

Morning Brief

Daily | March 18, 2024

Today's Outlook:

US MARKETS: The dollar rose and was on track for its strongest week since mid-January, as U.S. inflation data has led to new hopes for interest rate cuts. Data on Friday showed U.S. import prices increased marginally in February as a surge in the cost of petroleum products was partially offset by modest gains elsewhere, suggesting a heating up inflation picture.

Markets are pricing in a 59.2% chance for a rate cut of at least 25 basis points (bps) by the Fed in June, down from 59.5% in the prior session and 73.3% a week ago, according to CME's FedWatch Tool. The central bank is widely expected to hold rates steady at its policy meeting next week but investors will be watching the central bank's economic projections, including its interest rate forecast.

THE DOLLAR INDEX gained 0.05% at 103.43, recouping some of the prior week's decline with a gain of 0.71%, with the euro up 0.06% at USD 1.0889 on the session. Sterling weakened 0.13% at USD 1.273. Against the Japanese yen, the dollar strengthened 0.49% to 149.05, despite expectations the Bank of Japan is expected to end its negative interest rate policy.

THE YIELD ON BENCHMARK US 10-year notes was up 1 basis point at 4.308% after reaching 4.322%, its highest since Feb. 23. The 10-year yield has jumped 22 bps this week, the most since mid-October. The 2-year note yield, which typically moves in step with interest rate expectations, rose 3.9 basis points to 4.7297% and has risen 24.6 bps for the week, its largest jump in two months.

COMMODITIES: Oil prices dipped, a day after topping USD 85 a barrel for the first time since November. The oil benchmarks were on track to close out the week with a gain of more than 3%. U.S. crude settled down 0.27% lower on the day at USD 81.04 a barrel and Brent settled off 0.09% to USD 85.34 per barrel.

ASIA & EUROPE MARKETS: some important data coming from CHINA: Unemployment Rate, Industrial Production, Retail Sales. Followed in the afternoon, from EUROZONE: CPI (Feb) & Trade Balance (Jan), where it is expected that inflation at the consumer level will be able to narrow to 2.6% yoy from 2.8% in the previous month.

Corporate News

PTPP Bonds Receive idA Outlook Stable Rating from Pefindo PT PP (Persero) Tbk (PTPP) received a rating certificate from Pefindo for the company's outlook and a number of debt securities. Launching the disclosure of IDX information, Sunday (3/17), Pefindo gave an idA (Single A) rating with a stable outlook for a number of PTPP bonds. The bonds included in the Pefindo rating are Sustainable Bonds II Phase II Series B Year 2019, Sustainable Bonds III Phase I Series A and Series B Year 2021, Sustainable Bonds III Phase II Series A and Series B Year 2022, and Sustainable Bonds III Year 2023. These four bonds have a value of IDR 2.79 trillion. Overall, PTPP also received an idA (Single A) company rating with a stable outlook. "Obligors with an idA rating have a strong ability compared to other Indonesian obligors to fulfill their long-term financial commitments. However, the obligor's ability may be easily affected by adverse changes in economic conditions and conditions compared to obligors with higher ratings," Pefindo said in the disclosure of information. All Pefindo ratings on PTPP are valid from March 13, 2024 to March 1, 2025. (Kontan)

Domestic Issue

Indonesia's Foreign Debt Decreases, Remaining IDR 6,321.62 Trillion Indonesia's Foreign Debt (ULN) was recorded at USD 405.7 billion at the end of January. Assuming USD 1 is equivalent to IDR 15,582 as the Bank Indonesia (BI) reference rate yesterday, Indonesia's external debt is equivalent to IDR 6,321.62 trillion. The figure for Indonesia's Foreign Debt (ULN) decreased compared to the previous month which amounted to USD 408.1 billion. Government Foreign Debt (ULN) as of January was at USD 194.4 billion. A decrease compared to December 2023 which amounted to USD 196.6 billion. On an annual basis, government foreign debt grew by 0.1% (yoy), slowing down compared to the previous month by 5.4% (yoy). The decline in government foreign debt was partly influenced by the repayment of the maturing Government Securities (SBN) series. Government foreign debt, the BI report added, was used for various purposes, namely Health Services and Social Activities (21.1% of total government external debt), Government Administration, Defense, and Compulsory Social Security (18%), Education Services (16.9%), Construction (13.7%), and Financial and Insurance Services (9.7%). The government's foreign debt position is relatively safe and under control considering that almost all of the government's foreign debt has long-term tenors with a 99.9% share of total government debt. (Bloomberg Technoz)

Recommendation

US10YT is waiting for the interest rate announcement from the Federal Reserve meeting which is scheduled to be decided on March 20 (or Thursday morning at 01.00WIB). Inflation data suggests higher for longer interest rates are still needed. The critical resistance that needs to be overcome is around 4.351% yield, which if broken will open the way to the TARGET yield: 4.56% - 4.66%. ADVISE: WAIT FOR BREAK OUT to buy or average up. Support: yield 4.21% - 4.17%.

