

# Morning Brief

Daily | July 28, 2023

## Today's Outlook:

**Global equity markets fell while the U.S. dollar gained, following news of stronger-than-expected US economic growth despite consecutive interest rate hikes** from the Federal Reserve and European Central Bank. US gross domestic product (GDP) increased 2.4% YoY in 2Q23, Commerce Department data showed, beating estimates from economists polled by Reuters and dampening concerns of a recession due to the Fed's aggressive rate-tightening cycle. Meanwhile, Labor Department report Initial Jobless Claims to be better than expected as fewer people sought to claim unemployment benefits (actual: 221k vs. forecast: 235k, previous: 228k). Another data from the property sector was Pending Home Sales (June) which was also better than expected -0.5% mom, instead it came in at 0.3% mom; clearly a better growth than May at -2.5%.

**From the European continent, the Eurozone again raised interest rates by 25 bps to 4.25%.** In her press conference, ECB President Christine Lagarde stated that going forward, the ECB will make decisions regarding interest rate trends by monitoring economic data reports; as well as determining whether to pause or hike gradually (meeting by meeting), aka at one meeting at a time. He also emphasized that a rate cut is not possible for now. Meanwhile, the Gfk German Consumer Climate (Aug) explained slightly more optimistic consumer confidence over economic activity in August. Similarly, South Korea reported an above-expected South Korea Manufacturing BSI Index, where the survey investigates business trends and how businesses view current business conditions and more optimistic future tendencies.

**In terms of commodities, oil prices rose, recovering most of the losses from the previous session amid a weaker US Dollar and the prospect of tighter supply,** while markets also digested mixed signals on monetary policy from the Federal Reserve. Gold prices climbed to a 1-week high, supported by a slightly weaker US Dollar, while traders digested comments from US Federal Reserve Chairman Jerome Powell following a widely expected interest rate hike. Malaysian CPO futures slumped for the third consecutive session, dragged down by a stronger Malaysian Ringgit and cheaper Indonesian cargoes, although losses were limited by stronger vegetable and crude oil rivals.

**Domestically, less conducive sentiment was caused by the weakening of the Rupiah exchange rate to IDR15,003/USD;** although Money Supply M2 in Indonesia increased to IDR8,372.6 trillion in June (from IDR8,332.3 trillion in May).

## Corporate News

**Perusahaan Gas Negara (PGAS) Entity Completes USD220 Million Bond Buyback** Perusahaan Gas Negara (PGAS) has bought back USD 220 million worth of bonds. This was done by the company through its business, Saka Energi Indonesia (SAKA). The results are based on the initial offering period on July 21, 2023. With this fact, the value of bonds still outstanding remains USD 156.25 million. The remaining senior bonds will mature in May 2024. The buyback implementation is in accordance with the laws of Indonesia and New York. (Emiten News)

## Domestic Issue

**PHEI: Indonesia's Bond Market Will Be Positive in the Second Semester of 2023** PT Penilai Harga Efek Indonesia (PHEI) projects that the Indonesian bond market will be positive in the second semester. One of the triggers is domestic macro conditions. Along with this projection, PHEI reported that the Indonesia Composite Bond Index or ICBI rose by 6.48% since the beginning of this year (year to date / ytd) to the level of 367.11. Head of PHEI's Market Research and Information Department Roby Rushandie said, the increase in ICBI was driven by the Total Profit Government Bond Index which rose 6.61% ytd and the Total Profit Corporate Bond Index which rose 4.64% ytd. "The positive movement of the bond market in the first semester of 2023 was supported by the downward trend in inflation levels globally, especially in the US," he said in his presentation on Thursday. This has also boosted expectations that the Fed and other major central banks globally will begin to slow down the pace of interest rate hikes. (Katadata)

## Recommendation

**US10YT is indeed on the way to the upper channel TARGET at yield : 4.243%;** but it is better to AVERAGE UP above the Resistance of the previous High level of 4.094%.

**ID10YT seems to be having a pullback for a moment to test the upper channel Support that has been broken,** as well as the MA20 & MA10 Support range: yield 6.242% - 6.226%. If ID10YT is able to stay above the Support, then the yield still has a chance to advance towards the TARGET: MA50 at 6.313%; or TARGET in pattern which is located at 6.384%. ADVISE : SPECULATIVE BUY; or 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	: 97.84 (0.00%)
FR0091	: 100.54 (-0.05%)
FR0093	: 100.10 (0.00%)
FR0092	: 105.64 (-0.01%)
FR0086	: 98.90 (0.00%)
FR0087	: 101.03 (-0.02%)
FR0083	: 108.24 (0.02%)
FR0088	: 99.99 (0.05%)

## CDS of Indonesia Bonds

CDS 2yr	: -2.55% to 33.07
CDS 5yr	: -1.92% to 77.27
CDS 10yr	: -1.97% to 136.95

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.24%	-0.02%
USDIDR	15,000	-0.12%
KRWIDR	11.74	-0.40%

## Global Indices

Index	Last	Chg.	%
Dow Jones	35,282.72	(237.40)	-0.67%
S&P 500	4,537.41	(29.34)	-0.64%
FTSE 100	7,692.76	15.87	0.21%
DAX	16,406.03	274.57	1.70%
Nikkei	32,891.16	222.82	0.68%
Hang Seng	19,639.11	273.97	1.41%
Shanghai	3,216.67	(6.36)	-0.20%
Kospi	2,603.81	11.45	0.44%
EIDO	23.33	(0.49)	-2.06%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,946.0	(26.1)	-1.32%
Crude Oil (\$/bbl)	80.09	1.31	1.66%
Coal (\$/ton)	134.00	0.00	0.00%
Nickel LME (\$/MT)	21,689	99.0	0.46%
Tin LME (\$/MT)	28,680	(330.0)	-1.14%
CPO (MYR/Ton)	4,026	(36.0)	-0.89%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b> 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
<b>Tuesday</b> 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%
<b>Wednesday</b> 26 – July	US	18:00	MBA Mortgage Applications	Jul 21	-1.8%	—	1.1%
	US	21:00	New Home Sales	Jun	697K	722K	763K
<b>Thursday</b> 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	2.4%	1.8%	2.0%
	US	19:30	Durable Goods Orders	Jun P	4.7%	1.0%	1.8%
	US	19:30	Initial Jobless Claims	Jul 22	221K	—	228K
	GE	13:00	Gfk Consumer Confidence	Aug	-24.4	-25.0	-25.4
	KR	04:00	Business Survey Manufacturing	Aug	69	—	72
	<b>Friday</b> 28 – July	US	19:30	Personal Income	Jun	—	0.5%
US		19:30	Personal Spending	Jun	—	0.4%	0.1%
US		21:00	U. of Mich. Sentiment	Jul F	—	72.6	72.6
KR		06:00	Industrial Production YoY	Jun	—	-5.5%	-7.3%
JP		06:30	Tokyo CPI Ex-Fresh Food YoY	Jul	—	2.9%	3.2%
JP		—	BOJ Policy Balance Rate	Jul 28	—	-0.1%	-0.1%

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury



## Indonesia 10 Years Treasury



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