

# Morning Brief

Daily | October 23, 2023

## Today's Outlook:

**US MARKETS:** Investors are concerned about rising interest rates and the escalating Israel-Hamas conflict. Israel has pounded a district in northern Gaza as the conflict with Hamas escalates. The latest outbreak of conflict began on October 7 with attacks by Hamas militants.

**The benchmark 10-year Treasury yield eased on Friday (20/10/23), a day after crossing 5% for the first time since July 2007 in the wake of comments by Federal Reserve Chair Jerome Powell.** He said the U.S. economy's strength and tight labor markets could require tougher borrowing conditions to control inflation. The Cboe Volatility index (.VIX) closed at its highest level since March 24.

**ASIA MARKETS:** China will promote a sustained economic recovery, focusing on expanding domestic demand, while fending off financial risks. The central bank will make its policy more "precise and forceful", while guiding financial institutions to cut real lending rates and reducing financing costs for firms and individuals. China's economy grew at a faster-than-expected rate in the third quarter, while consumption and industrial activity in September also surprised on the upside, suggesting a recent flurry of policy measures is helping bolster a tentative recovery.

**China has deployed six warships to the Middle East as the conflict between Israel and Hamas escalates, according to reports. The 44th Naval Escort Task Force - from the People's Liberation Army (PLA) Eastern Theatre - has been involved in routine operations in the region and spent several days in Oman last week.** The Chinese warships left Muscat for an unspecified location on Saturday after participating in an exercise with the Omani navy. The task force includes the Zibo, a guided missile destroyer, the frigate Jingzhou, and the supply ship Qiandaohu - all of which will be stationed in the Middle East as Israel prepares for a ground invasion of Gaza.

## Corporate News

**Medco (MEDC) Releases Global Bond IDR 7.9 Trillion, with 8.96% Coupon** Oil and gas issuer owned by the Panigoro Family, PT Medco Energi Internasional Tbk (MEDC) issued global bonds or global bonds worth USD 500 million or equivalent to IDR 7.92 trillion (jisdor exchange rate IDR 15,856). This was done by Medco in order to refinance. Medco previously had bonds maturing in December 2023. Medco Energi CEO Roberto Lorato said that MEDC successfully issued 144A / Reg S bonds worth USD 500 million with a tenor of five and a half years and a coupon of 8.96%. The bonds received strong support from investors. Meanwhile, MEDC received a credit rating of B+ (positive) from Fitch, B+ (stable) from S&P and B1 (stable) from Moody's. (Bisnis)

## Domestic Issue

**BI Raises Benchmark Interest Rate, Here's How It Affects Bond Market** Bank Indonesia (BI) decided to increase its benchmark interest rate to 6%. Chief Economist of PT Perneringkat Efek Indonesia (Pefindo) Suhindarto said that the policy to raise the benchmark interest rate will affect the national bond market, both government and corporate bonds. According to him, the increase in benchmark interest rates will push yields, including benchmark yields, to increase. Then, in turn, it can push coupons or borrowing costs up. Therefore, the increase in coupons will be favored by investors, especially those with a long-term investment orientation. In addition to coupons, the impact of the BI rate hike is expected to further stabilize the exchange rate going forward. This can happen because yields will be pushed up, which means that in terms of price, bond prices will become cheaper. The cheap price of these bonds will attract investors, including foreigners, to re-enter. Thus it can strengthen the rupiah exchange rate, as expected by BI from the decision of this policy. (Kontan)

## Recommendation

**US10YT started circling the upper channel Resistance area, very close to the psychological yield level of 5.0%.** As the RSI negative divergence is looming, our best ADVISE: be ready to Sell on Strength; may start to set your Trailing Stop. Nearest yield support: 4.884%.

**ID10YT yield skyrocketed to 7.2% level, surpassing the GAP created in November last year and currently closed at the upper channel resistance - the uptrend is getting stronger as seen from the steepening VELOCITY.** ADVISE: start considering to SELL ON STRENGTH or set your Trailing Stop as RSI negative divergence appears right at the Resistance area.

## Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.00%	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 : 94.36 (-0.64%)  
FR0091 : 94.90 (-0.87%)  
FR0094 : 95.83 (0.00%)  
FR0092 : 99.21 (-0.46%)

FR0086 : 97.00 (-0.41%)  
FR0087 : 95.95 (-0.74%)  
FR0083 : 102.43 (-0.67%)  
FR0088 : 92.05 (-0.86%)

## CDS of Indonesia Bonds

CDS 2yr: +1.47% to 47.99

CDS 5yr: +0.55% to 102.37

CDS 10yr: +0.95% to 172.44

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.10%	0.22%
USDIDR	15,875	0.38%
KRWIDR	11.73	0.71%

## Global Indices

Index	Last	Chg.	%
Dow Jones	33,127.28	(286.89)	-0.86%
S&P 500	4,224.16	(53.84)	-1.26%
FTSE 100	7,402.14	(97.39)	-1.30%
DAX	14,798.47	(246.76)	-1.64%
Nikkei	31,259.36	(171.26)	-0.54%
Hang Seng	17,172.13	(123.76)	-0.72%
Shanghai	2,983.06	(22.33)	-0.74%
Kospi	2,375.00	(40.80)	-1.69%
EIDO	20.92	0.08	0.38%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,981.4	6.9	0.35%
Crude Oil (\$/bbl)	88.08	(0.29)	-0.33%
Coal (\$/ton)	138.00	1.50	1.10%
Nickel LME (\$/MT)	18,588	68.0	0.37%
Tin LME (\$/MT)	24,985	(220.0)	-0.87%
CPO (MYR/Ton)	3,771	13.0	0.35%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b> 23 – Oct.	US	19:30	Chicago Fed Nat Activity Index	Sep	-\$166.0B		-\$429.8B
	KR	07:00	Imports 20 Days YoY	Oct	—		-1.5%
	KR	07:00	Exports 20 Days YoY	Oct	—		9.8%
<b>Tuesday</b> 24 – Oct.	US	20:45	S&P Global US Manufacturing PMI	Oct P	49.5		49.8
	GE	14:30	HCOB Germany Manufacturing PMI	Oct P	—		39.6
	KR	04:00	PPI YoY	Sep	—		1.0%
	JP	07:30	Jibun Bank Japan PMI Mfg	Oct P	—		48.5
<b>Wednesday</b> 25 – Oct.	US	18:00	MBA Mortgage Applications	Oct 20	—		-6.9%
	US	21:00	New Home Sales	Sep	684K		675K
<b>Thursday</b> 26 – Oct.	US	19:30	GDP Annualized QoQ	3Q A	4.3%		2.1%
	US	19:30	Durable Goods Orders	Sep P	1.1%		0.1%
	US	19:30	Initial Jobless Claims	Oct 21	—		198K
	KR	06:00	GDP YoY	3Q A	1.1%		0.9%
<b>Friday</b> 27 – Oct.	US	19:30	Personal Income	Sep	0.4%		0.4%
	US	19:30	Personal Spending	Sep	0.4%		0.4%
	US	21:00	U. of Mich. Sentiment	Oct F	63.2		63.0
	JP	06:30	Tokyo CPI Ex-Fresh Food YoY	Oct	2.5%		2.5%

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury

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## Indonesia 10 Years Treasury

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