

Morning Brief

Today's Outlook:

US ECONOMIC INDICATORS: Initial Jobless Claims data showed the number of US people filing unemployment claims dropped 16k to 187k in the week ending January 13, the lowest point since September 2022. The data which surprisingly missed the forecast of 207k and was lower than 203k in the previous period further emphasized the strength of the labor market which risks spurring wage growth and dashed expectations of an interest rate cut in 2024. For the chance of a 25 bps pivot occurring in March, the probability has dropped to 55.9% (from 69.3% in the previous week), and the higher speculation of a pivot might even be realized at the May FOMC Meeting with a 45.7% chance (up from 30.5% in the previous week), as reported by Investing.com's Fed Rate Monitor Tool. Atlanta Fed President Raphael Bostic said on Thursday that he is advancing the timetable regarding the expected pivot in the third quarter of this year from the fourth quarter, citing unexpected progress in US inflation and economic activity. Speaking of US economic activity, the Philadelphia Fed Manufacturing Index, which surveys 250 manufacturing firms in the state of Philadelphia, continued to show relative pessimism over general business conditions in the region. Later in the week, market participants will monitor Existing Home Sales (Dec.) figures as well as the University of Michigan's well-regarded Inflation & Consumer Sentiment expectations on these factors in the next 6 months.

COMMODITIES: Energy stocks slip despite jump in oil prices as fears about weaker demand were eased after the International Energy Agency rolled out a stronger growth forecast for oil demand. The IEA said it now sees global oil consumption will rise by 1.24 million barrels per day in 2024, up by 180,000 bpd from its previous projection. Adding to sentiment on oil prices, U.S. weekly crude inventories fell more than expected, though gasoline and distillate stockpiles surprised to the upside.

ASIAN & EUROPE MARKETS: Today, Japanese consumer inflation eased as expected in December, furthering bets that the Bank of Japan will keep its ultra-dovish policy largely unchanged when it meets in the coming week. This weakening trend in Japan's CPI is reflected in Nov's Industrial Production activity which was contracted. From Europe, UK Retail Sales and German PPI will be the focus of attention for market participants today.

Corporate News

Medco Energi (MEDC) Will Issue Bonds Worth IDR 1.5 Trillion PT Medco Energi Internasional Tbk (MEDC) plans to issue debt securities in the form of bonds. This oil and gas producer will offer Sustainable Bonds V Medco Energi Internasional phase II in 2024 with a principal amount of IDR 1.5 trillion. This is part of the fundraising through the issuance of Sustainable Bonds V Medco Energi Internasional with a target fund to be raised of IDR 5 trillion. In the prospectus published on the Indonesia Stock Exchange, Thursday (18/1), this bond consists of 3 series. First, Series A with an issuance value of IDR 208.85 billion and a fixed interest rate of 7.35% per year. The tenor of Series A bonds is 3 years from the date of issuance. Second, Series B bonds with the total value offered is IDR 427.95 billion. Series B bonds have a fixed interest rate of 7.90% and a 5-year tenor. Third, Series C bonds with an emission value of IDR 863.19 billion with a fixed interest rate of 8.50% per year. The term of Series C Bonds is 7 years MEDC will use the proceeds from this bond for two purposes. First, to pay off the outstanding amount of bonds that will mature in 2024. Second, MEDC will also use the proceeds to purchase US dollar-denominated bonds from bondholders through the secondary market issued by MEDC's subsidiary, Medco Platinum Road Pte. Ltd, for partial repayment purposes. (Kontan)

Domestic Issue

Government Debt Ratio at the End of 2023 when Debt Jumps to IDR 8,144.69 Trillion The amount of government debt increased again to IDR 8,144.69 trillion in December 2023. In the previous period, government debt was recorded to have risen to IDR 8,041.01 trillion in November 2023. The ratio of government debt to gross domestic product (GDP) has also increased, from 38.11 in November 2023 to 38.59 in December 2023. The Ministry of Finance (Kemenkeu) in the January 2024 Edition of the APBN Kita Book stated that the level of the debt ratio in December 2023 was lower than the end of 2022 which amounted to 39.70% of GDP, as well as from the peak of the Covid-19 pandemic at the end of 2021 which amounted to 40.74% of GDP. The composition of government debt is dominated by domestic debt, with the proportion reaching 71.73%. Based on the instrument, the composition of government debt is mostly in the form of Government Securities (SBN) which reached 88.16%. Meanwhile, based on ownership, banks are recorded as the largest owners of domestic SBN, reaching 26.51%, followed by insurance companies and pension funds holding around 18.47%. (Bisnis)

