

Morning Brief

Daily | September 18, 2023

Today's Outlook:

From the US Markets, Friday's economic data highlights were dominated by the preliminary reading of consumer sentiment from the University of Michigan. The reading came in at 67.7 for September, lower than expectations of 69.1. More upbeat sentiment came on Friday morning from the publication of China Industrial Production which increased above estimates for August (actual: 4.5% yoy, vs forecast: 4.0%), as well as Retail Sales which were also released better than expected (actual: 4.6% yoy, vs forecast: 3.0%). In the bond market, the 10-Year US Treasury yield is near a fresh 16-year high of 4.338%.

Members of the US labor association United Auto Workers went on strike across the main factories of three major car brands General Motors, Ford, and Jeep maker Stellantis. Workers walked out of their factories in the Michigan, Ohio, and Missouri regions amid disagreements over new labor contracts.

Commodities: Oil prices posted 3 consecutive weeks of gains, with WTI now trading above USD 90/barrel for the first time in 10 months, thanks to the latest data from China (the top importer).

Speaking of the Domestic Market, the price of Government Bonds (SUN) is expected to increase this week due to the support of the exchange rate. The Fed and Bank Indonesia interest rates, which are projected to be stable, also pressured the appreciation of this week's auction. The strengthening of the exchange rate is in line with the strengthening of Indonesia's trade balance. August 2023 trade balance surplus of USD 3.12 billion, an increase compared to July 2023 at USD 1.29 billion.

Thus, the yield for 10-year Indonesian government bonds is expected to be in the range of 6.4-6.5%, lower than last week. Meanwhile, on Tuesday (19/9/2023), the government will conduct an auction of IDR-denominated SUN to fulfill part of the financing target in the 2023 State Budget. A total of seven series will be included in the auction with an indicative target of IDR 14 trillion and a maximum of IDR 21 trillion. The impact of low yields is the weak bids that will enter the auction this time, lower than the previous auction. The incoming bids are around IDR 30 trillion, much lower than last week's auction with incoming bids reaching IDR 50 trillion. The 10-year tenor, FR96, is still the favorite, however the latest series, FR0100, will also be hunted by investors.

Corporate News

Refinancing, Pyridam Farma Releases IDR 400 Billion Bonds PT Pyridam Farma Tbk (PYFA), a pharmaceutical issuer, will release bonds with an issuance value of IDR 400 billion with an interest rate of 9.5% per year to repay debt securities or refinancing. Based on the prospectus quoted by Investor Daily, Sunday (17/9/2023), PYFA bonds are part of Pyridam Farma's Sustainable Bonds I with a target fund of IDR 1.2 trillion. The bond proceeds, amounting to 77.52% for the repayment of PYFA I 2020 bonds, around 13.24% for partial payment of loans to Bank OCBC NISP Tbk, and the rest for the company's working capital. The PYFA bonds received a BBB rating from PT Kredit Rating Indonesia. (Berita Satu)

Domestic Issue

Government Prepares Private Placement of SUN in the Context of VDP Next Week The government will conduct another private placement transaction of Government Bonds (SUN) in the context of placing funds for the Voluntary Disclosure Program (VDP). The transaction will be held on September 25, 2023 next week. The private placement transaction will be held on Monday, September 25, 2023, while the settlement is set for Friday, September 29, 2023. There are two series of SUN that will be offered in the framework of the implementation of private placement transactions for the September 2023 period. The first is the FR0099 series (reopening) in rupiah currency, and USD9R 0003 (reopening) in US dollar currency. (Emiten News)

Recommendation

US10YT formed a SHOOTING STAR candle in the resissantce area in order to break the previous high yield level of 4.366%. If the breakout is not successful because the Fed's survey decision is a rate pause in the range of 5.25%-5.50%, then US10YT may retreat gradually, especially since RSI negative divergence has been detected. ADVISE: anticipate trend reversal (pullback towards support: 4.294% / 4.240%).

ID10YT touched the upper channel resistance, right at the high yield of 6.789% while the RSI is negative divergence. ADVISE: anticipate trend reversal (pullback). Support: 6.692% / 6.612% / 6.544%.

