

Morning Brief

Daily | January 30, 2024

Today's Outlook:

US MARKETS: US Treasury yields declined, following the easing of concerns over planned US Treasury borrowing levels, from a previous USD 816 billion down to USD 760 billion. The Federal Reserve's FOMC Meeting will commence on Tuesday, which is expected to result in a decision to hold interest rates at current levels; furthermore, investors will be on the lookout for clues regarding a rate cut. In addition, market participants will also closely monitor the JOLTS job opening and Consumer Confidence data on the same day, where the US is expected to create 8.75m new jobs in December and consumers have a more optimistic view of the business world in January; before being followed by ADP Nonfarm Payroll and Initial Jobless Claims on Wednesday & Thursday.

ASIA & EUROPE MARKETS: Prior to all that data, Japan will start this morning with their labor & unemployment rate data for December, which is not expected to change much from the previous month. European stocks also hit a 2-year high yesterday as the same optimism over Fed rate cuts and other central banks around the world colored market sentiment. The MSCI all-country world index stock market rally kicked off a week loaded with earnings reports of major companies, European Inflation figures, as well as the Bank of England meeting. As for the Euro currency, it plummeted to an almost 7-week low as optimism grows over interest rate cuts this year. The Dollar Index also retreated regularly, along with the 10-year US Treasury yield which dropped 8.6bps to 4.074% yield, while the 10-year German bund as a benchmark for European bonds, slipped 0.8bps to 2.230% yield. Asian markets also went north as the Chinese government launched measures to stabilize their market amid negative sentiment due to the Hong Kong court liquidating Chinese property giant Evergrande. At the same time, hedge funds executed a massive buying spree on shares of Chinese companies, even at a 5-year high over the past 3 days, thanks to the stock market rescue package launched by the Chinese government. The important data from continental Europe today is the preliminary German GDP 4Q23 estimate, where the economy still contracted 0.2% yoy, slightly improved from -0.4% in the previous quarter. Later in the afternoon, the same GDP estimate will be announced by the Eurozone where 4Q23 economic growth is also forecast to be little changed from the previous quarter.

COMMODITIES: OIL prices fell more than 1 Dollar as news of China's property market turmoil sparked fears on global fuel demand, making traders re-evaluate the risk premium from escalating Middle East conflicts. On the other hand, GOLD prices closed 0.4% higher at USD 2025.4/ounce.

Corporate News

Central Proteina (CPRO) Ready to Expand After Paying Off Bond Debt PT Central Proteina Tbk (CPRO) has paid off all of its Tranche A debt from the Senior Facility Agreement (SFA), the result of the 2021 bond restructuring. This repayment is done ahead of the maturity date. Proteina Prima President Director Hendri Laiman said that all CPRO debt was paid on December 15, 2023. This is two years ahead of the debt maturity period, which is in 2025. "This is in line with the improvement in CPRO's performance and is supported by the high interest of aquaculture farmers and the growing consumption of seafood," he explained in his statement, Monday (29/1). As for after the repayment of Tranche A debt from the Senior Facility Agreement, CPRO still has to pay off Tranche B debt from the Senior Facility Agreement with a total of USD 16 million or around IDR 250 billion which will mature in 2026. For this reason, Hendri said that his party will remain focused on increasing sales in the seafood product segment and the aquaculture feed as well as animal food business segments. (Kontan)

Domestic Issue

Debt Financing Through SBN 2024 Can Be Lower, This is What Economists Say Economists revealed that the government can reduce debt financing through Government Securities (SBN), which is pegged at IDR 666 trillion in 2024 to meet the needs of the State Budget (APBN). The target even increased by 115% from the realization of the 2023 SBN issuance, which was valued at IDR 308 trillion. Chief Economist of PT Bank Permata Tbk (BNLI) Josua Pardede sees that the government's financing needs should be lower due to the availability of the Budget Surplus Balance (SAL). Moreover, the government buffer is getting thicker with the presence of Silpa in 2023 worth IDR 11.9 trillion. Not only that, the government's plan to collect excise on plastics and sugar-sweetened beverages in packaging (MBDK), should be able to substitute additional state revenue for the risk of deficits from tobacco excise revenue (CHT). Josua further explained that the potential deficit in state revenue also comes from the impact of China's economic conditions which are predicted to slow down in 2024. In line with this, the need for government spending continues to increase. Given the five-year democratic party to the construction of IKN. "We expect the government deficit to be around 2.00%-2.25% of GDP," said Josua. In terms of SBN demand, Josua believes that in line with expectations of lower global central bank interest rates, demand from foreign investors will be able to increase in mid-2024, although at the beginning of the year this demand will still tend to be limited. Thus, the limited foreign investors will be a potential suppressor of yield movements at the beginning of this year. However, he estimates that at least in the second half of the year, foreign investors have the potential to buy in the domestic bond market, in line with the increase in risk-on sentiment ahead of the Fed's interest rate cut. (Bisnis)

Recommendation

US10YT is testing the Support lower channel (Uptrend) as well as MA20 at a yield of 4.076%. If today the yield breaks below 4.060% then it will certainly continue to slide down to below the psychological level of 4% again. ADVISE: WAIT & SEE, prepare to reduce positions; although this could be an opportunity to BUY ON WEAKNESS as well.

