

# Morning Brief

Daily | September 29, 2023

## Today's Outlook:

**US MARKETS:** The rally in US Treasury yields stalled ahead of important Inflation data due this Friday. Investors are also monitoring progress in the capital Washington on whether policymakers will be able to avert a US government shutdown.

The recent move of Treasury yields to a 16-year high has cast a shadow over the stock market, which has retreated after the Federal Reserve last week signaled a hawkish long-term interest rate outlook. The benchmark 10-year Treasury yield stopping at around 4.6% was perceived as a "relief" for stock portfolio managers after 3-4 days of market pressure.

**Data showed that the US economy maintained a fairly solid pace of growth in the second quarter. Initial Jobless Claims rose slightly last week; while Existing Home Sales in August fell deeper than expected.** Investors will monitor the Personal Consumption Expenditures (PCE) price index as the latest input on the Inflation trend in the US. The PCE price index is the most awaited important economic data for market participants, as they anticipate the tendency of Inflation signs to heat up again.

**COMMODITIES:** Oil prices have been hit by steep profit-taking in the last 2 months, after Crude futures rallied more than 30% since late May. New York-traded WTI oil and London-based Brent fell from the USD95/barrel price, which was a 13-month high for WTI, and 10-month high for Brent. Analysts estimate that the possibility of a correction taking place is as great as the chance of the oil price rally continuing until the end of the year. Oil prices that are one step away from touching USD100/barrel do seem overbought and ready to pullback at any time; the risk of a decline is open if there is massive selling in the bond market. The current WTI Oil price for November delivery is at USD91.71/barrel, down 2.1% intraday after touching USD95.04, the highest point since August 2022. Even last Wednesday, the US crude benchmark had jumped 3.7%. Meanwhile, Brent Oil prices for December delivery were at USD93.1/barrel, down 1.3% intraday; after rising 2.1% on Wednesday. WTI started the climb from last May's low, since prices were below USD64 and Brent below USD72; thus they have bagged gains of USD25 and USD30 respectively. The rally is mainly market participants' response to Saudi Arabia & Russia's production cuts; albeit tacitly supported by US oil producers who are ready to hold production at any time in order to maximize profits.

**Gold prices fell to a 7-month low on Thursday as traders pushed the price of the precious metal towards USD1850/ounce, after breaking the USD1900 Support in the previous trading session.** The New York Comex gold futures contract for December was quoted at USD1878.6/ounce, down 0.6% (after hitting a low of USD1874.55; the lowest point since last March). Comex Gold has lost 2% in 48 hours, erasing the previous 5 weeks of gains since mid-August. Meanwhile, Gold spot price is at USD1866.97, down 0.4% (after hitting a low of USD1857.74/ounce; also the lowest point since last March). It is known that the skyrocketing bond market has wiped out hopes of a rebound in Gold prices. The 10-year US Treasury yield, skyrocketed to a 16-year high in Thursday's trading session, on expectations of a continued upward trend in Fed interest rates. Massive bond market selling continues even though the US Dollar has pulled back from November highs.

**EUROPEAN MARKETS:** The UK will report GDP for the second quarter of 2023 today, while Germany awaits data on Retail Sales (Aug.), German Unemployment Rate (Sept.). Eurozone will also be up next, with equally important economic data, namely CPI & Core CPI changes (Sept.).

**ASIA MARKETS:** This morning, Japan has released Tokyo Core CPI (Sept.) which fell to 2.5% yoy; Unemployment Rate rose slightly in August to 2.7%, Industrial Production (Aug.) was flat at 0.0%, though better than expected at minus 0.8%; while Retail Sales (Aug.) rose above expectations to 7.0% yoy, unchanged from the previous month's position.

## Corporate News

**Perusahaan Gas Negara (PGAS) Completes USD953 Million Bond Buyback** Perusahaan Gas Negara (PGAS) has completed the buyback of bonds worth USD 953.29 million. The buyback of senior debt securities was carried out in several stages. To be precise, three transactions from December 14, 2022 to September 22, 2023. The first buyback was carried out on December 14, 2022 amounting to USD 400 million. Then, on May 31, 2023, it bought back USD 499.85 million. And, the last buyback was carried out on September 22, 2023 by attacking debt securities worth USD 53.44 million. Based on the completion of the transaction, the remaining bonds have not been redeemed, or are still outstanding, worth USD 396.7 million. (Emiten News)

