

Morning Brief

Daily | October 25, 2023

Today's Outlook:

US MARKETS: Treasury yields steadied after a heavy selling a day earlier, but this decline does not yet reflect a fundamental change in asset allocation due to many market participants changing asset positions. The 10-year US Treasury yields sold off sharply after famed investor Bill Ackman announced that he had closed his bet on lower bond prices, citing "too much risk circulating in the current market". The Federal Open Market Committee two-day meeting gets underway on Oct. 31, and is expected to culminate in unchanged decision, which is at 5.25%-5.50%, with a 99.2% chance according to Investing.com's Fed Rate Monitor Tool. Economic data that could be a complication for the Fed is the announcement of the S&P Global Composite PMI (Oct.), where both the Manufacture and Services sectors finally successfully crossed into expansionary territory (above 50). As the FOMC Meeting approaches, there will be more economic data coming in the next few days such as: Building Permits & New Home Sales to assess the strength of the housing sector and purchasing power.

EUROPEAN MARKETS: The UK reported a number of employment data that serve as important inputs in determining their Inflation rate outlook, such as: Claimant Count Change (Sept.) which explained that the unemployment rate significantly increased by almost 10x above the estimate of 2,300 and the actual number was 20,400. Labor Productivity in the second quarter of this year also dropped lower than expected. The UK also published the revised S&P Global UK Composite PMI which is still struggling in contraction, both in the Manufacture and Services sectors. PMI results that are still grappling in contraction area also occur in Germany and the Eurozone. Later in the afternoon, Germany as Europe's largest economy will again review the business climate in October and immediately release the German Ifo Business Climate Index (Oct.) data.

COMMODITIES: Weak PMI data readings in Germany, Eurozone and the UK brought unfavorable sentiments to Energy prices. Brent Crude Oil (London) prices fell 2% to USD88.07/barrel, while WTI also slumped 2.1% and closed at USD83.74/barrel. On the other hand, the fall in prices was cushioned by the American Petroleum Institute's weekly storage report which showed a sharp drop in Crude and Fuel inventories last week, indicating strong demand within the US. Meanwhile, the release of hostages from Gaza and the intensification of diplomatic talks to resolve the Middle East conflict also added to the risk premium that had initially boosted Brent prices to a month high last week. The slight possibility of an end to the Israel-Hamas War also sent GOLD prices down, after touching a 3-month high last week which hovered at USD2,000/ounce again. Although a minor consolidation was detected afterward, it cannot be denied that Gold is in a bullish phase.

ASIA MARKETS: The sluggish PMI situation was also occurred in Japan, where the au Jibun Bank Japan Manufacturing PMI (Oct.) data did not budge from contraction territory, and the Services sector started to lose grip in expansion territory. The threat of Inflation in Japan is still tangible, with BoJ Core CPI reported to have increased to 3.4% yoy, slightly above the 3.3% projection. Meanwhile, Indonesia reported an increase in money supply especially ahead of the election campaign season, where M2 (Sept.) was detected to be up 6.0% compared to last month's 5.90%. The current global situation has also made South Korea pessimistic about the future economic outlook, which is reflected in the Consumer Confidence (Oct.) weakening to 98.1, from 99.7 in September.

Corporate News

Wijaya Karya (WIKA) RUPO Agrees Debt Payment to be Pushed Back to 2025 WIKA Corporate Secretary Mahendra Vijaya said that the General Meeting of Bondholders (RUPO) of PT Wijaya Karya (Persero) Tbk. held on October 20, 2023, agreed to amend the trustee agreement related to the principal repayment date of the Sustainable Bonds I Wijaya Karya Phase I Year 2020. Thus, the debt that should have matured on December 18, 2023, changed to December 18, 2025 for Series A and B Bonds. As for the principal repayment of Series C Bonds, it will mature on December 18, 2027. The decision was made based on voting. Of the total votes counted, namely 1,252,150,000,000 votes, 942.9 billion votes or 75.30% approved the changes to the trustee agreement. Meanwhile, the RUPO maintained the amount of bond interest. Citing the financial statements as of June 30, 2023, Sustainable Bonds I Wijaya Karya Phase I Year 2020 Series A has a principal value of IDR 331 billion with an interest rate of 8.60 percent per year. (Bisnis)

