

Morning Brief

Today's Outlook:

US MARKETS: After US Inflation data proved to be sluggish, Inflation at the producer level also slowed to a growth rate of 1.3% yoy in Oct, versus 2.2% in Sept, lower than the 1.9% forecast. This PPI release showed the biggest price decline at the producer level in 3.5 years on the back of cheaper oil prices, a day after US CPI (Oct) was also reported to have flattened lower than expected. Another report that added to the optimism that the Fed will eventually cut interest rates early next year was Retail Sales (Oct) dropping 0.1% mom, the first fall in 7 months, which beat expectations of minus 0.3%, and contrasted with the previous month's growth of positive 0.9%. Market participants are also watching the outcome of the first meeting in a year between US President Joe Biden and Chinese leader Xi Jinping on Wednesday, hoping that the meeting will ease the dispute between the two superpowers on military conflicts, drug trafficking, and artificial intelligence (AI). Another positive catalyst was the US House of Representatives passing a temporary spending bill that would avert a government shutdown, with broad support from lawmakers from both parties. Today, as usual, the Initial Jobless Claims figure will be monitored, in which it is predicted that there will be 220k new weekly jobless claims, up from the previous week's 217k.

EUROPEAN MARKETS: Speaking of Inflation, the UK reported CPI (Oct) that also managed to cool down to 4.6% yoy, lower than the forecast of 4.8% and certainly from the previous month's 6.7%. Following the data, their Input & Output PPI also fell from the September reading. The aura of economic slowdown was also felt in the Eurozone where they announced Industrial Production (Sept) which grew negative 6.9% yoy, greater than the estimate of -6.3% and from the previous month. However, Eurozone Trade Balance (Sept) was a surplus of EUR 10bn, higher than the previous month's EUR 5.9bn.

ASIA MARKETS: Good news came from China yesterday, as both Industrial Production (Oct) and Retail Sales (Oct) came in stronger than expected. INDONESIA also got bullish sentiment from the release of Trade Balance surplus in October, worth USD 3.48bn, bigger than expected and previous month, supported by better Export & Import, so even though the growth is negative, the pace of decline has slowed down from the previous month. Japan was in the spotlight this morning as they published higher than expected Export growth but Imports dropped slightly lower than expected, resulting in a Trade Balance (Oct) deficit of JPY 662.5bn, leaving the previous month's surplus at JPY 72.1bn.

COMMODITIES: Energy stocks were dragged down by weaker Oil prices following the much higher-than-expected US Oil stockpile build at 3.6m barrels (versus forecast of 1.8m barrels) following the previous period's increase of 13.8m barrels. Thus, the US has a record Oil production of 421.9m barrels. The oil prices benchmark, Brent and WTI, fell 1.6% and -2% respectively. The release of the above data follows the US government's weekly report, which previously could not be published due to system upgrade issues, claiming that US Oil production held a record position of 13.2mn barrels/day in October. The largest Oil exporters, such as Saudi Arabia and Russia, who are members of OPEC+ reiterated this month that they will continue voluntary production cuts until the end of the year.

Corporate News

Medco (MEDC) Completes Buyback of 4 Global Bonds, Draws Jumbo Loan Panigoro family oil and gas company, PT Medco Energi Internasional Tbk (MEDC) announced that it has completed the buyback of four global bonds, which were paid early or before maturity. Medco Energi's management announced the completion of the cash tender offer for the buyback of 4 bonds, all of which were issued by MEDC subsidiaries and are unconditionally and irrevocably guaranteed. The four bonds are, first, bonds due 2025 issued by Medco Platinum Road Pte. Ltd. Second, bonds due in 2026 with a maximum value of USD 60 million. This bond was issued by Medco Oak Tree Pte. Ltd. Third, bonds due 2027 issued by Medco Bell Pte. Ltd. Fourth, bonds due 2028 with a maximum value of USD 70 million, issued by Medco Laurel Tree Pte. Ltd. MEDC disbursed USD 195 million or around IDR 3.06 trillion, assuming a jisdor exchange rate of IDR 15.699 per US dollar, for this global bond buyback. (Bisnis)

