

Morning Brief

Daily | March 15, 2024

Today's Outlook:

US MARKETS: US PPI data turned out to be hotter than expected as gasoline and food costs increased, making investors rethink that the Federal Reserve may wait even longer to cut interest rates. Inflation at the US producer level rose 1.6% yoy in Feb (above expectations of 1.1% and the previous month's 1%) and 0.6% on a monthly basis, double the last reading of 0.3% in Jan. On the other hand, the Retail Sales figure also improved significantly, from -1.1% in Jan to positive 0.6% in Feb, while on an annualized basis it grew 1.5% yoy from 0.04% in the same month last year. Seeing that inflation data is still on fire in the last 2 months, no doubt investors believe that the Fed may still need to keep interest rates higher for longer. Complementing all that, Initial Jobless Claims recorded 209k new jobless claims, also below the estimate of 218k, indicating that the labor market is still tight. The Fed is expected to cut interest rates 2-3 times in the second half of this year, as the US economy is in a soft-landing phase. Today market participants will monitor the Industrial Production (Feb) data as well as an important view on March consumer sentiment from the University of Michigan.

ASIA MARKETS: Improved Retail Sales figures were also experienced by INDONESIA in Jan with annualized growth of 1.1%, from 0.2% in the previous period. Later at 09.00 WIB Indonesia's Trade Balance (Feb) figures will be the focus of attention where the surplus this time is expected to increase to USD 2.3 billion, from USD 2.0 billion in Jan; and more importantly a significant increase in Export & Import activity in Feb. From CHINA, the New Loans data will be a reference to whether China's economic recovery is on an expansionary path, or still relatively depressed as reflected in the projected new loan figures which are likely to narrow.

COMMODITIES: OIL prices continued their second day of gains and were at a 5-month high on Thursday trading (14/03/24) after the International Energy Agency (IEA) upgraded its 2024 crude oil demand growth forecast. The IEA raised its projection for global oil demand in 2024, to 1.3 barrel/day, up 110k bpd from last month. The agency also expects demand in the first quarter to grow higher than the previous estimate of 1.7 million bpd due to an improved US economic outlook. Meanwhile OPEC on Tuesday stuck to its stance that this year's demand growth forecast stands at 2.25 million bpd, a higher projection than the IEA estimate. US WTI futures jumped 1.9% to USD 81.26/barrel, Brent appreciated 1.7% to USD 85.42/barrel.

Corporate News

Fitch Cuts Pan Brothers (PBRX) Rating Due to Bond Coupon Defaults Rating agency Fitch Ratings cut the long-term rating of garment issuer PT Pan Brothers Tbk (PBRX) to 'RD' from 'C'. This decision was made following Pan Brothers' failure to pay coupons on its Senior Unsecured Bonds. For the record, the Senior Bonds (Unsecured Notes) were issued by PB International B.V with a principal value of USD171 million and will mature in December 2025. The coupons or interest that have not been paid by PT Pan Brothers Tbk reached USD6.5 million. Fitch has also affirmed the bond rating to 'C'. "The action (was taken) following Pan Brothers' confirmation that the company had failed to correct arrears in interest payments due on January 26, 2024 on its 7.625% senior bonds after the expiration of a 30-day grace period," wrote Fitch Ratings in a statement on information disclosure, Thursday (14/3/2024). The 'RD' rating indicates the company's failure to pay bonds, loans or other material financial obligations that have not been corrected. In a separate statement, PBRX Director Fitri Ratnasari Hartono said the company had held a bondholders' meeting and sent a request letter to the Trustee regarding the bond coupon payment plan. "Fitch Ratings will reassess the rating upgrade if there is a payment settlement," explained Fitri. (IDX Channel)

