

# Morning Brief

Daily | March 19, 2024

## Today's Outlook:

**US MARKETS: Sovereign bond yields moved up ahead of a number of central bank meetings this week, one of which may end the era of negative interest rates in Japan, and the other sets the path for US interest rates this year.** Market participants have been anticipating the US FEDERAL RESERVE's decision to hold interest rates at 5.25% - 5.50% at the FOMC Meeting, the results of which will be released at approximately 1:00pm WIB on Thursday, and most importantly, investors are waiting for further clues on when a rate cut could occur. The chance of a pivot occurring in June has dropped to 56% from 75% a week ago. Given the strong US economic data, analysts are beginning to expect that the US rate-cutting cycle may be slower than initially expected, forecasting only 72 bps of rate cuts this year compared to more than 140 bps a month ago. The thinking sent the 2-year US Treasury yield up 0.9 bps to 4.7319% (after they crept up 24 bps last week), while the 10-year yield rose 2.8 bps to 4.332%. The Fed is also expected to reduce the amount of its bond sales to USD 30 billion per month. Before the Fed, today market participants have their eyes on the BANK OF JAPAN, which will determine whether their nearly decade-long super-loose monetary policy will come to an end (although there is a possibility that they will postpone the important decision until April, coinciding with the release of the latest economic projections). Apart from these two countries, there are at least 9 central banks scheduled to hold interest rate decisions this week (Indonesia is one of them), most of which are unlikely to change their current interest rate levels, although surprise moves are possible. Other economic indicators to look out for today are: Industrial Production from Japan, FDI from China, German ZEW Economic Sentiment (Mar), and Building Permits & Housing Starts (Feb) from the US.

**EUROPE MARKETS: EUROZONE reported that Inflation in February managed to ease to 2.6% yoy as expected, from 2.8% in the previous period. Core Inflation was also subdued to 3.1% yoy from 3.3% in January.**

**COMMODITIES: Global OIL prices rose about 2% to touch a four-month high at the close of trading on Monday, driven by a decline in crude oil exports from Iraq and Saudi Arabia.** In addition, there were signs of strengthening demand and economic growth in China and the US. Iraq, OPEC's second-largest producer, said it will reduce crude exports by 130,000 barrels/day to 3.3 million bpd in the coming months to compensate for the excess OPEC+ quota since last January. In January & February, Iraq pumped significantly more oil than the target agreed with OPEC+. Meanwhile, Saudi Arabia, OPEC's largest producer, lowered its crude exports to 6.297 million bpd in January, from 6.308 bpd in December. Elsewhere, Ukraine's attack on Russia's energy infrastructure is estimated to have shut down about 7% of oil refining capacity in the first quarter. This will prompt Russia to increase oil exports through its land ports in March by nearly 200,000 bpd to around 2.15 million bpd. GOOD NEWS FROM CHINA, the world's largest oil importer; they reported a 7% annual increase in industrial output in January & February, along with a 4.2% yoy increase in fixed assets (Feb), amid a 5.5% year-on-year increase in retail sales (actually missed expectations). However, the turmoil in the real estate sector remains a headwind as property investment fell 9% year-on-year, highlighting the need for further policy support. China's crude oil production rose 3% yoy in January & February. Coupled with the Fed's projected interest rate cut this year is expected to further boost global economic growth and oil demand.

**In other commodities, GOLD prices edged up 0.1% to USD 2164.05/ounce on the back of market participants' expectations that the Federal Reserve may not be so dovish at this week's FOMC Meeting.** ANZ analysts project that gold prices could weaken to USD 2100/ounce in the near term, but they also upgraded their year-end target to USD 2300/ounce, anticipating that the realization of the pivot and weakening overall economic conditions will support gold as a safe-haven asset. **From industrial metals, COPPER prices eased slightly after hitting an 11-month high last week, after China reportedly cut production at their largest copper smelter.** That rally has now stalled following mixed Chinese economic data above, plus their unemployment rate is currently at a 5-month high.

## Corporate News

**Sinar Mas Multiartha (SMMA) Offers IDR 1.5 T Bonds** PT Sinar Mas Multiartha Tbk (IDX: SMMA) plans to issue sustainable bonds III SMMA with a target fund obtained of IDR 5 trillion. The bonds will be launched in stages, for phase I in 2024, which is worth IDR 1.5 trillion. In the summary prospectus, it is stated that these bonds are offered in two series, namely Series A with a tenor of 5 years, and Series B for 10 years and related bond interest will be determined later. These bonds received an irAA (Double A) rating from PT Kredit Rating Indonesia. All proceeds obtained from the Bond Public Offering after deducting the issuance costs, will be used by the Company with the following details: IDR 13.1 billion will be used for the repayment of the entire principal of Sinar Mas Multiartha Sustainable Bonds II Phase II Year 2022 Series B. IDR 119 billion will be used to repay the entire principal of Shelf Registration Bond II Sinar Mas Multiartha Phase I Year 2021 Series C. IDR 450 billion will be used to support short-term investment needs in the form of stocks and/or bonds and/or mutual funds. IDR 50 billion will be used for the Company's working capital, including among others to pay operational expenses, marketing expenses, business development expenses and/or other expenses related to the Company's business activities and the rest will be used as working capital loans to subsidiaries PT Sinar Mas Multifinance by 50% and PT AB Sinar Mas Multifinance by 50% to support credit expansion. (Emiten News)

