

Morning Brief

Daily | February 23, 2024

Today's Outlook:

US MARKETS: Economic indicators showed the strength of the US economy as the latest week of Initial Jobless Claims was again released lower than expected (actual: 201k versus forecast: 217k, and also lower than the previous period: 213k). This data came out a day after the minutes of the Fed's January meeting which indeed still maintains high interest rates higher for longer in the near future. In addition, the US PMI data also showed that manufacturing activity expanded further in February, while the services sector slowed somewhat. Existing Home Sales saw a slight increase for January, showing the health of the US property sector is fairly stable. In light of the above economic indicators, it is not surprising that the 10-year US Treasury yield rose to a 3-month high of 4.35%, amid market expectations for the Fed to cut interest rates soon. It is possible that the expected first pivot will be pushed back to July, which turns out to be more likely than previous months, one of a series of planned cuts of around 80bps this year.

ASIA & EUROPE MARKETS: Speaking of yesterday's PMIs, Japan reported preliminary data from au Jibun Bank Japan Manufacturing & Services PMI which was still slow in February. Meanwhile in neighboring South Korea, interest rates remained at 3.5%. A number of PMI data in Europe also explained that manufacturing & services sector activity was still struggling in contractionary territory, except for the HCOB Eurozone Services PMI (Feb) which finally began to cross over to the expansionary border (exactly at 50), a performance not seen since September 2023. On the other hand, the UK showed a stronger Composite PMI, while the slowdown in the manufacturing sector was helped by services activity there. More good news from the Eurozone: they managed to control the inflation rate as expected, reaching 2.8% yoy in January, slightly down from 2.9% in the previous month. This afternoon will be monitored Germany's GDP figures which still seems unable to get out of the recessionary realm as consensus expects Germany's economic growth in the 4th quarter of last year to be at a level of minus 0.2% yoy, although it is expected to improve slightly from the previous quarter - 0.4%.

COMMODITIES: OIL futures prices closed higher on Thursday as security threats in the Red Sea continued due to Houthi militants' incursions into nearby Yemeni territory; on the one hand, bulging crude oil inventories offset sentiment. Brent oil futures closed up 0.77% to USD 83.67/barrel, while US WTI gained 0.9% to USD 78.61/barrel. Israeli Military Radio reported yesterday that Prime Minister Benjamin Netanyahu's cabinet has agreed to send negotiators to Gaza for ceasefire discussions to take place in Paris. Meanwhile, Houthi attacks on commercial vessels in the Red Sea escalated to include armed submarines, in an attempt to show support for the Palestinian side of the Gaza war. Speaking of other commodities, ALUMINIUM & NICKEL were seen rallying 1.8% and 1.3% respectively after US President Joe Biden plans to impose major sanctions on Russia following the death of opposition leader Alexey Navalny.

Corporate News

Bank Panin Ready to Pay Off IDR 2.4 Trillion Bonds PT Bank Pan Indonesia Tbk (PNBN) or Bank Panin will pay principal and interest on bonds to holders of Subordinated Shelf Registration Bonds II Phase II in 2017. "The principal value of the bonds is IDR 2.4 trillion and we convey that Bank Panin has prepared funds to pay off the principal and interest on the bonds to shareholders," said Bank Panin President Director Herwidayatmo in his official statement, quoted on Thursday (22/2). According to the announcement published on the official website of the Indonesia Stock Exchange (IDX), Bank Panin said that the funds for the repayment of the bonds in question are currently placed in Indonesian government bond instruments or Government Securities (SBN). As information, Bank Panin posted a net profit of Rp 2.8 trillion until the third quarter of 2023, an increase of 13.01% from the same period the previous year of Rp 2.51 trillion. However, until this news was written, the company had not submitted a financial report for the fourth quarter of 2023. (Katadata)

Domestic Issue

Rupiah Slumps 1.39%, SBN Market Experiences IDR 2.65 Trillion Outflow Minister of Finance Sri Mulyani Indrawati said that the performance of financial markets is still quite dynamic. This was influenced by expectations of lower interest rates and capital flows around the world which are still quite volatile. Sri Mulyani said that the rupiah exchange rate recorded a depreciation of 1.39% year-to-date, but was still better than the weakening of the currencies of several other countries. "It is still relatively good or within the range of many countries that have experienced deeper depreciation, such as Thailand, Malaysia, and Korea," she said in the APBN Kita press conference, Thursday (22/2/2024). In terms of fund flows, there was a capital inflow of IDR 18.24 trillion in the domestic financial market until February 19, 2024. If detailed, the Government Securities (SBN) market experienced an outflow of IDR 2.65 trillion, while in the stock market inflow was IDR 20.89 trillion. Meanwhile, Sri Mulyani said, the level of yield or yield on SBN until now is relatively stable, which is supported by good, credible, and prudent APBN management. "So that we are still able to keep the SBN yield at a relatively low level, even the spread against the US dollar is very tight. This illustrates the trust in the state budget from bondholders," he explained. (Bisnis)

Recommendation

US10YT has been stable above its MA10 but has not shown any significant movement above the crucial yield resistance of 4.332%. ADVISE: WAIT & SEE, AVERAGE UP accordingly, while monitoring Support yield 4.30%

ID10YT tries again to rise above Resistance yield of 6.652%, as it confirms the INVERTED HEAD & SHOULDERS (bullish reversal) pattern which will make the yield fly towards TARGET: 6.75% (for short-term), or even towards a yield of 6.95% - 6.96%. ADVISE: WAIT & SEE, wait for solid break out to AVERAGE UP.

