

Morning Brief

Today's Outlook:

US MARKETS: The Federal Reserve signaled that its interest rate-hiking policy is at an end and that it sees lower borrowing costs in 2024.

In its policy statement, the Fed also left interest rates steady, as expected at 5.25% - 5.50%; a near-unanimous 17 of 19 Fed officials projected that the policy rate will be lower by the end of 2024. Stocks sharply extended gains as Fed Chair Jerome Powell said during a press conference that the Fed is "not likely" to hike further and that the Fed is "very focused on not making the mistake of keeping rates too high for too long."

As is known, the Fed since March 2022 has raised its policy rate by 525 basis points in an effort to curb inflation. Fed members estimated that the benchmark rate will fall to 4.6% next year, suggesting three rate cuts in 2024, from a prior projection of 5.1%, or two pivots. Following the Fed statement, US interest rate futures raised the odds of a May rate cut to 90% versus 80% just before the announcement, according to LSEG's Fedwatch. On the other hand, about 60% of traders expect the Fed to cut as soon as March, compared with about 40% a day earlier, according to Investing.com's Fed Rate Monitor Tool.

Treasury yields fell sharply following the Fed decision, with the yield on the two-year Treasury falling 28 basis points to 4.447% and 19 basis points on the 10-year Treasury to 4.024%. The move lower in Treasury yields, which trade inversely to price, is expected to continue into the holiday through year end into early 2024, paving the way for further gains in stocks.

The November producer prices were unexpectedly unchanged in November as a decline in the cost of energy products more than offset higher food prices, confirming that the country remained on a disinflationary path. On an annualized basis, US PPI (Nov) grew 0.9 yoy, smaller than the previous month's estimate &. Signs of ongoing disinflation came just a day after November's US CPI continued to show slowing price pressures.

COMMODITIES: Oil prices settled higher Wednesday, after data showed U.S crude inventories fell by much more than expected last week. The Energy Information Administration reported Wednesday that U.S. oil inventories fell by 4.3M barrels in the week ended Dec. 8, compared with expectations for a decline of 650,000 barrels. But the potential draw arrived on the heels of several consecutive weeks of strong builds, keeping upside momentum in check.

Corporate News

Next Year, WOM Finance (WOMF) Maturing Bonds Reach IDR 419 Billion The financing company (leasing) of Boy Thohir and Maybank, PT Wahana Ottomitra Multiarta Tbk (WOMF) or WOM Finance recorded bond debt that will mature throughout 2024 reaching IDR 419 billion. WOM Finance's Finance Director Cincin Lisa Hadi said that the issuer-coded WOMF shares have prepared various strategies to support the company's business activities, especially to pay off maturing bonds. WOM Finance also plans to issue bonds next year with a projected bond issuance of IDR 2 trillion. Cincin explained that the proceeds from the bond issuance will be used to support the company's business growth. (Bisnis)

Domestic Issue

Ministry of Finance Auctions SBSN with a Target of IDR 9 Trillion Ahead of Year-end The government will conduct a Government Shariah Securities (SBSN) or State Sukuk auction on Tuesday (19/12/2023). Based on a press release from the Directorate General of Financing and Risk Management of the Ministry of Finance, Tuesday (12/12/2023), the SBSN series that will be auctioned ahead of the close of this year are the SPN-S series (Sharia State Treasury Securities) and PBS (Project Based Sukuk) to meet part of the financing target in the 2023 State Budget. SBSN auction with an indicative target of IDR 9 trillion with a settlement date of November 23, 2023. The SBSN series to be auctioned are as follows: SPN-S 04062024, PBS036, PBS003, PBSG001, PBS037, PBS038. (Pasardana)

Recommendation

US10YT has not yet left the bearish trend patterned PARALLEL CHANNEL, as evidenced by the yield back down after hitting the upper channel resistance. MA10 Support / yield 4.164% was unable to survive, so most likely US10YT will continue to slide down towards the lower channel Support around yield 3.94%. ADVISE: HOLD; WAIT & SEE.

ID10YT turned out to be able to move more steadily above MA20 Resistance, it looks like it is heading towards MA50 / yield 6.828% as the first target. Next Resistance: yield 6.9485 / 7.00%. ADVISE: AVERAGE UP above yield 6.750%.

