

Morning Brief

Daily | March 08, 2024

Today's Outlook:

US MARKETS: The government bond yields fell after the European Central Bank held interest rates in place, and Federal Reserve Chairman Jerome Powell reiterated that a rate cut this year is possible if inflation is safely contained. The 10-year US TREASURY YIELD hit a 1-month low ahead of the release of the Nonfarm Payroll (Feb) employment report this Friday, which will be of interest as to whether the Fed has successfully delivered on its mandate of controlling Inflation and maintaining high employment opportunities. In the US, the S&P500 surged 1% to an all-time closing high while the NASDAQ led all three indices' gains by rising 1.51%, briefly rallying to an intraday record before easing slightly to close at 16,273.38; largely supported by the Technology sector based on investors' optimism regarding the prospects of this year's pivot and AI-related chips. Powell and several Fed officials are increasingly of one voice with statements that a rate cut this year is quite feasible if the economy moves as expected and Inflation stabilizes to decline. The yield on 10-year US Treasury bonds continued to slide during the week to a 1-month low before stabilizing slightly. The yield was last down 1.7 basis points from Wednesday night's 4.087%, and followed a similar drop in German bond yields. European sovereign bond prices, which trade inversely to yields, jumped on the news, pushing the 2-year US Treasury yield down 4 bps to 4.52%. ECONOMIC DATA from the latest US Department of Labor said the number of Americans filing jobless claims was unchanged at 217,000 as the labor market continues to slacken but is still fairly solid.

EUROPEAN MARKETS: Though ECB still kept interest rate at record high level, ECB President Christine Lagarde said that Inflation is cooling faster than anticipated a few months ago; but they need to monitor further to be convinced that the inflation trajectory is stabilizing towards the target. The statement, which echoed the US central bank, sent European indices to record highs with gains of around 1%. Today will be monitored Eurozone GDP figures for the 4th quarter which are expected to strengthen slightly and move away from recession territory. But before that, German PPI (Jan) and Industrial Production (Jan) are awaited.

ASIA MARKETS: Bank of Japan member Junko Nakagawa signaled that the negative interest rate environment in JAPAN may soon see its end. The Dollar recorded its biggest drop since late December over the Japanese Yen, which strengthened amid data showing nominal wages of Japanese workers jumped in January, after the country's main labor union won a large pay hike in 2024 wage talks. Against the Japanese Yen, the US Dollar fell 0.88% to 148.05. The DOLLAR INDEX fell 0.52% to 102.80, and the Euro gained 0.47% to USD 1.0948. The Yen's resurgence pulled Japanese stock indices down from near-record positions. Japan's Nikkei shed 492.07 points, or 1.23%, to 39,598.71; in contrast to MSCI's index of non-Japan Asia Pacific stocks which ended the day up 0.53%. Good news from CHINA: The Trade Balance surplus increased rapidly to USD 125.16 billion in February 2024 when compared to USD 75.34 billion in the previous month, surpassing the market forecast of USD 110.3 billion, as Exports increased more than Imports. Both Exports and Imports grew significantly by 7.1% and 3.5% yoy respectively, beating expectations of 1.9% and 1.5% growth.

COMMODITIES: GOLD prices hit an all-time high on Thursday as Powell's comments fostered expectations of a US rate cut this year, which would make safe-haven assets more attractive to investors. Gold prices on the spot market rose 0.46% to USD 2,158.27/ounce. US Gold Futures rose 0.4% to USD 2,158.90/ounce. OIL prices closed with a slight change. US WTI crude fell 20 cents/barrel to USD 78.93, while Brent remained flat around USD 82.96/barrel. Sentimentally, Oil is still getting supportive sentiment from projections of possible US and European interest rate cuts in June, as well as optimism of improved demand from CHINA as their oil import growth was last recorded up 5.1% for the first two months of 2024, to a level of 10.74 million barrels/day, as oil purchases peaked ahead of the Lunar New Year holiday.