## Domestic Issue

**Foreign Funds Leaving the Bond Market Since the Beginning of 2024** Foreign investors are reducing their placement of funds in the Indonesian debt securities market. They are looking for fortunes outside of debt instruments. Pefindo Fixed Income Analyst Ahmad Nasrudin observed that the Indonesian debt securities market has been moving sideways in recent weeks. The yield on Government Securities (SUN) has been observed to be flat at around 6.6% from the end of January 2023 to March 15, 2024. Nasrudin said that the domestic bond market has entered an overbought phase. Bond prices are struggling to move up further, until signals about when interest rates will start to fall become clearer. Foreign investors have been overbought as seen from the price of Government Securities (SBN) which corrected quite deeply, since October last year, when the 10-year yield was at 7.11%. The percentage then fell along with the inflow of foreign capital. Total foreign capital inflows reached IDR 34.18 trillion from November 2023 to January 2024. The inflows pushed the yield down to 6.48% in December 2023, before rising slightly at the end of January 2024. Apart from that, Nasrudin said, it is fortunate that domestic demand for SBN instruments is still relatively solid. Foreign ownership has also been reduced compared to the previous few years. Foreign investors now own around 14.20% of the total outstanding in the secondary market, a far cry from the pre-pandemic levels of around 30%-40%. Thus, even though foreign investors posted a net sell in the Indonesian debt securities market, the impact on yields is also relatively insignificant. (Kontan)

## Recommendation

**US10YT begins to hit the Resistance area from the previous High level around 4.35% yield, which if broken will open the way for further yield strengthening towards TARGET: 4.56% / 4.66%. ADVISE: WAIT FOR BREAK OUT to buy or average up. Support : yield 4.214% - 4.17%.**

**ID10YT is attempting to break the critical resistance of NECKLINE pattern DOUBLE BOTTOM at yield 6.652%; which if confirmed will open the way to TARGET yield 6.75% / 6.79% - 6.80% / 6.87%. ADVISE: AVERAGE UP accordingly.**

## PRICE OF BENCHMARK SERIES

FR0090	: 96.61 (+0.00%)
FR0091	: 98.76 (+0.05%)
FR0094	: 96.98 (+0.01%)
FR0092	: <b>102.40 (-0.01%)</b>
FR0086	: <b>98.40 (-0.05%)</b>
FR0087	: 99.50 (+0.05%)
FR0083	: <b>105.76 (-0.01%)</b>
FR0088	: 96.83 (+0.09%)

## CDS of Indonesia Bonds

CDS 2yr:	<b>-1.82% to 29.45</b>
CDS 5yr:	<b>-1.15% to 67.89</b>
CDS 10yr:	<b>-9.84% to 109.40</b>

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.65%	0.00%
USDIDR	15,690	0.61%
KRWIDR	11.76	0.28%

## Global Indices

Index	Last	Chg.	%
Dow Jones	38,790.43	75.66	0.20%
S&P 500	5,149.42	32.33	0.63%
FTSE 100	7,722.55	<b>(4.87)</b>	<b>-0.06%</b>
DAX	17,932.68	<b>(3.97)</b>	<b>-0.02%</b>
Nikkei	39,740.44	1032.80	2.67%
Hang Seng	16,737.12	16.23	0.10%
Shanghai	3,084.93	30.29	0.99%
Kospi	2,685.84	19.00	0.71%
EIDO	22.69	<b>(0.02)</b>	<b>-0.09%</b>

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,160.4	4.5	0.21%
Crude Oil (\$/bbl)	82.72	1.68	2.07%
Coal (\$/ton)	129.75	<b>(1.25)</b>	<b>-0.95%</b>
Nickel LME (\$/MT)	17,872	<b>(202.0)</b>	<b>-1.12%</b>
Tin LME (\$/MT)	28,700	26.0	0.09%
CPO (MYR/Ton)	4,236	16.0	0.38%

## 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)	<b>-1.29</b>	<b>-0.90</b>
Trd Balance (USD bn)	0.87	2.02	Govt. Spending Yoy	2.81%	<b>-3.76%</b>
Exports Yoy	<b>-9.45%</b>	<b>-8.06%</b>	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
<b>Monday</b> 18 – Mar.	CH	19:00	Retail Sales YTD YoY	Feb	5.5%	5.0%	—
	CH	09:00	Industrial Production YTD YoY	Feb	7.0%	5.2%	—
	EC	17:00	CPI YoY	Feb F	2.6%	—	2.6%
<b>Tuesday</b> 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%
<b>Wednesday</b> 20 – Mar.	ID	14:20	BI-Rate	Mar 20		6.00%	6.00%
	EC	22:00	Consumer Confidence	Mar P		—	-15.5
<b>Thursday</b> 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
<b>Friday</b> 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



## Indonesia 10 Years Treasury



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