

Morning Brief

Daily | October 6, 2023

Today's Outlook:

US MARKETS: Investors are on edge about the release of Nonfarm Payroll (NFP) & Unemployment Rate data this Friday (06/10/23). Both data play a role in shaping the Federal Reserve's decision on whether to raise rates at next month's FOMC Meeting. Initial Jobless Claims data released on September 23rd again resulted below expectations, in which there were only 207 thousand jobless claims compared to market estimates at 210 thousand, but this figure was still an increase from the previous week at 205 thousand. As for NFP, the US economy is expected to have created about 170k jobs in September, with Wage Growth likely to have ticked up by 0.1% for the month, but remain steady in the 12 months through September. There have also been strikes from UAW members at the big three US automakers recently; yet these will not be reflected in the NFP data. Treasury yields retreated again on Thursday (05/10/23), though remain at 16-year high as investors wary of upside to resume as a stronger jobs report on Friday's labor data could signal that the Fed has more work to do to restrict growth. San Francisco Fed Bank President Mary Daly said at the Economic Club of New York that with the current restrictive US monetary policy and the recent rise in US Treasury yields, the Fed may not need to raise rates any more. In addition to macroeconomic data, market participants are also still alertly monitoring the issuers' Q3 earnings reports as a market sentiment factor.

US ECONOMIC DATA: The US reported an increase in Exports and a decrease in Imports during August, moving their Trade Balance to a deficit of USD 58.3 billion. This figure was lower than the market forecast (USD 62.3 billion deficit) and also from the previous month's deficit (USD 64.7 billion). Nonfarm Payroll data which has been the focus of investors worldwide is expected to come in at 170k for September, down from 187k in August. Average Hourly Wage growth in September is predicted to remain unchanged. Last but not least, the Unemployment Rate (Sept), which is predicted to continue to show the strength of the US labor market by showing 3.7%, down slightly from 3.8% in the previous month.

ASIA MARKETS: South Korea announced CPI (Sept.) at 3.7% yoy, a slight increase from predictions and August reading of 3.4%. Meanwhile, foreign investment in Japanese bonds and stocks appeared to increase significantly as net buying was detected compared to massive selling in the previous period. On the one hand, Japanese household spending for August was detected to have increased significantly above expectations. Japan accumulated Foreign Exchange Reserves (Aug.) at USD1,237.2 billion, both slightly decreased by around USD14 million from the previous month. Later around 10.00 am GMT, Indonesia will release their Foreign Exchange Reserves data, which will be compared to our last position at USD137.1 billion.

EUROPE MARKETS: On the other hand, Germany was able to score a Trade Balance surplus of EUR16.6 billion, better than the EUR15 billion estimate, although on both fronts August's Exports & Imports appeared to drop more than expected, but at least the decline has been slower than the previous month. Talking about September's Construction PMI: Germany, the Eurozone and the UK are still sinking deeper into contraction territory. This afternoon, German investors will monitor German Factory Orders (Aug.) data which is expected to bounce back significantly by 1.8% mom, from -11.7% in July.

COMMODITIES: Global crude oil prices retreated another 2% on Thursday, extending the previous 6% decline, as the market was disappointed by the absence of any new announcements on production cuts at the recent OPEC+ meeting held on Wednesday. The price of WTI (New York) for November contract is now at USD82.31/barrel, dropping 2.3%, while Brent (London) for December contract fell 2% to USD84.07/barrel; both had hit a 5-week low before closing with a slight rebound. The soaring USD exchange rate since July and the US Treasury yield are also the culprits for the fall in USD-denominated crude oil prices.

