

Morning Brief

Daily | December 15, 2023

Today's Outlook:

US MARKETS: US jobless claims were light, but retail sales showed an unexpected increase. Initial Jobless Claims fell by 19,000 to 202,000 for the week ending December 9. Although the figure was below economists' forecasts, some still see a potential weakening of the business world in the future, especially small businesses that are increasingly slow to hire workers overall, which is feared to eventually lead to more massive layoffs.

On the other hand, the strength of consumer spending continued to strengthen, with US retail sales unexpectedly rising 0.3% mom in November as the holiday shopping season got off to a fast start. This figure was better than economists polled by Reuters forecast that US retail sales edged down 0.1%; and also managed to bounce back from a 0.2% decline in October. On an annualized basis, US Retail Sales rose 4.1% yoy in November. Although the pace slowed as households adjusted to higher borrowing costs and prices, this was still enough to stave off a recession. Analysts think that consumer resilience provides credibility for the Fed to achieve a soft landing, but on the one hand, it is also a signal to the market that the Fed will not cut interest rates as fast as the market currently expects.

EUROPEAN & ASIAN MARKETS: Following the Federal Reserve's decision last Thursday morning, the Bank of England and the European Central Bank also kept interest rates unchanged at their current positions: 5.25% and 4.5%. Good news from Japan which reported Industrial Production (Oct.) increased by 1.3% mom, which was above estimates and compared to 0.5% growth in the previous month. Today will see a series of Industrial Production data and preliminary PMI estimates (Dec.) from major economies across all three continents: Asia, Europe and the US.

COMMODITIES: Oil prices rose 3% in Thursday trading extending the previous session's gains, boosted by the weakening US Dollar and as the International Energy Association (IEA) raised its Oil demand forecast for next year. Brent closed up 3.2%, at USD76.61 per barrel. US West Texas Intermediate (WTI) crude oil closed up 3%, to USD71.58.

The Oil market has managed to rebound after falling to its lowest level in almost 6 months on Wednesday's session. In its monthly report, the IEA expects world oil consumption to increase by 1.1 million barrels per day (bpd) in 2024, up 130,000 bpd from the previous forecast; thanks to an improved US economic outlook and lower Oil prices triggering more demand. The 2024 forecast is less than half of the OPEC+ forecast.

Prices also benefited from the US Dollar weakening to a 4-month low after the US Federal Reserve on Wednesday signaled lower borrowing costs for 2024. Oil traders will enter 2024 with growing concerns about issues of economic slowdown and over-supply, while heightened geopolitical tensions in the Middle East could trigger price volatility. Benchmark Brent prices have averaged around USD80 per barrel this year. A Reuters survey of 30 economists and analysts' forecasts shows Brent crude oil averaging USD84.43 per barrel by 2024.

INDONESIAN MARKETS: The market players will monitor the Trade Balance (Nov.) figure which is forecast to come out with a surplus of USD3.05 billion, lower than the previous month. The Export & Import improvement is still somewhat limping but there is hope that November Import will be able to grow positively 0.2% yoy compared to October which is still in negative territory.

Corporate News

Mandala Finance (MFIN) Has Bonds Maturing IDR 800 Billion in 2024 PT Mandala Multifinance Tbk (MFIN) or Mandala Finance said that the value of the company's debt securities or bonds that will mature will reach IDR 800 billion in 2024. Managing Director of Mandala Finance Christel Lasmana said that to pay the maturing bond obligations, the issuer has prepared funds from internal company funds, bank loans, and the issuance of new debt securities. Christel said that Mandala Finance strives to maintain its cost of funds so that the company continues to be in an optimal condition financially. As for next year, Christel said that the bond issuance will be carried out in accordance with the company's funding target plan in 2024 which is in accordance with the needs of the financing distribution target. (Bisnis)

Domestic Issue

DJPPR Says Indonesia's Debt is Used for Economic Development The Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance stated that economic productivity is supported by financing from foreign loans. Director of Loans and Grants of DJPPR Dian Lestari stated that loans received by the government, both domestic and foreign, ultimately provide broad benefits for the community. "We always make sure that the loan provides benefits to Indonesia, so that the financing from the loan encourages productivity or provides a multiplier effect whose economic benefits exceed the costs incurred," Dian was quoted as saying in Jakarta, Thursday (14/12). According to her, some examples of projects financed by loans that have had a wide impact on the community include the construction of the Cisumdawu toll road, Medan-Kualanamu toll road, Solo-Kertosono toll road, Patimban Port development, Jakarta MRT, Asahan III hydropower plant, RSAU Sutomo Pontianak, and Pamsimas II. "The construction of the toll road can strengthen connectivity between regions so that it will accelerate the distribution channel. This will stimulate economic growth in the surrounding areas," she explained. Dian explained that loans are needed because the government is implementing an expansive state budget to pursue the road to a developed country. This is needed so that there is room for a deficit that must be closed through a financing strategy. Currently, there are two schemes used, namely through Government Securities (SBN) and Loans. Based on data from the Ministry of Finance as of October 31, 2023, Indonesia's debt position reached IDR 7,950.52 trillion, equivalent to 37.68 percent of GDP. This is far below the debt ratio limit allowed by Law No. 1/2003, which is 60 percent of GDP. (JPNN)

Recommendation

US10YT limited downside potential, finally has reached the Support lower channel - downtrend, when RSI also entered the Oversold region. ADVISE: anticipate technical rebound although still well within its downtrend channel. Resistance yield: 4.060% / 4.098% / 4.156% - 4.20%.

