

Morning Brief

Daily | August 2, 2023

Today's Outlook:

The US reported July manufacturing data which appears to have stabilized at contractionary levels, as new orders gradually improved, while a survey showed factory employment dropped to a three-year low, suggesting that layoffs were accelerating. The US ISM Manufacturing PMI (July) came in at 46.4 which was lower than the estimate of 46.8 but a slight improvement from the previous month's 46.0. ISM Manufacturing Employment (July) weakened to 44.4, the lowest level since August 2020. On the other hand, JOLTs Job Openings for June fell to 9.582mn from 9.616mn in the previous month. Signs of weaker labor demand are likely to be welcomed by the Federal Reserve and increase expectations that there may be no need for further interest rate hikes.

The dollar index, a measure of the greenback against six major currencies, rose 0.40%. A stronger dollar makes crude more expensive for investors holding other currencies. To revive China's private sector amid a flagging economic recovery following a protracted period of COVID restrictions, Chinese ministries, regulators and the central bank on Tuesday pledged more financing support to small businesses. Meanwhile, data released on Monday potentially curbed market enthusiasm as data showed Euro Zone manufacturing activity contracted in July at the fastest pace since May 2020, although the Euro Zone Unemployment Rate (June) did not budge from 6.4% (same as the previous month), the lowest level in more than 20 years.

From the Asian continent, South Korea and Japan successfully reported higher than expected Manufacturing PMI (July) although both still stayed in contraction territory aka below 50 points. While the Nikkei Manufacturing PMI (July) level for Indonesia was more expansionary at 53.3, up from June at 52.5. Indonesia reported a more manageable July Inflation at 3.085% yoy, lower than expected 3.1% and previous month's 3.52%. Core Inflation also tamed further at 2.43%, lower than forecast of 2.5% and June at 2.58%. S&P Global Indonesia Manufacturing PMI increased to 53.3 in July from 52.5 in June. This is the 23rd consecutive month of expansionary growth in factory activity.

As for this morning, South Korea has reported CPI growth (July) at 2.3% yoy and 0.1% mom, both below expectations. Speaking of PMIs, France, Germany, Euro Zone and the UK reported PMIs that weakened further in contractionary territory. Later in the evening, the world will again monitor employment data from the US, namely ADP Nonfarm Employment Change (July) which is expected to drop to 188k from June's 497k.

Corporate News

Merdeka Copper Gold (MDKA) Repays Bonds and Interest Worth IDR 745.41 Billion PT Merdeka Copper Gold Tbk (MDKA) reported that it has paid off the principal and 12th interest payment of the Merdeka Copper Gold Sustainable Bonds I phase I 2020 series B. This repayment was made by MDKA on Sunday (7/30). The amount of bonds maturing on July 30, 2023 consists of principal bonds worth IDR 726.35 billion and 12th interest bonds of around IDR 19.06 billion. Thus, the total principal repayment and interest payment for the 12th bond is IDR 745.41 billion. The source of funding used by MDKA to make this repayment comes from internal cash. (Kontan)

Domestic Issue

Prepare Your Funds, Retail Sukuk Series 019 Will Be Released Soon After successfully selling ORI023, the government is again planning the issuance of the latest series of retail government securities (SBN). The bond that will be issued to the retail market in the near future is the Retail Sukuk (SR) SR019 series. If nothing goes wrong, the sharia investment product will be offered on September 1-20, 2023. The plan is that SR019 will be issued in two series at one time (dual tranches). "Just like the previous retail SBN issuance this year," Director of Sharia Financing at the Ministry of Finance's DJPPR Dwi Irianti Hadiningdyah told KONTAN. The government has so far not determined the amount of the SR019 coupon. Factors that will be considered are the latest market conditions, as well as adjusting the government's financing strategy. "The coupon is expected to be at an attractive level for investors," she said. Meanwhile, the target value of SR019 issuance will not be much different from the target set for the previous SBN series this year. Previously, ORI023 sold as much as IDR 28.9 trillion and SR018 sold IDR 21.49 trillion. (Kontan)

Recommendation

US10YT uptrend is relatively intact and on the way to the upper channel TARGET at yield : 4.243%; however, it is better to AVERAGE UP above the Resistance of the previous High level of 4.094%. ADVISE: Wait & See; Average Up accordingly.

ID10YT is attempting to test MA50 Resistance at a yield of 6.305%. ADVISE: Average Rise as expected. TARGET: yield 6.384%.

