

Morning Brief

Daily | April 17, 2024

Today's Outlook:

US MARKETS: investors digested **STATEMENT FROM FEDERAL RESERVE CHAIRMAN JEROME POWELL** which signaled that **high interest rates are still needed for a longer time, addressing March US Inflation data of 3.5% yoy which strengthened above expectations.** Powell said that recent economic data clearly does not provide enough confidence for the central bank to start cutting interest rates, but also added that the current policy of higher for longer interest rates is quite appropriate to deal with future inflation risks. The UBS market strategist even predicted that the Fed may need to raise rates to 6.5% next year if US economic growth and sticky inflation remain unstoppable. On the other hand, Powell also said that the potential to ease monetary policy still exists if there is evidence of significant weakness in the labor sector. No doubt his statement above hit back hopes of an immediate rate cut materializing this year, and instead pushed US Treasury yields higher, where the yield on 2-year bonds rose above 5% for the first time since November.

COMMODITIES: **OIL prices closed lower on Tuesday due to negative sentiment from global economic developments, limiting upside potential stemming from geopolitical tensions in the Middle East region, as the world now monitors Israel's response to last weekend's Iranian attack.** BRENT crude futures for June delivery closed 8 cents lower, or 0.1% at USD90.02/barrel, while US WTI for May delivery fell 5 cents, or 0.1%, to end at USD85.36/barrel. The tendency for tight monetary policy to remain in place is considered by market participants to hit the ability of the global economy and energy purchasing power. US Treasury Secretary Janet Yellen revealed that the US intends to impose new economic sanctions on Iran regarding their attack on Israel, and these sanctions are expected to stem Iran's oil production/export capacity. It is known that Iran produces more than 3 million barrels per day as one of the world's major oil producers, joining OPEC+. Meanwhile, US crude oil inventories rose by 4.1 million barrels last week, according to data from the American Petroleum Institute (API); a higher-than-expected increase of only 1.4 million barrels.

ASIA & EUROPE MARKETS: **CHINA reported their first quarter GDP grew at 5.3% yoy, beating estimates of 4.8% and also from the previous quarter's 5.2%; although it was countered by below-expected March Retail Sales & Industrial Production growth.** Still no glimmer of hope in their property crisis, house prices slumped further in March, China's cement output also slumped 22% in March (the largest monthly decline of all time). Economists think Chinese policymakers need to launch more support/stimulus. These macroeconomic data were unable to prevent the Chinese yuan and stock market from collapsing.

Corporate News

Adira Finance (ADMF) Issues IDR 2 Trillion Bonds PT Adira Dinamika Multifinance Tbk (ADMF) or Adira Finance issued bonds totaling IDR 2 trillion. This consists of Adira Finance Sustainable Bond VI Phase III Year 2024 with a principal amount of IDR 1.6 trillion and Adira Finance Sustainable Sukuk Mudharabah V Phase III Year 2024 amounting to IDR 400 billion. Citing information disclosure, Tuesday (16/4/2024), Adira Finance Sustainable Bond VI Phase III Year 2023 consists of three series, namely series A which offers IDR 1.07 trillion with an interest rate of 6.40% per annum. The series has a period of 370 calendar days from the date of issuance. Then series B which offers IDR 391 billion with an interest rate of 6.55% per annum. The term of the series is 36 months from the date of issuance. Third, series C which offers bonds totaling IDR 129.3 billion with an interest rate of 6.65% and a bond term of 60 months. Then, Adira Finance Sustainable Sukuk Mudharabah V Phase III Year 2024 consists of three series, namely series A with an offered amount of IDR 338.9 billion with profit sharing income calculated based on the multiplication of the ratio of sukuk holders, where the ratio is 53.33% of the revenue shared with an indication of profit sharing equivalent to 6.40% per year. Meanwhile, the Mudharabah sukuk period is 370 calendar days from the date of issuance. Then, series B with an offering of IDR 39 billion with profit sharing income calculated based on the multiplication of the ratio of sukuk holders, where the ratio is 54.58% of the revenue generated with an indication of profit sharing equivalent to 6.55% per year. The tenor of series B is 36 months from the issuance date. Lastly, the amount of sukuk series C funds offered is IDR 22 billion with sukuk profit sharing income calculated based on the multiplication of the sukuk holder ratio, where the ratio is 55.42% of the revenue generated with an indication of profit sharing equivalent to 6.65% per year. (Bisnis)

