

Morning Brief

Daily | March 14, 2024

Today's Outlook:

US MARKETS: The public has expected the Federal Reserve to hold interest rates in place at their meeting next week, market participants see a 65% chance that the first rate cut will occur in June, according to the CME FedWatch Tool survey. In addition to the weekly routine Initial Jobless Claims data, the market is nervously awaiting the announcement of US PPI (Feb) which is expected to heat up to 1.1% yoy (from 0.9% in the previous month), along with Retail Sales (Feb) which is also predicted to improve significantly from -0.8% in Jan, turning positive to 0.8% mom in Feb. After the unfavorable US CPI figures, it is only natural that any indication of strengthening Inflationary pressures and people's purchasing power will again lead to the thought that it is true that US interest rates still need to be higher for longer. This is also the reason why the 10-year US Treasury yield rose 3.5bps to 4.19%, which is the 3rd consecutive session and the longest bullish swing over the past month. The 2-year US Treasury which imitates interest rate projections, rose 2.9bps to 4.6282% yield, also posting 3 consecutive sessions of gains.

Another MARKET SENTIMENT circulating is that the US House of Representatives is working on a bill that intends to ban the existence of TikTok in the United States unless the Chinese owner ByteDance is willing to sell the company within 6 months, in order to control national security. This could potentially give a booster to other social media platform competitors from the US such as Meta (Instagram) & Google (Youtube).

EUROPE & ASIA MARKETS: UK reported that their GDP managed to grow 0.2% on a monthly basis (from negative -0.1% in the previous month), but fell -0.3% on an annualized basis, likely due to sluggish Industrial & Manufacturing Production in Jan. From the Asian continent, market participants will be monitoring the CHINA government's new loan figures in order to monitor the economic growth rate and purchasing power of the people and corporations there. In INDONESIA, after yesterday's release of the Consumer Confidence Index (Feb) which fell to 123.1 (compared to Jan's position at 125.2), today will announce Retail Sales (Jan) at around 11.00 Western Indonesian Time.

COMMODITIES: US crude oil inventories fell by 1.5 million barrels last week, as reported by the US Energy Information Administration, missing analysts' estimates of a 900,000 barrel build. At the same time, it has been two days since Ukraine launched a fatal drone attack on Russia's largest oil refinery Rosneft, in what Russian President Vladimir Putin claims is an attempt to disrupt this week's presidential election. Putin has warned Western countries that they are well prepared for a nuclear war, and if the US sends troops to Ukraine this will be taken as a challenge to escalate the conflict in continental Europe. Inevitably, the above situation made US WTI prices rise 2.78% to USD 79.72/barrel while Brent gained 2.58% at USD 84.03/barrel. In general sentiment, oil prices actually received support from projected US interest rate cuts in the middle of this year, which are expected to help boost global economic growth and demand for oil. OPEC itself set a forecast for oil demand this year to increase by 2.25 million barrels / day, higher than the forecasts of other agencies such as the International Energy Agency (IEA) which predicts that demand growth will still be low.

Corporate News

Chandra Asri Completes IDR 1.5 Trillion Bond Issuance PT Chandra Asri Pacific Tbk (TPIA) has completed the issuance of Phase IV sustainable bonds amounting to IDR 1.5 trillion in 2024. Chandra Asri Group offers bonds with rupiah-denominated coupons with interest rates of up to 7.95% for series A, with a 3-year term totaling IDR 542.38 billion. Series B has an interest rate of 8.25% for 5 years totaling IDR 416.80 billion, while Series C offers an interest rate of 8.75% for 7 years worth IDR 540.82 billion. The underwriters of this Phase IV bond issuance are PT BCA Sekuritas, PT BNI Sekuritas, PT DBS Vickers Sekuritas Indonesia, PT KB Valbury Sekuritas, PT RHB Sekuritas Indonesia, PT Sucor Sekuritas, and PT UOB Kay Hian Sekuritas. Meanwhile, PT Bank Tabungan Tbk Negara (Persero) acts as a trustee. Moreover, this bond has an idAA- rating from PT Pemingkat Efek Indonesia (Pefindo). Chandra Asri Group Chief Financial Officer Andre Khor said the funds raised from this issuance will be used to fund Chandra Asri Group's working capital. (Katadata)