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	3.08%	3.52%	Cons. Confidence*	127.10	128.30

PRICE OF BENCHMARK SERIES

FR0090 : 97.82 (0.02%)
FR0091 : 100.42 (0.11%)
FR0093 : 100.30 (-0.04%)
FR0092 : 105.69 (0.03%)

FR0086 : 98.88 (0.00%)
FR0087 : 100.79 (0.01%)
FR0083 : 108.36 (0.15%)
FR0088 : 100.07 (0.17%)

CDS of Indonesia Bonds

CDS 2yr: +2.01% to 31.40
CDS 5yr: +2.24% to 74.92
CDS 10yr: +1.55% to 142.44

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.25%	-0.00%
USDIDR	15,115	0.23%
KRWIDR	11.77	-0.50%

Global Indices

Index	Last	Chg.	%
Dow Jones	35,630.68	71.15	0.20%
S&P 500	4,576.73	(12.23)	-0.27%
FTSE 100	7,666.27	(33.14)	-0.43%
DAX	16,240.40	(206.43)	-1.26%
Nikkei	33,476.58	304.36	0.92%
Hang Seng	20,011.12	(67.82)	-0.34%
Shanghai	3,290.95	(0.09)	-0.00%
Kospi	2,667.07	34.49	1.31%
EIDO	23.23	(0.23)	-0.98%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,944.3	(20.8)	-1.06%
Crude Oil (\$/bbl)	81.37	(0.43)	-0.53%
Coal (\$/ton)	134.35	(2.95)	-2.15%
Nickel LME (\$/MT)	22,358	65.0	0.29%
Tin LME (\$/MT)	27,724	(913.0)	-3.19%
CPO (MYR/Ton)	3,872	(6.0)	-0.15%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 31 – July	US	20:45	MNI Chicago PMI	Jul	42.8	43.5	41.5
	CH	08:30	Manufacturing PMI	Jul	49.3	48.9	49.0
	GE	15:00	GDP SA QoQ	2Q P	—	0.1%	-0.3%
	JP	06:50	Industrial Production MoM	Jun P	2.0%	2.4%	-2.2%
Tuesday 1 – Aug	US	20:45	S&P Global US Manufacturing PMI	Jul F	49.0	49.0	49.0
	US	21:00	ISM Manufacturing	Jul	46.4	46.9	46.0
	CH	08:45	Caixin China PMI Mfg	Jul	49.2	49.8	50.5
	GE	14:55	Unemployment Change (000's)	Jul	-4.0K	25.0K	28.0K
	GE	14:55	HCOB Germany Manufacturing PMI	Jul F	38.8	38.8	38.8
	KR	07:00	Trade Balance	Jul	\$1630m	—	\$1130m
	KR	07:30	S&P Global South Korea PMI Mfg	Jul	49.4	—	47.8
	JP	06:30	Jobless Rate	Jun	2.5%	2.6%	2.6%
	JP	06:30	Job-To-Applicant Ratio	Jun	1.30	1.32	1.31
	JP	07:30	Jibun Bank Japan PMI Mfg	Jul F	49.6	—	49.4
	ID	07:30	S&P Global Indonesia PMI Mfg	Jul	53.3	—	52.5
	ID	11:00	CPI YoY	Jul	3.08%	3.21%	3.52%
Wednesday 2 – Aug	US	18:00	MBA Mortgage Applications	Jul 28	—	—	-1.8%
	US	19:15	ADP Employment Change	Jul	—	185K	497K
	KR	06:00	CPI YoY	Jul	—	2.4%	2.7%
	JP	06:50	Monetary Base YoY	Jul	—	—	-1.0%
Thursday 3 – Aug	US	19:30	Initial Jobless Claims	Jul 29	—	—	221K
	US	21:00	Factory Orders	Jun	—	0.1%	0.3%
	US	21:00	Durable Goods Orders	Jun F	—	—	4.7%
	JP	07:30	Jibun Bank Japan PMI Composite	Jul F	—	—	52.1
	JP	07:30	Jibun Bank Japan PMI Services	Jul F	—	—	53.9
Friday 4 – Aug	US	19:30	Change in Nonfarm Payrolls	Jul	—	190K	209K
	US	19:30	Unemployment Rate	Jul	—	3.6%	3.6%
	GE	13:00	Factory Orders MoM	Jun	—	-2.4%	6.4%

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 leonardo.lijuwardi@nhsec.co.id

Research Support

Amalia Huda Nurfalah

Editor & Translator

T +62 21 5088 ext 9132

E amalia.huda@nhsec.co.id

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Member of Indonesia Stock Exchange

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

Telp : +62 411 360 4650

Branch Office Denpasar:

Jl. Cok Agung Tresna

Ruko Griya Alamanda No. 9

Renon Denpasar, Bali 80226

Indonesia

Telp : +62 361 209 4230

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