

Morning Brief

Daily | September 21, 2023

Today's Outlook:

US MARKET: The Federal Reserve left interest rates unchanged, but signaled a higher interest rates for some time and one more hike this year. The Federal Open Market Committee, the FOMC, kept its benchmark rate in the current level of 5.25% to 5.50% after evidence that its 11 rate-hikes delivered so far are starting to turn the tide in the battle against inflation. The Core Personal Consumption Expenditures Index (Core PCE), which is closely watched by the Fed as a more accurate gauge of Inflation, slowed to 4.3% (from 4.7%) in August, the slowest pace since September 2021. Nevertheless, the FOMC maintained their forecast for rates to peak at 5.5% to 5.75% this year (or 5.6% at the midpoint) according to the Summary of Economic Projections that accompanied the monetary policy statement. **On the other hand, Federal Reserve Chairman Jerome Powell struck a more hawkish tone** on signs of a strengthening economy that could push inflation back up. For next year, the Fed sees the benchmark rate will be at 5.1%, suggesting just two rate cuts in 2024, compared with four rate cuts projected previously. For 2025, interest rates are expected to drop to 3.9% and fall further to 2.9% in 2026. For 2024, inflation is estimated to slope to 2.6% and down further to 2.3% by 2025, before eventually slipping to the 2% target in 2026. The US central bank's concern in their attempt to achieve the above targets is coming from the tight labor market, which has proved to be the culprit of sticky inflation as wage growth underpins the bulk of price pressures in the service sector. Federal Reserve members expect the Unemployment Rate to be at 3.8% in 2023 (down from a prior estimate of 4.1%) but rise to 4.1% next year and remain at that rate for 2025. For 2026, the Unemployment Rate is expected to fall to 4.0%. **The strength in the US economy**, which has surprised many, has forced the Fed policy makers to upgrade the economic outlook ahead. This year's economic growth is estimated to reach 2.1% more than double the 1% rate that was projection at the June meeting, while the growth forecast for 2024 was raised to 1.5% from 1.1% previously. With this stronger economic growth outlook, there is a possibility of one rate hike in 1/2023 if inflation proves to be picking up. This thinking inevitably sent the 2-year and 10-year US Treasury yields soaring to their highest point in a decade. The 2-year Treasury yield (the most sensitive to interest rate changes), rose to 5.12%, the highest level since 2006, after falling to a low of 5.049% yesterday. **ASIA MARKETS: in a week filled with several central banks' interest rate decisions**, China has set its benchmark short-term and long-term (5-year) interest rates to remain unchanged at their respective levels of 3.45% and 4.20%. Later this afternoon at around 14.30 WIB, the Bank Indonesia Board of Governors Meeting (RDG) will vote on whether the BI7DRR will again be held at 5.75%, as it has been since January. **EUROPEAN MARKETS: The UK released inflation figures (Aug.) at 6.7% yoy**, successfully softer than the 7.0% prediction and also down slightly from the previous period's 6.8%. This is an important insight for the Bank of England which will set its interest rate decision later this afternoon around 18.00 WIB where the market has priced in a possible 25 bps increase to 5.5%. Germany yesterday announced Inflation figures at the producer level which turned out to be deflationary as expected at -12.6% yoy, more than double the previous month's -6.0% deflation. **COMMODITIES: Oil prices fell on Wednesday** with WTI slipping from its USD90/barrel high, after the Federal Reserve warned of one more interest rate hike before the year-end, masking the fact that there was a drop in US crude inventories. As for New York-traded West Texas Intermediate (WTI), it fell to USD89.66/barrel from Tuesday's high of USD92.43 (the highest point since November 2022), while Brent is now perched at USD93.53/barrel, deflating 0.9% yesterday as well as WTI, slipping from a 10-month high of USD95.94 on Tuesday.