Domestic Issue

SBN Issuance Target Decreases in the Second Quarter of 2024, This is the Trigger The issuance target of Government Securities (SBN) has decreased in the second quarter of 2024. The Directorate General of Financing and Risk Management (DJPPR) targets the issuance of SBN amounting to IDR 170 trillion with 10 auctions conducted. However, the target is lower than the auction target in the previous quarter of IDR 230 trillion. Because in the January-March 2024 period, the Ministry of Finance conducted SBN auctions up to 13 times. Bank Maybank Indonesia's Economics, Industry and Global Markets Staff Myrdal Gunarto predicts that the SBN absorption target will be lower in the second quarter due to the Eid holiday period. It is feared that this will reduce the quantity of auctions to be less. Despite the lower target, Myrdal reminded the government to remain vigilant in considering the issuance of SBN in the second quarter of 2024 and going forward. First, considering market risks due to high uncertainty in economic conditions, as well as geopolitical conditions that are heating up again today due to Iran vs Israel tensions. "This will make the cost of debt more expensive," Myrdal told Kontan, Monday (15/4). Second, the government needs to anticipate the risk of liquidity because investors will hold their liquidity to invest and tend to be risk averse. These considerations, he continued, apply to the majority of global investors. "So the government in carrying out financing actions can rely on local investors," he said. Furthermore, he estimates the prospect of SBN yields with a 10-year tenor in 2024, from 6.62% will reach 6.78%. (Kontan)

Recommendation

US10YT hit the upper channel resistance at the intraday yield high point: 4.698%, when RSI also entered Overbought territory. Since the rise in yield was triggered by Federal Reserve Chairman Jerome Powell's statement regarding the US Inflation trend, then our best ADVISE: set your Trailing Stop, it is not too urgent to sell now because sentiment is still favorable. There is no negative divergence on RSI either.

ID10YT overshoot to the Target area of 6.948% - 6.962% directly hit the short term Target. Not surprisingly, RSI also entered the Overbought region. In response to this sudden movement which may also adjust to the bullishness of US10YT, then our best ADVISE: set your TRAILING STOP with the nearest Support: 6.867% yield.

PRICE OF BENCHMARK SERIES

FR0090	: 96.40 (-0.01%)
FR0091	: 97.39 (-1.25%)
FR0094	: 96.82 (-0.15%)
FR0092	: 101.48 (-0.71%)
FR0086	: 98.12 (-0.33%)
FR0087	: 98.20 (-1.10%)
FR0083	: 104.68 (-1.05%)
FR0088	: 95.79 (+0.00%)

CDS of Indonesia Bonds

CDS 2yr: +1.89% to 35.09

CDS 5yr: +6.02% to 80.48

CDS 10yr: +1.50% to 136.68

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.92%	0.26%
USDIDR	16,175	2.08%
KRWIDR	11.60	1.28%

Global Indices

Index	Last	Chg.	%
Dow Jones	37,798.97	63.86	0.17%
S&P 500	5,051.41	(10.41)	-0.21%
FTSE 100	7,820.36	(145.17)	-1.82%
DAX	17,766.23	(260.35)	-1.44%
Nikkei	38,471.20	(761.60)	-1.94%
Hang Seng	16,248.97	(351.49)	-2.12%
Shanghai	3,007.07	(50.31)	-1.65%
Kospi	2,609.63	(60.80)	-2.28%
EIDO	20.85	(0.63)	-2.93%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,382.9	(0.5)	-0.02%
Crude Oil (\$/bbl)	85.36	(0.05)	-0.06%
Coal (\$/ton)	129.25	(0.50)	-0.39%
Nickel LME (\$/MT)	17,726	(120.0)	-0.67%
Tin LME (\$/MT)	31,820	(410.0)	-1.27%
CPO (MYR/Ton)	4,074	(67.0)	-1.62%

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)	140.40	144.00	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	3.05%	2.75%	Cons. Confidence*	123.10	125.00

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	US	19:30	Empire Manufacturing	Apr	-14.3	-5.2	-20.9
15 – Apr.	US	19:30	Retail Sales Advance MoM	Mar	0.7%	0.4%	0.6%
Tuesday	US	19:30	Housing Starts	Mar	1321K	1475K	1521K
16 – Apr.	US	20:15	Industrial Production MoM	Mar	0.4%	0.2%	0.1%
	CH	09:00	Industrial Production YoY	Mar	4.5%	6.0%	—
	CH	09:00	GDP YoY	1Q	5.3%	5.0%	5.2%
	CH	09:00	Retail Sales YoY	Mar	3.1%	5.3%	—
	ID	—	Consumer Confidence Index	Mar	123.8	—	123.1
Wednesday	EC	16:00	CPI YoY	Mar F	—	—	2.6%
17 – Apr.	JP	06:50	Trade Balance	Mar	—	—	-¥377.8B
Thursday	US	19:30	Initial Jobless Claims	Apr 13	—	—	—
18 – Apr.	US	21:00	Leading Index	Mar	—	0.1%	0.1%
	US	21:00	Existing Home Sales	Mar	—	4.35M	4.38M
Friday	JP	06:30	Natl CPI YoY	Mar	—	—	2.8%
19 – Apr.	JP	06:30	Natl CPI Ex Fresh Food YoY	Mar	—	—	3.2%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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