

Morning Brief

Daily | January 17, 2024

Today's Outlook:

US MARKETS: A spike occurred in US Treasury yields after Federal Reserve Governor Christopher Waller downplayed the need for an immediate rate cut. Waller expects the Fed to cut interest rates this year, but emphasized that the central bank does not need to cut rates quickly as the US economy still appears strong. The statement dashed optimism that interest rate cuts would begin in March, causing US Treasury yields to rise sharply. The yield on the 10-year US Treasury reached 4%, while the 2-year US bond rose 9 bps to 4.2%.

ASIAN MARKETS: CHINA'S series of key economic indicators for December (such as China house prices, investment, retail sales, industrial production, and unemployment rate), culminating in 4th Quarter and full year 2023 GDP, became the focus of attention for Asian market participants on Wednesday. MSCI's Asia Pacific stock index outside Japan slumped 1.8% on Tuesday, the steepest decline in nearly six months. Asian stocks outside Japan are now down 5% this year; while emerging market stocks are having their worst start to the year since 2016. Chinese Premier Li Qiang in Davos on Tuesday said GDP growth was probably around 5.2% last year. He also said China is open for business, following the first quarterly deficit in Foreign Direct Investment since records began in 1998. Growth is expected to slow to 4.6% by 2024, with risks likely to grow on the side of an ongoing property crisis, weakening consumer and business confidence, high and rising local government debt, and sustained deflation.

EUROPEAN MARKETS: After German CPI (Dec) came in as expected at 3.7% yoy (up from previous month's 3.2%), market participants will monitor UK and Eurozone CPI (Dec), which is expected to be relatively flat at 3.8% yoy (from 3.9% previous month), while Eurozone CPI rose to 2.9% yoy from 2.4% in Nov. Yesterday, the UK also recorded a number of important indicators, especially on the labor front: wage growth slowed, amidst mounting jobless claims, but the Unemployment Rate (Nov) remained flat as in the previous month.

INDONESIA: BI's Board of Governors Meeting will announce its interest rate decision today. Bank Indonesia is expected to keep its key interest rate unchanged at 6.00%. With inflation within BI's 2023 target range of 2.0% to 4.0% for 7 months and continuing to decline, the market expects the first rate cut to be realized in the third quarter.

COMMODITIES: OIL prices ended lower in Tuesday's volatile trading session as traders weighed the security situation in the Middle East that threatens supplies through the key Red Sea region; plus the strengthening Dollar amid reduced expectations of an interest rate cut in the near future. US crude oil futures (US WTI) fell 0.4% to USD 72.40/barrel and the Brent contract fell 0.3% to USD 77.95/barrel. Tensions escalated in the Middle East after the United States and Britain pounded the Houthi group in Yemen, in retaliation for an attack by Iranian-backed militants on shipping in the Red Sea. In addition, Iran said on Tuesday that it had launched ballistic missiles at targets in Iraq and Syria to defend its sovereignty and to counter terrorism. This comes after Iran seized a tanker carrying Iraqi crude oil bound for Turkey on Thursday. More and more oil tankers are avoiding the Red Sea like Shell (as reported by the Wall Street Journal); they are opting to take the longer (and more expensive) route to Asia which indirectly tightens the market, as oil stocks on the water increased by 35 million barrels, according to Citi analysts. On the other hand, the prospect of sluggish crude oil demand remains in focus amid growing concerns that global economic conditions will worsen further in 2024. Germany's economy is likely to grow by only 0.3% in 2024, the country's BDI industry association said. This suggests that the Eurozone as a whole, a major consumer of energy, will barely register growth this year.

Corporate News

IIF Issues IDR 355.19 M Bonds, Coupon Reaches 8.25% PT Indonesia Infrastructure Finance (IIF) has issued Indonesia Infrastructure Finance Year 2023 Perpetual Bonds with an issuance value of IDR 355.19 billion on January 10, 2024. IIF President Director Reynaldi Hermansjah said the yield of Indonesia Infrastructure Finance's 2023 Perpetual Bonds was 8.25% per year. "This is our effort to involve public participation to support the sustainable growth of infrastructure projects in Indonesia," said Reynaldi during the launch ceremony at the Indonesia Stock Exchange (IDX), Monday, (15/1/2024). The bonds are issued with the main objective of strengthening IIF's capital structure. The funds raised will be used to finance sustainable infrastructure projects based on the principle of Environmentally Sound Business Activities (KUBL) in Indonesia. As it is perpetual, these securities do not have a term, but this instrument has a redemption option for principal repayment in the 5th year and every anniversary of issuance. (CNBC Indonesia)

