

Morning Brief

Today's Outlook:

US MARKETS: Mixed bank earnings reports offset news of lower-than-expected producer-level inflation that supported expectations of a rate cut from the Federal Reserve. US PPI data unexpectedly fell in December (actual: -0.1% mom vs forecast: 0.1% mom) as the cost of goods such as food and diesel fuel declined, while prices for services were unchanged for the third consecutive month, in contrast to higher-than-expected consumer inflation figures on Thursday. The US rate futures market is pricing in a nearly 80% chance of a rate cut at the Fed's March policy meeting, up from 71% late on Thursday, according to the LSEG probability app. Friday's data also sent Treasury yields lower, although recent comments from some central bank officials suggested that they would not cut rates. **The 2-year US Treasury yield fell to its lowest level since May at 4.119% after the PPI data was released;** it was last down 11.8 basis points at 4.142%. For the week, the 2-year yield, which best reflects expectations of interest rate movements, fell 13.1 bps, its worst weekly performance in a month. The 10-year benchmark bond yield fell to a one-week low of 3.916%, and was last at 3.955%, down 1.7 bps. US financial markets will be closed this Monday in celebration of Martin Luther King Jr. Day.

ASIA & EUROPEAN MARKETS: China reported inflation data in Dec 2023 which is still struggling in deflationary territory, although there was growth in Exports & Imports in the same month. New credit disbursed in Dec 2023 also turned out to be lower than expected. Today, market participants are likely to pay more attention to European countries related data releases: German Labor Productivity 3Q, Eurogroup Meetings, as well as Industrial Production (Nov) and Trade Balance (Nov) data from Eurozone.

The world's geopolitical tension is felt to be increasing lately where 2024 is an election year in several countries, not to mention extinguishing wars that have indeed broken out in several countries such as Russia-Ukraine and Israel-Hamas. This global condition has inevitably caused a number of commodity prices to heat up again.

Corporate News

Chandra Asri (TPIA) Spends IDR 993 Billion Bond Proceeds for Working Capital PT Chandra Asri Petrochemical Tbk (TPIA) reported the realization of the use of proceeds from the Public Offering of Chandra Asri Petrochemical IV Sustainable Bonds Phase III Year 2023 for the period up to 31 December 2023. In the report, TPIA Director Suryandi explained that the company had spent all the funds from the corporate action. The total funds that have been realized are IDR 993.31 billion. Suryandi admitted that the proceeds from the bond issuance were used in accordance with the petrochemical issuer's plan, namely for working capital purposes. "Since all the proceeds from the public offering have been fully utilized, this report is the first and last report," he said. For information, TPIA on July 29, 2022, effectively and successfully issued bonds totaling IDR 1 trillion. After deducting Public Offering costs of IDR 6.68 billion, TPIA finally managed to pocket funds from the corporate action amounting to IDR 993.31 billion. (Bareksa)

Domestic Issue

The Government Will Issue Retail SBN 8 Times This Year, Which One is the Most Interesting? The government through the Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance will issue 8 retail Government Securities (SBN) for 2024. Various types of retail SBN will be offered, ranging from Retail State Bonds (ORI), Retail Savings Bonds (SBR), Savings Sukuk (ST), Retail Sukuk (SR), to Retail CWLS. The nearest schedule is the issuance of ORI025 on January 29, 2024 to February 22, 2024. Then, SR020 on March 4 - March 27, 2024, ST012 on April 26 - May 29, 2024, SBR013 on June 10 - July 4, 2024, SWR005 on April 26 - July 17, 2024, SR021 on August 23 - September 18, 2024, ORI026 on September 30 - October 24, 2024, and ST013 on November 8 - December 4, 2024. From the 8 retail SBN issuances, the Ministry of Finance is targeting to obtain fresh funds of IDR 100 trillion-IDR 160 trillion. Bank Permata Chief Economist Josua Pardele assessed that the series issued in the first half of 2024 will tend to be more prospective. This is in line with the potential reduction in Bank Indonesia (BI) interest rates, which is expected to be carried out in the second semester of 2024. As is known, bond coupons tend to follow the direction of BI rates so that a decrease in BI rates will have an impact on the level of newly issued coupons. In other words, investors are more eyeing retail SBNs issued in the first half because they offer higher coupons. This is because these series have the potential for capital gains when demand from foreign investors comes in when the Fed starts signaling interest rate cuts that have the potential to reduce yield levels. (Kontan)

Recommendation

US10YT: is currently waiting for a decision whether to choose to break MA10 resistance / 3.989% yield; or break MA20 support / 3.934% yield. Pattern-wise, US10YT should have the potential to rise to TARGET yield of 4.243% - 4.258%. ADVISE: AVERAGE UP above the previous High yield: 4.067%.