Domestic Issue

Corporate Bond Issuance Predicted to Reach IDR 137 Trillion by End of 2023 PT Pemeringkat Efek Indonesia (Pefindo) estimates that the total issuance of corporate bonds until the end of this year will be around IDR 122.48 trillion-IDR 137.57 trillion. Most of the corporate bonds that will be issued in the rest of this year are used for working capital needs. Head of the Economic Research Division of Pefindo Suhindarto revealed, the realization of the issuance of corporate debt securities as of the end of last week, namely 10 November 2023, had reached IDR 114.37 trillion. This means that there is still potential for more issuance until the end of 2023. "We expect that there will be at least an additional IDR 8 trillion of corporate debt securities issued," said Darto when contacted by Kontan.co.id, Wednesday (11/15). Darto does not see any significant increase in the issuance of corporate debt securities in the rest of 2023. Darto explained that the recent increase in the benchmark interest rate to 6% made the cost of borrowing and the yield demanded by investors higher. In fact, corporations want lower costs to support healthy financial leverage. (Kontan)

Recommendation

US10YT confirmed to continue its journey towards the target bottom at 4.309% yield. ADVISE: SELL MORE, reduce position. The nearest resistance is MA10 at 4.569% yield.

ID10YT was beaten down again after technical rebound to MA20 and lower channel (uptrend), which has actually broken its uptrend. It is currently back to the MA50 and MA10 support at a yield of 6.882% - 6.825%. ADVISE: reduce 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

FR0090 : 95.81 (+0.08%)
FR0091 : 96.41 (+0.11%)
FR0094 : 94.91 (+0.00%)
FR0092 : 100.60 (+0.14%)

FR0086 : 97.44 (+0.29%)
FR0087 : 97.65 (+0.73%)
FR0083 : 104.54 (+0.24%)
FR0088 : 95.09 (+0.19%)

CDS of Indonesia Bonds

CDS 2yr: +0.01% to 36.33

CDS 5yr: -2.42% to 77.48

CDS 10yr: +0.17% to 140.81

Government Bond Yields & FX

| | Last | Chg. |
|----------------|--------|--------|
| Tenor: 10 year | 6.95% | 0.00% |
| USDIDR | 15,535 | -1.02% |
| KRWIDR | 11.94 | 1.13% |

Global Indices

| Index | Last | Chg. | % |
|-----------|-----------|--------|-------|
| Dow Jones | 34,991.21 | 163.51 | 0.47% |
| S&P 500 | 4,502.88 | 7.18 | 0.16% |
| FTSE 100 | 7,486.91 | 46.44 | 0.62% |
| DAX | 15,748.17 | 133.74 | 0.86% |
| Nikkei | 33,519.70 | 823.77 | 2.52% |
| Hang Seng | 18,079.00 | 682.14 | 3.92% |
| Shanghai | 3,072.84 | 16.77 | 0.55% |
| Kospi | 2,486.67 | 53.42 | 2.20% |
| EIDO | 21.62 | 0.05 | 0.23% |

Commodities

| Commodity | Last | Chg. | % |
|--------------------|---------|--------|--------|
| Gold (\$/troy oz.) | 1,959.9 | (4.4) | -0.23% |
| Crude Oil (\$/bbl) | 76.66 | (1.60) | -2.04% |
| Coal (\$/ton) | 123.25 | 0.75 | 0.61% |
| Nickel LME (\$/MT) | 17,421 | (66.0) | -0.38% |
| Tin LME (\$/MT) | 25,326 | 120.0 | 0.48% |
| CPO (MYR/Ton) | 3,978 | 74.0 | 1.90% |

| 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 | -0.1% | -0.3% | 0.7% |
| 15 – Nov. | US | 20:30 | PPI Final Demand MoM | Oct | -0.5% | 0.1% | 0.5% |
| | US | 20:30 | Empire Manufacturing | Oct | 9.1% | -2.1% | -4.6% |
| | CH | 09:00 | Industrial Production YoY | Oct | 4.6% | 4.6% | 4.5% |
| | CH | 09:00 | Retail Sales YoY | Oct | 7.6% | 7.0% | 5.5% |
| | ID | 11:00 | Trade Balance | Oct | \$3,480M | \$3,295M | \$3,418M |
| | ID | 11:00 | Exports YoY | Oct | -10.43% | 18.76% | 16.17% |
| | ID | 11:00 | Imports YoY | Oct | -2.42% | -7.80% | -12.45% |
| | KR | 06:00 | Unemployment Rate SA | Oct | 2.5% | — | 2.6% |
| | JP | 06:50 | GDP Annualized SA QoQ | 3Q | -2.1% | 0.4% | 4.8% |
| | JP | 11:30 | Industrial Production MoM | Sep F | 0.5% | — | 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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