PRICE OF BENCHMARK SERIES

FR0090 : 95.93 (-0.04%)
FR0091 : 97.77 (+0.03%)
FR0094 : 95.86 (+0.04%)
FR0092 : 103.45 (+0.00%)

FR0086 : 97.81 (-0.09%)
FR0087 : 98.23 (-0.33%)
FR0083 : 105.92 (-0.15%)
FR0088 : 96.24 (-0.17%)

CDS of Indonesia Bonds

CDS 2yr: -3.36% to 30.51
CDS 5yr: -2.42% to 72.53
CDS 10yr: -2.75% to 128.52

Government Bond Yields & FX

| | Last | Chg. |
|----------------|--------|--------|
| Tenor: 10 year | 6.76% | 0.07% |
| USDIDR | 15,660 | 0.26% |
| KRWIDR | 11.86 | -0.21% |

Global Indices

| Index | Last | Chg. | % |
|-----------|-----------|----------|--------|
| Dow Jones | 37,090.24 | 512.30 | 1.40% |
| S&P 500 | 4,707.09 | 63.39 | 1.37% |
| FTSE 100 | 7,548.44 | 5.67 | 0.08% |
| DAX | 16,766.05 | (25.69) | -0.15% |
| Nikkei | 32,926.35 | 82.65 | 0.25% |
| Hang Seng | 16,228.75 | (145.75) | -0.89% |
| Shanghai | 2,968.76 | (34.68) | -1.16% |
| Kospi | 2,510.66 | (24.61) | -0.97% |
| EIDO | 21.54 | 0.12 | 0.56% |

Commodities

| Commodity | Last | Chg. | % |
|--------------------|---------|--------|--------|
| Gold (\$/troy oz.) | 2,027.7 | 48.2 | 2.43% |
| Crude Oil (\$/bbl) | 69.47 | 0.86 | 1.25% |
| Coal (\$/ton) | 146.25 | 0.00 | 0.00% |
| Nickel LME (\$/MT) | 16,468 | (52.0) | -0.31% |
| Tin LME (\$/MT) | 24,690 | 110.0 | 0.45% |
| CPO (MYR/Ton) | 3,670 | (65.0) | -1.74% |

Indonesia Macroeconomic Data

| Monthly Indicators | Last | Prev. | Quarterly Indicators | Last | Prev. |
|------------------------|---------|---------|----------------------|--------|--------|
| BI 7 Day Rev Repo Rate | 6.00% | 6.00% | Real GDP | 4.94% | 5.17% |
| FX Reserve (USD bn) | 133.10 | 134.90 | Current Acc (USD bn) | -0.90 | -1.90 |
| Trd Balance (USD bn) | 3.48 | 3.42 | Govt. Spending Yoy | -3.76% | 10.62% |
| Exports Yoy | -10.43% | -16.17% | FDI (USD bn) | 4.86 | 5.14 |
| Imports Yoy | -2.42% | -12.45% | Business Confidence | 104.82 | 104.30 |
| Inflation Yoy | 2.86% | 2.56% | Cons. Confidence* | 123.60 | 123.30 |

| Date | Country | Hour Jakarta | Event | Period | Actual | Consensus | Previous |
|-------------------------------|---------|--------------|----------------------------------|--------|--------|-----------|----------|
| Monday 11 – Dec. | JP | 06:50 | Money Stock M2 YoY | Nov | 2.3% | — | 2.4% |
| | JP | 06:50 | Money Stock M3 YoY | Nov | 1.7% | — | 1.8% |
| Tuesday 12 – Dec. | US | 20:30 | CPI YoY | Nov | 3.1% | 3.1% | 3.2% |
| | CH | 08:30 | CPI YoY | Nov | — | -0.2% | -0.2% |
| | CH | 08:30 | PPI YoY | Nov | — | -2.8% | -2.6% |
| Wednesday 13 – Dec. | US | 19:00 | MBA Mortgage Applications | Dec 8 | 7.4% | — | 2.8% |
| | US | 20:30 | PPI Final Demand MoM | Nov | 0.0% | 0.1% | -0.5% |
| Thursday 14 – Dec. | US | 02:00 | FOMC Rate Decision (Upper Bound) | Dec 13 | 5.50% | 5.50% | 5.50% |
| | US | 02:00 | FOMC Rate Decision (Lower Bound) | Dec 13 | 5.25% | 5.25% | 5.25% |
| | US | 20:30 | Retail Sales Advance MoM | Nov | — | -0.1% | -0.1% |
| | US | 20:30 | Initial Jobless Claims | Dec 9 | — | — | 220K |
| Friday 15 – Dec. | US | 20:30 | Empire Manufacturing | Dec | — | 3.8% | 9.1% |
| | US | 21:15 | Industrial Production MoM | Nov | — | 0.2% | -0.6% |
| | US | 21:45 | S&P Global US Manufacturing PMI | Dec P | — | 49.3 | 49.4 |
| | CH | 09:00 | Industrial Production YoY | Nov | — | 5.7% | 4.6% |
| | CH | 09:00 | Retail Sales YoY | Nov | — | 12.4% | 7.6% |
| | ID | 09:00 | Trade Balance | Nov | — | \$2,962M | \$3,480M |
| | ID | 09:00 | Exports YoY | Nov | — | -9.34% | -10.43% |
| ID | 09:00 | Imports YoY | Nov | — | -0.12% | -2.42% | |

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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