

Morning Brief

Daily | February 05, 2024

Today's Outlook:

US MARKET: A spike in US Treasury yields after Federal Reserve Chairman Jerome Powell's remarks further dampened hopes of an imminent interest rate cut. In a Sunday interview with a CBS TV show, Powell said that the resilient US economy could provide more time for Fed officials to seek a more cautious approach to rate cuts. Powell also said that they need to see data that confirms the path of inflation is actually sloping towards the 2% target. This view automatically pushed US Treasury yields higher, especially for the 2-year tenor where the yield jumped to a 1-month high of 4.483%, the Dollar Index also climbed up after touching a 12-week high of 104.6, while market participants now only predict a 16% chance of a rate cut being realized in March, far below the initial euphoria of 80% at the beginning of this year, and there are also now expected to be 5 rate cuts this year compared to 6 in the initial forecast. Speaking of economic indicators, the US Composite PMI (Jan) held in expansionary territory with the services sector (non-manufacturing) proving the most robust.

ASIA & EUROPE MARKET: Speaking of economic data, Japan and China also reported Services PMI (Jan) which both are still growing in expansionary areas; while from the European continent: only the UK managed to report Composite PMI moving in expansionary areas while Germany and Eurozone are still trying to get out of the contraction zone. Eurozone released PPI (Dec) where deflation widened to -10.6% yoy, from -8.8% in the previous month and was the biggest deflation in 3 months. For today, market participants are monitoring Household Spending from Japan which in December proved that household spending still dropped 2.5%. Later in the afternoon, German Factory Orders (Dec), S&P Global UK Construction PMI (Jan), and Retail Sales from Eurozone for Dec are expected to remain weak at -0.9% yoy, compared to -1.1% in the previous month.

COMMODITIES: Oil prices rose for the first time in four trading sessions on renewed concern over the widening Middle East conflict after the US pounded Iran-linked gangs in Iraq, Syria and Yemen. In Russia, two Ukrainian drones attacked the largest oil refinery in southern Russia on Saturday, according to a Reuters source; the latest in a series of remote attacks on Russian oil facilities, which has led it to reduce exports of naphtha, a petrochemical feedstock. Brent crude oil closed 0.9% higher, at \$78.22 per barrel and US WTI crude oil closed at \$72.78 per barrel, up 0.7%. In other commodity sectors, spot GOLD prices were down 0.7% and gold futures were down 0.5% at \$2,042.90.

INDONESIA MARKET: Indonesia recorded 4Q23 economic growth of 5.04% yoy, exceeding consensus expectation of 5.0% and higher than Q3 at 4.94% supported by domestic spending. On a full year basis, the 2023 GDP stood at 5.05% and surpassed the projections of a number of institutions although the economic growth in 2023 is slower than the 2022 economic growth of 5.31%.

Corporate News

Refinancing, Merdeka Copper (MDKA) Issues IDR 1.5 Trillion Bonds Merdeka Copper Gold (MDKA), will issue bonds of IDR 1.5 trillion. The issuance of Merdeka Copper Gold Phase V Sustainable Bonds IV in 2024 is part of the ongoing public offering (PUB) of Merdeka Copper Gold Sustainable Bonds IV with a maximum of IDR 15 trillion. Previously, the issuer of gold and copper producers made by Sandianga Uno, had issued bonds with a total value of IDR 10.25 trillion. This time, the bonds will be issued in two series. First, Series A bonds with a principal amount of IDR 750 billion. Series A bonds have a fixed interest rate of 7.25 percent per year, with a period of 367 calendar days from the date of issuance. Second, Series B bonds worth IDR 750 billion and a fixed interest rate of 9.00 percent per year. These bonds have a tenor of 3 years from the date of issuance. The first interest payment will be on May 23, 2024. The last interest payment and bond repayment will be on March 2, 2025 for Series A bonds, and February 23, 2027 for Series B bonds. All proceeds from the bond public offering will be used to refinance maturing bonds. (Emiten News)

