

# Morning Brief

Daily | October 4, 2023

## Today's Outlook:

**US MARKETS:** A surprise in the US economic data showed that labor force growth was stronger than expected, stoked further concerns about higher Federal Reserve interest rates, pushing Treasury yields to a 16-year high. The CBOE Volatility index, Wall Street's "fear" index, hit its highest level since May 24. The U.S. Labor Department's latest Job Openings and Labor Turnover Survey (JOLTS) report, a measure of labor demand, showed job openings in August unexpectedly increased by about 9.6 million, confounding expectations for drop to 8.8M from the previous period's 8.92M. These signs of a still-tight labor market added to concerns that the Fed may need to raise interest rates again this year, pushing 10-year Treasury and 30-year Treasury yields to their highest levels since 2007 in anticipation of higher rates for a longer period of time. US government bond prices, which trade inversely to yields, were also pressured by a surge in Treasury supply as the US government increased its lending pace amid rising deficits. The fresh spike in Treasury yields came even as Atlantic Fed President Raphael Bostic said there wasn't "urgency" for the central bank to raise rates again, but it would likely take a while to expect the start of rate cuts. Meanwhile another Fed official stated that he was open to the possibility of another rate hike at the next FOMC meeting.

**The next important Economic data from the US awaited later tonight around 7:15 pm WIB is still around employment, namely the ADP Nonfarm Employment Change (Sept.)** which is expected to fall to 160 thousand from 177 thousand the previous month. Followed by a number of PMI data which hopes that business activity in the US both manufacturing and services can still survive in expansionary territory.

**ASIA MARKETS:** While China is still in the "Golden Week" long holiday phase, this morning South Korea has announced Industrial Production (Aug.) rose significantly by 5.5% mom compared to predictions and the previous month which was still immersed in negative territory. On an annualized basis, the weakening Industrial Production in August was noticeably improved by successfully shrinking the previous month's minus 8.1% to just -0.5% yoy, much better than the expectation of -6.2%. South Korea's Retail Sales were also released to have rallied further; and the Manufacturing PMI figure is one step away from reaching the expansionary ceiling of 50. While Japan reported its Sept. Services PMI slightly better than expected, still in expansionary territory but indeed weaker than the previous month.

**EUROPE MARKETS:** A series of PMI data will be released consecutively from Germany, Eurozone, UK. Not to forget, Eurozone will also report PPI (Aug) and Retail Sales (Aug).

## Corporate News

**Indah Kiat (INKP) Issues Bonds to Expand Factory Construction** Paper company, PT Indah Kiat Pulp & Paper Tbk (INKP), held a sustainable bond issuance of USD 150 million. The bond public offering period took place from October 3-6, 2023. These bonds are offered at 100% of the bond principal amount and consist of two series. The principal amount of series A bonds offered is USD 1.40 million, with a fixed interest rate of 7% per year with a three-year term from the issuance date. Series B bonds have a principal amount of USD 11.56 million with a fixed interest rate of 8% per annum with a five-year term from the date of issuance. The remaining principal amount of up to USD 137 million is guaranteed on a best effort manner. If the amount under the best effort is not sold in part or in full, the remaining unsold bonds are not required to be issued by INKP. Indah Kiat will use the proceeds from the bond issuance after deducting the related issuance costs entirely for capital expenditures related to the expansion of the industrial paper mill construction. (Kontan)

## Domestic Issue

**Ministry of Finance: Foreign Investor Interest in SUN Auctions Increases** The Ministry of Finance (MoF) reported that foreign investors' interest in the auction of Government Bonds (SUN) has increased. "The number of bids from foreign investors at today's SUN auction reached IDR 2.72 trillion, an increase from IDR 2.08 trillion at the previous SUN auction," said Director of Government Securities at the Directorate General of Financing and Risk Management of the Ministry of Finance Deni Ridwan. The majority of the incoming bids of foreign investors were on long tenor SUN, which is 11 years, amounting to IDR 2.58 trillion or 94.86% of the total incoming bids of foreign investors, and won IDR 0.16 trillion or 1.8% of the total awarded bids. While overall, the number of incoming bids at today's auction fell to IDR 22.42 trillion. Despite the decline, Deni continued, the value is still 1.2 times higher than the indicative target that has been set. According to Deni, the decline was driven by investors' wait-and-see attitude over the hawkish stance of Fed officials who are believed to be still raising the FFR this year and will keep interest rates high for a long time. (Antara News)

