

Morning Brief

Daily | October 11, 2023

Today's Outlook:

US & GLOBAL MARKETS: The dovish comments from US Federal Reserve officials pushed Treasury yields lower as investors cautiously monitored developments in the Middle East. Atlanta Fed President Raphael Bostic said the US central bank does not need to raise interest rates any further, and that he sees no recession ahead. The 10-year Treasury yield came off its 16-year peak, and was tracking for its steepest single-day drop since August, as trading resumed in the US bond market which had been closed for a holiday on Monday. Although the Fed's dovish comments were helping stocks and investors were being optimistic about the Middle East conflict, yet view could change if for example the fighting spread to other countries in the region. More dovish comments from Fed's officials, Minneapolis Fed President Neel Kashkari, believes the US economy is on a soft landing path, where inflation is on a path back to the Fed's target of 2%, but the unemployment rate is not rising sharply. Traders put the chance of interest rates remaining unchanged in November and December at around 86% and 73%, respectively, according to CME's FedWatch survey. Later in the week, investor focus will turn to inflation data, including September producer and consumer prices as well as the Fed's September meeting minutes; while Friday is when third-quarter earnings season kicks off in earnest. As for the US PPI (Sept), it will be announced later tonight at around 1930 GMT where estimates are rolling in at around 1.6% yoy, but it's the monthly growth that gets the spotlight as it is expected to ease to 0.3% mom in Sept, from 0.7% in the previous month.

The Treasury yield curve continued to reduce its inversion amid easing recession fears, with the 2-year versus 10-year Treasury rate narrowing to -29 basis points, the lowest level since March and well above the -106 bps low seen last summer.

US Treasury prices rallied, thereby pushing the 2-year bond yield to its lowest level in a month, as rising demand for safe-haven assets was underpinned by the ongoing Israeli - Palestinian (Hamas) war in the Middle East, along with the Fed's dovish comments. The Euro rose 0.3% against the Dollar to USD 1.0604/EUR, while the Dollar Index (DXY), which measures the US currency against six other major world currencies, fell around 0.19% to 105.75; well below last week's 11-month high of 107.34.

Analysts said the decline in US Treasury yields was driven by comments from Fed officials who said the rise in long-term US Treasury yields might negate the need for further rate hikes, as well as due to market participants seeking safe-haven assets after the Hamas attack on Israel. The 10-year US Treasury yield; which moves inversely to price, fell 12.5bps to 4.6571%, down from the highest level since 2007 last week at 4.887%.

The Israeli shekel traded at 3.9550/USD, down from an eight-year low in earlier trading on Monday, after Israel's central bank pledged USD 30 billion to curb a sell-off in the currency.

Bloomberg reported that China is considering the issuance of at least CNY 1 trillion (USD 137.1 billion) in additional government debt for government spending to boost its struggling economy. Analysts reckon that this will help currencies like the Euro, which are more exposed to global growth.

The euro strengthened as the dollar weakened on Tuesday in response to a sharp drop in Treasury yields on top of Federal Reserve officials' dovish comments, as well as the prospect of a stimulus from China. The benchmark 10-year US Treasury yield fell to a daily low of 4.618% from Monday's high of 4.887%.

The yen weakened 0.13% versus the greenback to JPY 148.68/USD. The Japanese currency strengthened for a while after the Kyodo news agency reported that the Bank of Japan is considering raising its forecast for core consumer inflation this year.

EUROPEAN MARKETS: Germany will release CPI (Sept) figures, which are expected to ease to 4.5% yoy from 6.1% the previous month. Later today, the global market will find out if China's economy is picking up, with New Loans growth predicted to jump to CNY 2500 billion, up from the previous period's CNY 1360 billion.

INDONESIA MARKET: Indonesia reported Retail Sales (Sept) growth slowed to 1.1% yoy; while Motorcycle sales (Sept) also fell -0.9% yoy compared to the previous period, which was slightly higher at 1.8%.

Corporate News

Robust Financials, Barito Pacific (BRPT)'s Maturing Bonds Receive idA+ Rating Pemeringkat Efek Indonesia (Pefindo) affirmed the rating of Barito Pacific (BRPT) bonds with idA+ label. The IDR 56 billion Barito Pacific Phase III 2020 Series B Sustainable Bonds I will mature on December 8, 2023. Based on the scenario, Prajogo Pangestu's issuer will pay off the maturing bonds with internal funds from part of the proceeds from the issuance of Sustainable Bonds III Phase I Year 2023 on February 9, 2023, amounting to IDR 1.0 trillion. As of June 30, 2023, the company recorded unused bond funds of IDR 899.17 billion including IDR 56 billion for the repayment of maturing bonds. Debt securities with an idA rating indicate that the issuer's ability to meet long-term financial commitments compared to other issuers is strong. (Emiten News)

