

Morning Brief

Daily | February 07, 2024

Today's Outlook:

US MARKETS: Minneapolis Fed President Neel Kashkari said that the US central bank is not yet done dealing with inflation although it must be recognized that the 3-month and 6-month inflation trends have leveled off quickly to around the Fed's target of 2%. Other Fed officials stated that they are not ready to determine when is the right time to ease their monetary policy amidst the uncertain pace of Inflation. On the other hand, it is felt that the Fed needs to leave the era of higher interest rates for longer as pressure on banks and commercial real estate property owners has been detected, which is an issue that was also raised by US Treasury Secretary Janet Yellen on Tuesday, although she believes the situation is still safely under control with the help of bank regulators. Meanwhile, earnings sentiment also remains a concern for market participants, where more than half of S&P500 companies have now released their 2023 results, with 81.2% of them beating expectations (as reported by LSEG data). Overall, profits of these S&P500 companies are expected to grow 8.1% yoy in 4Q/2023. Later tonight, the US Trade Balance figures will be monitored with a focus on Export - Import developments from the world's number one economy.

COMMODITIES: Brent & US WTI OIL futures prices rallied more than USD1/barrel respectively on Tuesday after the US Energy Department said that US crude oil production would not meet expectations; however, prices soon fell back after talk of an extension of the Israel - Hamas war ceasefire. Brent futures settled at USD78.59/barrel, up 0.77%; while US WTI futures closed at USD73.51/barrel after rising 0.73%. In its short-term energy outlook report, the US Energy Department expects US crude oil production to increase by 170k barrels/day (bpd) this year, down from the previous forecast of 290k bpd. The latest weekly report from the American Petroleum Institute has just released that US crude stockpiles only increased by 674k barrels, failing to meet the estimate of 2.1 million barrels, after stocks plunged by 2.5 million barrels in the previous week. Today there will be another report from the Energy Information Administration (EIA) measuring weekly changes in commercial crude oil stored by US oil companies. Inventory levels affect the price of petroleum products, which can impact inflation.

EUROPE & ASIA MARKETS: Germany reported Factory Orders (Dec.) grew by a robust 8.9% mom versus projections of minus 0.1% and the previous month's 0% growth. Construction PMI in Germany and the Eurozone was suspected to be sluggish in January, while the UK managed to record better Construction PMI (Jan.) growth and headed into expansionary territory. Eurozone Retail Sales for December were observed to remain weak with negative growth of 0.8% yoy, worsening from November at minus 0.4%. A number of economic indicators will be monitored from continental Europe today where the UK property sector and German Industrial Production will be in the spotlight. From the Asian continent, it is the turn of Indonesia and China to report their USD denominated Foreign Exchange Reserves today.

Corporate News

Wijaya Karya (WIKA)'s Steps After the AGM Failed to Reach Quorum PT Wijaya Karya (Persero) Tbk (WIKA) will continue to try to convince sukuk holders to approve its restructuring measures, after the company's General Meeting of Sukuk Holders (GMSU) held recently failed to reach a quorum. WIKA held its AGM in Jakarta on January 31, 2024. WIKA Corporate Secretary Mahendra Vijaya said the meeting was the company's effort to reach an agreement, as well as obtain support from sukuk holders for the current restructuring measures. However, the meeting, which was attended by 453.35 billion votes or 90.67% of the number of sukuk that have not been repaid, failed to reach an agreement on the two alternative proposed schemes presented by WIKA. "In connection with the failure to reach an agreement with sukuk holders, the company will continue to strive to maintain between WIKA's efforts and the aspirations of sukuk holders," Mahendra told Bisnis, Tuesday (6/2/2024). The first alternative proposal presented by WIKA is that the sukuk holders accept the company's explanation for the negligence of the mudharabah sukuk payment, and give the company time to fix it no later than February 29, 2024. Regarding this proposal, the number of votes of sukuk holders who disagreed reached 147 billion votes or represented 32.43%. Meanwhile, the number of votes approving the first proposal reached 306.35 billion votes or 67.57%. The second proposal is that sukuk holders do not accept the company's explanation and do not agree to any relaxation or correction of negligence in the repayment of sukuk funds. As a result, 67.57% of the votes were rejected, while 32.43% of sukuk holders agreed. (Bisnis)