ID10YT is also still in a position to wait for the decision of the US central bank and the BI RDG scheduled on March 20 (along with the official election results from the KPU), right at the Resistance yield of 6.652%. ADVISE: WAIT FOR BREAK OUT to buy or average up. TARGET: yield 6.75% / 6.8%. support: yield 6.64% - 6.615%.

PRICE OF BENCHMARK SERIES

FR0090 : 96.61 (+0.00%)
FR0091 : 98.71 (-0.06%)
FR0094 : 96.96 (+0.01%)
FR0092 : 102.41 (-0.14%)

FR0086 : 98.44 (-0.06%)
FR0087 : 99.45 (-0.08%)
FR0083 : 105.77 (-0.08%)
FR0088 : 96.75 (+0.03%)

CDS of Indonesia Bonds

CDS 2yr: +1.69% to 30.00

CDS 5yr: +1.35% to 68.77

CDS 10yr: +1.12% to 121.33

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.65%	0.01%
USDIDR	15,595	0.08%
KRWIDR	11.73	-0.78%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,714.77	(190.89)	-0.49%
S&P 500	5,117.09	(33.39)	-0.65%
FTSE 100	7,727.42	(15.73)	-0.20%
DAX	17,936.65	(5.39)	-0.03%
Nikkei	38,707.64	(99.74)	-0.26%
Hang Seng	16,720.89	(240.77)	-1.42%
Shanghai	3,054.64	16.40	0.54%
Kospi	2,666.84	(51.92)	-1.91%
EIDO	22.71	(0.24)	-1.05%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,155.9	(6.3)	-0.29%
Crude Oil (\$/bbl)	81.04	(0.22)	-0.27%
Coal (\$/ton)	131.00	(0.50)	-0.38%
Nickel LME (\$/MT)	18,074	(3.0)	-0.02%
Tin LME (\$/MT)	28,674	416.0	1.47%
CPO (MYR/Ton)	4,287	(8.0)	-0.19%

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)	0.87	2.02	Govt. Spending Yoy	2.81%	-3.76%
Exports Yoy	-9.45%	-8.06%	FDI (USD bn)	4.82	4.86
Imports Yoy	15.84%	0.36%	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 18 – Mar.	CH	19:00	Retail Sales YTD YoY	Feb		5.0%	—
	CH	09:00	Industrial Production YTD YoY	Feb		5.2%	—
	EC	17:00	CPI YoY	Feb F		—	2.6%
Tuesday 19 – Mar.	US	19:30	Housing Starts	Feb		1,430K	1,331K
	GE	17:00	ZEW Survey Expectations	Mar		—	19.9
	JP	11:30	Industrial Production MoM	Jan F		—	-7.5%
	JP	—	BOJ Policy Balance Rate	Mar 19		-0.100%	-0.100%
Wednesday 20 – Mar.	ID	14:20	BI-Rate	Mar 20		6.00%	6.00%
	EC	22:00	Consumer Confidence	Mar P		—	-15.5
Thursday 21 – Mar.	US	01:00	FOMC Rate Decision (Upper Bound)	Mar 20		5.50%	5.50%
	US	01:00	FOMC Rate Decision (Lower Bound)	Mar 20		5.25%	5.25%
	US	19:30	Initial Jobless Claims	Mar 16		—	209K
	US	20:45	S&P Global US Manufacturing PMI	Mar P		51.8	52.2
	US	21:00	Leading Index	Feb		-0.2%	-0.4%
	US	21:00	Existing Home Sales	Feb		3.92M	4.00M
	GE	15:30	HCOB Germany Manufacturing PMI	Mar P		—	42.5
	EC	16:00	HCOB Eurozone Manufacturing PMI	Mar P		—	46.5
	JP	07:30	Jibun Bank Japan PMI Mfg	Mar P		—	47.2
Friday 22 – Mar.	GE	16:00	IFO Business Climate	Mar		—	85.5
	GE	16:00	IFO Expectations	Mar		—	84.1
	KR	04:00	PPI YoY	Feb		—	1.3%
	JP	06:30	Natl CPI YoY	Feb		2.9%	2.2%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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