Domestic Issue

Sales of SR020 are Expected to Accelerate after the THR is Disbursed Sales of Retail Sukuk (SR) SR020 series are expected to accelerate after the Religious Holiday Allowance (THR) period. The enthusiasm for the SR020 offering has so far been sluggish in line with the depressed debt securities market conditions. Based on data from one of the Distribution Partners (Midis), Bibit, SR020 sales in total amounted to IDR 7.67 trillion until Thursday (3/14) at 18:10 WIB. Sales of both SR020 tenors reached 51% of the total quota of IDR 15 trillion. In detail, the 3-year tenor SR020 (SR020T3) sold as much as IDR 6.35 trillion or equivalent to 63.56% of the total quota of IDR 10 trillion. SR020 5-year tenor sold as much as IDR 1.32 trillion or around 26.4% of the total quota of IDR 5 trillion. Bank Permata Chief Economist Josua Pardede assessed that the slow sales of SR020 may be influenced by the lack of recovery in the domestic bond market in the secondary market. This is in line with investors who are still waiting for the Fed's interest rate cut signal. He highlighted that investors' wait for interest rate cuts was indicated by the increasing yield of the benchmark series SBSN. In addition, incoming bids at the SBSN auction in the last 2-3 weeks have been observed to fall. According to Josua, when compared to the Retail Government Bond (ORI) series, it is natural that SR sales will be lower. This is because SRs tend to be less flexible in terms of resale. In terms of trend, ORI also has higher liquidity compared to the SR series. In addition to the sentiment of debt securities market conditions, the lack of lively sales of SR020 is also related to the habits of retail investors who hold back spending ahead of the THR momentum. So, many investors are currently waiting for Religious Holiday Allowance first before buying Retail Sukuk. (Kontan)

Recommendation

US10YT finally broke out above all three Moving Average resistances, freeing its way towards the nearest TARGET yield: 4.35%, before continuing this bullish swing towards 4.55%/4.65% yield. ADVISE: AVERAGE UP accordingly.

ID10YT is still stagnant around the NECKLINE resistance of the DOUBLE BOTTOM pattern at 6.652% yield, which if broken will clear the way for ID10YT yield towards TARGET 6.75% / 6.8% / 6.867%. ADVISE: WAIT FOR A BREAK OUT to buy or average up.

PRICE OF BENCHMARK SERIES

FRO090	: 96.61 (+0.02%)
FRO091	: 98.77 (-0.04%)
FRO094	: 96.95 (-0.02%)
FRO092	: 102.55 (-0.03%)
FRO086	: 98.50 (-0.03%)
FRO087	: 99.53 (-0.02%)
FRO083	: 105.86 (-0.05%)
FRO088	: 96.72 (-0.35%)

CDS of Indonesia Bonds

CDS 2yr	: -0.10% to 29.50
CDS 5yr	: -0.41% to 67.85
CDS 10yr	: -0.12% to 119.99

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.64%	0.01%
USDIDR	15,582	0.03%
KRWIDR	11.82	-0.23%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,905.66	(137.66)	-0.35%
S&P 500	5,150.48	(14.83)	-0.29%
FTSE 100	7,743.15	(29.02)	-0.37%
DAX	17,942.04	(19.34)	-0.11%
Nikkei	38,807.38	111.41	0.29%
Hang Seng	16,961.66	(120.45)	-0.71%
Shanghai	3,038.23	(5.60)	-0.18%
Kospi	2,718.76	25.19	0.94%
EIDO	22.95	0.17	0.75%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,162.2	(12.2)	-0.56%
Crude Oil (\$/bbl)	81.26	1.54	1.93%
Coal (\$/ton)	131.50	0.40	0.31%
Nickel LME (\$/MT)	18,077	(269.0)	-1.47%
Tin LME (\$/MT)	28,258	193.0	0.69%
CPO (MYR/Ton)	4,295	100.0	2.38%

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*	123.10	125.00

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	JP	06:50	GDP SA QoQ	4Q F	0.1%	0.3%	-0.1%
11 – Mar.	JP	06:50	GDP Annualized SA QoQ	4Q F	0.4%	1.1%	-0.4%
Tuesday	US	19:30	CPI YoY	Feb	3.2%	3.1%	3.1%
12 – Mar.	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	ID	—	Consumer Confidence Index	Feb	123.1	—	125.0
13 – Mar.	KR	06:00	Unemployment rate SA	Feb	2.6%	—	3.0%
Thursday	US	19:30	Retail Sales Advance MoM	Feb	0.6%	0.8%	-0.8%
14 – Mar.	US	19:30	PPI Final Demand MoM	Feb	0.6%	0.3%	0.3%
	US	19:30	Initial Jobless Claims	Mar 9	209K	—	217K
Friday	US	19:30	Empire Manufacturing	Mar	—	-8.0	-2.4
15 – Mar.	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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