

# Morning Brief

## Today's Outlook:

**US MARKET:** The 10-year US Treasury yields benchmark touched a 16-year peak the day after Fed Chairman Jerome Powell warned inflation still has a long way to go before approaching the central bank's 2% target. As noted from the conclusion of the two-day FOMC Meeting, the central bank left the interest rate unchanged at 5.25%-5.50% (as expected). However, strong economic projections going forward suggest that high-interest rates will remain on hold for some time, risking eliminating the potential for a rate cut before 2025. Coupled with the release of weekly Initial Jobless Claims data which turned out to drop 9% to an 8-month low, further convincing the Fed that the labor market is still tight, supporting wage growth, and proving that the economy is resilient enough to withstand higher rates for longer. Weekly jobless claims were released at only 201k, lower than the forecast of 225k and the previous week's 221k.

**EUROPEAN MARKETS:** Revised Composite PMI announcements for Sept will also be released by Germany, Euruzone, UK to determine if they are able to see improvement in the manufacturing & services sectors which are still immersed in contraction territory. The UK has released its most optimistic Consumer Confidence index since early 2022, with hopes of an improving economy amidst the threat of Inflation and wage growth. GfK Consumer Confidence rose for the second consecutive month to -21 in Sept, from -25 in August although still significantly lower than the -10 average that has been running since 1974. This data comes after the Bank of England surprisingly decided to hold their benchmark interest rate at 5.25%, against the expectations of the public who had anticipated a 25bps hike. Later this afternoon, the UK will announce Retail Sales (Aug) which is forecasted to have slowed to -1.2% yoy from -3.2% in the previous month.

**ASIA MARKETS:** Japan published August National CPI this morning, which came in at 3.2% yoy (slightly lower than previous month's 3.3%) and National Core CPI which remained unchanged at 3.1% yoy. They will also shortly release the revised au Jibun Bank Japan Manufacturing & Services PMI (Sept.), before announcing the interest rate decision which is likely to remain super loose at negative -0.1% as it has been since early 2016.

**INDONESIA:** Bank Indonesia once again held its benchmark BI7DRR rate at 5.75%. The immense pressure faced by the Rupiah exchange rate coupled with the risk of spikes in global food and crude oil prices, narrowed the room for Bank Indonesia to consider the start of a cycle of benchmark interest rate cuts to boost economic growth faster. The House of Representatives and the government agreed on the 2024 State Budget, where the deficit was set at IDR522.8 trillion or 2.29% of GDP, state revenue at IDR2,802.3 trillion, state expenditure at IDR3,325.11 trillion, and financing at IDR522.8 trillion. Furthermore, the basic macroeconomic assumptions for 2024 agreed in the 2024 State Budget Law are as follows: Economic growth of 5.2%, Inflation rate of 2.8%, Rupiah exchange rate: IDR15,000/USD, 10-year SBN interest rate of 6.7%, crude oil price of USD82/barrel. The development target indicators in the 2024 Draft State Budget were agreed as follows: open unemployment rate 5.0% - 5.7%, poverty rate 6.5% - 7.5%.

**COMMODITIES:** Russia, one of the main suppliers of diesel fuel to the global market, has temporarily restricted exports of the fuel. This is an effort to stabilize the domestic fuel market after fuel prices soared. This measure also applies to gasoline, although Russia exports less of it. The action may further exacerbate the current shortage of diesel fuel in the global market, after production curbs already put in place by Saudi Arabia & Russia risk removing 1.3 million barrels of crude oil from the global market at least until the end of this year. Meanwhile, China is reportedly increasingly spurring imports of high-quality coal from Australia & Russia, instead of from Indonesia whose coal is considered to be of lower quality despite its low price. The action is based on Beijing's thinking to compensate for the poor quality of coal mined from within their own country. West Texas Intermediate (WTI) crude oil prices closed slightly below the USD90/barrel level after rallying to yesterday's high of USD90.98/barrel after the announcement of the fuel export ban from Russia, but considering the hawkish tone of the Federal Reserve boosted the USD, it ended up putting pressure on most commodity prices. Suddenly the Gold Price also dropped to a 1-week low, or down 1.4% to USD1939.60/ounce. The Dollar Index (DXY) hit a 6-month high, suppressing interest in buying dollar-based commodities by buyers from non-US countries.

