

Morning Brief

Daily | February 16, 2024

Today's Outlook:

US MARKETS: The release of deeper-than-expected US Retail Sales data, fostering hopes that the Federal Reserve could start lowering interest rates in the next few months. The US Commerce Department reported US Retail Sales fell 0.8% mom in January (lower than economists' forecast of -0.2% and from the previous month's 0.4%) driven by sluggish vehicle and gas station sales. The data eased investors' concerns regarding the heating US Inflation released two days earlier, which gave the view that the strength of the US economy appears to be slowing slightly. The chance that a 25bps rate cut could happen in May rose to 40%, while the probability for June is higher at 79%, as reported by CME Group FedWatch Tool. On the other hand, the labor market is still showing signs of strength as the Labor Department reported Initial Jobless Claims for the week ending 10Feb, down to 212k, from 220k in the previous week and also lower than the forecast of 219k. In response to the above data, US Treasury yields retreated from their highs yesterday, where the 2-year US Treasury which is most sensitive to interest rate movements, inched down from the day's high yield at 4.576%. Goldman Sachs also immediately cut US economic growth in the first quarter of this year to 2.5%, from 2.9% in the previous estimate. And to top it all off, this Friday will see US Producer Price Index / PPI data (in addition to Building Permits, Housing Starts (Jan), as well as Michigan Consumer Expectations (Feb); which will give more clues on the US economy, with consensus US PPI 0.6% yoy in January, down from 1.0% in the previous month. Not to forget that corporate earnings sentiment is still part of the market drivers, where investors are optimistic that 80.3% of S&P500 companies have beaten earnings estimates, exceeding the annual average of 76%, as reported by LSEG data.

ASIA MARKETS: Japan officially fell into a technical recession after they announced 4Q23 GDP returned to negative 0.4% yoy, after contracting 3.3% in the previous quarter. However, there was growth in their Industrial Production in Dec, up 1.4% mom from minus 0.9% the previous month. Indonesia reported their 45th consecutive Trade Balance surplus at USD 2.0 billion, which fell short of expectations at USD 2.99 billion and was clearly much lower than the previous month at USD 3.3 billion; due to a plunge in Export growth of -8.06% yoy, greater than Import growth of only 0.36% yoy.

EUROPEAN MARKETS: A contraction in economic growth was also experienced for the first time by the UK since September 2021 or the 3rd quarter of 2021, where currently the UK 4Q23 GDP is at a level of -0.2% yoy, unexpectedly starting to fall into recession area from expectations of at least a positive 0.1%, although it is predicted to decline from the previous quarter of 0.2%. Industrial and Manufacturing Production which increased in Dec, and Labor Productivity which strengthened in Q3 have not been able to keep UK economic growth in the positive realm. Today the UK will report January Retail Sales which is also expected to be negative.

Corporate News

Prajogo Pangestu's Issuer TPIA Issues IDR 1.5 Trillion Bonds, Take a Peek at the Plan Prajogo Pangestu's petrochemical issuer PT Chandra Asri Pacific Tbk (TPIA) issued sustainable bonds phase IV in 2024 with a principal amount of IDR 1.5 trillion and a maximum interest of 8.75% per year. Reporting from the prospectus on Wednesday (14/2/2024), TPIA issued sustainable bonds phase IV of 2024 amounting to IDR 1.5 trillion as part of an ongoing public offering of bonds worth IDR 8 trillion. These bonds will be offered in three series. Series A has a principal amount of IDR 542.37 billion with a period of 3 years from the date of issuance. These bonds have a fixed interest rate of 7.95% per annum with the first interest payment made on June 1, 2024 and the last interest and principal maturity on March 1, 2027. Then, series B with a principal amount of IDR 416.80 billion with a period of 5 years. This series offers a fixed interest rate of 8.25% per annum. The last interest payment will be made on March 1, 2029. Finally, series C has the highest interest rate of 8.75% per year and will mature on March 1, 2031 or 7 years from the issuance date. Series C has a principal amount of bonds worth IDR 540.82 billion. Management revealed that the net funds obtained by TPIA from the proceeds of this bond, after deducting commissions, fees, and expenses, will be used entirely for working capital purposes, including the purchase of production raw materials and operational costs for business activities. (Bisnis)

Domestic Issue

Going Up Again! Indonesia's Foreign Debt Reached IDR 6,359 Trillion Throughout 2023 Indonesia's external debt (ULN) in the fourth quarter of 2023 was recorded at USD 407.1 billion or equivalent to IDR 6,359 trillion (exchange rate IDR 15,621 per US dollar), or grew 2.7% (yoy), an increase compared to the position of the previous quarter which grew 0.02% (yoy). Assistant Governor of Bank Indonesia and Communication Department Erwin Haryono noted that the increase was mainly sourced from public sector external debt transactions. In addition, the increase in the external debt position in the fourth quarter of 2020 was also influenced by the weakening of the US dollar against the majority of global currencies including the Rupiah. "Government external debt remains under control and is managed in a measured and accountable manner. The government's external debt position at the end of the fourth quarter of 2023 amounted to USD 196.6 billion or IDR 3,071 trillion, growing 5.4% (yoy) or an increase from the growth of 3.3% (yoy) in the previous quarter. The development of external debt was mainly due to the withdrawal of foreign loans, especially multilateral loans, to support the financing of several programs and projects. In addition, he said the increase in government external debt was also influenced by an increase in portfolio investment placements in the domestic and international Government Securities (SBN) market, in line with the positive sentiment of market participants' confidence in line with the easing of global financial market uncertainty. (Bisnis)

Recommendation

US10YT used MA10 as the first support at 4.175% yield to keep this bullish swing micro trend intact. TARGET yield: 4.332% - 4.437% for short term. ADVISE: HOLD, WAIT & SEE for averaging up.

