

Morning Brief

Daily | August, 4 2023

Today's Outlook:

The Dow Jones and others did not move much on Thursday (03/08/23) which was choppy or highly volatile, as the US Treasury yield jumped to its highest level since November 2022 triggered by sentiment ahead of the release of employment data on Friday. The benchmark 10-year US Treasury yield rose as high as 4.198%, extending gains from the previous day after Fitch downgraded the US credit rating. In afternoon trading, the 10-year yield closed down at 4.183%. The Labor Department reported the number of Americans filing new claims for unemployment benefits increased slightly last week, while layoffs fell to an 11-month low in July as labor market conditions remained tight. Initial Jobless Claims came in at 227k as expected, slightly higher than 221k in the previous week. On the other hand, 2Q23 Nonfarm Productivity rose higher than expected 2% to 3.7% qoq, much improved from -1.2% in the previous quarter. Unit Labor Costs 2Q23 slowed to 1.6% qoq, lower than both the estimate and the previous quarter. These two readings suggest US worker productivity improved sharply in the second quarter, while labor costs slowed; thereby fueling further optimism that the taming of inflation seen recently is likely to continue. Next, the US reported S&P Global Composite PMI (July) weakened in its expansionary path to 52 (as forecast) from 53.2 in June. Factory Orders (June) increased 2.3% yoy (above expectations of 2.2%) and much better than May's 0.4%. Another PMI measure to watch is the ISM Non-Manufacturing PMI which also sheds light on slowing conditions although still on an expansion path, as July was reported at 52.7, lower than 53.9 the previous month. However, on the one hand, ISM Non-Manufacturing Prices (July) increased to 56.8, compared to 54.1 in June; meaning that businesses are paying higher prices for inputs as demand continues to increase. Given this, Richmond Federal Reserve President Thomas Barkin is concerned that US inflation remains too high, despite recent readings suggesting price pressures are easing.

From the Asian region, South Korea reported Foreign Exchange Reserves (July) at USD421.8 billion, little changed from the previous month at USD421.45 billion. Meanwhile, Japan recorded Foreign Bonds Buying and Foreign Investment in Japanese Stocks which increased significantly from the previous week, signaling that foreign interest in Japanese financial instruments has increased significantly; although on the one hand the Japanese Services sector PMI for July looks a little slower on the path of expansion. Speaking of PMIs too, China reported an increasingly expansionary Caixin Services PMI (July) at 54.1 (higher than expectations & previous month).

Meanwhile, from the Europe, Germany reported Trade Balance (June) managed to record a surplus at EUR18.7 billion, successfully outperforming May at EUR14.6 billion as their Imports fell further than Exports which remained motionless at 0.1%. PMI highlights in continental Europe still put the Eurozone on the path of contraction as the S&P Global Composite PMI (July) is still wallowing at 48.6, yet to make it to the 50 boundary area. Slowing inflation is also being felt at the producer level as the Eurozone PPI (June) is at -3.4% yoy deflation, and -0.4% mom. All of which explains the worse-than-expected decline in Eurozone business activity in July as the decline in manufacturing was accompanied by a further slowdown in growth in the bloc's dominant service industries. Meanwhile, the Bank of England has just raised interest rates by 25 bps (as expected) to 5.25%, its 14th hike, and warned that borrowing costs are likely to remain high for some time. Today market participants will again monitor a series of important economic data, namely: German Factory Orders (June), S&P Global UK Construction PMI (July), Eurozone Retail Sales (June), Average Hourly Earnings (July). Not to forget the two most important are US Nonfarm Payrolls (July) which is predicted to soften to 200k from 209k in the previous month, and the Unemployment Rate (July) which is expected to remain the same as June at 3.6%.

Corporate News

Fulfilling Capital, BJBR Will Soon Release IDR 1 T Bonds Strengthening its core capital, PT Bank Pembangunan Daerah Jawa Barat Tbk (BJBR) announced plans to issue perpetual bonds with an issuance value ranging from IDR 1-1.5 trillion. The issuance plan will be carried out between August and September. President Director of West Java Regional Development Bank Yuddy Renaldi said, the proceeds from the bonds will be used by the company to fulfill the bank's tier 1 capital. For information, previously the company intended to fulfill this capital by conducting a rights issue some time ago, but it was canceled. (Berita Satu)

Domestic Issue

West Java Deputy Governor Assesses Opportunities for Issuing Regional Bonds The West Java Provincial Government (Pemprov) spoke up about the opportunity to issue regional bonds as an alternative to development financing. Related to this, Deputy Governor of West Java Uu Ruzhanul Ulum said that his party is still reviewing the issuance of these bonds. This is because there is still a need for socialization to the public regarding regional bonds. "It all depends on the situation and conditions, what is clear is that the name of the APBD budget must attract everything because it will not lose. But maybe this has to choose and sort, maybe there are still other opportunities that are still considered tempting today," said Uu when met at the IDX, Thursday (3/8/2023). However, he believes that if the public already knows about regional bonds, they will definitely be interested. (Liputan6)

Recommendation

US10YT's uptrend is about to reach the upper channel TARGET (uptrend) in the range of 4.243% yield. Considering the RSI is slightly in a negative divergence when making a new high level, then our best ADVISE: be ready to Sell on Strength in the Resistance area.

ID10YT has not escaped the MA50 Resistance, placing the yield of 6.30% as the closest Resistance at the moment. Thus, it basically remains Sideways while keeping MA10 as the closest Support at 6.26%. 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 : 97.72 (-0.05%)
FR0091 : 100.28 (-0.09%)
FR0093 : 100.25 (-0.09%)
FR0092 : 105.53 (-0.02%)

FR0086 : 98.82 (-0.04%)
FR0087 : 100.66 (-0.09%)
FR0083 : 108.25 (-0.05%)
FR0088 : 100.08 (-0.06%)

CDS of Indonesia Bonds

CDS 2yr: +1.75% to 33.48

CDS 5yr: +3.18% to 79.64

CDS 10yr: +1.27% to 149.31

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.30%	0.04%
USDIDR	15,185	0.07%
KRWIDR	11.69	-0.02%

Global Indices

Index	Last	Chg.	%
Dow Jones	35,215.89	(66.63)	-0.19%
S&P 500	4,501.89	(11.50)	-0.25%
FTSE 100	7,529.16	(32.47)	-0.43%
DAX	15,893.38	(126.64)	-0.79%
Nikkei	32,159.28	(548.41)	-1.68%
Hang Seng	19,420.87	(96.51)	-0.49%
Shanghai	3,280.46	18.77	0.58%
Kospi	2,605.39	(11.08)	-0.42%
EIDO	23.21	0.24	1.04%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,934.1	(0.4)	-0.02%
Crude Oil (\$/bbl)	81.55	2.06	2.59%
Coal (\$/ton)	136.85	3.35	2.51%
Nickel LME (\$/MT)	21,607	47.0	0.22%
Tin LME (\$/MT)	28,023	605.0	2.21%
CPO (MYR/Ton)	3,824	(91.0)	-2.32%

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	-3.0%	—	-1.8%
	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 3 – Aug	US	19:30	Initial Jobless Claims	Jul 29	227K	—	221K
	US	21:00	Factory Orders	Jun	2.3%	0.1%	0.3%
	US	21:00	Durable Goods Orders	Jun F	4.6%	—	4.7%
	JP	07:30	Jibun Bank Japan PMI Composite	Jul F	52.2	—	52.1
	JP	07:30	Jibun Bank Japan PMI Services	Jul F	53.8	—	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

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Indonesia 10 Years Treasury

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