

Morning Brief

Daily | November 15, 2023

Today's Outlook:

US MARKETS: The release of softer-than-expected US inflation data supported the view that the Federal Reserve may be done raising interest rates. Economic data showed that US CPI (Oct.) climbed 3.2% yoy, below analysts' forecast of 3.3% and the previous month's 3.7%. Core CPI, which excludes prices of volatile goods such as food and energy, also eased to 4.0% yoy, lower than both forecasts and September's 4.1%. As is known, the Fed has hiked its policy rate 525 basis points since March 2022 to combat high inflation. Expectations on the Fed cutting rates in May 2024 also shifted to 65%, up from 34% in the initial estimate last Monday, as quoted by the CME FedWatch Tool. US Treasury yields fell sharply following the Inflation report, with the 2-year US Treasury yield falling 21 basis points to 4.832%, while the 10-year US Treasury yield fell 18 basis points to 4.455%. Investors also focused on negotiations by U.S. lawmakers over a funding bill as they face an end-of-week deadline to fund the federal government. Later tonight there will be a number of other important economic data to watch, namely producer-level inflation or PPI (Oct.) which on a monthly basis is also expected to cool further to 0.1%, from 0.5% in the previous month. The growth of US Retail Sales (Oct.) will also be a benchmark for purchasing power and will ultimately affect the Inflation rate.

EUROPEAN MARKETS: The UK released a number of employment related data, such as jobless claims in October came out at 17,800, higher than the prediction of 15,000, and almost double from the previous month at 9,000. As for the Average wages and bonuses index for September, it came in at 7.9%, which although above the forecast, has reduced from the previous month at 8.2%. The above reading puts the UK Unemployment Rate at 4.2%, which remains unchanged from August. Meanwhile, Germany and the Eurozone are starting to get more optimistic about Economic Sentiment 6 months ahead, although the Eurozone released a preliminary estimate that 3Q23 GDP will be weaker than the previous quarter. Later in the afternoon, market participants will look forward to UK Inflation data (Oct.) which is expected to be tamed to 4.8% yoy from 6.7% in September. In the late afternoon, data from the Eurozone will follow; Industrial Production (Sept.) and Trade Balance (Sept.).

ASIA MARKETS: Japan released its preliminary 3Q23 GDP estimate at a troubling figure as economic growth plunged into recession - 2.1% yoy, even bigger than the previous -0.6% forecast and leaving behind the positive growth area of 4.5% in the previous quarter. Soon to be monitored, China's Industrial Production for October is expected to soften slightly to 4.3%. On the other hand, China's Retail Sales (Oct.) is likely to be more buoyant at 7%, higher than September's 5.5%. China's unemployment rate which was previously at 5% is unlikely to change much even for the October reading which will be announced soon.

COMMODITIES: The International Energy Agency (IEA) in its monthly report, has followed OPEC's lead by raising its 2023 production/consumption growth forecast to 2.4 million barrels per day, from 2.3 million bpd previously; and for 2024 to 930 thousand barrels per day from 880 thousand. The agency was cautious enough not to infer a drastic economic slowdown in some of the world's major economies, but stated that their expectations are based on hopes of future interest rate cuts, when the current depressed Oil prices will automatically be able to trigger more Crude Oil demand.

INDONESIA: is scheduled to announce Export and Import growth (Oct.) this afternoon, which is still expected to be minus, although the pace of decline has started to slow from the previous month. The Trade Balance (Oct.) surplus is predicted to remain intact at around USD 3.3bn, a slight move from the previous month's USD 3.42bn.

Corporate News

Steel Pipe Industry (ISSP) Achieves Credit Rating Increase to idA from Pefindo PT Pemeringkat Efek Indonesia (Pefindo) raised the rating of PT Steel Pipe Industry of Indonesia Tbk (ISSP) on the bonds and sukuk issued to Single A (idA) from the previous Single A minus (idA-) with a stable outlook. This rating reflects ISSP's satisfactory performance throughout 2023, especially in increasing EBITDA and maintaining debt levels. Steel Pipe Industry of Indonesia recorded sales of IDR 4.8 trillion throughout the nine months of 2023, an increase of 0.5% compared to the same period in 2022. ISSP's net profit as of Q3-2023 was recorded at IDR 363.7 billion, an increase of 24.2% from the same period last year of IDR 293 billion. "This has an effect on increasing the company's profit margin," said ISSP Corporate Secretary & Investor Relations Johaness W. Edward in a press release received by Kontan, Tuesday (14/11). (Kontan)

