

Morning Brief

Daily | October 30, 2023

Today's Outlook:

US MARKET: The core price consumer expenditure index, a measure of inflation closely watched by the Fed, slowed to 3.7% in the 12 months through September, as expected, from a 3.9% pace the prior month. While ongoing signs of the slowing inflation will provide the Fed with further evidence that its restrictive monetary policy measures are having the desired impact, the stronger-than-expected pace of consumer spending seen last month could muddy the Fed's thinking on policy.

At a speech at Economic Club of New York luncheon on Oct. 19, Powell warned that above-trend economic growth could "put the progress of inflation at risk and justify further tightening of monetary policy," the Fed chief said.

ASIAN MARKET: Asian markets on Monday will also give their initial reaction to news over the weekend of an expected U.S.-Sino summit between presidents Joe Biden and Xi Jinping next month. Investors in Asia waded into that sea of event risk in slightly better shape than might immediately appear to be the case, having been hit hard by the surge in U.S. bond yields and widespread tightening of tightening of financial conditions.

Japan's bonds and currency remain under intense scrutiny ahead of Tuesday's Bank of Japan decision and guidance. The yen rebounded around 0.5% against the dollar on Friday for its best day in three weeks, and the 10-year Japanese Government Bond yield eased a couple of basis points. But the yen and JGBs go into the meeting very much on the weak side. The BOJ is inching closer to ending negative interest rates and phasing out ultra-accommodative monetary policy, but probably not this week, even though inflation in the capital Tokyo unexpectedly accelerated in October.

Corporate News

Adira Finance Says BI Interest Rate Hike Impacts Bond Coupons Bank Indonesia (BI) raised its benchmark interest rate by 25 basis points to 6% in October 2023. The increase in BI interest will affect the amount of multifinance bond coupons. As an example, PT Adira Dinamika Multifinance Tbk (ADMF) is known to be offering bonds. Adira Finance offers Sustainable Bonds VI Adira Finance Phase II Year 2023 with a principal amount of IDR 1.25 trillion. There are three series of bonds offered by ADMF, first Series A with a principal amount of IDR 834.39 billion with 370 days of interest at 6.15% per year. Second, Series B with a principal amount of bonds around IDR 385.24 billion with interest offered at 6.50% with a tenor of 36 months. Third, Series C with a tenor of 60 months and interest of 6.55% per annum and the principal amount of bonds offered is around IDR 30.38 billion. Adira Finance Finance Director Sylvanus Gani Mandrofa said, the determination of interest rates for Adira Finance bonds generally refers to the rating of Government Bonds (SUN) in accordance with each tenor issued. "Coupons will definitely be corrected upwards as there is an increase in monetary indicators, namely the BI benchmark interest rate which also rose 25 basis points (bps). However, the increase may differ from each series of Adira bond issuance consisting of one year, three years, and five years," Gani explained. However, he said, the increase in interest rates did not entirely impact Adira Finance's funding, which has been adhering to funding diversification (KONTAN).

Domestic Issue

To Auction 8 Series of SUN, Ministry of Finance Aims for Indicative Target of IDR 28.5 Trillion The government will hold an auction of Rupiah-denominated Government Bonds (SUN) on Tuesday, October 31. In this SUN auction, the government set an indicative target of IDR 19 trillion - IDR 28.5 trillion. Meanwhile, this auction aims to fulfill part of the financing target in the 2023 State Budget. The following are details of the eight SUN series that will be auctioned on Tuesday, October 31: SPN12240201, SPN12240725, FR0101, FRSDG001, FR0100, FR0098, FR0097 and FR0089. (VOI)

Recommendation

Ahead of the FOMC Meeting announcement on Wednesday (Thursday morning, Western Indonesia Time) regarding the Fed Fund Rate which 98% of the market expects to stay at 5.25%-5.50%, the bullish US10YT yield is somewhat consolidating looking for Support on MA10 & MA20 in the range: 4.88% - 4.87%. However, this has not disturbed the US10YT yield uptrend even though the yield should slide down again to the Support lower channel 4.715. ADVISE: reduce position, set your Trailing Stop; then BUY ON WEAKNESS.