Domestic Issue

Government Pockets IDR 24 Trillion from SUN Auction Results Tuesday, January 16, 2024 The government pocketed IDR 24 trillion from the auction of Government Bonds (SUN) on Tuesday, (16/1/2024). The funds are to partially finance the 2024 State Budget financing target. Referring to data from the Directorate General of Financing and Risk Management of the Ministry of Finance (DJPPR Kemenkeu), the total incoming bids from the seven series of SUN offered amounted to IDR 67.56 trillion. The incoming bid was much higher than the SUN auction two weeks earlier on Wednesday, January 3, 2024 of IDR 39.8 trillion. "The total nominal won from the seven series offered was IDR 24 trillion," wrote the Ministry of Finance's DJPPR on Tuesday (16/1/2024). There are two series of Treasury Bills (SPN) and five series of State Bonds (ON). The SPN series auctioned are SPN03240417 which matures on April 17, 2024 and SPN12250116 which matures on January 16, 2025. Both SPNs have a discount coupon rate with a maximum non-competitive purchase allocation of 50% of those won. Meanwhile, there are five series of state bonds offered, namely FRO097, FRO098, FRO100, FRO101, and FRO102. Meanwhile, the maximum purchase allocation for the ON series is 30% of the entire auction won. (Bisnis)

Recommendation

A statement from the Fed officials led the US10YT yield back above the psychological level of 4.0%. Currently the US10YT yield is facing Resistance from the previous High level around 4.07%, soon it will encounter the next Resistance: MA50 at 4.135% yield. As soon as these two levels are exceeded, then it will pave the way for strengthening the US10YT yield towards TARGET: yield 4.258%. ADVISE: AVERAGE UP accordingly.

ID10YT holds above the Moving Average Support, believed with the intention of continuing the upward swing towards TARGET: 6.75% / 6.95% - 6.97% yield as the prospect of higher interest rates for longer remains. The market expects Bank Indonesia itself to realize a rate cut either in the 2nd or 3rd quarter of this year while continuing to monitor the Fed's movements. ADVISE: SPECULATIVE BUY; Average Up accordingly.

PRICE OF BENCHMARK SERIES

FRO090	: 96.69 (+0.16%)
FRO091	: 98.57 (+0.14%)
FRO094	: 95.89 (+0.04%)
FRO092	: 102.73 (+0.09%)
FRO086	: 98.22 (+0.01%)
FRO087	: 99.42 (+0.08%)
FRO083	: 106.39 (-0.12%)
FRO088	: 96.40 (-0.08%)

CDS of Indonesia Bonds

CDS 2yr	: +4.49% to 32.67
CDS 5yr	: +3.32% to 75.53
CDS 10yr	: +3.61% to 134.97

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.67%	-0.00%
USDIDR	15,591	0.23%
KRWIDR	11.71	-0.63%

Global Indices

Index	Last	Chg.	%
Dow Jones	37,361.12	(231.86)	-0.62%
S&P 500	4,765.98	(17.85)	-0.37%
FTSE 100	7,558.34	(36.57)	-0.48%
DAX	16,571.68	(50.54)	-0.30%
Nikkei	35,619.18	(282.61)	-0.79%
Hang Seng	15,865.92	(350.41)	-2.16%
Shanghai	2,893.99	7.70	0.27%
Kospi	2,497.59	(28.40)	-1.12%
EIDO	22.43	(0.21)	-0.93%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,028.4	(28.1)	-1.37%
Crude Oil (\$/bbl)	72.40	(0.28)	-0.39%
Coal (\$/ton)	129.50	(0.35)	-0.27%
Nickel LME (\$/MT)	16,150	(68.0)	-0.42%
Tin LME (\$/MT)	25,175	394.0	1.59%
CPO (MYR/Ton)	3,862	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)	3.30	2.41	Govt. Spending Yoy	-3.76%	10.62%
Exports Yoy	-5.76%	-8.56%	FDI (USD bn)	4.86	5.14
Imports Yoy	-3.81%	3.29%	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	\$3,300M	\$1,970M	\$2,412M
	ID	11:00	Exports YoY	Dec	-5.76%	-8.31%	-8.56%
	ID	11:00	Imports YoY	Dec	-3.81%	0.64%	3.29%
Tuesday 16 – Jan.	US	20:30	Empire Manufacturing	Jan	-43.7	-2.9	-14.5
	GE	14:00	CPI YoY	Dec F	3.7%	—	3.7%
	JP	06:50	PPI YoY	Dec	0.0%	-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



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

Telp : +62 22 860 22122

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

Telp : +62 411 360 4650

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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