

Morning Brief

Today's Outlook:

ECONOMIC DATA: **PCE price index** was released as expected, where it rose 0.3% mom and 2.4% yoy for January, which is the lowest annual increase since Feb 2021 following a 2.6% increase in December, thus easing investors' concerns that the level of inflation that is difficult to fall will make the Fed keep interest rates high for a longer time. In addition, the weekly Initial Jobless Claims report recorded an increase of 13,000 jobless claims in the week ending Feb 17 (actual total: 215,000), above economists' predictions of an increase of 8,000 (forecast: 210,000). Tonight the wave of economic indicators will continue with important reports: Manufacturing PMI (Feb) from S&P500 and ISM, Construction Spending (Jan), as well as important views from the University of Michigan on inflation & consumer expectations about the business climate in the next 6 months.

OTHER MARKET SENTIMENTS: In response to all the data, US Treasury yields fell moderately but remained underpinned by Personal Income data which includes salaries, property income, plus other benefits, which increased 1% in Jan and therefore will keep consumer spending power solid. Two Fed officials were also quoted in one voice that they are quite optimistic that a rate cut can be realized this year, although they did not mention a specific time around the summer months. As is known, market participants have calculated the biggest chance of the pivot materializing is in June, as reported by the CME FedWatch Tool. Elsewhere, the US House of Representatives made progress in their efforts to avoid a shutdown of President Joe Biden's administration, by supporting a request to extend government funding for 1 week, to be passed by the highest leadership council.

ASIA MARKETS: Japan reported BoJ Core CPI which stabilized at 2.6% yoy in Feb, higher than the expected 2.3%, but supported by Construction Orders which strengthened drastically to 9.1% in Jan, compared to 0.4% in the previous month; an economic growth figure that was responded positively by the market, as it offset the preliminary estimate of Industrial Production which depreciated heavily to minus 7.5% in Jan, compared to 1.4% in the previous month. This morning Japan announced the Unemployment Rate (Jan) which remained unchanged at 2.4%. Later today, the au Jibun Bank Japan Manufacturing PMI (Feb) data is expected to move further up towards the expansionary limit. Meanwhile, neighboring Ginseng Country, South Korea published a Trade Balance surplus figure far above the forecast, helped by the plummeting import figures, the percentage decline was greater than Export growth. What is more of a highlight today from the Asian continent is the announcement of the Chinese Composite PMI (Feb) which looks like China still has to pin more hopes on the Services sector to keep the PMI above the 50 level.

EUROPEAN MARKETS: Continental Europe did not want to be outdone by rolling out a number of economic indicators since yesterday, mostly coming from Germany: Retail Sales (Jan) still contracted although the pace of decline has begun to be contained, but not so with their Unemployment Rate which was forced to grow 0.1% to 5.9% in Feb. Several German Inflation indicators expected February's CPI position to be relatively softer than the previous month, thus spawning a preliminary estimate of German CPI (Feb) at 2.5% yoy, clearly sloping from the previous month at 2.9%. Furthermore, today there will still be a series of economic indicators to feed investors, such as Manufacturing PMI (Feb) for Germany and the Eurozone as well as the UK, while the Eurozone will release a preliminary estimate of Inflation (Feb) where annual growth is expected to be restrained at 2.5% yoy, compared to 2.8% in Jan. This afternoon will also see the Eurozone Unemployment Rate which is likely to remain around Jan's 6.4%.

INDONESIA: Market players' attention today will of course be centered on the Inflation figure (Feb) which is forecast to be relatively flat at 2.6% yoy, from 2.57% in Jan. Core Inflation is also expected to be unchanged from 1.68% in Jan, to 1.71% for Feb.

Corporate News

PNM to Release IDR 1.67 Trillion Bonds, Coupon up to 6.55% Permodalan Nasional Madani (PNM) recently announced that it will issue sustainable bonds V Phase II in 2024 with a principal amount of bonds worth IDR 1.67 trillion. Based on the prospectus published in the disclosure of information on the Indonesia Stock Exchange (IDX), Thursday (29/2/2024), PNM conducted a sustainable public offering (PUB) of sustainable bonds V with funds targeted at IDR 10 trillion. PNM explained that the IDR 1.67 trillion bond issuance consisted of two series. First, Series A with the principal amount of bonds offered is IDR 1.33 trillion with a fixed bond interest rate of 6.40% per year. The term of Series A bonds is 370 calendar days from the date of issuance. Second, Series B with the principal amount of bonds offered is IDR 341.03 billion with a fixed bond interest rate of 6.55% per year. Then, the term of Series B bonds is three years from the date of issuance. Furthermore, the public offering period for bonds worth IDR 1.67 trillion PNM is scheduled for March 13-15, 2024. Then, the allotment date falls on March 18, 2024. "All funds obtained from the Public Offering of PNM Sustainable Bonds V Phase II, after deducting issuance costs, will be used entirely by the company for working capital which will be channeled to MSME financing," he explained. (Bisnis)