Domestic Issue

Government Debt by End of 2023 Reaches IDR 8,114 Trillion Total government debt soared, breaking above IDR 8,000 trillion by the end of December 2023. Based on the APBN KiTa report, total government debt reached IDR 8,114 trillion as of December 31, 2023, an increase of IDR 90.49 trillion compared to the previous month which reached IDR 8,041 trillion. Finance Minister Sri Mulyani explained that the increase in government debt made the ratio of debt to gross domestic product (GDP) as of December 31, 2023 to 38.59 percent of gross domestic product (GDP), up from the previous month which was at the level of 38.11 percent. However, Sri Mulyani said that government debt is still in a safe position. The state treasurer detailed that government debt consists of two types, namely in the form of government securities (SBN) and loans. Government debt until December 2023 is still dominated by SBN instruments, namely 88.16 percent and the remaining 11.84 percent loans. In detail, the amount of government debt in the form of SBN amounted to IDR 7,180 trillion. Consisting of domestic SBN amounting to IDR 5,808 trillion originating from Government Securities IDR 4,700 trillion and Government Sharia Securities (SBSN) amounting to IDR 1,107 trillion. On the other hand, the amount of government debt in the form of foreign currency SBN until December 2023 amounted to IDR 1,372 trillion, consisting of IDR 1,034 trillion in Government Securities and IDR 338 trillion in SBSN. (Kumparan)

Recommendation

US10YT was obviously stopped at the Resistance trendline exactly at the High yield of 4.16% - 4.17%, thus the potential for yield to continue to strengthen until TARGET 4.348% is somewhat hampered. ADVISE: reduce positions if the third Moving Average Support around yield 4.064% - 4.033% does not hold.

ID10YT is stuck in the Resistance area near the yield of 6.75%. Once the level is exceeded, the yield will surely be able to move towards the TARGET of 6.948% - 6.962% up to the psychological level of 7.0%. ADVISE: AVERAGE UP accordingly.

PRICE OF BENCHMARK SERIES

FR0090	: 96.72 (+0.04%)
FR0091	: 98.40 (-0.45%)
FR0094	: 96.32 (-0.02%)
FR0092	: 102.77 (-0.21%)
FR0086	: 98.65 (+0.12%)
FR0087	: 99.34 (-0.05%)
FR0083	: 106.14 (-0.12%)
FR0088	: 96.15 (-0.73%)

CDS of Indonesia Bonds

CDS 2yr	: -0.79% to 32.86
CDS 5yr	: -0.94% to 74.25
CDS 10yr	: -0.75% to 128.43

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.62%	0.01%
USDIDR	15,730	0.16%
KRWIDR	11.85	0.42%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,521.36	141.24	0.37%
S&P 500	4,954.23	11.42	0.23%
FTSE 100	7,681.01	68.15	0.90%
DAX	17,033.24	129.18	0.76%
Nikkei	36,160.66	(193.50)	-0.53%
Hang Seng	16,136.87	626.86	4.04%
Shanghai	2,789.49	87.30	3.23%
Kospi	2,576.20	(15.11)	-0.58%
EIDO	22.13	0.24	1.10%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,036.1	11.0	0.54%
Crude Oil (\$/bbl)	73.31	0.53	0.73%
Coal (\$/ton)	119.00	0.00	0.00%
Nickel LME (\$/MT)	15,927	(93.0)	-0.58%
Tin LME (\$/MT)	25,187	351.0	1.41%
CPO (MYR/Ton)	3,843	41.0	1.08%

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 5 – Feb.	US	21:45	S&P Global US Composite PMI	Jan F	52.0	—	52.3
	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 6 – Feb.	GE	14:00	Factory Orders MoM	Dec	8.9%	—	0.3%
	EC	17:00	Retail Sales YoY	Dec	-0.8%	—	-1.1%
Wednesday 7 – Feb.	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 8 – Feb.	US	20:30	Initial Jobless Claims	Feb 3		—	224K
	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 9 – Feb.	CH	—	Money Supply M2 YoY	Jan		9.2%	9.7%
	GE	14:00	CPI YoY	Jan F		—	2.9%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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