ID10YT : bounce at upper wedge support along with MA10 & MA50 support, looks like it will continue its up-swing towards TARGET as expected : yield 6.75% / 6.948% - 6.962%. ADVISE: SPECULATIVE BUY; Average Up accordingly.

PRICE OF BENCHMARK SERIES

FRO090	: 96.52 (+0.05%)
FRO091	: 98.44 (+0.28%)
FRO094	: 95.69 (+0.00%)
FRO092	: 102.71 (+0.01%)
FRO086	: 98.19 (+0.01%)
FRO087	: 99.26 (+0.20%)
FRO083	: 106.60 (-0.09%)
FRO088	: 96.49 (+0.03%)

CDS of Indonesia Bonds

CDS 2yr:	-1.17% to 31.29
CDS 5yr:	+0.79% to 73.99
CDS 10yr:	-0.97% to 130.53

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.66%	-0.04%
USDIDR	15,550	0.01%
KRWIDR	11.84	-0.06%

Global Indices

Index	Last	Chg.	%
Dow Jones	37,592.98	(118.04)	-0.31%
S&P 500	4,783.83	3.59	0.08%
FTSE 100	7,624.93	48.34	0.64%
DAX	16,704.56	157.53	0.95%
Nikkei	35,577.11	527.25	1.50%
Hang Seng	16,244.58	(57.46)	-0.35%
Shanghai	2,881.98	(4.67)	-0.16%
Kospi	2,525.05	(15.22)	-0.60%
EIDO	22.64	0.25	1.12%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,049.1	20.2	0.99%
Crude Oil (\$/bbl)	72.68	0.66	0.92%
Coal (\$/ton)	130.85	0.10	0.08%
Nickel LME (\$/MT)	16,343	(77.0)	-0.47%
Tin LME (\$/MT)	24,631	77.0	0.31%
CPO (MYR/Ton)	3,856	62.0	1.63%

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*	123.80	123.60

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 15 – Jan.	ID	11:00	Trade Balance	Dec	\$1,970M		\$2,412M
	ID	11:00	Exports YoY	Dec	-8.31%		-8.56%
	ID	11:00	Imports YoY	Dec	0.64%		3.29%
Tuesday 16 – Jan.	US	20:30	Empire Manufacturing	Jan	-2.9		-14.5
	GE	14:00	CPI YoY	Dec F	—		3.7%
	JP	06:50	PPI YoY	Dec	-0.3%		0.3%
Wednesday 17 – Jan.	US	20:30	Retail Sales Advance MoM	Dec	0.4%		0.3%
	US	21:15	Industrial Production MoM	Dec	-0.1%		0.2%
	CH	09:00	GDP YoY	4Q	5.2%		4.9%
	CH	09:00	Industrial Production YoY	Dec	6.6%		6.6%
	CH	09:00	Retail Sales YoY	Dec	8.0%		10.1%
	ID	14:20	BI-Rate	Jan 17	6.00%		6.00%
	EC	17:00	CPI YoY	Dec F	—		2.9%
Thursday 18 – Jan.	US	20:30	Housing Starts	Dec	1,415K		1,560K
	US	20:30	Initial Jobless Claims	Jan 13	—		202K
	JP	06:50	Core Machine Orders MoM	Nov	-0.8%		0.7%
	JP	11:30	Industrial Production MoM	Nov F	—		-0.9%
Friday 19 – Jan.	US	22:00	U. of Mich. Sentiment	Jan P	68.0		69.7
	US	22:00	Existing Home Sales	Dec	3.84M		3.82M
	JP	06:30	Natl CPI YoY	Dec	2.6%		2.8%
	JP	11:30	Tertiary Industry Index MoM	Nov	0.1%		-0.8%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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