

# Morning Brief

Daily | March 22, 2024

## Today's Outlook:

**US MARKETS:** The US central bank governors kept the benchmark interest rate/borrowing costs unchanged and indicated that they still expect to cut rates by 75 bps by the end of 2024. Economists from Goldman Sachs predict that the US central bank will pivot in June, September, and December to complete the forecast of 3x rate cuts in 2024. Meanwhile, economic data released on Thursday morning added to investors' bullish sentiment. The number of Americans filing new claims for unemployment benefits unexpectedly fell last week (actual: 210k vs. forecast of 212k), while Existing Home Sales in February increased by the most in a year (in fact jumped 9.5% well above the forecast of minus 1.3%), a sign that the economy remains on a strong footing in the first quarter. In terms of PMIs, the preliminary S&P Global US Composite PMI estimate for March is likely to come in at 52.2 (as projected), with manufacturing expanding and services contracting slightly. The data was echoed by the Philadelphia Fed Manufacturing index which showed an unexpected increase in March, underscoring the improvement in manufacturing activity. Later tonight market participants will await further comments from Federal Reserve Chairman Jerome Powell.

**ASIA MARKETS:** Japan's February inflation grew as expected to 2.8% yoy from 2.2% in the previous month; rising above the Bank of Japan's annual target level and justifying the Japanese central bank's recent policy move of raising interest rates for the first time in 17 years and ending the era of negative interest rates after 8 years. This morning's Japanese Inflation data complements the au Jibun Bank Japan Services PMI which is firming in expansionary territory; whilst Japan's Trade Balance for February posted a smaller than expected deficit on the back of higher than expected Export growth.

**EUROPEAN MARKETS:** a number of PMI data also colored the European market, where the initial estimates of Manufacturing PMI (Mar.) Germany & Eurozone are still in contractionary territory, but the Services PMI is moving steadily in expansionary territory. The UK also reported similar PMI data, before the moment the Bank of England set their benchmark interest rate decision to remain at 5.25%. Ending this week, this afternoon will be awaited Retail Sales (Feb.) data from the UK, as well as the German Ifo Business Climate Index (Mar.) which will cover the evaluation and expectations of the business sector in Germany for the next 6 months.

**COMMODITIES:** OIL prices closed lower on Thursday, as hopes of a ceasefire in Gaza and a stronger US Dollar weighed, although the prospect of limited global crude supplies could still support oil prices. Both benchmark oil prices fell by 0.3%, bringing US WTI to USD 81.07/barrel and Brent to USD 85.67/barrel. Reuters reported that the US will submit a draft UN resolution on Friday demanding an immediate ceasefire in Gaza lasting about six weeks.

## Corporate News

**Wom Finance (WOMF) Prepares Funds to Pay Off IDR 221M Bonds.** PT Wahana Ottomitra Multiartha Tbk (WOMF) or Wom Finance said that the company has prepared funds to pay off the Sustainable Bonds IV WOM Finance Phase III Series A Year 2023. Cincin Lisa Hadi, Director and Corporate Secretary of WOMF, in a written statement on Thursday (21/3) said that the Company prepared funds of IDR 221 billion to pay off the bonds which will mature on April 21, 2024. Lisa added that the bond repayment has no impact on WOMF's operational activities, legal, financial condition, or business continuity. (Emiten News)

## Domestic Issue

**Measuring the Impact of Declining Global Interest Rates on Global Bond Issuance.** The potential decline in interest rates in several major global countries such as the United States (US) will bring good news for Indonesia, especially in the issuance of global bonds. Center of Reform on Economic (Core) economist Yusuf Rendy Manilet assessed that the decline in interest rates in major global countries will certainly affect benchmark interest rates in general. So that for emerging market countries such as Indonesia there will be opportunities, to also adjust the decline in benchmark interest rates. According to him, if Bank Indonesia's benchmark interest rate falls, the cost of issuing Government Securities (SBN) will become cheaper, or the yield given will be lower. "This is certainly a breath of fresh air for the government that wants to issue debt securities and also for the private sector which is also looking for funding sources through issuing bonds domestically and globally," Yusuf told Kontan, last Thursday (3/21). Even so, Yusuf assessed, in determining domestic interest rate policy, Bank Indonesia was not only judged based on the condition of global interest rates. But by considering domestic inflation conditions. Inflation conditions, continued Yusuf, will also affect the plan to issue government bonds. (Kontan)

## Recommendation

**US10YT returned to test the MA20 support at the Low yield of 4.22% yesterday**, though yields have now pulled back above MA10/ yield of 4.246%. Considering the increasingly clear prospect of a Fed rate cut this year, bond yields seem to have lost their reason for strengthening for now. ADVISE: HOLD; WAIT & SEE.