PRICE OF BENCHMARK SERIES

FR0090 : 96.73 (+0.07%)
FR0091 : 98.72 (+0.23%)
FR0094 : 96.90 (+0.01%)
FR0092 : 102.68 (+0.05%)

FR0086 : 98.62 (-0.03%)
FR0087 : 99.65 (+0.18%)
FR0083 : 106.28 (+0.13%)
FR0088 : 96.25 (+0.18%)

CDS of Indonesia Bonds

CDS 2yr: -4.11% to 30.33
CDS 5yr: -3.75% to 68.98
CDS 10yr: -3.27% to 119.41

Government Bond Yields & FX

| | Last | Chg. |
|----------------|--------|--------|
| Tenor: 10 year | 6.57% | -0.02% |
| USDIDR | 15,590 | -0.29% |
| KRWIDR | 11.73 | 0.17% |

Global Indices

| Index | Last | Chg. | % |
|-----------|-----------|--------|-------|
| Dow Jones | 39,069.11 | 456.87 | 1.18% |
| S&P 500 | 5,087.03 | 105.23 | 2.11% |
| FTSE 100 | 7,684.49 | 21.98 | 0.29% |
| DAX | 17,370.45 | 252.33 | 1.47% |
| Nikkei | 39,098.68 | 836.52 | 2.19% |
| Hang Seng | 16,742.95 | 239.85 | 1.45% |
| Shanghai | 2,988.36 | 37.40 | 1.27% |
| Kospi | 2,664.27 | 10.96 | 0.41% |
| EIDO | 22.83 | 0.13 | 0.57% |

Commodities

| Commodity | Last | Chg. | % |
|--------------------|---------|---------|--------|
| Gold (\$/troy oz.) | 2,024.4 | (1.6) | -0.08% |
| Crude Oil (\$/bbl) | 78.61 | 0.70 | 0.90% |
| Coal (\$/ton) | 119.40 | 0.00 | 0.00% |
| Nickel LME (\$/MT) | 17,392 | 462.0 | 2.73% |
| Tin LME (\$/MT) | 26,170 | (126.0) | -0.48% |
| CPO (MYR/Ton) | 3,839 | (24.0) | -0.62% |

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) | -1.29 | -0.90 |
| 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 | JP | 06:50 | Core Machine Orders MoM | Dec | 2.7% | 2.6% | -4.9% |
| 19 – Feb. | JP | 06:50 | Core Machine Orders YoY | Dec | -0.7% | -1.4% | -5.0% |
| Tuesday | US | 22:00 | Leading Index | Jan | -0.4% | -0.3% | -0.1% |
| 20 – Feb. | JP | 12:00 | Tokyo Condominium for Sale YoY | Jan | 56.6% | — | 3.8% |
| Wednesday | US | 19:00 | MBA Mortgage Applications | Feb 16 | -10.6% | — | -2.3% |
| 21 – Feb. | ID | 14:20 | BI Rate | Feb 21 | 6.00% | 6.00% | 6.00% |
| | EC | 22:00 | Consumer Confidence | Feb P | -15.5 | -15.8 | -16.1 |
| Thursday | US | 02:00 | FOMC Meeting Minutes | Jan 31 | — | — | — |
| 22 – Feb. | US | 20:30 | Initial Jobless Claims | Feb 17 | 201K | — | 212K |
| | US | 21:45 | S&P Global US Manufacturing PMI | Feb P | 51.5 | 50.1 | 50.7 |
| | US | 22:00 | Existing Home Sales | Jan | 4.00M | 3.97M | 3.78M |
| | ID | 10:00 | BoP Current Account Balance | 4Q | -\$1,290M | — | -\$900M |
| | GE | 15:30 | HCOB Germany Manufacturing PMI | Feb P | 42.3 | 46.5 | 45.5 |
| | EC | 16:00 | HCOB Eurozone Manufacturing PMI | Feb P | 46.1 | 47.0 | 46.6 |
| | EC | 17:00 | CPI YoY | Jan F | 2.8% | 2.8% | 2.8% |
| | KR | — | BOK Base Rate | Feb 22 | 3.50% | — | 3.50% |
| | JP | 07:30 | Jibun Bank Japan PMI Mfg | Feb P | 47.2S | — | 48.0 |
| Friday | CH | 08:30 | New Home Prices MoM | Jan | — | — | -0.45% |
| 23 – Feb. | GE | 14:00 | GDP SA QoQ | 4Q F | — | -0.3% | -0.3% |

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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United States 10-Year, United States, NYSE:US10YT=X, D



Indonesia 10 Years Treasury

Published on Investing.com, 23/Feb/2024 - 0:51:42 GMT, Powered by TradingView.
Indonesia 10-Year, Indonesia, Jakarta:ID10YT=RR, D



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