

Morning Brief

Daily | October 31, 2023

Today's Outlook:

US MARKETS: US Treasury yields fell again after the US Treasury Department said it expects to borrow \$76 billion less in 4Q23, compared to the third quarter estimate, amid expectations of higher revenue receipts. The department expects to borrow \$776 billion in the fourth quarter, down from \$852 billion in the previous quarter, assuming an end-December cash balance of \$750 billion, as quoted by the department. The latest 10-year Treasury bond yield rose 4.1 basis points to 4.886%, after reaching 4.922% the previous day. Last week, the benchmark bond hit a 16-year high of 5.021%. On Tuesday, the Fed is expected to convene for a two-day monetary policy meeting, which is expected to culminate in a decision to let the Fed funds target rate stand at 5.25%-5.50%. Investors will focus more on Fed Chairman Jerome Powell's statement on the future direction of monetary policy.

Prior to that, however, the Bank of Japan will begin this week in determining interest rates. As quoted from the Nikkei report, the recent upward trend in global interest rates has pressured the BOJ, that they consider adjusting its yield curve control policy to allow the 10-year Japanese government bond yield to rise above 1%, pushed the yen to JPY 148.81/USD (its strongest level since Oct. 17). From continental Europe, the Bank of England will complete the "triad" of central banks in this week's interest rate decision which is originally scheduled for Thursday. The Dollar Index fell 0.469%, while the Euro crept up 0.51% at USD1.0618/EUR.

Oil prices plunged nearly 4% on Monday, with market participants shifting attention from the MIDDLE EAST CONFLICT to the Federal Reserve's interest rate decision. Ahead of the FOMC Meeting, however, traders were also awaiting key PMI data from China, which would provide more insight into the health of business activity in the world's largest oil importer. China's economy seems to be stabilizing in recent months; the country's aviation supervisor said that they will increase domestic flight traffic by 34% above pre-pandemic levels: a positive catalyst for oil demand, even though air travel fuel usage is only a small portion of China's overall fuel consumption.

EUROPEAN MARKETS: Germany released its GDP for Q3/2023 where Europe's largest economy slipped back into recession with growth of minus 0.3% yoy (-0.1% qoq) although the economic slowdown was better than the -0.7% yoy forecast (quarterly forecast: -0.3% qoq). Germany also released its October Inflation forecast which seems to have managed to ease to 3.8% yoy (lower than both the 4.0% forecast and the previous month's 4.5%). Later this afternoon, another economic data from Germany will be awaited, namely Retail Sales (Sept.) which is expected to strengthen further. Speaking of Inflation, the Eurozone will also prelude the October CPI forecast, where the region expects to see the Inflation rate cooling further to 3.2% yoy, from 4.3% in September. As for the 3Q23 Eurozone GDP forecast, it narrowed to 0.2% yoy from 0.5% in Q2/2023.

Corporate News

Astra Sedaya Finance Issues IDR 1 Trillion Bonds, Coupon 6.05%-6.45% Finance company PT Astra Sedaya Finance is known to be issuing the sixth phase of sustainable bonds amounting to IDR 1 trillion. Fitch Ratings Indonesia has issued an 'AAA (idn)' rating on the second phase bonds of PT Astra Sedaya Finance (ASF, BBB/AAA(idn)/Stable) issued in its sixth bond program. Quoted from Fitch's official statement, the bonds consist of: Series A: 370-day bonds worth IDR 188.55 billion with an interest rate of 6.05% and a maturity of November 2024. Series B: Three-year bonds worth IDR 750.62 billion with an interest rate of 6.40% due October 2026. Series B: Five-year bonds worth IDR 60.84 billion with an interest rate of 6.45% due October 2028. (Media Asuransi)

Domestic Issue

Government Debt Rises to IDR 7,891T Government debt has reached IDR 7,891.61 trillion by the end of September 2023. The increase in debt made the ratio of government debt to gross domestic product (GDP) as of September 2023 to 37.95%, up from the previous month which was at the level of 37.84%. This position is still below the predetermined limit, which is 60% of GDP in accordance with Act Number 17 Year 2003 concerning State Finance. The majority of government debt until September 2023 is still dominated by SBN instruments, namely 88.86% and the remaining loans 11.14%. In detail, the amount of government debt in the form of SBN is IDR 7,012.76 trillion. Consists of SBN in the form of domestic amounting to IDR 5,662.19 trillion originating from Government Securities IDR 4,602.05 trillion and Government Sharia Securities (SBSN) amounting to IDR 1,060.14 trillion. Meanwhile, the amount of government debt in the form of foreign currency SBN until September 2023 amounted to IDR 1,350.57 trillion (Detik Finance).

Recommendation

Overall, US10YT yield bullishness still remains intact around MA10 Support/4.889%. Even if the yield has to slide down again to the MA20 Support around 4.80%, it does not actually disrupt the uptrend. ADVISE: HOLD; or reduce position, set your Trailing Stop; later BUY ON WEAKNESS around Support lower channel or yield 4.726%.

ID10YT is in search of a fairly solid yield support, while it is expected to still rely on MA10 in the range of 7.111% yield support, although in fact, it has not interrupted the upward trend of ID10YT yield. ADVISE: HOLD; or 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 : 94.35 (+0.06%)
FR0091 : 95.56 (+0.18%)
FR0094 : **95.32 (-0.12%)**
FR0092 : 99.31 (+0.43%)

FR0086 : 96.73 (+0.02%)
FR0087 : 96.24 (+0.14%)
FR0083 : 102.37 (+0.33%)
FR0088 : 92.89 (+0.06%)

CDS of Indonesia Bonds

CDS 2yr: **-0.89%** to 46.82

CDS 5yr: **-0.52%** to 100.58

CDS 10yr: **-0.84%** to 168.68

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.12%	-0.11%
USDIDR	15,890	-0.31%
KRWIDR	11.76	0.05%

Global Indices

Index	Last	Chg.	%
Dow Jones	32,928.96	511.37	1.58%
S&P 500	4,166.82	49.45	1.20%
FTSE 100	7,327.39	36.11	0.50%
DAX	14,716.54	29.13	0.20%
Nikkei	30,696.96	(294.73)	-0.95%
Hang Seng	17,406.36	7.63	0.04%
Shanghai	3,021.55	3.77	0.13%
Kospi	2,310.55	7.74	0.34%
EIDO	20.43	0.07	0.34%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,996.1	(10.3)	-0.51%
Crude Oil (\$/bbl)	82.31	(3.23)	-3.78%
Coal (\$/ton)	131.00	(4.20)	-3.11%
Nickel LME (\$/MT)	18,501	137.0	0.75%
Tin LME (\$/MT)	24,902	101.0	0.41%
CPO (MYR/Ton)	3,737	(38.0)	-1.01%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 30 – Oct.	GE	16:00	GDP SA QoQ	3Q P	-0.1%	—	0.0%
	GE	16:00	GDP NSA YoY	3Q P	-0.8%	—	-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
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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United States 10-Year, United States, NYSE:US10YF-X, D



Indonesia 10 Years Treasury

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