

Morning Brief

Daily | August 3 2023

Today's Outlook:

Wall Street collapsed into negative territory on Wednesday, with the S&P 500 and Nasdaq Composite down for a second straight day as investors took profits on five months of gains a day after rating agency Fitch cut the U.S. government's credit rating. Fitch downgraded the United States to AA+ from AAA late on Tuesday, citing expected fiscal deterioration over the next three years as well as growing government debt. Fitch was the second major agency to cut the country's rating. In 2011 Standard & Poor's stripped the country of its triple-A grade. On the other hand, several major brokerages said the downgrade was unlikely to result in a sustained drag on US financial markets, noting the economy was now stronger than it was when S&P cut its rating in 2011. However, with markets entering a seasonally slow August, the Fitch downgrade offered an opportunity for investors to take a break from trading/market activities. **Meanwhile, the ADP Nonfarm Employment Change (July) report showed that private sector employment rose further than expected in July to 324k (versus a forecast of 189k).** Despite the tougher-than-expected private jobs report, some economists believe that the labor market is already slowing down as an effect of the Federal Reserve's upward trend in interest rates. In a way, the continued resilience of the labor market may also protect the economy from recession. **Despite lingering recession fears**, American companies continue to perform well. Almost 80% of S&P 500 issuers have reported earnings above analysts' expectations, as reported by Refinitiv data; which also states that this puts 2Q23 on track for the highest level of earnings since the third quarter of 2021. **Indonesian capital market investors are also suspected to be digesting the economic data release of Inflation and S&P Global Indonesia Manufacturing PMI** which rose to 53.3 in July, from 52.5 in June; representing 23 consecutive months of expansionary growth in manufacturing activity. Later in the afternoon, the world will be watching the Bank of England's interest rate decision which is expected to rise 25bps to 5.25%. Later in the evening, market participants will focus on the US Initial Jobless Claims, S&P Global Composite (July), Factory Orders (June), and US ISM Non-Manufacturing PMI (July) data.

Corporate News

Bond to Share Conversion - IFC Officially Becomes Adi Sarana's Shareholder IFC (The International Finance Corporation), an international financial institution member of the World Bank has officially become a shareholder of PT Adi Sarana Armada Tbk (ASSA), through the conversion of convertible bonds into shares. IFC exercised its right to convert the convertible bonds into 97,443,900 shares, or equivalent to 2.64% of ASSA's total shares. ASSA President Director Projo Sunarjanto said in a press release in Jakarta yesterday that the entry of IFC is believed to strengthen ASSA's image as a credible company in the eyes of both business partners and public investors. In addition, he continued, the company is optimistic that it will be able to achieve a double-digit increase in profit by the end of this year compared to profit in 2022. This optimism arises along with the success of the company's efficiency measures, which has led to operational improvements in the logistics and express courier subsidiary Anteraja in the second quarter of 2023 compared to the fourth quarter of 2022. (Neraca)

Domestic Issue

Sri Mulyani Discloses that Indonesian Bonds are Hunted by Investors Indonesian Finance Minister Sri Mulyani Indrawati revealed the high investor interest in Government Securities (SBN), one of which can be seen from the strengthening trend until the end of July. Sri Mulyani said that the strengthening of SBN yields was supported by two things, namely relatively low inflation and RI's debt issuance policy. Furthermore, Sri Mulyani revealed that Indonesia's inflation rate is currently under control and relatively low compared to the very high global inflation conditions. As for the debt issuance policy, SMI said that the current government has reduced the target of issuing state securities in line with the surplus state budget performance, "Our good economic performance, with a stable and conducive financial base, has made investors, especially foreign investors, have the confidence to buy the market in SBN, which reached Rp 91.86 trillion YTD," explained Sri Mulyani. Sri Mulyani revealed that this condition is a proud achievement, considering that investors continue to invade SBN amid global financial market volatility and the increase in the US benchmark interest rate (Federal Fund Rate / FFR). (CNBC Indonesia)

Recommendation

US10YT Uptrend is almost crossing the Resistance from the previous High level of 4.094%. ADVISE : wait for a confirmed break out before averaging up. TARGET: yield 4.243% - 4.338%.

ID10YT passed MA50 Resistance, placing yield 6.303% as the closest Support at the moment. ADVISE: Average Up accordingly. 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 : 97.78 (-0.04%)
FR0091 : 100.37 (-0.05%)
FR0093 : 100.35 (0.05%)
FR0092 : 105.56 (-0.12%)

FR0086 : 98.86 (-0.03%)
FR0087 : 100.75 (-0.05%)
FR0083 : 108.30 (-0.06%)
FR0088 : 100.14 (0.07%)

CDS of Indonesia Bonds

CDS 2yr: +4.79% to 32.91

CDS 5yr: +3.02% to 77.18

CDS 10yr: +3.51% to 147.44

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.26%	0.01%
USDIDR	15,175	0.40%
KRWIDR	11.69	-0.71%

Global Indices

Index	Last	Chg.	%
Dow Jones	35,282.52	(348.16)	-0.98%
S&P 500	4,513.39	(63.34)	-1.38%
FTSE 100	7,561.63	(104.64)	-1.36%
DAX	16,020.02	(220.38)	-1.36%
Nikkei	32,707.69	(768.89)	-2.30%
Hang Seng	19,517.38	(493.74)	-2.47%
Shanghai	3,261.69	(29.26)	-0.89%
Kospi	2,616.47	(50.60)	-1.90%
EIDO	22.97	(0.26)	-1.12%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,934.5	(9.8)	-0.51%
Crude Oil (\$/bbl)	79.49	(1.88)	-2.31%
Coal (\$/ton)	133.50	(0.85)	-0.63%
Nickel LME (\$/MT)	21,560	(798.0)	-3.57%
Tin LME (\$/MT)	27,418	(306.0)	-1.10%
CPO (MYR/Ton)	3,915	43.0	1.11%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	US	20:45	MNI Chicago PMI	Jul	42.8	43.5	41.5
31 – July	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	US	20:45	S&P Global US Manufacturing PMI	Jul F	49.0	49.0	49.0
1 – Aug	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	US	18:00	MBA Mortgage Applications	Jul 28	-3.0%	—	-1.8%
2 – Aug	US	19:15	ADP Employment Change	Jul	324K	185K	497K
	KR	06:00	CPI YoY	Jul	2.3%	2.4%	2.7%
	JP	06:50	Monetary Base YoY	Jul	-1.3%	—	-1.0%
Thursday	US	19:30	Initial Jobless Claims	Jul 29	—	—	221K
3 – Aug	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	US	19:30	Change in Nonfarm Payrolls	Jul	—	190K	209K
4 – Aug	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



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