

Morning Brief

Daily | October 3, 2023

Today's Outlook:

Treasury yields continued to march higher after the US averted a government shutdown (temporary for 45 days until Nov 17th) after the US Congress passed a last-minute budget bill before last Saturday's deadline. Crude oil prices remained above USD 90/barrel, with some forecasting a boost in demand from China's annual 'Golden Week' holiday. Treasury yields were pushed higher by growing expectations for another Federal Reserve interest rate hike. The 2-year US Treasury yield rose 5.2 points to 5.098%, while the 10-year Treasury yield rose 12 bps to 4.696%. Only about 30% of traders expect the fed to lift rates next month, up from around 18% last week, according to Investing.com's Fed Rate Monitor Tool. Fed Governor Michelle Bowman said she is ready to support further rate hikes if the pace of decline in US Inflation proves to be slowing. In terms of economic data: The US released the S&P Global US Manufacturing PMI (Sept.) which was close to expansionary territory (50) at 49.8, beating expectations and the previous month's figure. Similarly, according to the ISM Manufacturing PMI, where the Sept. growth in US manufacturing activity accelerated to 49, much better than the forecast and previous period at around 47. Important economic data related to employment will begin to appear later Tuesday night around 21.00 WIB, namely JOLTS Job Openings where it is expected to be little changed from the previous month, indicating there may be around 8.83 million new job openings in August. One other market sentiment that will dominate is the 3rd quarter earnings reports coming out soon, where analysts expect corporate profits to increase 1.6% from the same quarter last year, after falling 2.8% in the second quarter of this year.

ASIAN MARKETS: Japan has released a series of important economic data, which says that the Tankan Manufacturing Outlook Index experienced significant growth above expectations in the third quarter, especially for large manufacturers; although according to au Jibun Bank Japan Manufacturing PMI for September is still struggling in contractionary territory.

EUROPEAN MARKETS: Speaking of Manufacturing PMI for September: Germany came in below estimates, Eurozone and UK were able to meet expectations; certainly all three are still struggling in contraction territory. As for the Eurozone, the August Unemployment Rate came in at 6.4% as expected, lower than July's 6.5%.

COMMODITIES: West Texas Intermediate or WTI (New York) and Brent (London) crude oil prices both dropped 2%, continuing Friday's decline; on the premise that high energy prices will weigh on the global economy and push up Inflation, thus ultimately suppressing demand for Crude Oil itself. The price of the WTI contract for November delivery finally broke free from the key USD 90 level, closing at USD 88.82/barrel or slumping 2.2% intraday and even touched a 3-week low of USD 88.47. Meanwhile, Brent prices for the December contract, which is known to be the most active, fell 1.6% intraday to USD 90.71/barrel, although it had risen from a low of USD 90.36. OPEC+ will host a meeting of its 23 Oil producing members on Wednesday, where it seems unlikely that they will change the 1.3 million barrel/day production cut until the end of the year. At the same time, its implementation has other consequences. Asia's crude oil imports slipped for a second consecutive month in September as refinery maintenance trimmed demand. Another factor weighing on non-US Oil consumers is the surge in the Dollar to a 10-month high on the basis that the upward trend in US interest rates is likely to continue.

INDONESIA MARKET: Last but not least, Indonesia published the Nikkei Manufacturing PMI which turned out to be a slightly slower growth to 52.3 in September, compared to 53.9 in August. The September Inflation rate cooled further to 2.28% yoy, from 3.27% in August; although the growth on a monthly basis actually heated up to 0.19% mom, compared to -0.02% deflation in the previous month. Core Inflation, which excludes the price of volatile items such as fuel and food, stabilized below Bank Indonesia's safe level of 3%, also easing back to 2.0% yoy, lower than expectation & August's 2.18%

Corporate News

Maturing, Maybank (BNII) Prepares IDR 76.65 M to Pay Principal and Interest on Bonds PT Bank Maybank Indonesia Tbk (BNII) has prepared funds for the repayment of bonds that will mature on October 26, 2023. Muhamadian, President Director of BNII said that the bonds that will mature are Sustainable Bonds II Bank Maybank Indonesia Phase III Year 2018 Series C. The funds prepared by the company to pay the principal and interest on the bonds amounted to IDR 76.65 billion. Of this IDR 76.65 billion fund, IDR 75 billion is the principal bond debt. While the remaining IDR 1.65 billion is the twentieth bond interest. (Emiten News)

Domestic Issue

US Treasury Yield Rises, Indonesian Bond Market is Still Attractive The 10-Year US Treasury (UST) yield is approaching its highest level of the year. However, the Indonesian bond market is still considered attractive. Based on Bloomberg data, as of Friday (29/9) the UST yield was at 4.59%. This figure is up from the previous month (MoM) at 4.12% and has shot up from 3.79% at the beginning of the year. The highest level this year was at 4.61%. Chief Economist of PT Pemeringkat Efek Indonesia (Pefindo) Suhindarto said, amidst the increase in the 10-Year UST, the Indonesian bond market is still considered quite attractive. Indonesia's bond market is still the best performer among Asian Local Currency Bond Index (ALBI) members as of the end of August 2023. High interest rates have remained stable amid the rise in developed countries with the inflation rate also in the target range of Bank Indonesia. Suhindarto explained, as of the end of August 2023 Indonesia was the country with the highest return at 7.3%. Followed by India at 5.7%, and the Philippines and Malaysia at 4.8%.