Recommendation

US10YT managed to break MA50 Resistance, making yield 4.125% the closest Support at the moment. It seems to be smoothly heading towards the Target yield: 4.258%. ADVISE: AVERAGE UP accordingly.

On the contrary, ID10YT seems less confident to continue this bullish swing and the position above MA10 seems hesitant to stay above the yield of 6.684%. One step away from reaching Resistance from the previous High level of 6.75%, which if able to be broken will actually open the way for strengthening towards the TARGET yield of 6.948% - 6.962%. ADVISE: AVERAGE UP accordingly.

PRICE OF BENCHMARK SERIES

FRO090	: 96.62 (+0.07%)
FRO091	: 98.63 (-0.03%)
FRO094	: 96.02 (+0.11%)
FRO092	: 102.66 (-0.02%)
FRO086	: 98.28 (+0.04%)
FRO087	: 99.40 (+0.10%)
FRO083	: 106.19 (-0.03%)
FRO088	: 95.88 (+0.03%)

CDS of Indonesia Bonds

CDS 2yr:	-3.43% to 32.33
CDS 5yr:	-2.74% to 75.69
CDS 10yr:	-2.70% to 133.52

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.71%	0.00%
USDIDR	15,620	-0.13%
KRWIDR	11.67	0.29%

Global Indices

Index	Last	Chg.	%
Dow Jones	37,468.61	201.94	0.54%
S&P 500	4,780.94	41.73	0.88%
FTSE 100	7,459.09	12.80	0.17%
DAX	16,567.35	135.66	0.83%
Nikkei	35,466.17	(11.58)	-0.03%
Hang Seng	15,391.79	114.89	0.75%
Shanghai	2,845.78	12.17	0.43%
Kospi	2,440.04	4.14	0.17%
EIDO	22.19	0.06	0.27%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,023.3	17.1	0.85%
Crude Oil (\$/bbl)	74.08	1.52	2.09%
Coal (\$/ton)	128.90	(0.60)	-0.46%
Nickel LME (\$/MT)	16,156	77.0	0.48%
Tin LME (\$/MT)	25,357	124.0	0.49%
CPO (MYR/Ton)	3,895	80.0	2.10%

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	\$1,960M	\$2,412M
	ID	11:00	Exports YoY	Dec	-5.76%	-8.39%	-8.56%
	ID	11:00	Imports YoY	Dec	-3.81%	0.22%	3.29%
Tuesday 16 – Jan.	US	20:30	Empire Manufacturing	Jan	-43.7	-5.0	-14.5
	GE	14:00	CPI YoY	Dec F	3.7%	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	0.6%	0.4%	0.3%
	US	21:15	Industrial Production MoM	Dec	0.1%	-0.1%	0.2%
	CH	09:00	GDP YoY	4Q	5.2%	5.3%	4.9%
	CH	09:00	Industrial Production YoY	Dec	6.8%	6.6%	6.6%
	CH	09:00	Retail Sales YoY	Dec	7.4%	8.0%	10.1%
	ID	14:20	BI-Rate	Jan 17	6.00%	6.00%	6.00%
	EC	17:00	CPI YoY	Dec F	2.9%	2.9%	2.9%
Thursday 18 – Jan.	US	20:30	Housing Starts	Dec	1,460K	1,415K	1,560K
	US	20:30	Initial Jobless Claims	Jan 13	187K	—	202K
	JP	06:50	Core Machine Orders MoM	Nov	-4.9%	-0.8%	0.7%
	JP	11:30	Industrial Production MoM	Nov F	-0.9%	—	-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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