Corporate News

Hary Tanoë's Coal Issuer Offers Bonds, Seeks IDR 500B Coal issuer owned by Indonesian conglomerate Hary Tanoesoedibjo, PT MNC Energy Investments Tbk (IATA), offers sustainable bonds I phase I year 2023 worth IDR 500 billion which consists of 3 series. The principal amount of series A bonds offered is IDR 250,000,000,000, with a fixed interest rate of 10.75% per annum. The bond term is 370 calendar days from the issuance date. The principal amount of series B bonds offered is IDR 149,825,000,000 with a fixed interest rate of 11.25% per annum. The bond term is 3 years from the issuance date. Moreover, the principal amount of series C bonds offered is IDR 100,175,000,000 with a fixed interest rate of 11.50% per annum. The bond term is 5 years from the issuance date. (CNBC Indonesia)

Domestic Issue

The Bond Market's Future until the End of 2023, Pressured by the Fed's Interest Rate Uncertainty The uncertainty of the US Central Bank (Fed) benchmark interest rate is predicted to still suppress Indonesia's bond market performance. Permata Bank Chief Economist Josua Pardede said that the uncertainty of the Fed to raise its benchmark interest rate again has had an impact on the 10-year US treasury yield. Based on Investing data, Thursday (5/10/2023), the US bond yield rose 0.61 percent to 4.7 percent. This also made the yield on Indonesia's 10-year SBN jump up to 1.31 percent or 0.092 points to its highest level of 7.12 percent. Meanwhile, this global sentiment is predicted to subside in November 2023 or when the Fed is expected to lift its benchmark interest rate again. Indonesian bond yields, said Josua, are predicted to be much lower to the 5 percent range in 2024 along with the projected reduction in the Fed's benchmark interest rate next year. (Bisnis)

Recommendation

US10YT has not been able to move on from the upper channel support, if it breaks further it will test the MA10 support at 4.651% yield. ADVISE: Wait & See, whether the first Support holds or not. Need to consider preparing to reduce positions (gradually) if Support is broken one by one.

ID10YT finally formed a Dark Cloud-like candle in the Resistance/Target area, while RSI consistently negative divergence; indicating a stronger possible trend reversal. ADVISE: need to be more considered to SELL ON STRENGTH, at least reduce the position even though the Uptrend is still moving above MA10 (= yield 6.962% so Support).

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 : 95.41 (+0.02%)
FR0091 : 95.99 (+0.56%)
FR0093 : 94.28 (+0.39%)
FR0092 : 99.69 (-0.21%)

FR0086 : 97.83 (+0.01%)
FR0087 : 97.71 (-0.12%)
FR0083 : 102.50 (+0.45%)
FR0088 : 93.76 (-0.48%)

CDS of Indonesia Bonds

CDS 2yr: +3.19% to 46.85
CDS 5yr: +1.00% to 100.09
CDS 10yr: +2.61% to 170.98

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.04%	-0.07%
USDIDR	15,615	-0.11%
KRWIDR	11.56	0.86%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,119.57	(9.98)	-0.03%
S&P 500	4,258.19	(5.56)	-0.13%
FTSE 100	7,451.54	39.09	0.53%
DAX	15,070.22	(29.70)	-0.20%
Nikkei	31,075.36	548.48	1.80%
Hang Seng	17,213.87	18.03	0.10%
Shanghai	3,110.48	3.16	0.10%
Kospi	2,403.60	(2.09)	-0.09%
EIDO	21.91	(0.09)	-0.41%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,820.3	(1.1)	-0.06%
Crude Oil (\$/bbl)	82.31	(1.91)	-2.27%
Coal (\$/ton)	139.00	(5.65)	-3.91%
Nickel LME (\$/MT)	18,490	(233.0)	-1.24%
Tin LME (\$/MT)	24,139	213.0	0.89%
CPO (MYR/Ton)	3,607	(108.0)	-2.91%

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	-\$58.3 Bn	-\$65.2 Bn	-\$65.0 Bn
5 – Oct.	US	19:30	Initial Jobless Claims	Sep 30	207K	—	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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United States 10-Year, United States, NYSE:US10YT=X, D



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 51st 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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