**ID10YT also seems to have lost the same motivation**, failing to break the crucial Resistance at 6.663% yield to pave the way to a higher TARGET. Last support yield: 6.621%, before consolidation continues towards the Support bottom of 6.57%. ADVISE: HOLD; WAIT & SEE.

## PRICE OF BENCHMARK SERIES

FR0090 : 96.48 (-0.01%)

FR0091 : 98.85 (+0.09%)

FR0094 : 97.00 (0.00%)

FR0092 : 102.48 (0.00%)

FR0086 : 98.48 (+0.01%)

FR0087 : 99.68 (+0.10%)

FR0083 : 105.98 (+0.09%)

FR0088 : 96.66 (-0.02%)

## CDS of Indonesia Bonds

CDS 2yr: -2.95% to 33.85

CDS 5yr: -3.13% to 70.99

CDS 10yr: -1.82% to 119.29

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.62%	-0.03%
USDIDR	15,660	-0.35%
KRWIDR	11.85	0.94%

## Global Indices

Index	Last	Chg.	%
Dow Jones	39,781.37	269.24	0.68%
S&P 500	5,241.53	16.91	0.32%
FTSE 100	7,882.55	145.17	1.88%
DAX	18,179.25	164.12	0.91%
Nikkei	40,815.66	812.06	2.03%
Hang Seng	16,863.10	320.03	1.93%
Shanghai	3,077.11	(2.57)	-0.08%
Kospi	2,754.86	64.72	2.41%
EIDO	22.87	(0.03)	-0.13%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,181.3	(5.1)	-0.23%
Crude Oil (\$/bbl)	81.07	(0.20)	-0.25%
Coal (\$/ton)	128.25	(0.65)	-0.50%
Nickel LME (\$/MT)	17,541	49.0	0.28%
Tin LME (\$/MT)	27,872	642.0	2.36%
CPO (MYR/Ton)	4,249	(23.0)	-0.54%

## 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
<b>Monday</b> 18 – Mar.	CH	19:00	Retail Sales YTD YoY	Feb	5.5%	5.6%	—
	CH	09:00	Industrial Production YTD YoY	Feb	7.0%	5.2%	—
	EC	17:00	CPI YoY	Feb F	2.6%	2.6%	2.6%
<b>Tuesday</b> 19 – Mar.	US	19:30	Housing Starts	Feb	1,521K	1,440K	1,331K
	GE	17:00	ZEW Survey Expectations	Mar	31.7	20.5	19.9
	JP	11:30	Industrial Production MoM	Jan F	-6.7%	—	-7.5%
	JP	—	BOJ Policy Balance Rate	Mar 19	0.10%	—	—
<b>Wednesday</b> 20 – Mar.	ID	14:20	BI-Rate	Mar 20	6.00%	6.00%	6.00%
	EC	22:00	Consumer Confidence	Mar P	-14.9	-15.0	-15.5
<b>Thursday</b> 21 – Mar.	US	01:00	FOMC Rate Decision (Upper Bound)	Mar 20	5.50%	5.50%	5.50%
	US	01:00	FOMC Rate Decision (Lower Bound)	Mar 20	5.25%	5.25%	5.25%
	US	19:30	Initial Jobless Claims	Mar 16	210K	213K	209K
	US	20:45	S&P Global US Manufacturing PMI	Mar P	52.5	51.8	52.2
	US	21:00	Leading Index	Feb	0.1%	-0.1%	-0.4%
	US	21:00	Existing Home Sales	Feb	4.38M	3.95M	4.00M
	GE	15:30	HCOB Germany Manufacturing PMI	Mar P	41.6	43.0	42.5
	EC	16:00	HCOB Eurozone Manufacturing PMI	Mar P	45.7	47.0	46.5
	JP	07:30	Jibun Bank Japan PMI Mfg	Mar P	48.2	—	47.2
	<b>Friday</b> 22 – Mar.	GE	16:00	IFO Business Climate	Mar	—	—
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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