

Morning Brief

Today's Outlook:

Major US stocks fell by around 1 percent on Tuesday (15/08/23), as an ongoing stumble in China's economy raised fears about global growth just as Treasury yields after stronger-than-expected consumer spending dented hopes that the Federal Reserve won't resume rate hikes later this year. Retail sales rose 0.7% last month, well above expectations for 0.4%, marking the biggest increase since January (on an annualized basis, US Retail Sales stood at 3.17% yoy, 2x higher than both the forecast and the previous month); signaling that the US economy remains strong. After the data was released, traders' expectation that the Federal Reserve will hold interest rates unchanged at the upcoming FOMC Meeting in September, remained at 89% probability; although on the one hand analysts thought investors were worried that the benchmark rate would stay at its current position for a longer time than anticipated. Such thinking also put Bank stocks under selling pressure. The US Treasury yield curve has been inverted for over a year, with long-term bonds yielding less than short-term tenors. This continued situation has the potential to limit the profits that banks can make from lending. The gloomy sentiment in the market was exacerbated by Fitch's report that it may downgrade more banks, including JPMorgan; if the US banking sector's condition erodes further. As a result, all major sectors of the S&P500 index fell, with the Energy sector leading the way due to falling crude oil prices.

From the Asian continent, Japan reported 2Q23 GDP that surged to 6.0%, a much better performance than the 3.1% estimate and the previous quarter at 3.7%. Unfortunately, China could not keep up as their Industrial Production growth in July dropped to 3.7%, failing to meet expectations and beat the previous month's performance of 4.4%. Since the beginning of the year, Chinese Industrial Production has been struggling below 4%, at 3.8% to be precise; the worst performance since a year ago. In contrast to the US, China's retail strength is also increasingly sluggish with growth of only 2.5% yoy in July (vs forecast 4.5%; previous 3.1%); where YTD Chinese Retail Sales (July) contracted to 7.33% from 8.15% in the previous month. No doubt, China's unemployment rate rebounded to its April high of 5.3%. China's central bank cut the 1-year medium-term lending facility rate to 2.5% from 2.65%. Although the intention is to boost the economy there, on the one hand this step makes market participants worry about China's economic recovery which seems very slow.

From continental Europe, the UK reported a massive increase in jobless claims at 29,000, missing the Claimant Count Change (July) estimate of 7,000, and this result was also higher than last month at 16,200. Not surprisingly, the Unemployment Rate (June) was also reported to have increased to 4.2%; the worst condition since November 2021. On one hand, the current UK labor shortage triggered average wage plus bonus growth of 8.2% in June, and put Labour Productivity to positive 0.7%, signaling workers are getting more effective & efficient from the previous position of negative 1.4%.

Indonesia's Trade Balance Surplus in July dropped to USD 1.31 billion, vs. forecast of USD 2.53 billion, as Exports fell more than Imports. Since the beginning of the year, Indonesia has accumulated a Trade Balance surplus of USD 21.23 billion, despite Exports falling 10.27% compared to Imports which only fell 6.71%.

Corporate News

BFI Finance (BFIN) Prepares Funds to Pay Off Maturing Bonds Finance company PT BFI Finance Tbk (BFIN) or BFI Finance said that it has prepared funds for the repayment of principal and interest on bonds to holders of sustainable bonds IV Phase III/2020 Series B to be credited before the bond maturity date on September 8, 2023. This was conveyed by BFI Finance Corporate Secretary Sudjono in an information disclosure on the Indonesia Stock Exchange (IDX), Tuesday (15/8/2023). Sudjono said that BFI Finance has provided bond repayment funds in the amount of the total principal and interest coupons of the maturing bonds. (Bisnis)

Domestic Issue

Auction Results of 6 SBSN Series, Government Managed to Absorb IDR 6 Trillion The government has held an auction of State Sharia Securities on Tuesday (15/8/2023). From the auction, the government managed to absorb IDR 6 trillion from the total bid of IDR 20.17 trillion. Citing an announcement from the Ministry of Finance's Directorate General of Financing and Risk Management (DJPPR) website, the auction was held for the SPNS14022024 series (new issuance), PBS036 (reopening), PBS003 (reopening), PBS037 (reopening), PBS034 (reopening) and PBS033 (reopening) through the Bank Indonesia auction system. The auction results showed that the most bids came in for the PBS036 series. This series received a total bid of IDR 11.61 trillion. The series, which will mature on August 15, 2025, has a weighted average yield won of 6.01 percent with a nominal amount won of IDR 3.5 trillion. (Bisnis)

Recommendation

US10YT is around the upper channel Resistance area at the High yield point of 4.274% (up to 4.301%), amid the leading indicator RSI negative divergence which gives a warning that the momentum this time is not as big as before. ADVISE: anticipate trend reversal, Sell on Strength, or set your Trailing Stop. Nearest Support: MA10 / yield 4.125%.