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) | 137.09 | 137.70 | Current Acc (USD bn) | -1.90 | 3.00 |
| Trd Balance (USD bn) | 3.12 | 1.31 | Govt. Spending Yoy | 10.62% | 3.99% |
| Exports Yoy | -21.21% | -18.03% | FDI (USD bn) | 4.86 | 5.14 |
| Imports Yoy | -14.77% | -8.32% | Business Confidence | 104.82 | 105.33 |
| Inflation Yoy | 3.27% | 3.08% | Cons. Confidence* | 125.20 | 125.20 |

PRICE OF BENCHMARK SERIES

FR0090 : 96.71 (-0.05%)
FR0091 : 98.41 (-0.19%)
FR0094 : 97.54 (0.00%)
FR0092 : 102.53 (-0.11%)

FR0086 : 98.26 (-0.02%)
FR0087 : 99.07 (-0.17%)
FR0083 : 105.96 (-0.39%)
FR0088 : 99.05 (-0.14%)

CDS of Indonesia Bonds

CDS 2yr: +2.09% to 33.96
CDS 5yr: +0.98% to 78.37
CDS 10yr: +1.46% to 140.87

Government Bond Yields & FX

| | Last | Chg. |
|----------------|--------|--------|
| Tenor: 10 year | 6.69% | 0.05% |
| USDIDR | 15,353 | -0.01% |
| KRWIDR | 11.58 | -0.04% |

Global Indices

| Index | Last | Chg. | % |
|-----------|-----------|----------|--------|
| Dow Jones | 34,618.24 | (288.87) | -0.83% |
| S&P 500 | 4,450.32 | (54.78) | -1.22% |
| FTSE 100 | 7,711.38 | 38.30 | 0.50% |
| DAX | 15,893.53 | 88.24 | 0.56% |
| Nikkei | 33,533.09 | 364.99 | 1.10% |
| Hang Seng | 18,182.89 | 134.97 | 0.75% |
| Shanghai | 3,117.74 | (8.81) | -0.28% |
| Kospi | 2,601.28 | 28.39 | 1.10% |
| EIDO | 22.77 | 0.03 | 0.13% |

Commodities

| Commodity | Last | Chg. | % |
|--------------------|---------|---------|--------|
| Gold (\$/troy oz.) | 1,923.9 | 13.1 | 0.69% |
| Crude Oil (\$/bbl) | 90.77 | 0.61 | 0.68% |
| Coal (\$/ton) | 160.50 | 0.35 | 0.22% |
| Nickel LME (\$/MT) | 19,924 | (419.0) | -2.06% |
| Tin LME (\$/MT) | 25,703 | (192.0) | -0.74% |
| CPO (MYR/Ton) | 3,785 | 24.0 | 0.64% |

| Date | Country | Hour Jakarta | Event | Period | Actual | Consensus | Previous |
|------------------|---------|--------------|----------------------------------|--------|--------|-----------|----------|
| Monday | — | — | — | — | — | — | — |
| 18 – Sep | — | — | — | — | — | — | — |
| Tuesday | US | 19:30 | Housing Starts | Aug | | 1,440K | 1,452K |
| 19 – Sep | EC | 16:00 | CPI YoY | Aug F | | 5.3% | 5.3% |
| Wednesday | US | 18:00 | MBA Mortgage Applications | Sep 15 | | — | -0.8% |
| 20 – Sep | JP | 06:50 | Trade Balance | Aug | | -¥ 643.1B | -¥ 66.3B |
| Thursday | US | 01:00 | FOMC Rate Decision (Upper Bound) | Sep 20 | | 5.50% | 5.50% |
| 21 – Sep | US | 01:00 | FOMC Rate Decision (Lower Bound) | Sep 20 | | 5.25% | 5.25% |
| | US | 19:30 | Initial Jobless Claims | Sep 16 | | — | 220K |
| | US | 21:00 | Existing Home Sales | Aug | | 4.10M | 4.07M |
| | US | 21:00 | Leading Index | Aug | | -0.4% | -0.4% |
| | ID | 14:20 | Bank Indonesia 7D Reverse Repo | Sep 21 | | 5.75% | 5.75% |
| Friday | US | 20:45 | S&P Global US Manufacturing PMI | Sep P | | 47.9 | 47.9 |
| 22 – Sep | JP | 06:30 | Natl CPI YoY | Aug | | 3.0% | 3.3% |
| | JP | 07:30 | Jibun Bank Japan PMI Mfg | Sep P | | — | 49.6 |
| | JP | — | BOJ Policy Balance Rate | Sep 22 | | — | -0.100% |
| | FR | 14:15 | HCOB France Manufacturing PMI | Sep P | | — | 46.0 |
| | GE | 14:30 | HCOB Germany Manufacturing PMI | Sep P | | 39.2 | 39.1 |
| | EC | 15:00 | HCOB Eurozone Manufacturing PMI | Sep P | | 43.7 | 43.5 |

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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United States 10 Year, United States, NYSE:US10YT-X, D



Indonesia 10 Years Treasury

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