Domestic Issue

Economists Positively Assess the Decrease in the 2023 SBN Issuance Target The government cut the target of issuing government securities (SBN) in 2023 within the 2023 State Budget (APBN). In the regulation signed by Indonesian President Joko Widodo, the government set a target of the SBN issuance in 2023 to IDR 437.83 trillion. Previously, the government targeted the issuance of SBN in 2023 to reach IDR 712.9 trillion. LPEM FEB UI Macroeconomic and Financial Market Economist Teuku Riefky revealed that the decline in SBN issuance was driven by very high global uncertainty. Including, the high interest rate regime, which will encourage cost overruns. Riefky also assessed that the reduction in the SBN issuance target this year will reduce the risk of interest expense on bond issuance. Thus, the burden on the budget may be reduced. "The debt interest expense will decrease, because there are less new issuances in the future," said Riefky. (Kontan)

Recommendation

US10YT dropped back below its Moving Average Support, following the release of US CPI data for Oct which successfully cooled to 3.2% yoy. US10YT most likely will be heading towards its target bottom at 4.309% yield. ADVISE: SELL MORE, reduce position. Resistance : yield 4.575% - 4.623% / 4.726%

On the other hand, ID10YT surged back above MA10 & MA50 at a yield of 6.946%, it seems to be testing the breaking strength of MA20 Resistance / 6.984% yield up to 7.0%. However, the Uptrend channel has actually been broken and there is a projected bottom target around 6.465%. Therefore, our best ADVISE: anticipate the need to SELL ON STRENGTH or reduce positions when the yield strengthens at the Resistance position.

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 : 95.43 (+0.09%)
FRO091 : **96.31 (-0.36%)**
FRO094 : 94.92 (+0.00%)
FRO092 : 100.45 (+0.02%)

FRO086 : 97.17 (+0.00%)
FRO087 : 96.94 (+0.07%)
FRO083 : 104.29 (+0.14%)
FRO088 : 94.91 (+0.07%)

CDS of Indonesia Bonds

CDS 2yr : -6.91% to **36.32**
CDS 5yr : -5.98% to **79.41**
CDS 10yr : -5.43% to **140.57**

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.95%	0.10%
USDIDR	15,695	-0.03%
KRWIDR	11.81	-0.34%

Global Indices

Index	Last	Chg.	%
Dow Jones	34,827.70	489.83	1.43%
S&P 500	4,495.70	84.15	1.91%
FTSE 100	7,440.47	14.64	0.20%
DAX	15,614.43	269.43	1.76%
Nikkei	32,695.93	110.82	0.34%
Hang Seng	17,396.86	(29.35)	-0.17%
Shanghai	3,056.07	9.54	0.31%
Kospi	2,433.25	29.49	1.23%
EIDO	21.57	0.61	2.91%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,964.3	17.4	0.89%
Crude Oil (\$/bbl)	78.26	0.00	0.00%
Coal (\$/ton)	122.50	0.50	0.41%
Nickel LME (\$/MT)	17,487	89.0	0.51%
Tin LME (\$/MT)	25,206	283.0	1.14%
CPO (MYR/Ton)	3,904	102.0	2.68%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	JP	06:50	PPI YoY	Oct	0.8%	1.0%	2.0%
13 – Nov.	JP	06:50	PPI MoM	Oct	-0.4%	0.0%	-0.3%
Tuesday	US	20:30	CPI YoY	Oct	3.2%	3.3%	3.7%
14 – Nov.	GE	17:00	ZEW Survey Expectations	Nov	9.8	2.5	-1.1
	GE	17:00	ZEW Survey Current Situation	Nov	-79.8	76.0	79.9
Wednesday	US	20:30	Retail Sales Advance MoM	Oct		-0.3%	0.7%
15 – Nov.	US	20:30	PPI Final Demand MoM	Oct		0.1%	0.5%
	US	20:30	Empire Manufacturing	Oct		-2.1%	-4.6%
	CH	09:00	Industrial Production YoY	Oct		4.6%	4.5%
	CH	09:00	Retail Sales YoY	Oct		7.0%	5.5%
	ID	11:00	Trade Balance	Oct		\$3,295M	\$3,418M
	ID	11:00	Exports YoY	Oct		18.76%	16.17%
	ID	11:00	Imports YoY	Oct		-7.80%	-12.45%
	KR	06:00	Unemployment Rate SA	Oct		—	2.6%
	JP	06:50	GDP Annualized SA QoQ	3Q		0.4%	4.8%
	JP	11:30	Industrial Production MoM	Sep F		—	0.2%
Thursday	US	20:30	Initial Jobless Claims	Nov 11		—	217K
16 – Nov.	US	21:15	Industrial Production MoM	Oct		-0.4%	0.3%
	JP	06:50	Trade Balance	Oct			
Friday	US	20:30	Housing Starts	Oct		1,350K	1,358K
17 – Nov.	—	—	—	—			

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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