

Morning Brief

Daily | October 18, 2023

Today's Outlook:

US MARKETS: The surging US Treasury yields, following the release of stronger than expected Retail Sales data, underscoring the resilient US economy and fueling fears that the Federal Reserve will need to raise interest rates one more time before the end of the year. Bond yields continued their gains, with the 2-year Treasury yield surging to a 17-year high. US Retail Sales rose 0.7% mom in September, above economists' forecast of 0.3%. The US Retail Sales Control Group, which has a greater influence on US GDP, also rose 0.6% mom, well above expectations of 0.1%. Meanwhile, Industrial Production (Sept.) also recorded growth of 0.3% mom, stronger than the 0.1% forecast. While the odds of a November rate hike remain low at 10%, the probability of a December hike has increased to 42% from 26% in the previous week, as quoted by Investing.com's Fed Rate Monitor Tool.

More US economic data will be released tonight at around 19.30 GMT, such as Building Permits (Sept), Housing Starts (Sept), as well as US Crude Oil Inventories after last week's surprise high of 10.176 million barrels, which was 492 barrels short of estimates. The above data will complement the API Weekly Crude Oil Stock which records US crude, gasoline, and refined oil stocks that have been released earlier and turned out to plunge -4.383 million barrels, much lower than the prediction of -1.267 million and wiped out the previous week's inventory stock of 12.94 million barrels; explaining the high demand for US oil products.

EUROPEAN MARKETS: ZEW Economic Sentiment in Germany and the Eurozone region forecasts a more upbeat economic outlook for the next 6 months. The UK will announce its CPI (Sept.), which is expected to ease further to 6.5% yoy, from 6.7% in August. Later in the afternoon, it is the Eurozone's turn to publish their CPI (Sept.) level which is also expected to cool down to 4.3% yoy, from 5.2% reading in the previous month. Last but not least, ECB President Christine Lagarde's comments will be eagerly awaited by market participants.

ASIA MARKETS: Today market participants will closely monitor China's GDP data for the third quarter of 2020, which is predicted to weaken to 4.4% yoy, from the previous quarter's massive growth of 6.3%. A number of other data that explain the trend of economic growth in China will also follow later on, such as: Industrial Production (Sept.), Retail Sales (Sept.), as well as the Unemployment Rate (Sept.) which is expected to remain unchanged from 5.2% in August.

INDONESIAN MARKETS: The market interest tends to be cautious awaiting tomorrow's BI RDG decision regarding BI7DRR rate on whether it is still worth holding at 5.75% given the chance of US interest rate continuation and Rupiah stabilization efforts, where the exchange rate is still not budging from its highest point in almost 10 months at IDR15734/USD. Indonesian investors/traders will also be paying close attention to the political map regarding the 2024 Presidential Election where this week the Vice Presidential Candidates of the two remaining candidates, Ganjar & Prabowo, will be announced.

Corporate News

PT SMF Issues IDR 8 T Social Bond to Fund Subsidized Housing Program PT Sarana Multigriya Finansial (Persero) or PT SMF became the first company in Indonesia to issue social bonds. The state-owned company under the Ministry of Finance (MoF), which is engaged in secondary housing financing, will use the funds obtained from the issuance of social bonds for subsidized home mortgage programs. SMF President Director Ananta Wiyogo said Indonesia is currently transitioning towards sustainable finance, which is driven by the Financial Services Authority (OJK). With the support of the Asian Development Bank (ADB), he continued, SMF will issue both conventional and sharia instrument models, namely social bonds and sukuk musyarakah. "The maximum amount for the conventional shadow is equivalent to around IDR 8 trillion and around USD 530 million. And the sharia is IDR 1.5 trillion, approximately IDR 100 million," Ananta said. "Then the funds obtained 100 percent will be used to support government subsidized mortgages for low-income people because the housing backlog in Indonesia is already 12.7 million," he concluded. (Kumparan)

Domestic Issue

Pockets IDR 10.2 Trillion from Government Bond Auction The government pocketed IDR 10.2 trillion in fresh funds through the auction of Government Bonds (SUN) on Tuesday (17/10/2023). There were 7 SUN series auctioned, namely SPN03240117, SPN12241017, FR0095, FR0100, FR0098 FR0097, and FR0089. The total incoming SUN auction bid reached IDR 16.9 trillion. FR0100 is the SUN series with the most offers, reaching IDR 6.7 trillion. Meanwhile, FR0095 recorded an offer of IDR 3.2 trillion, FR0098 IDR 3.1 trillion, FR0097 IDR 2.1 trillion, FR0089 IDR 1.1 trillion, SPN12241017 IDR 340 billion, and SPN03240117 IDR 135 billion. Previously, in this SUN auction, the government set an indicative target of IDR 19 trillion and a maximum target of IDR 28.5 trillion. (Kompas)

Recommendation

US10YT is again moving towards TARGET or resistance from the previous High level at a yield of 4.884%; up to the upper channel target of around 5.0%. ADVISE: Average Up accordingly.

