

# Morning Brief

Daily | December 5, 2023

## Today's Outlook:

**US MARKETS:** The US Treasury yield raised ahead of the Nonfarm Payroll report later this week. The 10-year US Treasury yield rose 4 basis points to 4.266%, with some arguing that the recent decline in yields is due to the market pricing in a Fed rate cut too soon. As reported by Investing.com's Fed Rate Monitor Tool, there is already a 97% probability that the Fed will hold rates at 5.25% - 5.50% at this month's FOMC Meeting. Meanwhile, there is already more than 50% chance (up from 21% last week) that the central bank will be able to cut 25bps as early as the March meeting next year. This was supported by yesterday's US economic data which reported Factory Orders for Oct fell deeper than expected. Later tonight will be the US PMI data, which is expected to at least stay in expansionary territory; as well as the JOLTs Job Opening figures for Oct which is likely to come out lower than Sept.

**ASIA & EUROPE MARKETS:** South Korea announced its inflation rate for November this morning, which managed to ease to 3.3% yoy, lower than the 3.7% expected and from the previous month's 3.8%. In contrast, South Korea's economic growth improved with Q3/2023 GDP figures released at 1.4% yoy compared to 0.9% in the previous quarter. In a neighboring country, Japanese Inflation (in Tokyo in particular) also appears to be under control with Tokyo CPI (Nov) figures published this morning at 2.6% yoy (vs previous 3.3%), while Tokyo Core CPI (Nov) also cooled to 2.3% yoy (vs previous 2.7%). Further today, market participants will closely monitor Japan & China PMI figures, as well as some from major European countries such as: Germany, Eurozone, and UK.

**Speaking of the European continent, Germany reported an improved Trade Balance Surplus in Oct of EUR 17.8 billion, amid negative Export & Import growth but at least it was better than the previous month.** Later this afternoon around 17.00 GMT, we will await the release of Oct producer-level inflation (PPI) data from the Eurozone region, which is predicted to show another deflation at -9.4% yoy, although this figure is slightly up from the previous position of -12.4%.

**COMMODITIES:** Gold prices hit an all-time high on Monday, but then fell back, as market participants bet on a potential Federal Reserve interest rate cut next year. Spot Gold was largely unchanged at USD2,071.29 per troy ounce, retreating slightly from an earlier rally that had lifted the safe haven asset to a record USD2,135 per troy ounce. Gold posted strong gains last week, and also rose for the second consecutive month in November.

**The prospect of falling borrowing costs bodes well for gold, given that elevated rates push up the opportunity cost of investing in non-interest bearing assets like the metal.** This notion had battered bullion prices over the past year. But markets still have a slew of economic figures to assess that is very likely to influence the US central bank's decision going forward.

**Oil prices fell on Monday on concern about a drop in demand and on continued uncertainty about the depth and duration of OPEC+ supply cuts.** Brent crude futures settled down 85 cents, or 1.08%, at USD78.03 a barrel. U.S. West Texas Intermediate crude futures finished down USD1.03, or 1.39%, at USD73.04. Monday's fall adds to a 2% decline last week after the supply cuts announced on Thursday by the Organization of the Petroleum Exporting Countries (OPEC) and allies including Russia, together known as OPEC+.

## Corporate News

**BFI Finance Targets Bond Issuance in 2024 to Reach IDR 3 Trillion** PT BFI Finance Indonesia Tbk (BFI Finance) plans to issue Sustainable Bond VI with a target of IDR 6 trillion. The issuance target in 2024 is planned to reach around IDR 3 trillion. Corporate Communication Head of BFI Finance Dian Ariffahmi said that throughout 2023, BFI Finance has issued Sustainable Bonds V from phase III to phase V. Then for 2024 BFI Finance still plans to use securities as corporate funding. "BFI Finance plans to issue Sustainable Bonds VI with a target of IDR 6 trillion and the issuance target in 2024 is planned to reach around IDR 3 trillion," Dian said. According to Dian, the target will be divided into several stages. She said it would be issued between the second and third quarters at the earliest. (Kontan)

## Domestic Issue

**Government to Auction 7 Sukuk Series Today (5/12)** The government will hold an auction of State Sharia Securities (SBSN) or State Sukuk on Tuesday, December 5, 2023. The government set an indicative target of IDR 9 trillion at the sukuk auction this time. Based on information from the Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance, there are seven (7) sukuk series to be auctioned, namely one SPN-S series (State Treasury Securities - Sharia) and six PBS series (Project Based Sukuk). In this auction, the PBSG001 series is offered again, which is a green sukuk series offered through auction in the domestic primary market. The issuance of the Green Sukuk series in this auction complements the Green sukuk issuance program which has been carried out 6 times in the global market since 2018 and 5 times in the domestic market through retail green sukuk since 2019. PBSG001 series can also be used to support the Macropredential Inclusive Financing Ratio program for Conventional Commercial Banks, Islamic Commercial Banks, and Sharia Business Units. The funds obtained in this auction will be used by the government to meet part of the financing target in the 2023 State Budget. (Kontan)

## Recommendation

**US10YT is in a bottoming attempt around 4.20% yield although it is still relatively downtrend following the PARALLEL CHANNEL pattern (green).** RSI detected slight positive divergence. MA10 & MA20 as the nearest resistance in the range: yield 4.333% - 4.422%. ADVISE: HOLD; Wait & See.