Corporate News

Voksel Electric (VOKS) to Issue IDR 250 Billion Notes PT Voksel Electric Tbk (VOKS) plans to issue debt securities worth IDR 250 billion. The Sustainable Bonds II of PT Voksel Electric Tbk (VOKS) Phase I/2023 has received an idA- (Single A Minus) rating from Kredit Rating Indonesia (KRI). Although the bond interest rate has not yet been determined, the brief prospectus states that the bond interest payments will be paid every 3 months from the issuance date. The first interest payment will be made on January 9, 2024, while the last interest payment and maturity date will be on October 9, 2026. (Bareksa)

Domestic Issue

Indonesia's Bond Auction is Deserted, DJPPR Makes This Move The Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance increased the nominal auction proceeds won in the auction of securities or debt securities in recent days. Director General of PPR Suminto admitted, in the two auction periods in the last few days, his party increased the nominal auction proceeds won from the indicative target. "It is true that in the last two auctions we upsized where on September 12 for the SBSN auction from the target of IDR 6 trillion we won IDR 9 trillion," Suminto said during an online APBN press conference, Wednesday (20/9/2023). "And on September 19 for the SUN auction from a target of IDR 13 trillion we increased it to IDR 15.8 trillion. Thus we are upsizing IDR 5.8 trillion," he said. Suminto also explained the reason for upsizing during the auction. According to him, his decision was limited to patching up the lack of auction results in August, causing a shortfall in auction results. Despite the shortfall in auction results last month, Suminto ensured that the strategy for issuing debt securities in the future would still be in accordance with the 2023 State Budget target, and the strategy used was still the same, namely flexible and opportunistic. (CNBC Indonesia)

Recommendation

US10YT was finally able to break Resistance from the previous High yield level of 4.366%. TARGET: upper channel around 4.542%. ADVISE: let your profit run ; as long as the yield is still above MA10 = not urgent to sell. Support: 4.322%.

ID10YT is in the upper channel Resistance area in the range: yield 6.789% - 6.85% with a Shooting Star-like candle; while RSI is still consistently showing negative divergence. ADVISE: SELL ON STRENGTH around the resistance area. Support yield: 6.748% / 6.692% / 6.668% / 6.556%.

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

FRO090 : 96.44 (0.00%)
FRO091 : 98.03 (0.06%)
FRO093 : 96.65 (0.16%)
FRO092 : **101.48 (-0.89%)**

FRO086 : **98.11 (-0.03%)**
FRO087 : 98.80 (0.00%)
FRO083 : **105.24 (-0.34%)**
FRO088 : **97.17 (-1.53%)**

CDS of Indonesia Bonds

CDS 2yr: +19.88% to 41.43

CDS 5yr: +7.32% to 85.67

CDS 10yr: **-2.19%** to 139.54

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.75%	-0.01%
USDIDR	15,384	0.03%
KRWIDR	11.56	-0.12%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,440.88	(76.85)	-0.22%
S&P 500	4,402.20	(41.75)	-0.94%
FTSE 100	7,731.65	71.45	0.93%
DAX	15,781.59	117.11	0.75%
Nikkei	33,023.78	(218.81)	-0.66%
Hang Seng	17,885.60	(111.57)	-0.62%
Shanghai	3,108.57	(16.39)	-0.52%
Kospi	2,559.74	0.53	0.02%
EIDO	22.94	0.09	0.39%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,930.3	(1.1)	-0.05%
Crude Oil (\$/bbl)	89.66	(0.82)	-0.91%
Coal (\$/ton)	160.75	0.00	0.00%
Nickel LME (\$/MT)	19,593	(326.0)	-1.64%
Tin LME (\$/MT)	26,132	26.0	0.10%
CPO (MYR/Ton)	3,720	(29.0)	-0.77%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	—	—	—	—	—	—	—
18 – Sep	—	—	—	—	—	—	—
Tuesday	US	19:30	Housing Starts	Aug	1,283K	1,440K	1,452K
19 – Sep	EC	16:00	CPI YoY	Aug F	5.3%	5.3%	5.3%
Wednesday	US	18:00	MBA Mortgage Applications	Sep 15	5.4%	—	-0.8%
20 – Sep	JP	06:50	Trade Balance	Aug	-¥ 930.5B	-¥ 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



Indonesia 10 Years Treasury



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