ID10YT continued to strengthen yield towards the nearest Resistance which is the MA20 & MA10 range around yield 6.885% - 6.902%. After the two Moving Average barriers, ID10YT will return to the previous High level in the upper region of 7.0% yield. ADVISE: Average Up accordingly.

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 : 95.58 (-0.03%)
FR0091 : 96.88 (-0.28%)
FR0094 : 95.88 (-0.01%)
FR0092 : 100.53 (+0.00%)

FR0086 : 97.73 (-0.04%)
FR0087 : 97.92 (-0.24%)
FR0083 : 103.79 (0.00%)
FR0088 : 93.60 (-0.48%)

CDS of Indonesia Bonds

CDS 2yr: +1.22% to 44.78

CDS 5yr: -0.11% to 95.89

CDS 10yr: +0.84% to 164.20

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.77%	-0.01%
USDIDR	15,715	-0.03%
KRWIDR	11.61	-0.01%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,997.65	13.11	0.04%
S&P 500	4,373.20	(0.43)	-0.01%
FTSE 100	7,675.21	44.58	0.58%
DAX	15,251.69	13.70	0.09%
Nikkei	32,040.29	381.26	1.20%
Hang Seng	17,773.34	132.98	0.75%
Shanghai	3,083.50	9.68	0.32%
Kospi	2,460.17	23.93	0.98%
EIDO	21.61	(0.16)	-0.74%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,923.2	3.0	0.16%
Crude Oil (\$/bbl)	86.66	0.00	0.00%
Coal (\$/ton)	142.25	(1.50)	-1.04%
Nickel LME (\$/MT)	18,593	(9.0)	-0.05%
Tin LME (\$/MT)	25,370	128.0	0.51%
CPO (MYR/Ton)	3,784	4.0	0.11%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 16 – Oct.	US	19:30	Empire Manufacturing	Oct	-4.6	-5.0	1.9
	ID	11:00	Trade Balance	Sep	\$3,420M	\$2,349M	\$3,120M
	ID	11:00	Exports YoY	Sep	-16.17%	-13.80%	-21.21%
	ID	11:00	Imports YoY	Sep	-12.45%	-5.50%	-14.77%
	JP	11:30	Industrial Production MoM	Aug F	-0.7%	—	0.0%
Tuesday 17 – Oct.	US	19:30	Retail Sales Advance MoM	Sep	0.7%	0.3%	0.6%
	US	20:15	Industrial Production MoM	Sep	0.3%	-0.1%	0.4%
	JP	11:30	Tertiary Industry Index MoM	Aug	-0.1%	0.2%	0.9%
Wednesday 18 – Oct.	US	18:00	MBA Mortgage Applications	Oct 13	—	—	0.6%
	US	19:30	Housing Starts	Sep	1,393K	1,283K	1,283K
	CH	09:00	GDP YoY	3Q	4.5%	4.5%	6.3%
	CH	09:00	Industrial Production YoY	Sep	4.3%	4.3%	4.5%
	CH	09:00	Retail Sales YoY	Sep	4.8%	4.8%	4.6%
Thursday 19 – Oct.	US	19:30	Initial Jobless Claims	Oct 14	—	—	209K
	US	21:00	Existing Home Sales	Sep	3.90M	3.90M	4.04M
	US	21:00	Leading Index	Sep	-0.4%	-0.4%	-0.4%
	ID	14:20	Bank Indonesia 7D Reverse Repo	Oct 19	5.75%	5.75%	5.75%
	KR	—	BOK Base Rate	Oct 19	3.50%	3.50%	3.50%
Friday 20 – Oct.	US	20:00	Bloomberg Oct. US Economic Survey				
	JP	06:30	Natl CPI YoY	Sep		3.0%	3.2%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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