**ID10YT is still on a downward trajectory towards the bottom target yield of 6.465% from the PARALLEL CHANNEL pattern - the uptrend that has been broken.** MA10 & MA20 resistance will still remain around 6.654% - 6.709% yield. ADVISE: HOLD; Wait & See.

## PRICE OF BENCHMARK SERIES

FR0090	: 96.06 (+0.27%)
FR0091	: 98.08 (+0.00%)
FR0094	: <b>94.82 (-0.07%)</b>
FR0092	: 103.49 (+0.09%)
FR0086	: 98.03 (+0.03%)
FR0087	: 98.94 (+0.13%)
FR0083	: 106.26 (+0.21%)
FR0088	: 96.32 (+0.00%)

## CDS of Indonesia Bonds

CDS 2yr	: +0.02% to 31.62
CDS 5yr	: -0.71% to 74.32
CDS 10yr	: +0.01% to 132.74

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.59%	-0.03%
USDIDR	15,455	-0.19%
KRWIDR	11.86	-0.01%

## Global Indices

Index	Last	Chg.	%
Dow Jones	36,204.44	(41.06)	-0.11%
S&P 500	4,569.78	(24.85)	-0.54%
FTSE 100	7,512.96	(16.39)	-0.22%
DAX	16,404.76	7.24	0.04%
Nikkei	33,231.27	(200.24)	-0.60%
Hang Seng	16,646.05	(184.25)	-1.09%
Shanghai	3,022.91	(8.72)	-0.29%
Kospi	2,514.95	9.94	0.40%
EIDO	21.86	(0.13)	-0.59%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,029.4	(42.8)	-2.07%
Crude Oil (\$/bbl)	73.04	(1.03)	-1.39%
Coal (\$/ton)	134.45	0.95	0.71%
Nickel LME (\$/MT)	16,714	(328.0)	-1.92%
Tin LME (\$/MT)	24,064	316.0	1.33%
CPO (MYR/Ton)	3,824	(50.0)	-1.29%

## 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*	124.30	124.70

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b> 4 – Dec.	US	22:00	Factory Orders	Oct	-3.6%	-2.6%	2.8%
	US	22:00	Durable Goods Orders	Oct F	-5.4%	—	-5.4%
<b>Tuesday</b> 5 – Dec.	CH	08:45	Caixin China PMI Composite	Nov	—	—	50.0
	CH	08:45	Caixin China PMI Services	Nov	—	50.7	50.4
<b>Wednesday</b> 6 – Dec.	US	19:00	MBA Mortgage Applications	Dec 1	—	—	0.3%
	US	20:15	ADP Employment Change	Nov	—	120K	113K
	US	20:30	Trade Balance	Oct	—	-\$63.0B	-\$61.5B
	GE	14:00	Factory Orders MoM	Oct	—	—	0.2%
<b>Thursday</b> 7 – Dec.	US	20:30	Initial Jobless Claims	Dec 2	—	—	218K
	CH	—	Exports YoY	Nov	—	-2.5%	-6.4%
	CH	—	Imports YoY	Nov	—	4.8%	3.0%
	CH	—	Trade Balance	Nov	—	\$47.00B	\$56.53B
	CH	—	Foreign Reserves	Nov	—	—	\$3,101.2B
	ID	10:00	Foreign Reserves	Nov	—	—	\$133.10B
	GE	14:00	Industrial Production SA MoM	Oct	—	—	-1.4%
	EC	17:00	GDP SA YoY	3Q F	—	—	0.1%
<b>Friday</b> 8 – Dec.	US	20:30	Change in Nonfarm Payrolls	Nov	—	200K	150K
	US	20:30	Unemployment Rate	Nov	—	3.9%	3.9%
	US	22:00	U. of Mich. Sentiment	Dec P	—	61.6	61.3
	ID	—	Consumer Confidence Index	Nov	—	—	124.3
	GE	14:00	CPI YoY	Nov F	—	—	9.9%

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury

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## Indonesia 10 Years Treasury

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