

Today's Outlook:

US MARKETS: In terms of economic data, the US reported a Trade Balance deficit of USD 63.2 billion (lower than estimate & previous period), and recorded a deterioration on both the Export & Import transaction fronts.

US INTEREST RATES: Investors are looking for clues on when the Federal Reserve will begin lowering interest rates. Expectations that the US central bank will start cutting interest rates as soon as March have declined, with the CME Group FedWatch Tool showing a 65.7% chance of a cut of at least 25 bps in the month, down from 79% last week. This certainly helped keep US Treasury yields back near the 4%, with the 10-year yield holding slightly higher at 4.019% after hitting a high of 4.053% earlier in the session.

EUROPEAN MARKETS: Euro area unemployment data released on Tuesday came in below expectations (actual: 6.4%, forecast: 6.5%). On the other hand, German Industrial Production (Nov) fell 0.7% mom, a decline well below expectations of a positive 0.2% growth, and an even worse reading than the previous month at minus 0.3%.

ASIA MARKETS: South Korea's unemployment rate rose to a near 2-year high in December. The unemployment rate in the country reached 3.3%, higher than 2.8% in November and the highest since January 2022, according to Statistics Korea. In 2023, South Korea's annual unemployment rate reached 2.7%, down for the third consecutive year and the lowest since data release began in 2000. As for the neighboring country of the Ginseng Country, Japan announced that Household Spending dropped further in Nov; not surprisingly resulting in Inflation in the Tokyo area slipping further in Dec. Today China will release data on the level of new loans or New Loans which the amount is expected to increase to CNY 1400 billion, up from CNY 1090 billion in the previous period, so that it can show economic growth in the Bamboo Curtain Country.

FIXED INCOME: US Treasury yields climbed slightly higher. The US Treasury sold \$52 billion worth of three-year bonds, earning a high yield of 4.105%, lower than market estimates at the bid deadline, suggesting investors absorbed the bonds at no premium. In afternoon trading, the benchmark 10-year yield rose slightly to 4.017%.

CURRENCY: The dollar rose 0.17% against the yen to 144.46. The euro was 0.2% weaker today at USD 1.0928, while the Dollar Index, which measures the greenback against a number of other major trading partners' currencies, was up 0.2% at 102.51. The Dollar Index (DXY) hit a 5-month low in December, with investors betting that the Fed will cut interest rates sooner.

COMMODITIES: OIL prices rose about 2% on Tuesday as the Middle East crisis and supply halts in Libya mitigated the previous day's heavy losses. Brent crude oil futures closed USD 1.47, or 1.9%, higher at USD 77.59 a barrel, while US West Texas Intermediate (WTI) crude ended USD 1.47, or 2.1% up at USD 72.24. Oil prices received support from the closure of the 300,000 barrel per day (bpd) Sharara oil field in Libya, one of the largest oil fields in Libya, which is often the target of local and broader political protests, as well as continued tensions in the Middle East. Israel's military has said its fight against Hamas will continue until 2024, fueling fears that the conflict could escalate into a regional crisis that disrupts oil supplies. Meanwhile, some major shipping companies are still avoiding the Red Sea following attacks by Iran-allied Houthi militants in response to Israel's war against Hamas. However, according to Reuters analysis, the impact on oil tanker movements is not as great as expected.

Oil futures also drew support on Tuesday after Saudi Arabia stressed its desire to support the efforts to stabilize the oil market and after reports that Russia curbed its crude production in December. Russia is part of the OPEC+ group of oil producers that has agreed to cut production by about 2.2 million barrels per day. GOLD prices on the spot market stabilized at USD 2,028.95 per ounce.

INDONESIA released Consumer Confidence (Dec) which rose slightly to 123.8, from 123.6 in Nov. Today will see the Retail Sales figure and compared to the last reading of 2.4% yoy.

Corporate News

Kapuas Prima Coal (ZINC)'s Selective Default Rating Issued by Pefindo PT Pemeringkat Efek Indonesia (Pefindo) has assigned an idSD (selective default) rating to PT Kapuas Prima Coal Tbk (ZINC). This rating is valid for the January 8, 2024 to October 1, 2024 period. The rating is based on the results of a meeting held on Monday (8/1). It has changed from the previous rating of idCCC/CreditWatch with Negative Implication. In her statement, Tuesday (9/1), President Director of Pefindo Irmawati said, an obligor with an idSD (selective default) rating indicates that the obligor fails to pay one or more of its maturing financial obligations, either for rated or non-rated obligations, but still makes timely payments on other obligations. At the same time, Pefindo also decided the idD (Default) rating on PT Kapuas Prima Coal Tbk's 2018 Series I Bonds worth IDR 23 billion. The rating has changed from the previous rating of idCCC. (Kontan)

Domestic Issue

OJK: SBN Market Inflow IDR 8.17 Trillion, Bond Market Strengthens 8.57% In the Government Securities (SBN) market, the Financial Services Authority (OJK) said that as of December 29, 2023 posted an inflow of foreign investors of IDR 8.17 trillion on a month to date (mtd) basis, compared to November 2023 which inflow amounted to IDR 23.5 trillion. "So that it has again encouraged a decrease in the average SBN yield of 13.30 bps month to date across all tenors," said Chief Executive of the Capital Market Supervisor, Derivative Finance, and Carbon Exchange concurrently member of the OJK Board of Commissioners Inarno Djajadi on Tuesday, January 9, 2024. On a year-to-date basis, Inarno continued, SBN yields have decreased by an average of 29.51 bps across all tenors with non-residents recording a net buy of IDR 79.87 trillion (ytd). Meanwhile, the bond market index on December 29, 2023 strengthened 8.65 percent (ytd) to 374.61, compared to November 2023 which strengthened 7.34 percent (ytd). "As for the corporate bond market, the inflow of funds from non-resident investors was recorded at IDR 541.83 billion month to date, and year to date there is still an outflow of IDR 0.92 trillion," he said. (Metro TV)

