

Morning Brief

Daily | October 5, 2023

Today's Outlook:

US MARKETS: The economic data sentiment showed US private payrolls increased less than expected in September. The ADP National Employment Report was cheered by investors worried about rising interest rates and the likelihood that the Federal Reserve may need to keep rates higher for longer, as it turned out that the September data came in at 89k, well below predictions (153k) and also a sharp decline from the previous month (180k); the lowest level since January 2021 (32 months ago). Other economic data also showed a higher than expected increase in new orders for goods produced in the US in August, ahead of the release of Nonfarm Payroll (Sept) employment data which is the key to all macroeconomic reports. Meanwhile, US services sector activity slowed slightly in Sept, reflected in the US ISM Non-Manufacturing PMI which came in as expected at 53.6, but down from 54.5 in Aug. Now only 22% of traders expect the Fed to raise rates in November, down from nearly 30% a day earlier, according to the Investing.com's Fed Rate Monitor Tool. Market participants are also paying close attention to issuers' Q3 earnings reports, and S&P 500 company earnings are expected to increase 1.6% yoy.

COMMODITIES: The Energy sector was hit by the biggest sell-off since Sept 2022 as oil prices slumped nearly 6% after US gasoline stockpiles data came in higher than expected at 6,481m barrels (vs forecast 161k barrels, vs previous 1,027m barrels). Meanwhile, at the OPEC+ ministers meeting on Wednesday, it was decided that they will not change production levels, which means they will maintain production cuts until the end of the year. This production cut is still necessary to offset weak global demand and in the interest of supporting prices. The WTI (New York) contract for November is now priced at USD 84.22/barrel, a decline of 5.6%, after hitting a low of USD 84.17/barrel or a 7% drop during the week. Meanwhile, the Brent Oil (London) contract for the most active month, December, also fell 5.6% to USD 85.91/barrel, after touching a low of USD 85.77. The price of this global oil benchmark plunged 10% for the week.

EUROPEAN MARKETS: a number of PMI data from Germany, Eurozone, UK showed that business activity seems to have grown in September although most of them are still struggling to get out of the contraction area; the Services sector in Germany slightly beat expectations by successfully crossing into expansion territory. On the other hand, the Eurozone reported August producer-level inflation remained relatively deflationary at -11.5%, not far from the forecast of -11.6%; producer-level prices cooled further from -7.6% in the previous month. Eurozone August Retail Sales also appeared to be weakening further with purchasing power growth of minus 2.1% yoy, even worse than the -1.2% estimate and from the previous month's -1.0%. Later this afternoon investors will monitor the German Trade Balance (Aug), Germany, Eurozone, and UK Construction PMI (Sept) figures.

ASIA MARKETS: This morning, South Korea announced September inflation rose to 3.7% yoy (vs forecast & previous at 3.4%). China has a full holiday this week due to "Goden Week" in celebration of National Day.

Corporate News

IDR 400 M In Pockets, Pyridam Farma (PYFA) Accelerates IDR 307.03 M Bond Buyback After last month, on September 21, 2023, PT Pyridam Farma Tbk (PYFA) listed its Sustainable Bonds I Pyridam Farma Phase II Year 2023 worth IDR 400 billion with an interest rate of 9.5% per annum with a 2-year tenor. Pharmaceutical company PT Pyridam Farma Tbk (PYFA) chose to accelerate the buyback of PYFA Bonds I Year 2020 with an amount of IDR 307.03 billion. PYFA Corporate Secretary Nadia Miranty Verdiana said, this step was taken to increase the company's efficiency towards funds obtained from other bonds. Pyridam Farma I Year 2020 Bonds have a principal value of IDR 300 billion with interest of IDR 7.03 billion, with total repayments reaching IDR 307.03 billion. (Emiten News)

Domestic Issue

US Treasury Bond Yield Increase Has Pressured Indonesian Corporate Bonds The increase in yields on United States (US) government bonds, aka US Treasury (UST), has also hoisted the yields on government and corporate bonds in Indonesia. Chief Economist of PT Pemeringkat Efek Indonesia (Pefindo) Suhindarto said, the increase in UST yield is indeed indirectly responsible for the increase in corporate bond yields. The increase in US bond yields pushed up the yield on government bonds (SUN). As a benchmark, the increase in government bond yields eventually impacts the increase in corporate bond yields, assuming a constant corporate bond premium. The pricing of corporate bond yields can simply be summarized into the equation that the corporate bond yield is equal to the government bond yield plus the corporate bond premium. Therefore, even though the corporate bond premium does not change, an increase in government bond yield will eventually push up the corporate bond yield. Suhindarto sees that most corporate bond yields have risen since the end of August 2023 to October 3, 2023 with various increases. Based on data from the Indonesian Securities Price Appraiser (PHEI), higher increases occurred in longer tenors for the BBB and AAA rating categories. (Kontan)

Recommendation

It is reasonable if US10YT is going to pullback for a moment to test the upper channel support, after breaking out and opening the way for strengthening towards the TARGET yield: 5.056%; moreover RSI in Overbought territory. ADVISE: Wait & See, whether Support holds or not. Next Support: MA10 / yield 4.621%, then MA20 / yield 4.474%. Need to consider reducing positions (gradually) if Support is broken one by one.

ID10YT hit its TARGET yield of 7.085% in a strong uptrend, even though the RSI negative divergence is haunting. ADVISE: let your profit run; don't forget to set your TRAILING STOP. Consider SELL ON STRENGTH (gradual). The nearest support is MA10 = yield 6.90%.

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

FRO090 : 95.39 (-0.26%)

FRO091 : 95.45 (-0.73%)

FRO093 : 93.91 (-0.60%)

FRO092 : 99.90 (-1.40%)

FRO086 : 97.83 (+0.01%)

FRO087 : 96.57 (-0.51%)

FRO083 : 102.04 (-0.76%)

FRO088 : 94.22 (-0.18%)

CDS of Indonesia Bonds

CDS 2yr: +0.70% to 45.40

CDS 5yr: +3.54% to 99.10

CDS 10yr: +0.28% to 166.63

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.11%	0.08%
USDIDR	15,632	0.33%
KRWIDR	11.47	0.15%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,129.55	127.17	0.39%
S&P 500	4,263.75	34.30	0.81%
FTSE 100	7,412.45	(57.71)	-0.77%
DAX	15,099.92	14.71	0.10%
Nikkei	30,526.88	(711.06)	-2.28%
Hang Seng	17,195.84	(135.38)	-0.78%
Shanghai	3,110.48	3.16	0.10%
Kospi	2,405.69	(59.38)	-2.41%
EIDO	22.00	(0.16)	-0.72%

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
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	9,610K	8,900K	8,827K
3 – Oct.	JP	06:50	Monetary Base YoY	Sep	5.6%	—	1.2%
Wednesday	US	18:00	MBA Mortgage Applications	Sep 29	-6.0%	—	1.3%
4 – Oct.	US	19:15	ADP Employment Change	Sep	89K	150K	177K
	US	21:00	Factory Orders	Aug	1.2%	0.2%	-2.1%
	US	21:00	Durable Goods Orders	Aug F	0.1%	—	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

Published on Investing.com, 5 Oct 2023 - 1:20:10 GMT. Powered by TradingView.
United States 10 Year, United States, NYSE:UST10YT-X, D



Indonesia 10 Years Treasury

Published on Investing.com, 5 Oct 2023 - 14:21:51 GMT. Powered by TradingView.
Indonesia 10 Year, Indonesia, Jakarta:ID10YT-R, D



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