

# Morning Brief

Daily | August 25, 2023

## Today's Outlook:

The three major U.S. stock indexes ended down more than 1% each on Thursday, led by a drop in the Nasdaq which posted the biggest decline of 1.87% after this week's sharp gains and as investors were nervous ahead of Federal Reserve Chair Jerome Powell's speech at the Jackson Hole - Wyoming annual symposium. Concerns that the US central bank will maintain its hawkish tone on interest rates are justified, especially after referring to the recently released economic data of Core Durable Goods Orders which rose 0.5% mom in July, higher than forecast & previous month's 0.2%. Similarly, Initial Jobless Claims turned out to be only 230k (3-week lows), below expectations of jobless claims to remain the same at the previous 240k; signaling that the labor market is still strong. US Treasury yields immediately reacted by rising higher. Investors also digested comments from Philadelphia Fed President Patrick Harker, who said the Fed will need to maintain tight monetary policy for a while. Powell's views will certainly also be factored into the Michigan Consumer Expectation & Sentiment (August) which will be announced almost at the same time as his speech tonight at around 21:00 Western Indonesia Time (WIB), as this index will give an idea of how consumers expect the business climate to be in the next 6 months.

**Easing inflation in the UK has improved consumer confidence**, at least the GfK Consumer Confidence data for August did not fall as deep as expected at -29, but instead managed to be reported at -25 only, a more optimistic move than the previous month at -30. However, there is still plenty of work for the European continent, as the largest economy there, Germany, will be monitoring the development of its second quarter of 2023 GDP which is likely to remain sluggish at -0.2% yoy, similar to the previous quarter. Almost at the same time, the German IFO Business Climate index (August) will explain the business community's expectations for the next 6 months.

**From the Asian continent, Japan just announced Tokyo-area Inflation easing slightly to 2.9% yoy (already on a 4-month downtrend)**, although nationally their August CPI rate seems to have risen slightly to 2.6% yoy. Bank Indonesia yesterday has set its benchmark interest rate at 5.75%, which has been happening for 7 consecutive months, given that the current BI7DRR position is sufficient to control inflation plus strengthen efforts to stabilize the Rupiah exchange rate. USD/IDR is at IDR 15,247/USD, having slipped from a 5-month high of IDR 15,391/USD a few days ago.

## Corporate News

**Pay Bonds Using Cash, Pefindo Rates Indah Kiat (INKP) as idA+(sy)** PEFINDO affirmed the "idA+" rating on the Shelf Registration Bond III Phase II 2022 Series A worth IDR 904.51 billion and "idA+ (sy)" on the Shelf Registration Sukuk Mudharabah II Phase II 2022 Series A with a value of IDR 481.06 billion, which will mature on October 21, 2023 issued by PT Indah Kiat Pulp and Paper Tbk (INKP). The company plans to pay off the maturing bonds and sukuk using internal funds. As of June 30, 2023, INKP has cash equivalents worth USD 1.2 billion. (Emiten News)

## Domestic Issue

**10-Year SBN Yield Could Be Below 6% Next Year** The state bond market is considered to remain prospective next year, even though the government has increased the issuance target of state securities (SBN). Bank Maybank Indonesia's Economic, Industrial and Global Markets Research Staff Myrdal Gunarto estimates that the yield on government securities (SBN) still has the potential to decline from the current condition. This is in line with the prospect of declining global monetary policy interest and low domestic interest rates, along with inflation trends that are predicted to be low. He estimates that the creation of market liquidity will occur as economic recovery continues. Moreover, if foreign investors re-enter with a portion that gradually reaches the level before the Covid-19 pandemic. In addition, Indonesia's economic conditions supported by local activities will also be more solid after the pandemic is over. That is, said Myrdal, the SBN offered will be a special attraction for global investors at this time and in the future. (Kontan)

## Recommendation

**US10YT appears to be retesting the first Resistance, which is MA10 around 4.257% yield.** If the break out attempt fails then US10YT will slope back to MA20 Support around 4.25% yield. ADVISE: Buy on Weakness as the overall trend pattern is still up.