## Recommendation

**US10YT** appears unwilling to end this uptrend, even though it is detected to be steadily breaking through the upper channel resistance, paving the way for strengthening towards a higher **TARGET** towards the psychological level of 5.0% yield, or precisely **5.056% yield**. Although RSI has entered Overbought territory, but in hierarchy, the indicator is not a strong reason to end this Uptrend. **ADVISE:** let your profit run, but don't forget to set your Trailing Stop. Need to consider **SELL ON STRENGTH** (gradually). Support : yield 4.710% / 4.61%.

**ID10YT** is just about to solidify its position at the **TARGET** yield of 7.085% (in fact, it has now detected an overshoot towards the next Resistance region of yield 7.20%) in an unwavering uptrend. **ADVISE:** let your profit run; don't forget to set your **TRAILING STOP**. Consider **SELL ON STRENGTH** (gradually) as RSI is consistently negative divergence. The nearest support is MA10 = yield 6.904%.

## 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 : **95.63 (-0.25%)**  
FR0091 : **96.15 (-0.60%)**  
FR0093 : **94.47 (-0.40%)**  
FR0092 : **101.32 (-0.10%)**

FR0086 : **97.92 (-0.14%)**  
FR0087 : **97.07 (-0.38%)**  
FR0083 : **102.83 (-0.81%)**  
FR0088 : **96.39 (-1.96%)**

## CDS of Indonesia Bonds

CDS 2yr: +3.45% to 45.09

CDS 5yr: +2.44% to 95.72

CDS 10yr: +2.60% to 166.17

## Government Bond Yields & FX

|                | Last   | Chg.   |
|----------------|--------|--------|
| Tenor: 10 year | 7.02%  | 0.04%  |
| USDIDR         | 15,580 | 0.32%  |
| KRWIDR         | 11.45  | -0.37% |

## Global Indices

| Index     | Last      | Chg.     | %      |
|-----------|-----------|----------|--------|
| Dow Jones | 33,002.38 | (430.97) | -1.29% |
| S&P 500   | 4,229.45  | (58.94)  | -1.37% |
| FTSE 100  | 7,470.16  | (40.56)  | -0.54% |
| DAX       | 15,085.21 | (162.00) | -1.06% |
| Nikkei    | 31,237.94 | (521.94) | -1.64% |
| Hang Seng | 17,331.22 | (478.44) | -2.69% |
| Shanghai  | 3,110.48  | 3.16     | 0.10%  |
| Kospi     | 2,465.07  | 2.10     | 0.09%  |
| EIDO      | 22.16     | (0.10)   | -0.45% |

## Commodities

| Commodity          | Last    | Chg.   | %      |
|--------------------|---------|--------|--------|
| Gold (\$/troy oz.) | 1,823.0 | (5.0)  | -0.27% |
| Crude Oil (\$/bbl) | 89.23   | 0.41   | 0.46%  |
| Coal (\$/ton)      | 149.65  | (4.85) | -3.14% |
| Nickel LME (\$/MT) | 18,728  | (21.0) | -0.11% |
| Tin LME (\$/MT)    | 23,854  | 358.0  | 1.52%  |
| CPO (MYR/Ton)      | 3,708   | 4.0    | 0.11%  |

| Date             | Country | Hour Jakarta | Event                           | Period | Actual | Consensus  | Previous    |
|------------------|---------|--------------|---------------------------------|--------|--------|------------|-------------|
| <b>Monday</b>    | 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        |
| <b>Tuesday</b>   | US      | 21:00        | JOLTS Job Openings              | Aug    | 9,610K | 8,900K     | 8,827K      |
| 3 – Oct.         | JP      | 06:50        | Monetary Base YoY               | Sep    | 5.6%   | —          | 1.2%        |
| <b>Wednesday</b> | 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%        |
| <b>Thursday</b>  | US      | 19:30        | Trade Balance                   | Aug    | —      | -\$65.2 Bn | -\$65.0 Bn  |
| 5 – Oct.         | US      | 19:30        | Initial Jobless Claims          | Sep 30 | —      | —          | 204K        |
| <b>Friday</b>    | 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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## 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

Telp : +62 411 360 4650

### 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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