Domestic Issue

Government Absorbs IDR 24 Trillion from Seven Series of SUN Auction The government absorbed IDR 24 trillion from auctioning seven series of Government Bonds (SUN) on March 13, 2024. In an official statement on Wednesday, the Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance (Kemenkeu) revealed that the nominal incoming bid reached IDR 58.93 trillion. The largest absorption came from the FR0100 series with a nominal win of IDR 9.1 trillion. The total incoming bid for the series is IDR 19.43 trillion with a weighted average yield of 6.6199% percent. The next absorption was the FR0101 series which won IDR 4.85 trillion from an incoming bid of IDR 18.86 trillion. The weighted average yield won by the series was 6.4900% percent. Furthermore, from the FR0102 series, funds of IDR 3.4 trillion were won from an incoming bid of IDR 6.01 trillion, with a weighted average yield of 6.93974 percent. From the FR0098 series, the government absorbed IDR 3.1 trillion in funds from an incoming bid of IDR 5.59 trillion. The weighted average yield won was 6.79994 percent. The next absorption was from the FR0097 series, where the government won a nominal amount of IDR 2 trillion. The incoming bid for the series was IDR 2.56 trillion with a weighted average yield won of 6.86660 percent. Then, from the SPN12250314 series, funds of IDR 1.4 trillion were absorbed from an incoming bid of IDR 4.19 trillion. The weighted average yield won was 6.45857 percent. Finally, the government absorbed IDR 150 billion of funds from the SPN03240613 series. The total incoming bid for the series was IDR 2.27 trillion, with a weighted average yield of 6.37600 percent. (Antara News)

Recommendation

It is undeniable that US10YT is still on track to run in an upward trend with a PARALLEL CHANNEL (green). It seems that the breakout of MA20 resistance or yield of 4.206% will wait for the release of US PPI data later tonight, which will further clarify the existence of the higher for longer interest rate view. ADVISE: WAIT FOR A BREAK OUT to buy or average up. Support: two Moving Average (MA10 & MA50) should be a strong enough support around yield 4.13% - 4.15%.

The same waiting attitude is also shown by ID10YT which seems to be preparing to confirm the DOUBLE BOTTOM bullish reversal pattern, as soon as the NECKLINE of 6.652% yield is broken. Potential TARGET: yield 6.75%/6.79% - 6.8%/6.87%. ADVISE: WAIT FOR A BREAK OUT to buy or average up. Third Moving Average support lies around yield 6.63% - 6.61%.

PRICE OF BENCHMARK SERIES

FR0090	: 96.60 (+0.01%)
FR0091	: 98.81 (-0.02%)
FR0094	: 96.97 (+0.03%)
FR0092	: 102.59 (-0.01%)
FR0086	: 98.53 (-0.06%)
FR0087	: 99.55 (+0.05%)
FR0083	: 105.91 (-0.03%)
FR0088	: 97.06 (+0.11%)

CDS of Indonesia Bonds

CDS 2yr	: -0.27% to 29.53
CDS 5yr	: -1.20% to 68.13
CDS 10yr	: -0.36% to 120.14

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.63%	0.01%
USDIDR	15,578	-0.08%
KRWIDR	11.85	-0.36%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,043.32	37.83	0.10%
S&P 500	5,165.31	(9.96)	-0.19%
FTSE 100	7,772.17	24.36	0.31%
DAX	17,961.38	(3.73)	-0.02%
Nikkei	38,695.97	(101.54)	-0.26%
Hang Seng	17,082.11	(11.39)	-0.07%
Shanghai	3,043.84	(12.10)	-0.40%
Kospi	2,693.57	11.76	0.44%
EIDO	22.78	(0.13)	-0.57%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,174.4	16.1	0.74%
Crude Oil (\$/bbl)	79.72	2.16	2.78%
Coal (\$/ton)	131.10	0.45	0.34%
Nickel LME (\$/MT)	18,346	(205.0)	-1.11%
Tin LME (\$/MT)	28,065	545.0	1.98%
CPO (MYR/Ton)	4,195	66.0	1.60%

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 11 – Mar.	JP	06:50	GDP SA QoQ	4Q F	0.1%	0.3%	-0.1%
	JP	06:50	GDP Annualized SA QoQ	4Q F	0.4%	1.1%	-0.4%
Tuesday 12 – Mar.	US	19:30	CPI YoY	Feb	3.2%	3.1%	3.1%
	GE	14:00	CPI YoY	Feb F	2.5%	2.5%	2.5%
	JP	06:50	PPI YoY	Feb	0.6%	0.6%	0.2%
Wednesday 13 – Mar.	ID	—	Consumer Confidence Index	Feb	123.1	—	125.0
	KR	06:00	Unemployment rate SA	Feb	2.6%	—	3.0%
Thursday 14 – Mar.	US	19:30	Retail Sales Advance MoM	Feb		0.8%	-0.8%
	US	19:30	PPI Final Demand MoM	Feb		0.3%	0.3%
	US	19:30	Initial Jobless Claims	Mar 9		—	217K
Friday 15 – Mar.	US	19:30	Empire Manufacturing	Mar		-8.0	-2.4
	US	20:15	Industrial Production MoM	Feb		0.0%	-0.1%
	US	21:00	U. of Mich. Sentiment	Mar P		77.0	76.9
	ID	09:00	Trade Balance	Feb		\$1,904M	\$2,015M
	ID	09:00	Exports YoY	Feb		-5.20%	-8.20%
	ID	09:00	Imports YoY	Feb		11.49%	0.28%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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