Corporate News

Lontar Papyrus Pulp & Paper Offers Bond Coupon of up to 11.25%. PT Lontar Papyrus Pulp & Paper Industry offers a coupon of up to 11.25% in the issuance of sustainable bonds with a total value of IDR 1.18 trillion. Based on the company's bond issuance prospectus quoted on Thursday, March 7, 2024, the sustainable bond issuance is divided into 3 series. First, series A worth IDR 612.41 billion with a fixed interest rate of 8.25% with a tenor of 370 days. Second, series IDR worth IDR 415.66 billion with a fixed coupon of 10.75% with a period of 3 years. Third, series C worth IDR 148.19 billion with a fixed interest rate of 11.25% with a period of 5 years. The issuance of sustainable bonds II Phase III 2024 is part of the ongoing public offering II program worth a total of IDR 7 trillion. In phase I, the company has issued IDR 3 trillion, while in phase II the company issued IDR 1.8 trillion. (Media Asuransi)

Domestic Issue

Wednesday, March 13, There'll be an Auction of 7 SUN Series. The government, through the Ministry of Finance, will conduct an auction of Rupiah-denominated Government Bonds (SUN) to fulfill part of the financing target in the State Budget (APBN). The SUN auction will be held on Wednesday next week, March 13, 2024 and settlement on Friday, March 15, 2024, with an indicative target of IDR 24 trillion and a maximum target of IDR 36 trillion. With 7 SUN Series that will be auctioned are as follows: SPN03240613, SPN12250314, FR0101, FR0100, FR0098, FR0097 and FR0102. The Ministry of Finance said that the non-competitive purchase allocation for the SPN03240613 and SPN12250314 series is a maximum of 50% of the winning amount, while the other series are 30% of the winning amount. (Bareksa)

Recommendation

US10YT still hasn't moved from the lower channel support area - the uptrend formed since the beginning of the year, and is below all three Moving Averages. Technically, this could be the timing for a rebound, but given the increasingly feasible prospect of a rate cut, it may also be worth considering this consolidation continuing as the 4.08% yield support looks tenuous. ADVISE: WAIT & SEE, prepare to reduce position. Nearest Resistance: yield 4.131%, somewhat safe under control if able to close above that level.

ID10YT has yet to confirm the (bullish reversal) DOUBLE BOTTOM pattern with NECKLINE yield of 6.652% being the crucial resistance that must be broken. ADVISE: BUY ON BREAK / AVERAGE UP accordingly. TARGET yield: 6.75% / 6.79-6.80% / 6.87%.

PRICE OF BENCHMARK SERIES

FR0090 : 96.50 (+0.00%)
FR0091 : 98.78 (+0.07%)
FR0094 : 97.29 (+0.37%)
FR0092 : **102.51 (-0.03%)**

FR0086 : 98.61 (+0.00%)
FR0087 : 99.37 (+0.02%)
FR0083 : **105.89 (-0.03%)**
FR0088 : **97.09 (-0.11%)**

CDS of Indonesia Bonds

CDS 2yr: **-1.78% to 30.32**

CDS 5yr: **-2.53% to 69.87**

CDS 10yr: **-1.30% to 123.03**

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.64%	-0.01%
USDIDR	15,653	-0.30%
KRWIDR	11.78	0.11%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,791.35	130.30	0.34%
S&P 500	5,157.36	52.60	1.03%
FTSE 100	7,692.46	13.15	0.17%
DAX	17,842.85	126.14	0.71%
Nikkei	39,598.71	(492.07)	-1.23%
Hang Seng	16,229.78	(208.31)	-1.27%
Shanghai	3,027.40	(12.53)	-0.41%
Kospi	2,647.62	6.13	0.23%
EIDO	22.79	0.26	1.15%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,160.0	11.8	0.55%
Crude Oil (\$/bbl)	78.93	(0.20)	-0.25%
Coal (\$/ton)	135.50	(1.25)	-0.91%
Nickel LME (\$/MT)	17,983	266.0	1.50%
Tin LME (\$/MT)	27,607	415.0	1.53%
CPO (MYR/Ton)	4,071	(10.0)	-0.25%

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)	144.00	145.10	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	-8.20%	-5.76%	FDI (USD bn)	4.82	4.86
Imports Yoy	0.28%	-3.81%	Business Confidence	104.82	104.30
Inflation Yoy	2.75%	2.57%	Cons. Confidence*	125.00	123.80