ID10YT would try its best to stay above the third MOVING AVERAGE support (above the yield of 6.620% - 6.60%) to smoothen the bullish plan towards the TARGET yield of 6.75%. ID10YT has the possibility of forming an INVERTED HEAD & SHOULDERS (bullish reversal) pattern where the important Neckline level is located at 6.652% yield. ADVISE: BUY ON BREAK; or AVERAGE UP accordingly.

PRICE OF BENCHMARK SERIES

FR0090	: 96.70 (-0.04%)
FR0091	: 98.34 (-0.06%)
FR0094	: 96.38 (+0.04%)
FR0092	: 102.87 (-0.08%)
FR0086	: 98.68 (-0.06%)
FR0087	: 99.20 (-0.11%)
FR0083	: 106.19 (+0.02%)
FR0088	: 95.95 (-0.12%)

CDS of Indonesia Bonds

CDS 2yr	: -0.87% to 31.76
CDS 5yr	: -2.26% to 72.23
CDS 10yr	: -0.60% to 124.16

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.64%	-0.00%
USDIDR	15,595	0.00%
KRWIDR	11.73	0.16%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,773.12	348.85	0.91%
S&P 500	5,029.73	29.11	0.58%
FTSE 100	7,597.53	29.13	0.38%
DAX	17,046.69	101.21	0.60%
Nikkei	38,157.94	454.62	1.21%
Hang Seng	15,944.63	65.25	0.41%
Shanghai	2,865.90	36.21	1.28%
Kospi	2,613.80	(6.62)	-0.25%
EIDO	22.86	0.16	0.70%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,004.4	12.1	0.61%
Crude Oil (\$/bbl)	78.03	1.39	1.81%
Coal (\$/ton)	119.25	(0.50)	-0.42%
Nickel LME (\$/MT)	16,258	(88.0)	-0.54%
Tin LME (\$/MT)	27,293	(172.0)	-0.63%
CPO (MYR/Ton)	3,875	(73.0)	-1.85%

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.00%	6.00%	Real GDP	5.04%	4.94%
FX Reserve (USD bn)	145.10	146.40	Current Acc (USD bn)	-0.90	-1.90
Trd Balance (USD bn)	2.02	3.30	Govt. Spending Yoy	2.81%	-3.76%
Exports Yoy	-8.06%	-5.76%	FDI (USD bn)	4.86	5.14
Imports Yoy	0.36%	-3.81%	Business Confidence	104.82	104.30
Inflation Yoy	2.57%	2.61%	Cons. Confidence*	125.00	123.80

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	—	—	—	—	—	—	—
12 – Feb.	—	—	—	—	—	—	—
Tuesday	US	20:30	CPI YoY	Jan	3.1%	—	3.4%
13 – Feb.	ID	—	Consumer Confidence Index	Jan	125.05	—	123.8
	GE	17:00	ZEW Survey Expectation	Feb	19.9	—	15.2
	GE	17:00	ZEW Survey Current Situation	Feb	-81.7	—	-77.3
	JP	06:50	PPI YoY	Jan	0.2%	—	0.0%
Wednesday	EC	17:00	GDP SA QoQ	4Q P	0.0%	—	0.0%
14 – Feb.	EC	17:00	GDP SA YoY	4Q P	0.1%	—	0.1%
Thursday	US	20:30	Empire Manufacturing	Feb	-2.4	-15.1	-43.7
15 – Feb.	US	20:30	Retail Sales Advance MoM	Jan	-0.8%	0.1%	0.6%
	US	20:30	Initial Jobless Claims	Feb 10	212K	—	—
	US	21:15	Industrial Production MoM	Jan	-0.1%	0.4%	0.1%
	ID	11:00	Trade Balance	Jan	\$2,015M	—	\$3,307M
	ID	11:00	Exports YoY	Jan	-8.06%	—	-5.85%
	ID	11:00	Imports YoY	Dec	0.36%	—	-3.81%
	JP	06:50	GDP SA QoQ	4Q P	-0.1%	0.3%	-0.7%
	JP	11:30	Industrial Production MoM	Dec F	1.4%	—	1.8%
Friday	US	20:30	Housing Starts	Jan	—	1,468K	1,460K
16 – Feb.	US	20:30	PPI Final Demand MoM	Jan	—	0.1%	-0.1%
	US	22:00	U. of Mich. Sentiment	Feb P	—	80.0	79.0
	KR	06:00	Unemployment Rate SA	Jan	—	—	3.3%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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