

# Morning Brief

Daily | November 1, 2023

## Today's Outlook:

**US MARKETS:** US economic data reported Consumer Confidence fell for the third consecutive month in October, although the actual figure of 102.6 was higher than the forecast of 100. Earlier US labor cost data in the third quarter showed a solid improvement, fueling concerns that the Fed will keep interest rates higher for longer. This data was released just hours before the Federal Reserve begins its two-day meeting, which market participants are already expecting to end with a decision to hold interest rates at their current position. Meanwhile, US Treasury yields moved higher ahead of the refinancing announcement. US Treasury yields increased from the previous day as investors look forward to the US Treasury's financing plan to be released on Wednesday, after the US Treasury on Monday cut its quarterly borrowing estimate for Q4 to USD776 trillion from USD852 trillion. Analysts said the government is likely to increase the amount of bonds in the fourth quarter to fund the growing budget deficit.

**Tonight the US will release a number of important economic data that will provide important input for the ongoing Fed meeting, namely: the ADP Nonfarm Employment Change and JOLTS Job Openings (Sept.); as well as Manufacturing PMI & Employment which also complement the consideration.**

**EUROPEAN MARKETS:** Eurozone inflation fell to a two-year low of 2.9% yoy in October. Eurozone 3Q23 GDP further dropped to 0.1% yoy, lower than both forecasts and the previous quarter.

**ASIAN MARKETS:** China Composite PMI (Oct.) to drop near the 50 expansion area boundary. The Bank of Japan kept its short-term lending rate unchanged and said that it has made its yield curve control policy more flexible. On the other hand, Japan also reported that Industrial Production increased in September, although the increase was much smaller than forecast. This morning South Korea announced its October Trade Balance surplus at KRW 1.64 billion, down from the previous month at KRW 3.7 billion, but unexpectedly much better than the KRW 2 billion deficit forecast. On the other hand, South Korea and Japan's Manufacturing PMI are both still battling to get out of contraction territory (<50). INDONESIA starts the day with Manufacturing PMI data (Oct.), which turned out to be down to 51.5 from 52.3 in September. In the afternoon investors/traders will pay close attention to the Inflation (Oct.) figure which is expected to strengthen to 2.6% yoy, from 2.28% in September.

**COMMODITIES:** Crude oil prices fell sharply for the second day in a row and ended October with a double-digit decline, as Oil traders/speculators who rushed to hedge against the Israel-Hamas war found a disappointing reality as they set war risk premiums on trades that were unaffected by the conflict. Weaker-than-expected manufacturing activity in major crude importer China added to the market gloom. West Texas Intermediate crude, or WTI, traded in New York for December delivery, closed at USD81.02 per barrel, down USD1.29, or 1.6% on the day, adding to Monday's 3.8% slump. In addition to its decline of more than 5% on the week, the US crude benchmark looks set to end the month with a decline of around 11%. This would be its worst performance since May, just before the announcement of Saudi-Russian production cuts that led to four consecutive months of rising oil prices.

## Corporate News

**FIF Offers IDR 1.1 Trillion Bonds with Interest Up to 6.75%** PT Federal International Finance (FIF) is issuing bonds again. This time, the Astra Group's financing company issued bonds worth IDR 1.1 trillion. The Sustainable Bonds VI Federal International Finance Phase II Year 2023 is part of the Sustainable Bonds VI Federal International Finance with a total value of IDR 10 trillion. In the first phase on July 11, 2023, FIF has issued bonds amounting to IDR 1 trillion. For this time, FIF offers bonds in two series. Series A bonds have a principal value of IDR 849.22 billion. Bonds with a tenor of 370 calendar days offer a fixed interest rate of 6.40% per year. Series B bonds have a principal value of IDR 250.78 billion. Bonds with a tenor of 36 months or 3 years offer a fixed interest rate of 6.75% per year. (Kontan)