Domestic Issue

Government Bags IDR 11.15 Trillion from SBSN Auction Monday (5/2) The Directorate General of Financing and Risk Management of the Ministry of Finance (DJPPR Kemenkeu) pocketed funds worth IDR 11.15 trillion from the auction of State Sharia Securities (SBSN) on Monday (5/2/2024). Later, the funds will be used to fulfill part of the financing target in the 2024 State Budget. Meanwhile, the Ministry of Finance's DJPPR has conducted an auction of 7 SBSN series, namely the State Treasury Securities-Syariah (SPN-S) and Project Based Sukuk (PBS) series, with a total incoming bid of IDR 23.64 trillion. "The total incoming bid amounted to IDR 23.64 trillion. While the total nominal won from the seven series offered was IDR 11.15 trillion," wrote the Ministry of Finance's DJPPR Monday, (5/2/2024). In detail, the SPN-S series auctioned are SPNS05082024 and SPNS03112024 with a discount coupon rate and maturity of 2024. The SPN-S series has a non-competitive purchase allocation of a maximum of 75% of all auctions won. Meanwhile, the Project Based Sukuk series that will be auctioned are offered in 5 series, namely PBS032, PBS030, PBS004, PBS039, PBS038. (Bisnis)

Recommendation

US10YT surged back and is right at the trendline resistance at 4.155% yield, in a moment of determination whether the yield is able to go even higher towards the TARGET level of previous High 4.20% and close to 4.4%. ADVISE: Average Up accordingly

ID10YT finally broke the resistance and is expected to aim for the TARGET of the previous High level of 6.75%, before heading towards a yield of 6.948%-6.962%. ADVISE : Average Up accordingly

PRICE OF BENCHMARK SERIES

FR0090 : 96.68 (+0.00%)
FR0091 : **98.85 (-0.29%)**
FR0094 : **96.34 (-0.07%)**
FR0092 : **102.98 (-0.35%)**

FR0086 : **98.53 (-0.13%)**
FR0087 : **99.39 (-0.53%)**
FR0083 : **106.27 (-0.28%)**
FR0088 : 96.86 (+0.00%)

CDS of Indonesia Bonds

CDS 2yr: +2.19% to 33.12

CDS 5yr: +0.77% to 74.95

CDS 10yr: +1.47% to 129.40

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.61%	0.08%
USDIDR	15,705	0.30%
KRWIDR	11.80	-0.35%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,380.12	(274.30)	-0.71%
S&P 500	4,942.81	(15.80)	-0.32%
FTSE 100	7,612.86	(2.68)	-0.04%
DAX	16,904.06	(14.15)	-0.08%
Nikkei	36,354.16	196.14	0.54%
Hang Seng	15,510.01	(23.55)	-0.15%
Shanghai	2,702.19	(27.97)	-1.02%
Kospi	2,591.31	(24.00)	-0.92%
EIDO	21.89	(0.17)	-0.77%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,025.1	(14.7)	-0.72%
Crude Oil (\$/bbl)	72.78	0.50	0.69%
Coal (\$/ton)	119.00	2.25	1.93%
Nickel LME (\$/MT)	16,020	(215.0)	-1.32%
Tin LME (\$/MT)	24,836	(714.0)	-2.79%
CPO (MYR/Ton)	3,802	38.0	1.01%

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)	146.40	138.10	Current Acc (USD bn)	-0.90	-1.90
Trd Balance (USD bn)	3.31	2.41	Govt. Spending Yoy	2.81%	-3.76%
Exports Yoy	-5.85%	-8.56%	FDI (USD bn)	4.86	5.14
Imports Yoy	-3.81%	3.29%	Business Confidence	104.82	104.30
Inflation Yoy	2.57%	2.61%	Cons. Confidence*	123.80	123.60

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	US	21:45	S&P Global US Composite PMI	Jan F	52.0	—	52.3
5 – Feb.	CH	08:45	Caixin China PMI Composite	Jan	52.5	—	52.6
	ID	11:00	GDP YoY	4Q	5.04%	4.98%	4.94%
	KR	04:00	Foreign Reserves	Jan	\$415.76B	—	\$420.15B
Tuesday	GE	14:00	Factory Orders MoM	Dec		—	0.3%
6 – Feb.	EC	17:00	Retail Sales YoY	Dec		—	-1.1%
Wednesday	US	20:30	Trade Balance	Dec		-\$62.3B	-\$63.2B
	ID	10:00	Foreign Reserves	Jan		—	\$146.40B
	GE	14:00	Industrial Production SA MoM	Dec		—	-0.7%
	KR	06:00	BoP Current Account Balance	Dec		—	\$4,059.7M
Thursday	US	20:30	Initial Jobless Claims	Feb 3		—	224K
8 – Feb.	CH	08:30	PPI YoY	Jan		-2.6%	-2.7%
	CH	08:30	CPI YoY	Jan		-0.5%	-0.3%
	JP	06:50	BoP Current Account Balance	Dec		¥1,007.7B	¥1,925.6B
Friday	CH	—	Money Supply M2 YoY	Jan		9.2%	9.7%
9 – Feb.	GE	14:00	CPI YoY	Jan F		—	2.9%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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