ID10YT is hampered by Resistance from the previous High level at 6.75% yield, suggesting this technical rebound attempt is still fragile. If a pullback should occur then ID10YT will test the nearest Support: MA20 & MA10 at 6.647% - 6.633% yield. ADVISE: HOLD ; Average Up accordingly. Next Resistance: MA50 at 6.82% yield.

PRICE OF BENCHMARK SERIES

FR0090	: 96.01 (+0.07%)
FR0091	: 98.25 (+0.49%)
FR0094	: 95.36 (-0.52%)
FR0092	: 103.69 (+0.39%)
FR0086	: 97.81 (+0.01%)
FR0087	: 99.10 (+0.83%)
FR0083	: 106.45 (+0.50%)
FR0088	: 96.52 (+0.29%)

CDS of Indonesia Bonds

CDS 2yr	: -2.39% to 29.79
CDS 5yr	: -5.01% to 68.89
CDS 10yr	: -1.64% to 126.41

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.63%	-0.12%
USDIDR	15,497	-1.04%
KRWIDR	11.97	0.89%

Global Indices

Index	Last	Chg.	%
Dow Jones	37,248.35	158.11	0.43%
S&P 500	4,719.55	12.46	0.26%
FTSE 100	7,648.98	100.54	1.33%
DAX	16,752.23	(13.82)	-0.08%
Nikkei	32,686.25	(240.10)	-0.73%
Hang Seng	16,402.19	173.44	1.07%
Shanghai	2,958.99	(9.77)	-0.33%
Kospi	2,544.18	33.52	1.34%
EIDO	22.06	0.52	2.41%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,036.4	8.6	0.43%
Crude Oil (\$/bbl)	71.58	2.11	3.04%
Coal (\$/ton)	145.50	(0.75)	-0.51%
Nickel LME (\$/MT)	16,972	504.0	3.06%
Tin LME (\$/MT)	25,367	677.0	2.74%
CPO (MYR/Ton)	3,688	18.0	0.49%

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)	138.10	133.10	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	0.3%	-0.1%	-0.1%
	US	20:30	Initial Jobless Claims	Dec 9	202K	—	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

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Indonesia 10 Years Treasury

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Research Division

Head of Research

Liza Camelia Suryanata

Equity Strategy, Macroeconomics,
Technical
T +62 21 5088 ext 9134

Analyst

Axell Ebenhaezer

Mining, Property
T +62 21 5088 ext 9133
E Axell.Ebenhaezer@nhsec.co.id

Analyst

Cindy Alicia Ramadhania

Consumer, Healthcare
T +62 21 5088 ext 9129
E cindy.alicia@nhsec.co.id

Analyst

Leonardo Lijuwardi

Banking, Infrastructure
T +62 21 5088 ext 9127
E leonardo.lijuwardi@nhsec.co.id

Research Support

Amalia Huda Nurfalah

Editor & Translator
T +62 21 5088 ext 9132
E amalia.huda@nhsec.co.id

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PT. NH Korindo Sekuritas Indonesia

JAKARTA (HEADQUARTER):

District 8 Treasury Tower 51st Fl. Unit A, SCBD Lot.28

Jl. Jendral Sudirman Kav. 52-53

Jakarta Selatan 12190

Telp : +62 21 5088 9102

Branch Office BSD:

ITC BSD Blok R No.48

Jl. Pahlawan Seribu Serpong

Tangerang Selatan 15311

Indonesia

Telp : +62 21 509 20230

Branch Office Medan :

Jl. Asia No. 548 S

Medan – Sumatera Utara 20214

Indonesia

Telp : +62 614 156500

Branch Office Bandung:

Paskal Hypersquare Blok A1

Jl. Pasirkaliki No 25-27

Bandung 40181

Indonesia

Branch Office Bandengan (Jakarta Utara):

Jl. Bandengan Utara Kav. 81

Blok A No.02, Lt 1

Jakarta Utara 14440

Indonesia

Telp : +62 21 6667 4959

Branch Office Kamal Muara (Jakarta Utara):

Rukan Exclusive Mediterania

Blok F No.2

Jakarta Utara 14470

Indonesia

Telp : +62 24 844 6878

Branch Office Pekanbaru:

Sudirman City Square

Jl. Jend. Sudirman Blok A No.7

Pekanbaru

Indonesia

Telp : +62 761 801 1330

Branch Office Makassar:

Jl. Gunung Latimojong No.120A

Makassar

Indonesia

Branch Office Denpasar:

Jl. Cok Agung Tresna

Ruko Griya Alamanda No. 9

Renon Denpasar, Bali 80226

Indonesia

Telp : +62 361 209 4230

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Jakarta