## Domestic Issue

**Prospects for Corporate Bonds in the Fourth Quarter of 2023 After the Fed Holds Interest Rates** The issuance of corporate bonds in the first quarter of 2023 is expected to be hampered by several obstacles, one of which is the increase in the cost of funds as a result of Bank Indonesia's (BI) decision to maintain its benchmark interest rate at 5.75 percent. Associate Director of Fixed Income Anugerah Sekuritas Ramdhan Ario Maruto assessed that this has the potential to hoist corporate bond interest rates and increase the amount of coupons that must be paid by each bond issuing company. Meanwhile, the Associate Director of Fixed Income Anugerah Sekuritas estimates that the sentiment of the 2024 General Election will not significantly affect the corporate bond market conditions in late 2023 to early 2024. Ramdhan said that the direction of the Indonesian bond market tends to be more influenced by external sentiments, especially the movement of global interest rates, the increase in US treasury yield, and the strengthening of the US dollar index. (Bisnis)

## Recommendation

**US10YT seems to start pulling back from the upper channel resistance after forming a Shooting Star-like candle. Pullback is expected towards MA10 / yield 4.486%.** ADVISE: SELL ON STRENGTH; or use Trailing Stop if you still want to let your profit run.

**ID10YT continues to climb after successfully breaking through the upper channel resistance - uptrend, currently almost touching the psychological level of yield 7.0%.** It seems not impossible that ID10YT is heading towards the 7.085% TARGET of the previous PARALLEL CHANNEL pattern. ADVISE: let your profit run; don't forget to set your TRAILING STOP. As long as the yield is still playing above MA10 (Support yield 6.793%) = there is no urgency to SELL.

## 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 : 96.07 (-0.12%)  
FR0091 : 97.55 (-0.12%)  
FR0093 : 96.35 (+0.05%)  
FR0092 : 101.42 (-0.13%)

FR0086 : 98.02 (-0.06%)  
FR0087 : 98.21 (+0.07%)  
FR0083 : 104.56 (+0.10%)  
FR0088 : 95.68 (-0.70%)

## CDS of Indonesia Bonds

CDS 2yr: -0.03% to 38.99

CDS 5yr: +0.68% to 93.22

CDS 10yr: -0.12% to 163.71

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.88%	0.01%
USDIDR	15,520	0.19%
KRWIDR	11.51	0.21%

## Global Indices

Index	Last	Chg.	%
Dow Jones	33,666.34	116.07	0.35%
S&P 500	4,299.70	25.19	0.59%
FTSE 100	7,601.85	8.63	0.11%
DAX	15,323.50	106.05	0.70%
Nikkei	31,872.52	(499.38)	-1.54%
Hang Seng	17,373.03	(238.84)	-1.36%
Shanghai	3,110.48	3.16	0.10%
Kospi	2,465.07	2.10	0.09%
EIDO	22.34	0.08	0.36%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,864.9	(10.3)	-0.55%
Crude Oil (\$/bbl)	91.71	(1.97)	-2.10%
Coal (\$/ton)	159.75	(0.60)	-0.37%
Nickel LME (\$/MT)	18,887	(116.0)	-0.61%
Tin LME (\$/MT)	25,324	(326.0)	-1.27%
CPO (MYR/Ton)	3,771	79.0	2.14%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b>	US	21:30	Dallas Fed Manf. Activity	Sep	-18.1	-15.7	-17.2
25 – Sep	GE	15:00	IFO Business Climate	Sep	85.7	—	85.7
<b>Tuesday</b>	US	21:00	New Home Sales	Aug	675K	700K	714K
26 – Sep	US	21:00	Conf. Board Consumer Confidence	Sep	103.0	105.9	106.1
<b>Wednesday</b>	US	18:00	MBA Mortgage Applications	Sep 22	-1.3%	—	5.4%
27 – Sep	US	19:30	Durable Goods Orders	Aug P	0.2%	-0.4%	-5.2%
	GE	13:00	Gfk Consumer Confidence	Oct	-26.5	—	-25.5
<b>Thursday</b>	US	19:30	GDP Annualized QoQ	2Q T	2.1%	2.3%	2.1%
28 – Sep	US	19:30	Initial Jobless Claims	Sep 23	204K	—	201K
	GE	19:00	CPI MoM	Sep P	0.3%	0.3%	0.3%
	GE	19:00	CPI YoY	Sep P	4.5%	—	6.1%
<b>Friday</b>	US	19:30	Personal Income	Aug		0.5%	0.5%
29 – Sep	US	19:30	Personal Spending	Aug		0.4%	0.8%
	US	20:45	MNI Chicago PMI	Sep		47.6	48.7
	US	21:00	U. of Mich. Sentiment	Sep F		67.7	67.7
	CH	08:45	Caixin China PMI Mfg	Sep		—	51.0
	JP	06:30	Jobless Rate	Aug		2.6%	2.7%

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury

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## Indonesia 10 Years Treasury

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## 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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## PT. NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

### JAKARTA (HEADQUARTER):

District 8 Treasury Tower 51<sup>st</sup> 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

### 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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Jakarta