ID10YT is expected to continue consolidation after closing the GAP yield of 7.160%, towards MA10 Support at 7.064% to yield 7.005% (as well as closing the second GAP). ADVISE: SELL ON STRENGTH, reduce position partially.

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 : 94.30 (+0.04%)
FR0091 : 95.42 (+0.55%)
FR0094 : 95.43 (+0.01%)
FR0092 : **98.88 (-0.04%)**

FR0086 : 96.71 (+0.07%)
FR0087 : 96.10 (+0.50%)
FR0083 : 102.03 (+0.88%)
FR0088 : 92.83 (+0.25%)

CDS of Indonesia Bonds

CDS 2yr: **-0.36%** to 47.24

CDS 5yr: **-1.11%** to 101.11

CDS 10yr: **-0.19%** to 170.11

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.23%	0.04%
USDIDR	15,940	0.13%
KRWIDR	11.76	0.41%

Global Indices

Index	Last	Chg.	%
Dow Jones	32,417.59	(366.71)	-1.12%
S&P 500	4,117.37	(19.86)	-0.48%
FTSE 100	7,291.28	(63.29)	-0.86%
DAX	14,687.41	(43.64)	-0.30%
Nikkei	30,991.69	389.91	1.27%
Hang Seng	17,398.73	354.12	2.08%
Shanghai	3,017.78	29.49	0.99%
Kospi	2,302.81	3.73	0.16%
EIDO	20.36	(0.01)	-0.05%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,006.4	21.7	1.09%
Crude Oil (\$/bbl)	85.54	2.33	2.80%
Coal (\$/ton)	135.20	(0.50)	-0.37%
Nickel LME (\$/MT)	18,374	295.0	1.63%
Tin LME (\$/MT)	24,902	101.0	0.41%
CPO (MYR/Ton)	3,775	13.0	0.35%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 30 – Oct.	GE	16:00	GDP SA QoQ	3Q P	—	—	0.0%
	GE	16:00	GDP NSA YoY	3Q P	—	—	-0.6%
Tuesday 31 – Oct.	US	20:45	MNI Chicago PMI	Oct	44.8	44.1	
	US	21:00	Conf. Board Consumer Confidence	Oct	100.0	103.0	
	CH	08:30	Manufacturing PMI	Oct	50.2	50.2	
	KR	06:00	Industrial Production YoY	Sep	-0.4%	-0.5%	
Wednesday 1 – Nov.	US	18:00	MBA Mortgage Applications	Oct 27	—	—	-1.0%
	US	19:15	ADP Employment Change	Oct	135K	89K	
	US	20:45	S&P Global US Manufacturing PMI	Oct F	—	—	50.0
	US	21:00	ISM Manufacturing	Oct	49.0	49.0	
	CH	08:45	Caixin China PMI Mfg	Oct	50.8	50.6	
	ID	07:30	S&P Global Indonesia PMI Mfg	Oct	—	—	52.3
	ID	11:00	CPI YoY	Oct	—	—	2.28%
	KR	07:00	Trade Balance	Oct	-\$1,435Mn	-\$3,697Mn	
	KR	07:30	S&P Global South Korea PMI Mfg	Oct	—	—	49.9
Thursday 2 – Nov.	US	01:00	FOMC Rate Decision (Upper Bound)	Nov 1	5.50%	5.50%	
	US	01:00	FOMC Rate Decision (Lower Bound)	Nov 1	5.25%	5.25%	
	US	19:30	Initial Jobless Claims	Oct 28	—	—	210K
	US	21:00	Factory Orders	Sep	1.0%	1.2%	
	US	21:00	Durable Goods Orders	Sep F	—	—	4.7%
	KR	06:00	CPI YoY	Oct	3.6%	3.7%	
Friday 3 – Nov.	US	19:30	Change in Nonfarm Payrolls	Oct	168K	336K	
	US	19:30	Unemployment Rate	Oct	3.8%	3.8%	

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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