

Morning Brief

Daily | November 10, 2023

Today's Outlook:

US MARKETS: Federal Reserve Chairman Jerome Powell's comments stating that the central bank is not ready to end their upward trend in interest rates to bring inflation to the 2% target. He also said that if in the future it proves necessary to raise interest rates again, the central bank will not hesitate to do so. Of course, this has somewhat shifted market participants' expectations for the first rate cut to June 2024, compared to the initial estimate of May 2024. On the other hand, US Treasury yields moved into positive territory, where the 2-year yield rose about 12 bps to 4.64%. Meanwhile, the 30-year yield also gained 12 bps after the USD24 billion auction was not absorbed by the market as expected. The auction yielded 4.769%, 5.3 bps higher than the pre-auction condition at 4.716%; explaining the weak demand.

US ECONOMIC DATA: Initial Jobless Claims reported 217k new jobless claims in the latest week, higher than the forecast of 215k although slightly down from the previous week's 220k. Today will be awaited views from the University of Michigan on consumer sentiment and inflation expectations in November.

ASIA & EUROPE MARKETS: China reports important economic data highlighted around the world, namely Inflation (Oct.) which turned out to fall back into deflationary territory, released at -0.2% yoy, even greater than the -0.1% forecast. Inflation in the producer sector or PPI (Oct.) is also still struggling at minus 2.6%, worsening from the previous month's -2.5% deflation. This further confirms that China's post-Covid economic recovery is still on the slow track. No wonder the latest New Loans data is expected to plummet to CNY 650 billion, from CNY 2310 billion previously. On the other hand, Indonesia's Retail Sales for September proved to have increased by 1.5% yoy, higher than the previous month's 1.1%.

Today, markets will see the 3Q23 GDP figures for the UK where it is expected that the third quarter will produce growth of 0.5% yoy, down from the previous quarter's 0.6%, thus explaining the quarterly growth of minus 0.1% qoq. Later in the afternoon, the UK Industrial Production (Sept.) and Manufacturing Production (Sept.), as well as Trade Balance (Sept.) reports will also be in the spotlight for European markets.

COMMODITIES: Oil prices rallied on Thursday, attempting to bounce off a 3-month low, amid fears of weakening demand from China and the US, the world's two largest economies. This technical rebound is quite reasonable given that it occurred in the Support area of 75.0-74.8, even as the RSI indicator entered Oversold territory. However, this limited downside potential needs more than just Support to be able to make it rebound back at least towards the first Resistance, namely the MA10 at USD 79.12/barrel.

Corporate News

Prajogo Pangestu's Barito Pacific (BRPT) Releases IDR 1 Trillion Bonds, High Interest Rate Prajogo Pangestu's issuer, PT Barito Pacific Tbk (BRPT) plans to issue Sustainable Bonds III phase II in 2023 amounting to IDR 1 trillion with an interest rate of up to 9.50%. The proceeds from the bond issuance will be used by BRPT to refinance several maturing bonds. Based on the prospectus, the bonds, which are part of the BRPT Sustainable Public Offering (PUB) III, Sustainable Bonds with a target fund raised of IDR 3 trillion will be offered in two series, namely A and B. Series A with a principal amount of IDR 700 billion provides a fixed interest rate of 8.5% with a period of 3 years from the date of issuance. Meanwhile, Series B with a principal of IDR 300 billion will have a fixed interest rate of 9.5% per annum for a period of 5 years. (Bisnis)

Domestic Issue

US Dollar Liquidity Condition Affects the Attractiveness of Government Bonds Global economic and market turmoil related to US dollar liquidity is predicted to affect the attractiveness of Indonesian rupiah bonds (INDOGB). Chief Economist of Bank Syariah Indonesia (BSI) Banjaran, Surya Indrastomo, said that the turmoil has affected investor interest in bonds issued by the Indonesian government. According to him, long-term tenors of government bonds are currently less attractive. On average, investors tend to be interested in bonds with short tenors, while tenors with a period of more than 1 year are less attractive. So to attract investors, the yield of long-term bonds must be increased. He continued, if the yield on long-term bonds including short-term ones increases, it will affect the higher government debt burden. (Kontan)

Recommendation

US10YT is making a technical rebound attempt above MA50 Resistance (making yield 4.608% as the closest Support at the moment) and is now trying to test MA10 & MA20 Resistance in the yield range of 4.676% - 4.772%. ADVISE: SELL ON STRENGTH.

