

Morning Brief

Daily | August 11, 2023

Today's Outlook:

Wall Street's major indexes closed flat on Thursday trading (10/08/23) after rallying more than 1% in the early session in reaction to lower-than-expected US Inflation (July) results; however, the excitement gradually faded as investors worried about the long-term US economic outlook and considering whether the stock market still has room to rise. The US CPI (July) showed headline and core Inflation rose 3.2% yoy and 4.7% yoy respectively; on a monthly basis, both rose by 0.2% mom. As Inflation managed to flatten below the estimated level, there are hopes that the US Federal Reserve will soon end its tight monetary policy in 2023 and could start cutting interest rates as early as next year. However, San Francisco Fed President Mary Dali voiced more cautious comments by saying that while Inflation is moving in the right direction, more data is needed before the central bank feels confident to impose a rate pause. In addition, rising 10-year US Treasury yields also capped the gains in the tech giant's stock prices; with the yield on the benchmark bond returning to levels above 4%. The Energy sector, which has been the worst sector this year, posted its 6th consecutive gain. Negative sentiment was exacerbated by US President Joe Biden's move to sign an executive order regarding the trade war with China; where he banned some new US investments in China in sensitive technology sectors such as computer chips; as well as authorizing provisions that investments in other technology sectors require government notification. On the other hand, Initial Jobless Claims was reported to have increased above expectations by 248k (vs forecast 230k; vs previous 227k).

Today, the market will still pay attention to some important economic data from the Europe: UK 2Q23 GDP, and UK June GDP which is expected to come in at 0.5% yoy, improving on the previous month's minus 0.4%. The UK will also release its Industrial & Manufacturing Production for June, followed by Trade Balance (June) data. Later in the afternoon, market participants will monitor French Inflation (July) as well as the development of New Loans from China which could give an idea whether businesses or people there are starting to actively take out new loans to expand their businesses or just increase personal spending. Later in the evening, around 19:30 GMT, the public will monitor US Inflation at the producer level, where July PPI is predicted to jump to 0.7% from 0.1% in the previous month. Not to forget, the University of Michigan holds a well-regarded assessment of Michigan Consumer & Inflation Expectation, and Consumer Sentiment & Current Sentiment are the benchmarks that are eagerly awaited later tonight at around 21:00 GMT to provide an overview of the US economic situation in the next 6 months.

Corporate News

PT Timah (TINS) prepares funds for bond and sukuk interest payments PT Timah Tbk (TINS) has prepared funds for the payment of interest on Sustainable Bonds I phase II 2019 series B and profit sharing of Sukuk Ijarah phase II 2019 on August 7, 2023. The total funds prepared for the payment of bond interest and Sukuk Ijarah fees amounted to IDR 17.5 billion. In his written statement, TINS Corporate Secretary Abdullah Umar said on Monday (7/8) that TINS has prepared funds of IDR 10.78 billion for bond interest payments with the code TINS01BCN2. Furthermore, TINS has also prepared funds for Sukuk Ijarah payments of IDR 6.84 billion with the code SITINS01CN2, both of which will mature on August 15, 2023. (Bareksa)

Domestic Issue

Ahead of the General Election, Bond Issuance Considered to be Restrained Ahead of next year's General Election, bond issuance is considered to be relatively lower. This is because companies will wait and see first due to the political uncertainty arising. Suhindarto, Head of Pefindo's Economic Research Division, said that historically, bond issuance will tend to decrease slightly, especially without an incumbent. He gave an example, when there were elections without incumbents in 2004 and 2014. In 2004, the trend of corporate bond issuance fell from before the election of IDR 27 trillion to IDR 20 trillion during the election. Then in 2014, it also fell from before the election of IDR 63 trillion to IDR 53 trillion during the election. Meanwhile, if there is an incumbent, the value of debt securities issuance will tend to increase. In 2009, before the election, the value of corporate bonds issued was IDR 18 trillion and during the election it rose to IDR 34 trillion. Then in 2019, the issuance value went from IDR 132 trillion to IDR 146 trillion during the election. Meanwhile, for this year, it is estimated that the number of corporate bond issuances will also still be restrained or still below last year. One of the factors is also because next year is the election schedule. (Kontan)

Recommendation

US10YT is relatively stable within the uptrend CHANNEL pattern and now the yield is back above the MA10; making the yield of 4.075% the closest support at the moment. ADVISE: AVERAGE UP accordingly. TARGET near: Resistance from previous High level at yield 4.206%.