Domestic Issue

Government Secures IDR 2.03 Trillion in Funds from the Auction of Six SBSN Series The government absorbed IDR 2.03 trillion in funds from the auction of six series of State Sharia Securities (SBSN) or state sukuk on October 24, 2023. In an official statement on Tuesday, the Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance (Kemenkeu) explained that the total incoming bids at this auction amounted to IDR 8.24 trillion. All six series auctioned are reopening series. In detail, the six series auctioned today are SPNS09042024 (reopening), PBS036 (reopening), PBS003 (reopening), PBSG001 (reopening), PBS037 (reopening) and PBS033 (reopening). (AntaraNews)

Recommendation

US10YT appears to be testing the nearest Support in this uptrend which is MA10 at 4.815% yield. Even if this level is unable to withstand yield weakness, it will roll towards the second Support which is MA20 / 4.751%. Even when US10YT has to floor to the lower channel Support around yield 4.656%, it still has not disrupted the overall US10YT medium-term Uptrend, as it is still intact in the PARALLEL CHANNEL pattern - uptrend. **ADVISE:** Hold, Wait & See; Buy on Weakness.

ID10YT's upward leap proved to encounter a pretty tough opponent at the upper channel resistance right at the high yield point of 7.298%. After skyrocketing the last 4 days, it is reasonable if ID10YT needs to consolidate first to its closest Support line: yield 7.109%, until closing the widening Gap at the 7.020% level. There are still many opportunities for ID10YT to stay above the psychological level of 7.0% in this short-term uptrend; therefore our best **ADVISE:** while we Wait & See now, use the weakening yield momentum as an opportunity to **BUY ON WEAKNESS** later.

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

FRO090 : 94.17 (0.00%)
FRO091 : 95.12 (0.74%)
FRO094 : 95.52 (-0.07%)
FRO092 : 98.62 (0.89%)

FRO086 : 96.58 (-0.02%)
FRO087 : 95.69 (0.56%)
FRO083 : 100.96 (-1.52%)
FRO088 : 92.84 (1.32%)

CDS of Indonesia Bonds

CDS 2yr: -4.00% to 45.86

CDS 5yr: -4.50% to 98.38

CDS 10yr: -3.09% to 166.41

Government Bond Yields & FX

Tenor	Last	Chg.
Tenor: 10 year	7.26%	0.16%
USDIDR	15,850	-0.53%
KRWIDR	11.80	0.26%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,141.38	204.97	0.62%
S&P 500	4,247.68	30.64	0.73%
FTSE 100	7,389.70	14.87	0.20%
DAX	14,879.94	79.22	0.54%
Nikkei	31,062.35	62.80	0.20%
Hang Seng	16,991.53	(180.60)	-1.05%
Shanghai	2,962.24	22.95	0.78%
Kospi	2,383.51	26.49	1.12%
EIDO	20.96	0.31	1.50%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,971.0	(1.9)	-0.10%
Crude Oil (\$/bbl)	83.74	(1.75)	-2.05%
Coal (\$/ton)	136.50	(1.85)	-1.34%
Nickel LME (\$/MT)	18,274	97.0	0.53%
Tin LME (\$/MT)	25,091	201.0	0.81%
CPO (MYR/Ton)	3,667	(86.0)	-2.29%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 23 – Oct.	US	19:30	Chicago Fed Nat Activity Index	Sep	0.02	-0.14	-0.22
	KR	07:00	Imports 20 Days YoY	Oct	0.6%	—	-1.5%
	KR	07:00	Exports 20 Days YoY	Oct	4.6%	—	9.8%
Tuesday 24 – Oct.	US	20:45	S&P Global US Manufacturing PMI	Oct P	50.0	49.5	49.8
	GE	14:30	HCOB Germany Manufacturing PMI	Oct P	40.7	40.1	39.6
	KR	04:00	PPI YoY	Sep	1.3%	—	1.0%
	JP	07:30	Jibun Bank Japan PMI Mfg	Oct P	48.5	—	48.5
Wednesday 25 – Oct.	US	18:00	MBA Mortgage Applications	Oct 20	—	—	-6.9%
	US	21:00	New Home Sales	Sep	—	684K	675K
Thursday 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%
Friday 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



Indonesia 10 Years Treasury



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