Equally, ID10YT has not been able to move further from the 6.65% Resistance, instead it tends to weaken again towards the MA50 / 6.62% Support. Closing below MA50 will send ID10YT yield back to 6.585% area as Support from previous Low level. ADVISE: HOLD; WAIT & SEE, ready to reduce position.

PRICE OF BENCHMARK SERIES

FR0090 : 96.33 (+0.00%)
FR0091 : 98.57 (+0.08%)
FR0094 : 96.15 (+0.01%)
FR0092 : **102.21 (-0.07%)**

FR0086 : 98.52 (+0.05%)
FR0087 : 99.32 (+0.01%)
FR0083 : 106.16 (+0.05%)
FR0088 : 96.09 (+0.00%)

CDS of Indonesia Bonds

CDS 2yr: +0.27% to 32.88

CDS 5yr: +0.78% to 76.20

CDS 10yr: +0.07% to 134.68

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.64%	-0.01%
USDIDR	15,810	-0.06%
KRWIDR	11.84	-0.05%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,333.45	224.02	0.59%
S&P 500	4,927.93	36.96	0.76%
FTSE 100	7,632.74	(2.35)	-0.03%
DAX	16,941.71	(19.68)	-0.12%
Nikkei	36,026.94	275.87	0.77%
Hang Seng	16,077.24	125.01	0.78%
Shanghai	2,883.36	(26.87)	-0.92%
Kospi	2,500.65	22.09	0.89%
EIDO	21.57	0.22	1.03%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,033.2	14.7	0.73%
Crude Oil (\$/bbl)	76.78	(1.23)	-1.58%
Coal (\$/ton)	116.40	(10.70)	-8.42%
Nickel LME (\$/MT)	16,439	(346.0)	-2.06%
Tin LME (\$/MT)	26,329	(335.0)	-1.26%
CPO (MYR/Ton)	3,948	(69.0)	-1.72%

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	—	—	—	—	—	—	—
29 – Jan.	—	—	—	—	—	—	—
Tuesday	US	22:00	Conf. Board Consumer Confidence	Jan	112.5	110.7	110.7
30 – Jan.	JP	06:30	Jobless Rate	Dec	2.5%	2.5%	2.5%
Wednesday	US	20:15	ADP Employment Change	Jan	150K	164K	164K
31 – Jan.	CH	08:30	Manufacturing PMI	Jan	—	49.0	49.0
	KR	06:00	Industrial Production YoY	Dec	—	5.3%	5.3%
Thursday	US	02:00	FOMC Rate Decision (Upper Bound)	Jan 31	5.50%	5.50%	5.50%
1 – Feb.	US	02:00	FOMC Rate Decision (Lower Bound)	Jan 31	5.25%	5.25%	5.25%
	US	20:30	Initial Jobless Claims	Jan 27	—	214K	214K
	US	21:45	S&P Global US Manufacturing PMI	Jan F	—	50.3	50.3
	US	22:00	ISM Manufacturing	Jan	47.5	47.2	47.2
	CH	08:45	Caixin China PMI Mfg	Jan	—	50.8	50.8
	ID	07:30	S&P Global Indonesia PMI Mfg	Jan	—	52.2	52.2
	ID	11:00	CPI YoY	Jan	2.50%	2.61%	2.61%
	GE	15:55	HCOB Germany Manufacturing PMI	Jan F	—	45.4	45.4
	EC	16:00	HCOB Eurozone Manufacturing PMI	Jan F	—	46.6	46.6
	EC	17:00	CPI MoM	Jan P	-0.3%	0.2%	0.2%
Friday	US	20:30	Change in Nonfarm Payrolls	Jan	185K	216K	216K
2 – Feb.	US	20:30	Unemployment Rate	Jan	3.7%	3.7%	3.7%
	US	22:00	U. of Mich. Sentiment	Jan F	78.8	78.8	78.8
	US	22:00	Factory Orders	Dec	0.5%	2.6%	2.6%
	US	22:00	Durable Goods Orders	Dec F	—	0.0%	0.0%
	KR	06:00	CPI YoY	Jan	2.8%	3.2%	3.2%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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