## Domestic Issue

**The Interest in SUN Auction Rises Significantly Ahead of Fed Policy Meeting** The Ministry of Finance (Kemenkeu) reported that interest in the auction of Government Bonds (SUN) jumped significantly amid investors' wait-and-see attitude ahead of the Federal Reserve's monetary policy meeting this week. This was reflected in the total incoming bids which were recorded to have increased to IDR 35.87 trillion at the October 31, 2023 auction from IDR 16.99 trillion at the October 17, 2023 auction. In an official statement received on Wednesday, Director of Government Securities at the Directorate General of Financing and Risk Management of the Ministry of Finance Deni Ridwan said that the increasing liquidity of the economy and the positive performance of the state budget as of the end of September 2023 as well as the issuance of new series of SUNs were factors that supported the SUN auction this time. The issuance of the new series FR0101 SUN with a 6-year tenor as a candidate for the 5-year benchmark series SUN for 2024 received a positive response, which was reflected in incoming bids worth IDR 12.94 trillion or 36.1 percent of the total incoming bids. The series won IDR 10.45 trillion or 54.14 percent of the total awarded bids. The number of bids from foreign investors increased to IDR 4.86 trillion from IDR 2.58 trillion in the previous SUN auction. The majority of foreign investor bids were on 6 and 11 year SUN amounting to IDR 3.47 trillion or 71.4 percent of the total incoming bids of foreign investors and won IDR 2.78 trillion or 14.4 percent of the total awarded bids. The majority of investor interest is still in medium to long term SUN, especially SUN with 6 and 11 year tenors. The number of incoming bids for the two series of SUN reached IDR 19.54 trillion or 54.48 percent of the total incoming bids, and won IDR 14.55 trillion or 75.38 percent of the total awarded bids. (Antara News)

## Recommendation

**Overall US10YT yield bullish remains intact above MA10 / 4.897% Support. US10YT still has a chance to get back above the psychological level of 5.00% yield despite the looming RSI negative divergence.** ADVISE: HOLD; Don't forget to set your Trailing Stop.

**ID10YT is in search of a fairly solid yield support, while it is still expected to rely on MA10 in the range of yield support of 7.146% even though ID10YT is actually still very safe above the ID10YT yield uptrend.** 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)	3.42	3.12	Govt. Spending Yoy	10.62%	3.99%
Exports Yoy	-16.17%	-21.21%	FDI (USD bn)	4.86	5.14
Imports Yoy	-12.45%	-14.77%	Business Confidence	104.82	105.33
Inflation Yoy	2.28%	3.27%	Cons. Confidence*	121.70	125.20

## PRICE OF BENCHMARK SERIES

FR0090 : 94.55 (+0.21%)  
FR0091 : 95.70 (+0.12%)  
FR0094 : 95.13 (-0.19%)  
FR0092 : 99.16 (-0.15%)

FR0086 : 96.75 (+0.03%)  
FR0087 : 96.65 (+0.43%)  
FR0083 : 102.44 (+0.07%)  
FR0088 : 93.12 (+0.25%)

## CDS of Indonesia Bonds

CDS 2yr: +3.84% to 48.62

CDS 5yr: -1.96% to 98.61

CDS 10yr: -4.11% to 161.75

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.11%	-0.02%
USDIDR	15,885	-0.03%
KRWIDR	11.76	-0.03%

## Global Indices

Index	Last	Chg.	%
Dow Jones	33,052.87	123.91	0.38%
S&P 500	4,193.80	26.98	0.65%
FTSE 100	7,321.72	(5.67)	-0.08%
DAX	14,810.34	93.80	0.64%
Nikkei	30,858.85	161.89	0.53%
Hang Seng	17,112.48	(293.88)	-1.69%
Shanghai	3,018.77	(2.78)	-0.09%
Kospi	2,277.99	(32.56)	-1.41%
EIDO	20.34	(0.09)	-0.44%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,983.9	(12.2)	-0.61%
Crude Oil (\$/bbl)	81.02	(1.29)	-1.57%
Coal (\$/ton)	121.10	(9.90)	-7.56%
Nickel LME (\$/MT)	18,130	(358.5)	-1.94%
Tin LME (\$/MT)	25,014	112.0	0.45%
CPO (MYR/Ton)	3,679	(58.0)	-1.55%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b> 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%
<b>Tuesday</b> 31 – Oct.	US	20:45	MNI Chicago PMI	Oct	44.0	44.8	44.1
	US	21:00	Conf. Board Consumer Confidence	Oct	102.6	100.0	103.0
	CH	08:30	Manufacturing PMI	Oct	49.5	50.2	50.2
	KR	06:00	Industrial Production YoY	Sep	3.0%	-0.4%	-0.5%
<b>Wednesday</b> 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
<b>Thursday</b> 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%
<b>Friday</b> 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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