

Morning Brief

Daily | October 27, 2023

Today's Outlook:

US MARKET: U.S. Treasury yields retreated on Thursday as investors digested mixed U.S. economic and corporate signals. The U.S. economy grew faster than expected in the third quarter, buoyed by robust consumer spending amid a resilient labor market and again defying dire warnings of a recession. But business investment softened as outlays on equipment declined and the boost from the construction of factories faded.

Pushing down Treasury yields was the release of weaker-than-expected U.S. inflation and disposable income data, supporting market sentiment that interest rates are at, or near, their peak. The benchmark 10-year yield last stood at 4.849%, down 10.4 basis points on the day, a pullback from 5.021%, the highest level since 2007 hit earlier in the week.

US ECONOMIC DATA: Later tonight, at around 7:30 pm, market participants will closely monitor the PCE (Personal Consumption Expenditure) Price Index (Sept.) which will be an important input ahead of the FOMC Meeting decision on November 1-2. At the end of this week, the Univ. of Michigan's views on Inflation Expectations & Consumer Sentiment will be taken into consideration in looking at where optimism for economic conditions is going forward.

EUROPE MARKET: In Europe, the European Central Bank broke the longest streak of interest rate hikes in its 25-year history on Thursday, leaving its main rate at a record high of 4.0%, and saying the latest data continued to point to inflation slowly coming down to its 2% target.

Corporate News

Releasing IDR 1 T Bonds, Astra Sedaya Finance Gives Coupon of up to 6.45% PT Astra Sedaya Finance (ASDF) plans to issue sustainable bonds phase II 2023 amounting to IDR 1 trillion. The bond issuance is part of the ongoing public offering (PUB) VI bonds with a target fund of IDR 12 trillion. First, the company issued Series A with a principal amount of IDR 188 billion with a fixed interest rate of 6.05% per annum and a term of 370 days from the date of issuance. The last bond interest payment as well as maturity on November 6, 2024. Then the company issued Series B with an amount of IDR 750 billion with a fixed interest rate of 6.40% per annum with a period of 36 months. The last bond interest payment will also mature on October 26, 2026. While Series C, the principal amount is IDR 60 billion with an interest rate of 6.45% with the last bond interest payment at the same time due on October 26, 2028. (Katadata)

Domestic Issue

Rupiah Weakens, How Does it Affect Bond Rating? PT Pemeringkat Efek Indonesia (Pefindo) said the increase in interest rates and the weakening of the Rupiah exchange rate can affect the rating of a company's debt securities. Head of PEFINDO's Non-Financial Services Rating Division Niken Indriasih said this risk does not only occur for certain company sectors, but also for companies that have debt in foreign currencies. "If the company has debt in foreign currencies with the highest or largest contribution, while the company's cash flow or revenue is from Rupiah, there will be changes in currency values," Niken said in a Pefindo press conference, Wednesday (25/10/2023). As for the increase in interest rates, property issuers may be affected. However, Niken added, this still depends on the composition of most debt whether in fixed or floating interest rates. Meanwhile, Niken assessed that the weakening of the Rupiah against the US dollar will not have a significant effect on the potential downgrade of debt securities for companies that record revenue in rupiah units. (Liputan 6)

Recommendation

The bullish yield of US10YT is hinging on MA10 Support around 4.87%. A break of this Support will bring US10YT towards MA20 / yield 4.8%. However, if the yield has to slide down again to the lower channel Support of 4.69%, this has not disrupted the short-term uptrend of US10YT. ADVISE: reduce position, set your Trailing Stop.

It is reasonable if ID10YT yield consolidates for a moment after touching the upper channel Resistance almost at 7.3%, just when RSI also shows negative divergence. However, there are still many opportunities for ID10YT to stay above the psychological level of 7.0% in this short-term uptrend. ADVISE: SELL ON STRENGTH, reduce position partially. Support yield range: 7.085% / 7.03%.

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 : 94.26 (+0.04%)
FR0091 : 94.89 (-0.27%)
FR0094 : 95.42 (-0.12%)
FR0092 : 98.92 (+0.07%)

FR0086 : 96.64 (-0.07%)
FR0087 : 95.63 (-0.17%)
FR0083 : 101.14 (-0.08%)
FR0088 : 92.60 (-0.03%)

CDS of Indonesia Bonds

CDS 2yr: +2.40% to 47.41
CDS 5yr: +3.69% to 102.31
CDS 10yr: +1.72% to 170.44

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.20%	-0.05%
USDIDR	15,920	0.32%
KRWIDR	11.71	-0.46%

Global Indices

Index	Last	Chg.	%
Dow Jones	32,784.30	(251.63)	-0.76%
S&P 500	4,137.23	(49.54)	-1.18%
FTSE 100	7,354.57	(59.77)	-0.81%
DAX	14,731.05	(161.13)	-1.08%
Nikkei	30,601.78	(668.14)	-2.14%
Hang Seng	17,044.61	(40.72)	-0.24%
Shanghai	2,988.30	14.19	0.48%
Kospi	2,299.08	(64.09)	-2.71%
EIDO	20.37	(0.53)	-2.54%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,984.7	5.0	0.25%
Crude Oil (\$/bbl)	83.21	(2.18)	-2.55%
Coal (\$/ton)	135.70	2.20	1.65%
Nickel LME (\$/MT)	18,079	(238.0)	-1.30%
Tin LME (\$/MT)	24,801	(410.0)	-1.63%
CPO (MYR/Ton)	3,762	83.0	2.26%

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	-1.0%	—	-6.9%
	US	21:00	New Home Sales	Sep	759K	684K	675K
Thursday 26 – Oct.	US	19:30	GDP Annualized QoQ	3Q A	4.9%	4.5%	2.1%
	US	19:30	Durable Goods Orders	Sep P	4.7%	1.9%	0.1%
	US	19:30	Initial Jobless Claims	Oct 21	210K	207K	198K
	KR	06:00	GDP YoY	3Q A	1.4%	1.1%	0.9%
	KR	06:00	GDP SA QoQ	3Q A	0.6%	0.5%	0.6%
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

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United States 10-Year, United States, NYSE:US10YT=X, D



Indonesia 10 Years Treasury

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