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 4 – Mar.	KR	06:00	Industrial Production YoY	Jan	12.9%	10.0%	6.2%
	KR	07:30	S&P Global South Korea PMI Mfg	Feb	50.7	—	51.2
	JP	06:50	Capital Spending YoY	4Q	16.0%	2.8%	3.4%
Tuesday 5 – Mar.	US	22:00	Factory Orders	Jan	-3.6%	-2.9%	0.2%
	US	22:00	Durable Goods Orders	Jan F	-6.2%	-6.1%	-6.1%
	CH	08:45	Caixin China PMI Composite	Feb	52.5	—	52.5
	KR	06:00	GDP YoY	4Q P	2.2%	2.2%	2.2%
Wednesday 6 – Mar.	US	20:15	ADP Employment Change	Feb	140K	150K	107K
	KR	06:00	CPI YoY	Feb	3.1%	3.0%	2.8%
Thursday 7 – Mar.	US	20:30	Trade Balance	Jan	-\$67.4B	-\$63.5B	-\$62.2B
	US	20:30	Initial Jobless Claims	Mar 2	217K	216K	215K
	CH	—	Foreign Reserves	Feb	\$3,225.8B	\$3,217.0B	\$3,219.3B
	ID	10:00	Foreign Reserves	Feb	\$144.00B	—	\$145.10B
	GE	14:00	Factory Orders MoM	Jan	-11.3%	-6.0%	8.9%
	EC	20:15	ECB Main Refinancing Rate	Mar 7	4.50%	4.50%	4.50%
Friday 8 – Mar.	US	20:30	Change in Nonfarm Payrolls	Feb		190K	353K
	US	20:30	Unemployment Rate	Feb		3.7%	3.7%
	KR	06:00	BoP Current Account Balance	Jan		—	\$7,414.6M
	JP	06:50	BoP Current Account Balance	Jan		-¥241.6Bn	¥744.3n

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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Research Division

Head of Research

Liza Camelia Suryanata

Equity Strategy, Macroeconomics,
Technical
T +62 21 5088 ext 9134

Analyst

Axell Ebenhaezer

Mining, Property
T +62 21 5088 ext 9133
E Axell.Ebenhaezer@nhsec.co.id

Analyst

Cindy Alicia Ramadhania

Consumer, Healthcare
T +62 21 5088 ext 9129
E cindy.alicia@nhsec.co.id

Analyst

Leonardo Lijuwardi

Banking, Infrastructure
T +62 21 5088 ext 9127
E leonardo.lijuwardi@nhsec.co.id

Research Support

Amalia Huda Nurfalah

Editor & Translator
T +62 21 5088 ext 9132
E amalia.huda@nhsec.co.id

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PT. NH Korindo Sekuritas Indonesia

JAKARTA (HEADQUARTER):

District 8 Treasury Tower 51st Fl. Unit A, SCBD Lot.28

Jl. Jendral Sudirman Kav. 52-53

Jakarta Selatan 12190

Telp : +62 21 5088 9102

Branch Office BSD:

ITC BSD Blok R No.48

Jl. Pahlawan Seribu Serpong

Tangerang Selatan 15311

Indonesia

Telp : +62 21 509 20230

Branch Office Medan :

Jl. Asia No. 548 S

Medan – Sumatera Utara 20214

Indonesia

Telp : +62 614 156500

Branch Office Bandung:

Paskal Hypersquare Blok A1

Jl. Pasirkaliki No 25-27

Bandung 40181

Indonesia

Telp : +62 22 860 22122

Branch Office Bandengan (Jakarta Utara):

Jl. Bandengan Utara Kav. 81

Blok A No.02, Lt 1

Jakarta Utara 14440

Indonesia

Telp : +62 21 6667 4959

Branch Office Kamal Muara (Jakarta Utara):

Rukan Exclusive Mediterania

Blok F No.2

Jakarta Utara 14470

Indonesia

Telp : +62 24 844 6878

Branch Office Pekanbaru:

Sudirman City Square

Jl. Jend. Sudirman Blok A No.7

Pekanbaru

Indonesia

Telp : +62 761 801 1330

Branch Office Makassar:

Jl. Gunung Latimojong No.120A

Makassar

Indonesia

Telp : +62 411 360 4650

Branch Office Denpasar:

Jl. Cok Agung Tresna

Ruko Griya Alamanda No. 9

Renon Denpasar, Bali 80226

Indonesia

Telp : +62 361 209 4230

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