ID10YT has a slight technical rebound spike to the nearest Resistance: MA50 or yield 6.856%. If this technical rebound continues then the next target is MA10 & MA20 in the range of 6.882% - 6.973% which is also the lower channel Resistance area. This will prove whether ID10YT is allowed to re-enter the bullish yield or not. If the yield weakens again when it touches the area, then it is better to reduce the position again.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.00%	5.75%	Real GDP	4.94%	5.17%
FX Reserve (USD bn)	133.10	134.90	Current Acc (USD bn)	-1.90	3.00
Trd Balance (USD bn)	3.42	3.12	Govt. Spending Yoy	-3.76%	10.62%
Exports Yoy	-16.17%	-21.21%	FDI (USD bn)	4.86	5.14
Imports Yoy	-12.45%	-14.77%	Business Confidence	104.30	105.33
Inflation Yoy	2.56%	2.28%	Cons. Confidence*	124.70	121.70

PRICE OF BENCHMARK SERIES

FRO090 : 95.56 (-0.02%)
FRO091 : 96.69 (+0.07%)
FRO094 : 94.99 (0.00%)
FRO092 : 100.97 (+0.06%)

FRO086 : 97.39 (-0.06%)
FRO087 : 97.57 (+0.07%)
FRO083 : 104.33 (+0.18%)
FRO088 : 95.23 (+0.14%)

CDS of Indonesia Bonds

CDS 2yr: +1.12% to 39.79

CDS 5yr: +1.73% to 85.63

CDS 10yr: +1.11% to 151.83

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.77%	-0.03%
USDIDR	15,655	0.03%
KRWIDR	11.95	0.08%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,891.94	(220.33)	-0.65%
S&P 500	4,347.35	(35.43)	-0.81%
FTSE 100	7,455.67	53.95	0.73%
DAX	15,352.54	122.94	0.81%
Nikkei	32,646.46	479.98	1.49%
Hang Seng	17,511.29	(57.17)	-0.33%
Shanghai	3,053.28	0.91	0.03%
Kospi	2,427.08	5.46	0.23%
EIDO	21.04	(0.10)	-0.47%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,958.6	8.4	0.43%
Crude Oil (\$/bbl)	75.74	0.41	0.54%
Coal (\$/ton)	123.00	0.50	0.41%
Nickel LME (\$/MT)	17,797	(297.0)	-1.64%
Tin LME (\$/MT)	24,892	333.0	1.36%
CPO (MYR/Ton)	3,743	(25.0)	-0.66%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	ID	11:00	GDP YoY	3Q	4.94%	5.03%	5.17%
6 – Nov.	ID	11:00	GDP QoQ	3Q	1.60%	1.66%	3.86%
	GE	14:00	Factory Orders MoM	Sep	0.2%	-2.2%	3.9%
	Tuesday	US	20:30	Trade Balance	Sep	-\$59.8B	-\$60.5B
7 – Nov.	CH	—	Trade Balance	Oct	\$56.5B	\$84.2B	\$77.8B
	ID	10:00	Foreign Reserves	Oct	\$133.1B	—	\$134.9B
	GE	14:00	Industrial Production SA MoM	Sep	-1.4%	-0.4%	-0.2%
	Wednesday	US	19:00	MBA Mortgage Applications	Nov 3	2.5%	—
8 – Nov.	ID	—	Consumer Confidence Index	Oct	124.3	—	121.7
	GE	14:00	CPI YoY	Oct F	3.8%	3.8%	3.8%
	KR	06:00	BoP Current Account Balance	Sep	\$5,420.7M	—	-\$4,809.8M
	Thursday	US	20:30	Initial Jobless Claims	Nov 4	217K	—
9 – Nov.	US	20:30	Continuing Claims	Oct 28	1,834K	—	1,818K
	CH	08:30	CPI YoY	Oct	-0.2%	-0.2%	0.0%
	CH	08:30	PPI YoY	Oct	-2.6%	-2.8%	-2.5%
	JP	06:50	BoP Current Account Balance	Sep	¥2,723.6B	¥2,988.9B	¥2,279.7B
	Friday	US	22:00	U. of Mich. Sentiment	Nov P	63.5	63.8
10 – Nov.	JP	06:50	Money Stock M2 YoY	Oct	—	2.4%	

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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