

Morning Brief

Daily | August 18, 2023

Today's Outlook:

Wall Street's major indexes closed in the red for the second consecutive day on a highly volatile Wednesday & Thursday (August 16 & 17, 2023), as buoyant economic data fueled concerns that interest rates will have to stay high for longer. The S&P500 has dropped 2.7% over the last 3 trading sessions, the most 3-day losses since mid-March. The Nasdaq has also fallen 3.4% over the past 3 days, the biggest 3-day drop since February. In addition to the 10-year US Treasury yield hitting its highest point since October, several strong economic data have been released this week fueling concerns that the Fed will still hold its tight monetary policy. Most market participants expect the Federal Reserve to keep interest rates at current levels in the September FOMC Meeting, although that probability has fallen to 86.5% from around 89% a week earlier, as quoted by the CME Group FedWatch tool.

On Wednesday, the US reported July Industrial & Manufacturing Production which increased by 1.0% mom and 0.5% mom respectively on a monthly basis; both above expectations. While July's Building Permits and Housing Starts also experienced an increase on a monthly basis of 0.1% mom and 3.9% mom respectively; again both above estimates. Additionally, on Thursday, the US released Initial Jobless Claims data at 239k, slightly better than the 240k estimate, indicating that the labor market is still tight. Even the Philadelphia Fed Manufacturing Index for August rose significantly to positive territory of 12 (the first positive reading since September last year), soaring higher than both the forecast and the previous period in the negative territory; signaling manufacturing conditions in the Philadelphia region are improving. Minutes from the Federal Reserve's July meeting showed most policymakers prioritized the struggle against inflation to continue, adding to uncertainty about the US central bank's interest rate path.

Meanwhile, from the other side of the world, other economic data announced in the past two days are South Korea, which reported its third Trade Balance surplus of the year, after being in deficit since April 2022. However, Japan unexpectedly reported a July Trade Balance deficit of 78.7 billion Yen, down from the expected and previous period surplus. Speaking of Trade Balance, Germany also came out with a surplus Trade Balance (June) of EUR 23 billion, higher than the forecast and the previous period which was a slight deficit of 300 million Euros. Good news came from the UK which managed to report an increasingly restrained CPI from 7.9% in June, this time successfully sloping to 6.8% in July (as expected). The Eurozone recorded an overall Employment Change in Q2/2023 recording an increase of 344,500 new jobs. They had Industrial Production in June also improving further, both on a monthly and annual basis. This morning Japan reported National CPI (July) data which remained firmly in the same position as last month at 3.3% yoy, although there was a decline in Core Inflation to 3.1% yoy (as expected). Later in the day, global economic data awaited are UK Retail Sales (July) and Eurozone CPI & Core CPI (July).

Corporate News

Sufficient Cash, INKP Repays IDR 495.86 Billion Bonds and Sukuk PT Indah Kiat Pulp & Paper Tbk (INKP) said that the company has paid off its bonds and Mudharabah Sukuk which will mature in the near future. This was conveyed by INKP Corporate Secretary, Heri Santoso, in a written statement, quoted on Wednesday (16/8). Heri said, the Company through PT Kustodian Sentral Efek Indonesia (KSEI) had paid off the principal of Indah Kiat Pulp & Paper Phase I 2022 Series A Sustainable Bonds III (Bonds) totaling IDR 120,000,000,000. In addition, the Company has also paid off Indah Kiat Pulp & Paper Sustainable Sukuk Mudharabah II Phase I Year 2022 Series A (Sukuk) in the amount of IDR 375,860,000,000 (Three hundred seventy-five billion eight hundred sixty million Rupiah). (Emiten News)

Domestic Issue

Jokowi 'Spills' 10-Year SBN Interest Rate in 2024 President Joko Widodo (Jokowi) in his 2024 Draft State Budget and Financial Memorandum Speech projected that the average interest rate of 10-year Government Securities (SBN) is predicted at 6.7%. "The global constellation must be addressed with appropriate and anticipatory policy strategies. We are witnessing rapid changes in the global landscape, especially due to geopolitical shifts, global fragmentation creating supply chain disruptions that increase the risk of world energy and financial food crises," said Jokowi, last Wednesday (16/08/2023). Previously, foreigners still seemed reluctant to buy Government Securities (SUN) amid the market's response to the United States (US) inflation data for the July 2023 period. The data will be an important consideration for the decision of the US central bank The Federal Reserve (The Fed). (CNBC Indonesia)

Recommendation

US10YT is at the upper channel resistance around the yield of 4.309%, amidst 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 4.163%.

ID10YT yield broke the upper channel resistance, both medium-term and short-term, around the 6.410% level (changing its role to the nearest support now), paving the way for ID10YT to reach the TARGET (bullish) yield in the area of : 6.478% or 6.561% according to the INVERTED HEAD & SHOULDERS (bullish reversal) pattern. ADVISE: 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

FR0090 : 97.17 (-0.16%)
FR0091 : 99.89 (-0.21%)
FR0094 : 98.03 (-0.02%)
FR0092 : 104.75 (0.02%)

FR0086 : 98.75 (0.00%)
FR0087 : 100.11 (-0.16%)
FR0083 : 108.35 (-0.01%)
FR0088 : 99.75 (-0.16%)

CDS of Indonesia Bonds

CDS 2yr: +1.10% to 37.39
CDS 5yr: +1.67% to 88.67
CDS 10yr: +0.88% to 161.28

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.44%	0.02%
USDIDR	15,283	-0.37%
KRWIDR	11.41	-0.70%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,474.83	(290.91)	-0.84%
S&P 500	4,370.36	(33.97)	-0.77%
FTSE 100	7,310.21	(46.67)	-0.63%
DAX	15,676.90	(112.55)	-0.71%
Nikkei	31,626.00	(140.82)	-0.44%
Hang Seng	18,326.63	(2.67)	-0.01%
Shanghai	3,163.74	13.61	0.43%
Kospi	2,519.85	(5.79)	-0.23%
EIDO	22.74	(0.02)	-0.09%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,889.4	(2.4)	-0.13%
Crude Oil (\$/bbl)	80.39	1.01	1.27%
Coal (\$/ton)	147.00	(0.50)	-0.34%
Nickel LME (\$/MT)	20,326	522.5	2.64%
Tin LME (\$/MT)	25,066	(120.0)	-0.48%
CPO (MYR/Ton)	3,923	77.0	2.00%

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	-0.8%	—	-3.1%
	US	19:30	Housing Starts	Jul	1452k	1440k	1434k
	US	20:15	Industrial Production MoM	Jul	1.0%	0.4%	-0.5%
Thursday							
<i>17 – Aug</i>							
	US	19:30	Initial Jobless Claims	Aug 12	239k	—	248k
	US	21:00	Leading Index	Jul	-0.4%	-0.4%	-0.7%
	JP	06:50	Trade Balance	Jul	¥78.7b	¥43.7b	¥43.0b
	JP	06:50	Core Machine Orders MoM	Jun	2.7%	3.5%	-7.6%
	JP	06:50	Tertiary Industry Index MoM	Jun	-0.4%	-0.2%	1.2%
Friday							
<i>18 – Aug</i>							
	JP	06:30	Natl CPI YoY	Jul		3.3%	3.3%
	JP	06:30	Natl CPI Ex Fresh Food YoY	Jul		3.1%	3.3%

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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