365.14	(69.26)	-0.36%
Shanghai	3,223.03	(8.49)	-0.26%
Kospi	2,592.36	(44.10)	-1.67%
EIDO	23.82	0.19	0.80%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,972.1	7.1	0.36%
Crude Oil (\$/bbl)	78.78	(0.85)	-1.07%
Coal (\$/ton)	134.00	0.00	0.00%
Nickel LME (\$/MT)	21,590	(860.0)	-3.83%
Tin LME (\$/MT)	29,010	111.0	0.38%
CPO (MYR/Ton)	4,062	(4.0)	-0.10%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 24 – July	US	20:45	S&P Global US Manufacturing PMI	Jul P	49.0	46.1	46.3
	GE	14:30	HCOB Germany Manufacturing PMI	Jul P	38.8	41.0	40.6
	JP	07:30	Jibun Bank Japan PMI Mfg	Jul P	49.4	—	49.8
Tuesday 25 – July	US	21:00	Conf. Board Consumer Confidence	Jul	117.0	112.0	109.7
	ID	14:20	Bank Indonesia 7D Reverse Repo	Jul 24	5.75%	5.75%	5.75%
	GE	15:00	IFO Business Climate	Jul	87.3	88.0	88.5
	GE	15:00	IFO Expectations	Jul	83.5	82.6	83.6
	KR	06:00	GDP YoY	2Q A	0.9%	0.9%	0.9%
	KR	06:00	GDP SA QoQ	2Q A	0.6%	0.6%	0.3%
Wednesday 26 – July	US	18:00	MBA Mortgage Applications	Jul 21	-1.8%	—	1.1%
	US	21:00	New Home Sales	Jun	697K	722K	763K
Thursday 27 – July	US	01:00	FOMC Rate Decision (Upper Bound)	Jul 26	5.50%	5.50%	5.25%
	US	19:30	GDP Annualized QoQ	2Q A	1.8%	1.8%	2.0%
	US	19:30	Durable Goods Orders	Jun P	1.0%	1.0%	1.8%
	US	19:30	Initial Jobless Claims	Jul 22	—	—	228K
	GE	13:00	Gfk Consumer Confidence	Aug	-25.0	-25.0	-25.4
	KR	04:00	Business Survey Manufacturing	Aug	—	—	72
	Friday 28 – July	US	19:30	Personal Income	Jun	0.5%	0.4%
US		19:30	Personal Spending	Jun	0.4%	0.4%	0.1%
US		21:00	U. of Mich. Sentiment	Jul F	72.6	72.6	72.6
KR		06:00	Industrial Production YoY	Jun	-5.5%	-5.5%	-7.3%
JP		06:30	Tokyo CPI Ex-Fresh Food YoY	Jul	2.9%	2.9%	3.2%
	JP		BOJ Policy Balance Rate	Jul 28	-0.1%	-0.1%	-0.1%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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United States 10-Year, United States, NYSE:US10YT-K, D



Indonesia 10 Years Treasury

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