The ID10YT yield uptrend within the PARALLEL CHANNEL pattern is still intact, as long as the yield does not break the lower channel Support and the MA10, below 6.307%. Conversely, the nearest resistance that needs to be faced is yield: 6.369% - 6.405%. ADVISE: HOLD; Buy on Weakness.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	5.75%	5.75%	Real GDP	5.17%	5.03%
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*	123.50	127.10

PRICE OF BENCHMARK SERIES

FR0090	: 97.46 (-0.01%)
FR0091	: 100.28 (0.10%)
FR0093	: 100.38 (0.00%)
FR0092	: 105.15 (0.05%)
FR0086	: 98.78 (0.01%)
FR0087	: 100.65 (0.00%)
FR0083	: 108.64 (0.23%)
FR0088	: 99.95 (-0.02%)

CDS of Indonesia Bonds

CDS 2yr	: +0.03% to 33.63
CDS 5yr	: +0.64% to 80.25
CDS 10yr	: +0.06% to 149.43

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.33%	-0.00%
USDIDR	15,185	-0.04%
KRWIDR	11.54	0.01%

Global Indices

Index	Last	Chg.	%
Dow Jones	35,176.15	52.79	0.15%
S&P 500	4,468.83	1.12	0.03%
FTSE 100	7,618.60	31.30	0.41%
DAX	15,996.52	143.94	0.91%
Nikkei	32,473.65	269.32	0.84%
Hang Seng	19,248.26	2.23	0.01%
Shanghai	3,254.56	10.07	0.31%
Kospi	2,601.56	(3.56)	-0.14%
EIDO	23.10	0.03	0.13%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,912.5	(2.0)	-0.10%
Crude Oil (\$/bbl)	82.82	(1.58)	-1.87%
Coal (\$/ton)	143.00	0.50	0.35%
Nickel LME (\$/MT)	20,441	(113.0)	-0.55%
Tin LME (\$/MT)	26,885	(374.0)	-1.37%
CPO (MYR/Ton)	3,728	(43.0)	-1.14%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	CH		Foreign Reserves	Jul	\$3204.20b	\$3201.50b	\$3193.00b
7 – Aug	ID	10:00	Foreign Reserves	Jul	\$137.50b	—	\$137.50b
	ID	11:00	GDP YoY	2Q	5.17%	5.00%	5.03%
	GE	13:00	Industrial Production SA MoM	Jun	-1.5%	-0.4%	-0.2%
	Tuesday	US	19:30	Trade Balance	Jun	-\$65.5b	-\$65.0b
8 – Aug	US	21:00	Wholesale Inventories MoM	Jun F	-0.5%	-0.3%	-0.3%
	CH		Trade Balance	Jul	\$80.60b	\$66.91b	\$70.62b
	GE	13:00	CPI MoM	Jul F	0.3%	0.3%	0.3%
	GE	13:00	CPI YoY	Jul F	6.2%	6.2%	6.2%
	KR	06:00	BoP Current Account Balance	Jun	\$5873.7m	—	\$1927.2m
	JP	06:50	BoP Current Account Balance	Jun	¥1508.8b	¥1452.5b	¥1862.4b
	JP	06:50	Trade Balance BoP Basis	Jun	¥328.7b	¥207.6b	-¥1186.7b
	Wednesday	US	18:00	MBA Mortgage Applications	Aug 4	-3.1%	—
9 – Aug	CH	08:30	CPI YoY	Jul	-0.3%	-0.5%	0.0%
	CH	08:30	PPI YoY	Jul	-4.4%	-4.0%	-5.4%
	CH		Money Supply M2 YoY	Jul	—	11.0%	11.3%
	KR	06:00	Unemployment Rate SA	Jul	2.8%	—	2.6%
	JP	06:50	Money Stock M2 YoY	Jul	2.4%	—	2.6%
	JP	06:50	Money Stock M3 YoY	Jul	1.9%	—	2.1%
	JP	13:00	Machine Tool Orders	Jul P	-19.8%	—	-21.1%
	Thursday	US	19:30	CPI MoM	Jul	0.2%	0.2%
10 – Aug	US	19:30	CPI YoY	Jul	3.2%	3.3%	3.0%
	US	19:30	Initial Jobless Claims	Aug 5	248K	—	227K
	JP	06:50	PPI YoY	Jul	3.6%	3.5%	4.1%
	Friday	US	19:30	PPI Final Demand MoM	Jul		0.2%
11 – Aug	US	21:00	U. of Mich. Sentiment	Aug P		71.0	71.6

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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