## Corporate News

**Sinar Mas Group Lontar Papyrus Offers IDR 1.8 Trillion Bonds, Double Digit Coupon** Sinar Mas Group's paper company, PT Lontar Papyrus Pulp & Paper Industry is offering IDR 1.8 trillion in bonds in three series. A number of series have coupons above 10%. In the bond offering prospectus, Lontar Papyrus will offer Lontar Papyrus Pulp & Paper Industry Phase II Sustainable Bonds in 2023 with a principal amount of IDR 1.8 trillion. The bonds are from the planned sustainable bonds II worth IDR 7 trillion. Previously, the company had issued IDR 3 trillion in bonds in phase I. (Bisnis)

## Domestic Issue

**Real Impact of El Nino, IDR 17.7 Trillion of Foreign Funds Leaving SBN Market** Foreigners have been leaving the Government Securities (SBN) market for the past two months. Data from the Ministry of Finance (Kemenkeu) revealed that the outflow of foreign funds in the domestic SBN market was recorded at IDR 17.7 trillion from August to September 14, 2023. Bank Permata Chief Economist Josua Pardede said that the pressure on the SBN market is reflected in the rising movement of bond yields. In September, the movement of 2-year tenor bond yields is still in an upward trend, which is in line with the increase in yields on long-tenor bond series. Not only Indonesia, the increase in long-term yields has occurred in the Asian region due to rising expectations that inflation will rise in most of Asia. As a result, this increase in inflation expectations has an impact on the increase in long-dated bond yields in the Asian region. "The source of rising inflation expectations comes from the impact of El-Nino on rice supply in the Asian region, as well as the upward trend in energy prices in the past 1 month," Josua told Kontan.co.id, last Thursday. (Kontan)

## Recommendation

**US10YT is steadily heading toward its upper channel TARGET around 4.546%.** ADVISE : let your profit run, as long as the yield is still above MA10 = no urgency to sell. MA10 Support: 4.352%.

**ID10YT is once again testing the upper channel Resistance area in the range: 6.789% - 6.85% yield,** even though a Shooting Star-like candle has previously appeared (indicating bearish reversal); while RSI is still consistently showing negative divergence. ADVISE : SELL ON STRENGTH around the resistance area. Support yield: 6.748% / 6.692% / 6.685% / 6.564%.

## 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 : 96.39 (-0.05%)  
FRO091 : 97.90 (-0.14%)  
FRO093 : 96.44 (-0.21%)  
FRO092 : 101.43 (-0.05%)

FRO086 : 98.14 (0.02%)  
FRO087 : 98.76 (-0.03%)  
FRO083 : 105.10 (-0.13%)  
FRO088 : 97.17 (0.00%)

## CDS of Indonesia Bonds

CDS 2yr: +6.82% to 44.25

CDS 5yr: +4.40% to 89.44

CDS 10yr: +5.43 to 147.12

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.79%	0.04%
USDIDR	15,375	-0.06%
KRWIDR	11.47	-0.77%

## Global Indices

Index	Last	Chg.	%
Dow Jones	34,070.42	(370.46)	-1.08%
S&P 500	4,330.00	(72.20)	-1.64%
FTSE 100	7,678.62	(53.03)	-0.69%
DAX	15,571.86	(209.73)	-1.33%
Nikkei	32,571.03	(452.75)	-1.37%
Hang Seng	17,655.41	(230.19)	-1.29%
Shanghai	3,084.70	(23.87)	-0.77%
Kospi	2,514.97	(44.77)	-1.75%
EIDO	22.76	(0.18)	-0.78%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,920.0	(10.3)	-0.53%
Crude Oil (\$/bbl)	89.63	(0.03)	-0.03%
Coal (\$/ton)	160.50	(0.25)	-0.16%
Nickel LME (\$/MT)	19,123	(470.0)	-2.40%
Tin LME (\$/MT)	25,613	(519.0)	-1.99%
CPO (MYR/Ton)	3,678	(42.0)	-1.13%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b>	—	—	—	—	—	—	—
18 – Sep	—	—	—	—	—	—	—
<b>Tuesday</b>	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%
<b>Wednesday</b>	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
<b>Thursday</b>	US	01:00	FOMC Rate Decision (Upper Bound)	Sep 20	5.50%	5.50%	5.50%
21 – Sep	US	01:00	FOMC Rate Decision (Lower Bound)	Sep 20	5.25%	5.25%	5.25%
	US	19:30	Initial Jobless Claims	Sep 16	201K	—	220K
	US	21:00	Existing Home Sales	Aug	4.04M	4.10M	4.07M
	US	21:00	Leading Index	Aug	-0.4%	-0.4%	-0.4%
	ID	14:20	Bank Indonesia 7D Reverse Repo	Sep 21	5.75%	5.75%	5.75%
<b>Friday</b>	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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