Recommendation

US10YT is still entrenched at 16-year highs, however, it appears to be stuck in the upper channel Resistance area of 4.69% - 4.70%. RSI has entered the Overbought territory. ADVISE: let your profit run, but don't forget to set your Trailing Stop. Need to consider SELL ON STRENGTH (Partially). MA10 Support = 4.577%.

ID10YT finally broke the psychological yield level of 7.0% amidst a strong Uptrend. A little more ID10YT reached the 7.085% TARGET of the previous PARALLEL CHANNEL pattern. ADVISE: let your profit run; don't forget to set your TRAILING STOP. Consider SELL ON STRENGTH as RSI is consistently negative divergence. MA10 support = yield 6.85%.

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	2.28%	3.27%	Cons. Confidence*	125.20	125.20

PRICE OF BENCHMARK SERIES

FR0090 : **95.88 (-0.13%)**
FR0091 : **96.73 (-0.61%)**
FR0093 : **94.86 (-1.22%)**
FR0092 : **102.06 (+0.08%)**

FR0086 : **97.95 (+0.03%)**
FR0087 : **97.44 (-0.51%)**
FR0083 : **103.67 (-0.70%)**
FR0088 : **96.27 (-0.03%)**

CDS of Indonesia Bonds

CDS 2yr: +1.54% to 43.58

CDS 5yr: +0.53% to 93.44

CDS 10yr: +1.10% to 161.96

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.99%	0.07%
USDIDR	15,530	0.49%
KRWIDR	11.49	0.14%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,433.35	(74.15)	-0.22%
S&P 500	4,288.39	0.34	0.01%
FTSE 100	7,510.72	(97.36)	-1.28%
DAX	15,247.21	(139.37)	-0.91%
Nikkei	31,759.88	(97.74)	-0.31%
Hang Seng	17,809.66	436.63	2.51%
Shanghai	3,110.48	3.16	0.10%
Kospi	2,465.07	2.10	0.09%
EIDO	22.26	(0.01)	-0.04%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,828.0	(20.6)	-1.11%
Crude Oil (\$/bbl)	88.82	(1.97)	-2.17%
Coal (\$/ton)	154.50	(5.60)	-3.50%
Nickel LME (\$/MT)	18,749	55.0	0.29%
Tin LME (\$/MT)	23,496	(448.0)	-1.87%
CPO (MYR/Ton)	3,704	(63.0)	-1.67%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	US	20:45	S&P Global US Manufacturing PMI	Sep F	49.8	48.9	48.9
2 – Oct.	US	21:00	ISM Manufacturing	Sep	49.0	47.8	47.6
	ID	07:30	S&P Global Indonesia PMI Mfg	Sep	52.3	—	53.9
	ID	11:00	CPI YoY	Sep	2.28%	2.22%	3.27%
	GE	14:55	HCOB Germany Manufacturing PMI	Sep F	39.6	—	39.8
	EC	15:00	HCOB Eurozone Manufacturing PMI	Sep F	43.4	—	43.4
	JP	07:30	Jibun Bank Japan PMI Mfg	Sep F	48.5	—	48.6
Tuesday	US	21:00	JOLTS Job Openings	Aug		8,900K	8,827K
3 – Oct.	JP	06:50	Monetary Base YoY	Sep		—	1.2%
Wednesday	US	18:00	MBA Mortgage Applications	Sep 29		—	1.3%
4 – Oct.	US	19:15	ADP Employment Change	Sep		150K	177K
	US	21:00	Factory Orders	Aug		0.2%	-2.1%
	US	21:00	Durable Goods Orders	Aug F		—	0.2%
Thursday	US	19:30	Trade Balance	Aug		-\$65.2 Bn	-\$65.0 Bn
5 – Oct.	US	19:30	Initial Jobless Claims	Sep 30		—	204K
Friday	US	19:30	Change in Nonfarm Payrolls	Sep		170K	187K
6 – Oct.	US	19:30	Unemployment Rate	Sep		3.7%	3.8%
	ID	10:00	Foreign Reserves	Sep		—	\$137.09 Bn
	GE	13:00	Factory Orders MoM	Aug		2.5%	-11.7%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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