Recommendation

US10YT stalled for a moment after reaching the first FIBONACCI retracement of 23.6% at a yield of 4.068% - 4.07%, possibly to pullback to the nearest support which is MA10 at a yield of 3.935%; before continuing the up-swing towards the TARGET yield of 4.220% - 4.258% (due to having broken the PARALLEL CHANNEL downtrend pattern). ADVISE: BUY ON WEAKNESS.

ID10YT continues its bullish journey towards the next TARGET / resistance stage: MA50 at 6.75% yield, or to the TARGET of the FALLING WEDGE that has been broken around the yield: 6.948% - 6.962%. ADVISE: AVERAGE UP accordingly.

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)	146.40	138.10	Current Acc (USD bn)	-0.90	-1.90
Trd Balance (USD bn)	2.41	3.48	Govt. Spending Yoy	-3.76%	10.62%
Exports Yoy	-8.56%	-10.43%	FDI (USD bn)	4.86	5.14
Imports Yoy	3.29%	-2.42%	Business Confidence	104.82	104.30
Inflation Yoy	2.61%	2.86%	Cons. Confidence*	123.60	123.30

PRICE OF BENCHMARK SERIES

FR0090 : 96.31 (-0.01%)
FR0091 : 98.15 (-0.46%)
FR0094 : 95.68 (+0.00%)
FR0092 : 102.76 (+0.07%)

FR0086 : 98.13 (+0.00%)
FR0087 : 98.87 (+0.10%)
FR0083 : 106.55 (-0.17%)
FR0088 : 96.19 (-0.12%)

CDS of Indonesia Bonds

CDS 2yr: -1.27% to 32.52
CDS 5yr: -1.82% to 76.50
CDS 10yr: -1.02% to 134.56

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.72%	0.02%
USDIDR	15,520	-0.03%
KRWIDR	11.80	-0.04%

Global Indices

Index	Last	Chg.	%
Dow Jones	37,525.16	(157.85)	-0.42%
S&P 500	4,756.50	(7.04)	-0.15%
FTSE 100	7,683.96	(10.23)	-0.13%
DAX	16,688.36	(28.11)	-0.17%
Nikkei	33,763.18	385.76	1.16%
Hang Seng	16,190.02	(34.43)	-0.21%
Shanghai	2,893.25	5.71	0.20%
Kospi	2,561.24	(6.58)	-0.26%
EIDO	22.28	(0.24)	-1.07%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,030.2	2.1	0.11%
Crude Oil (\$/bbl)	72.24	1.47	2.08%
Coal (\$/ton)	135.65	3.65	2.77%
Nickel LME (\$/MT)	16,287	(16.0)	-0.10%
Tin LME (\$/MT)	24,240	(260.0)	-1.06%
CPO (MYR/Ton)	3,732	39.0	1.06%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 8 – Jan.	ID	10:00	Foreign Reserves	Dec	\$146.40B	—	\$138.10B
	GE	14:00	Factory Orders MoM	Nov	0.3%	—	-3.7%
	EC	17:00	Consumer Confidence	Dec F	-15.0	—	-15.1
Tuesday 9 – Jan.	US	20:30	Trade Balance	Nov	-\$63.2B	-\$64.8B	-\$64.3B
	ID	—	Consumer Confidence Index	Dec	123.8	—	123.6
	GE	14:00	Industrial Production SA MoM	Nov	-0.7%	—	-0.4%
	EC	17:00	Unemployment Rate	Nov	6.4%	—	6.5%
	KR	06:00	BoP Current Account Balance	Nov	\$4059.7M	—	\$6796.1M
	JP	06:30	Tokyo CPI YoY	Dec	2.4%	2.5%	2.6%
Wednesday 10 – Jan.	US	22:00	Wholesale Inventories MoM	Nov F		-0.2%	-0.2%
	KR	06:00	Unemployment Rate SA	Dec		—	2.8%
Thursday 11 – Jan.	US	20:30	CPI MoM	Dec		0.2%	0.1%
	US	20:30	CPI YoY	Dec		3.3%	3.1%
	US	20:30	Initial Jobless Claims	Jan 6		—	202K
	KR	—	BOK Base Rate	Jan 11		3.50%	3.50%
Friday 12 – Jan.	US	20:30	PPI Final Demand MoM	Dec		0.2%	0.0%
	CH	08:30	CPI YoY	Dec		-0.3%	-0.5%
	CH	08:30	PPI YoY	Dec		-2.7%	-3.0%
	CH	—	Exports YoY	Dec		1.6%	0.5%
	CH	—	Imports YoY	Dec		0.0%	-0.6%
	CH	—	Trade Balance	Dec		\$76.00B	\$68.40B
	JP	06:50	BoP Current Account Balance	Nov		¥ 2385.1B	¥ 2582.8B

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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