**ID10YT pullback for a moment after completing the task of closing the GAP in the region of 6.753% yield;** heading towards the first Support, namely MA10 around 6.532% yield, or 6.478%, while it will be supported by the MA20. ADVISE: since the overall uptrend has not been disrupted, then use the moment of weakness to 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)	137.70	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 : 96.48 (0.00%)  
FR0091 : 99.25 (0.38%)  
FR0094 : 97.51 (0.00%)  
FR0092 : 103.44 (0.09%)

FR0086 : 98.39 (-0.09%)  
FR0087 : 100.04 (0.35%)  
FR0083 : 106.72 (0.30%)  
FR0088 : 99.63 (0.12%)

## CDS of Indonesia Bonds

CDS 2yr: +5.45% to 36.36  
CDS 5yr: +1.13% to 84.09  
CDS 10yr: +4.48% to 150.67

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.53%	-0.08%
USDIDR	15,245	-0.33%
KRWIDR	11.53	1.02%

## Global Indices

Index	Last	Chg.	%
Dow Jones	34,099.42	(373.56)	-1.08%
S&P 500	4,376.31	(59.70)	-1.35%
FTSE 100	7,333.63	13.10	0.18%
DAX	15,621.49	(106.92)	-0.68%
Nikkei	32,287.21	276.95	0.87%
Hang Seng	18,212.17	366.25	2.05%
Shanghai	3,082.24	3.84	0.13%
Kospi	2,537.68	32.18	1.28%
EIDO	22.82	(0.28)	-1.21%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,916.9	1.4	0.07%
Crude Oil (\$/bbl)	79.05	0.16	0.20%
Coal (\$/ton)	149.00	(1.00)	-0.67%
Nickel LME (\$/MT)	20,829	(127.0)	-0.61%
Tin LME (\$/MT)	25,870	(255.0)	-0.98%
CPO (MYR/Ton)	3,881	51.0	1.33%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b>	GE	13:00	PPI MoM	Jul	-1.1%	—	-0.3%
21 – Aug	GE	13:00	PPI YoY	Jul	-6.0%	—	0.1%
<b>Tuesday</b>	US	21:00	Existing Home Sales	Jul	4.07m	4.15m	4.16m
22 – Aug	US	21:00	Richmond Fed Manufact. Index	Aug	-7	—	-9
<b>Wednesday</b>	US	18:00	MBA Mortgage Applications	Aug 18	-4.2%	—	-0.8%
23 – Aug	US	20:45	S&P Global US Manufacturing PMI	Aug P	47.0	49.0	49.0
	US	21:00	New Home Sales	Jul	714K	707k	697k
	GE	14:30	HCOB Germany Manufacturing PMI	Aug P	39.1	—	38.8
	JP	07:30	Jibun Bank Japan PMI Mfg	Aug P	49.7	—	49.6
<b>Thursday</b>	US	19:30	Initial Jobless Claims	Aug 19	230K	—	239k
24 – Aug	US	19:30	Durable Goods Orders	Jul P	-5.2%	-4.0%	4.6%
	ID	14:20	Bank Indonesia 7D Reverse Repo	Aug 23	5.75%	5.75%	5.75%
	KR	04:00	PPI YoY	Jul	-0.2%	—	-0.2%
	KR		BOK Base Rate	Aug 24	3.50%	3.50%	3.50%
<b>Friday</b>	US	21:00	U. of Mich. Sentiment	Aug F		71.2	71.2
25 – Aug	GE	15:00	IFO Business Climate	Aug		86.8	87.3
	GE	15:00	IFO Expectations	Aug			83.5
	JP	06:30	Tokyo CPI Ex-Fresh Food YoY	Aug		2.9%	3.0%

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury

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## Indonesia 10 Years Treasury

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