Domestic Issue

Sukuk Auction Entry Bids Reached IDR 10.75 Trillion on Tuesday (10/10) The government has conducted an auction of Sharia Government Securities (SBSN) or government sukuk on Tuesday (10/10). There are six series offered at this week's sukuk auction, namely SPNS09042024, PBS036, PBS003, PBS037, PBS034, and PBS033 through the Bank Indonesia auction system. The Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance revealed that the total incoming bid at the sukuk auction this time amounted to IDR 10.75 trillion. Of the total incoming bids, the government only won IDR 5 trillion or below the indicative target of IDR 9 trillion. The total incoming bid at the sukuk auction on October 10, 2023 was lower than the bid figure at the sukuk auction two weeks ago which amounted to IDR 27.78 trillion. The auction nominal won was also lower than IDR 8 trillion. As for the six SBSN series offered, PBS036 is the best-selling series with the highest total incoming bids. The PBS036 series recorded the highest bid nominal won by the government. (Kontan)

Recommendation

US10YT is still looking for the next solid Support after falling below the MA10 (= yield 4.596% so Resistance now); following signs of a potential trend reversal that have been consistently looming in recent days, and finally clarified by the dovish comments of the Federal Reserve officials these past two days. ADVISE: continue to reduce positions. Second support: MA20 / yield 4.578%.

ID10YT finally broke the first Support which is MA10 following the drop of US10YT yield, making the yield level of 6.986% as the nearest Resistance now. ADVISE: after the previous series of SELL ON STRENGTH recommendations, we remind you to reduce your position as it is expected that the yield collapse will continue to the next Support which is MA20 around 6.861% yield.

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)	134.90	137.10	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*	121.70	125.20

PRICE OF BENCHMARK SERIES

FR0090 : 95.37 (-0.02%)

FR0091 : 96.15 (+0.22%)

FR0094 : 95.90 (0.00%)

FR0092 : 99.35 (+0.19%)

FR0086 : 97.72 (+0.14%)

FR0087 : 97.06 (+0.31%)

FR0083 : 102.66 (+0.41%)

FR0088 : 93.12 (-0.19%)

CDS of Indonesia Bonds

CDS 2yr: -7.26% to 43.48

CDS 5yr: -3.65% to 96.95

CDS 10yr: -5.85% to 160.55

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.95%	-0.07%
USDIDR	15,735	0.29%
KRWIDR	11.66	0.46%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,739.30	134.65	0.40%
S&P 500	4,358.24	22.58	0.52%
FTSE 100	7,628.21	136.00	1.82%
DAX	15,423.52	295.41	1.95%
Nikkei	31,746.53	751.86	2.43%
Hang Seng	17,664.73	147.33	0.84%
Shanghai	3,075.24	(21.69)	-0.70%
Kospi	2,402.58	(6.15)	-0.26%
EIDO	21.90	0.06	0.27%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,860.4	(1.0)	-0.05%
Crude Oil (\$/bbl)	85.97	(0.41)	-0.47%
Coal (\$/ton)	141.90	0.55	0.39%
Nickel LME (\$/MT)	18,682	(257.0)	-1.36%
Tin LME (\$/MT)	24,714	(426.0)	-1.69%
CPO (MYR/Ton)	3,565	(40.0)	-1.11%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 9 – Oct.	CH	—	Money Supply M2 YoY	Sep	—	10.6%	10.6%
	ID	—	Consumer Confidence Index	Sep	121.7	—	125.2
	GE	13:00	Industrial Production SA MoM	Aug	-0.2%	—	-0.8%
Tuesday 10 – Oct.	JP	06:50	BoP Current Account Balance	Aug	¥ 2,279.7 B	¥ 3,090.9 B	¥ 2,771.7 B
	US	21:00	Wholesale Inventories MoM	Aug F	-0.1%	—	-0.1%
Wednesday 11 – Oct.	US	18:00	MBA Mortgage Applications	Oct 6	—	—	-6.0%
	US	19:30	PPI Final Demand MoM	Sep	0.3%	0.3%	0.7%
	GE	13:00	CPI MoM	Sep F	0.3%	0.3%	0.3%
	GE	13:00	CPI YoY	Sep F	4.5%	4.5%	4.5%
Thursday 12 – Oct.	US	19:30	CPI MoM	Sep	0.3%	0.3%	0.6%
	US	19:30	CPI YoY	Sep	3.6%	3.6%	3.7%
	US	19:30	Initial Jobless Claims	Oct 7	—	—	207K
	JP	06:50	PPI YoY	Sep	2.4%	2.4%	3.2%
	JP	06:50	Core Machine Orders MoM	Aug	0.4%	0.4%	-1.1%
Friday 13 – Oct.	US	21:00	U. of Mich. Sentiment	Oct P	67.5	67.5	68.1
	CH	08:30	CPI YoY	Sep	0.2%	0.2%	0.1%
	CH	08:30	PPI YoY	Sep	-2.4%	-2.4%	-3.0%
	CH	—	Trade Balance	Sep	—	\$73.7 B	\$68.2 B
	KR	06:00	Unemployment Rate SA	Sep	2.6%	2.6%	2.4%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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