Domestic Issue

Indonesia's Solid Economy, Incoming Bids for SUN Auction Reach IDR 61.04 Trillion Director of Government Securities of the Ministry of Finance DJPPR Deni Ridwan said investor interest in the auction of Government Securities (SUN) was seen from an increase in incoming bids to IDR 61.04 trillion from IDR 52.63 trillion two weeks ago. "The stable BI rate, the positive performance of the state budget earlier this year, as well as the increase in credit growth and money supply liquidity are positive catalysts," he said in an official statement, quoted on Wednesday, February 28. According to Deni, these sentiments can reduce the issue of high interest rate policy for a longer time after the release of FOMC minutes and further comments from Fed officials who confirmed the high for longer policy. Investor demand was dominant in the 5-10 year tenor, with the number of incoming bids and awarded bids amounting to 50.34 percent and 46.71 percent respectively. Meanwhile, the largest incoming bids in the 5-year tenor were IDR 17.8 trillion or 29.16 percent of the total incoming bids and won IDR 3.31 trillion or 13.79 percent of the total awarded bids. Deni added, foreign investor participation also increased to IDR 10.4 trillion from IDR 4.23 trillion. (VOI)

Recommendation

US10YT is squeezed between MA20 support / 4.244% yield and MA10 resistance / 4.29% yield. ADVISE: wait for the direction of the breakout before making an investment decision. AVERAGE UP is done after breaking the resistance level of the previous high of 4.351% - 4.354%.

ID10YT is starting to break out of the third moving average resistance as well as the trendline resistance that guides it in this short-term downtrend, at a yield of 6.60%. The breakout of this resistance will open the way for strengthening towards the TARGET yield: 6.653% / 6.75% - 6.80%. ADVISE: AVERAGE UP accordingly. Third Moving Average support should keep the yield above 6.59%, and reduce the position if support does not hold.

PRICE OF BENCHMARK SERIES

FRO090	: 96.80 (+0.07%)
FRO091	: 98.86 (-0.04%)
FRO094	: 96.98 (+0.02%)
FRO092	: 102.78 (-0.17%)
FRO086	: 98.64 (+0.03%)
FRO087	: 99.65 (-0.03%)
FRO083	: 106.24 (-0.09%)
FRO088	: 96.45 (-0.52%)

CDS of Indonesia Bonds

CDS 2yr	: -4.37% to 30.29
CDS 5yr	: -0.63% to 71.14
CDS 10yr	: -0.43% to 122.96

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.61%	0.01%
USDIDR	15,715	0.19%
KRWIDR	11.81	0.26%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,996.39	47.37	0.12%
S&P 500	5,096.27	26.51	0.52%
FTSE 100	7,630.02	5.04	0.07%
DAX	17,678.19	76.97	0.44%
Nikkei	39,166.19	(41.84)	-0.11%
Hang Seng	16,511.44	(25.41)	-0.15%
Shanghai	3,015.17	57.32	1.94%
Kospi	2,642.36	(9.93)	-0.37%
EIDO	22.37	(0.17)	-0.75%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,044.3	9.8	0.48%
Crude Oil (\$/bbl)	78.26	(0.28)	-0.36%
Coal (\$/ton)	131.00	1.50	1.16%
Nickel LME (\$/MT)	17,896	295.0	1.68%
Tin LME (\$/MT)	26,556	(5.0)	-0.02%
CPO (MYR/Ton)	3,970	63.0	1.61%

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)	4.82	4.86
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 26 – Feb.	US	22:00	New Home Sales	Jan	661K	684K	664K
	JP	06:50	PPI Services YoY	Jan	2.1%	2.4%	2.4%
Tuesday 27 – Feb.	US	20:30	Durable Goods Orders	Jan P	-6.1%	-5.0%	0.0%
	US	22:00	Conf. Board Consumer Confidence	Feb	106.7	115.0	114.8
Wednesday 28 – Feb.	US	20:30	GDP Annualized QoQ	4Q S	3.2%	3.3%	3.3%
	JP	12:00	Leading Index CI	Dec F	110.2	—	116.2
Thursday 29 – Feb.	US	20:30	Personal Income	Jan	1.0%	0.5%	0.3%
	US	20:30	Personal Spending	Jan	0.2%	0.2%	0.7%
	US	20:30	Initial Jobless Claims	Feb 24	215K	—	201K
	US	21:45	MNI Chicago PMI	Feb	44.0	—	46.0
	GE	15:55	Unemployment Change (000's)	Feb	11.0K	—	-2.0K
	GE	20:00	CPI YoY	Feb P	2.5%	2.7%	2.9%
	JP	06:50	Industrial Production MoM	Jan P	-6.8%	-7.2%	1.4%
Friday 1 – Mar.	US	21:45	S&P Global US Manufacturing PMI	Feb F	—	—	51.5
	US	22:00	U. of Mich. Sentiment	Feb F	79.6	79.6	79.6
	US	22:00	ISM Manufacturing	Feb	49.2	49.2	49.1
	CH	08:30	Manufacturing PMI	Feb	49.5	49.2	49.2
	CH	08:45	Caixin China PMI Mfg	Feb	50.7	50.7	50.8
	ID	07:30	S&P Global Indonesia PMI Mfg	Feb	—	—	52.9
	ID	09:00	CPI YoY	Feb	2.65%	2.65%	2.57%
	KR	07:00	Trade Balance	Feb	\$2,408M	\$2,408M	\$328M
	JP	06:30	Jobless Rate	Jan	2.4%	2.4%	2.4%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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