ID10YT yield uptrend is currently facing both medium and short term upper channel Resistance around the current High level of yield 6.410%, which is the highest Closing position in 2.5 months. This is the deciding position whether ID10YT is able to break through this critical Resistance in order to go to TARGET: yield 6.478% or 6.561% according to the pattern (bullish reversal) INVERTED HEAD & SHOULDERS. Nearest support: yield 6.382% - 6.372%. ADVISE: Buy on Break; 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	5.17%	5.03%
FX Reserve (USD bn)	137.70	137.50	Current Acc (USD bn)	3.00	4.54
Trd Balance (USD bn)	1.31	3.46	Govt. Spending Yoy	3.99%	-4.77%
Exports Yoy	-18.03%	-21.18%	FDI (USD bn)	5.14	5.14
Imports Yoy	-8.32%	-18.35%	Business Confidence	104.82	105.33
Inflation Yoy	3.08%	3.52%	Cons. Confidence*	123.50	127.10

PRICE OF BENCHMARK SERIES

FRO090	: 97.32 (-0.09%)
FRO091	: 100.10 (-0.16%)
FRO093	: 100.40 (0.00%)
FRO092	: 104.74 (-0.42%)
FRO086	: 98.75 (-0.06%)
FRO087	: 100.27 (-0.13%)
FRO083	: 108.36 (-0.10%)
FRO088	: 99.90 (-0.01%)

CDS of Indonesia Bonds

CDS 2yr	: +4.06% to 36.66
CDS 5yr	: +3.49% to 86.36
CDS 10yr	: +3.08% to 159.07

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.42%	0.03%
USDIDR	15,340	0.16%
KRWIDR	11.49	-0.17%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,946.39	(361.24)	-1.02%
S&P 500	4,437.86	(51.86)	-1.16%
FTSE 100	7,389.64	(117.51)	-1.57%
DAX	15,767.28	(136.97)	-0.86%
Nikkei	32,238.89	178.98	0.56%
Hang Seng	18,581.11	(192.44)	-1.03%
Shanghai	3,176.18	(2.25)	-0.07%
Kospi	2,570.87	(20.39)	-0.79%
EIDO	22.98	(0.04)	-0.17%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,902.0	(5.1)	-0.27%
Crude Oil (\$/bbl)	80.99	(1.52)	-1.84%
Coal (\$/ton)	147.15	0.65	0.44%
Nickel LME (\$/MT)	19,765	(327.5)	-1.63%
Tin LME (\$/MT)	25,325	(1132.0)	-4.28%
CPO (MYR/Ton)	3,783	89.0	2.41%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday							
<i>14 – Aug</i>							
Tuesday	US	19:30	Retail Sales Advance MoM	Jul	0.7%	0.4%	0.2%
<i>15 – Aug</i>							
	US	19:30	Empire Manufacturing	Aug	-19.0	-0.7	1.1
	CH	09:00	Industrial Production YoY	Jul	3.7%	4.3%	4.4%
	CH	09:00	Retail Sales YoY	Jul	2.5%	4.2%	3.1%
	ID	11:00	Trade Balance	Jul	\$1310m	\$2516m	\$3460m
	GE	16:00	ZEW Survey Expectations	Aug	-12.3	-12.0	-14.7
	GE	16:00	ZEW Survey Current Situation	Aug	-63.0	-62.1	-59.5
	JP	06:50	GDP Annualized SA QoQ	2Q P	6.0%	2.9%	2.7%
	JP	06:50	GDP SA QoQ	2Q P	1.5%	0.7%	0.7%
	JP	06:50	GDP Deflator YoY	2Q P	3.4%	3.8%	2.0%
	JP	11:30	Industrial Production MoM	Jun F	2.4%	—	2.0%
Wednesday							
<i>16 – Aug</i>							
	US	18:00	MBA Mortgage Applications	Aug 11	—	—	-3.1%
	US	19:30	Housing Starts	Jul	1440k	1440k	1434k
	US	20:15	Industrial Production MoM	Jul	0.4%	0.4%	-0.5%
Thursday							
<i>17 – Aug</i>							
	US	19:30	Initial Jobless Claims	Aug 12	—	—	248k
	US	21:00	Leading Index	Jul	-0.4%	-0.4%	-0.7%
	JP	06:50	Trade Balance	Jul	¥43.7b	¥43.7b	¥43.0b
	JP	06:50	Core Machine Orders MoM	Jun	3.5%	3.5%	-7.6%
	JP	06:50	Tertiary Industry Index MoM	Jun	-0.2%	-0.2%	1.2%
Friday							
<i>18 – Aug</i>							
	JP	06:30	NatI CPI YoY	Jul	3.3%	3.3%	3.3%
	JP	06:30	NatI CPI Ex Fresh Food YoY	Jul	3.1%	3.1%	3.3%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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