

Morning Brief

Daily | April 1, 2024

Today's Outlook:

US MARKETS: An unexpected expansion in factory activity further confirmed the strength of the US economy and risked dashing investor expectations of a Federal Reserve rate cut in the near future. The 2-year US Treasury yield, which is sensitive to the Fed's monetary policy, rose 9 bps to 4.712% while the 10-year Treasury yield rose 12.3 bps to 4.317% (after touching a 2-week high of 4.337%); after the ISM manufacturing purchasing managers' Index unexpectedly rose in the expansionary zone for the first time since September 2022, with a reading of 50.3 for March from 47.8 in February; indicating an improving trend in the manufacturing sector which had been battered by rising interest rates. Meanwhile, prices paid for the index's related components, one of the Inflation benchmarks, jumped to 55.8 from 52.5 in the previous position, implying that raw material prices rose to their fastest pace since July 2022 (as cited by Oxford economists). The above data supported Federal Reserve Chairman Jerome Powell's message on Friday that the central bank does not need to rush to cut interest rates amid signs of a strong economy. Even Fed Governor Christopher Waller & Atlanta President Raphael Bostic commented that they thought it was better not to have to cut rates 3x this year. No doubt the chances of a rate cut happening in June immediately deflated to 56%, from 64% last week, according to Investing.com's Fed Rate Monitor Tool. Investors will get more clarity on this matter next week, where it is expected that 13 out of 19 Fed officials will comment further.

COMMODITIES: Oil prices held near their highest level in 5 months as the market anticipates tighter supply due to OPEC+ production cuts as well as the effects of attacks on Russian refineries, coupled with Chinese manufacturing data supporting the outlook for stronger demand. BRENT rose 42 cents to USD 87.42/barrel, while US WTI crude rose 54 cents to USD 83.71/barrel. GOLD was lifted to fresh record highs by Friday's PCE price index report which boosted expectations of a looser US monetary policy. However, Gold's gains were hampered by the rising US Dollar & bond yields. In theory, Gold prices do tend to be inversely related to interest rates because as interest rates rise, Gold becomes relatively less attractive. Gold prices on the spot market hit an all-time high of USD 2,265.49/ounce earlier in the session, before eventually closing 0.9% higher at USD 2,236.50/ounce.

ASIAN MARKETS: While European markets were still in a holiday mood last Monday, Dollar Index rallied 0.47% after data showed the US manufacturing sector grew expansively. The yen is hovering below 152/dollar and Yen buying interventions that would hurt exporters' profit prospects and returns for foreign investors.

INDONESIA MARKETS: Indonesia's March CPI crept up to 3.05% yoy from February's 2.75%, exceeding expectations of 2.91% and has also started to encroach on the central bank's upper limit of 3.5% for 2024. This is the highest rate of inflation since last August, where food prices rose the most in 18 months amid the fasting month of Ramadan and ahead of Eid al-Fitr celebrations. On a monthly basis, CPI rose 0.52%, also at a faster pace than 0.37% in February, which was the highest monthly gain since December 2022 and beat estimates of 0.39%.

Corporate News

Erick Thohir Approves SOE Adhi Karya (ADHI) to Release IDR 5 Trillion Bonds At the Annual General Meeting of Shareholders (AGMS), the Ministry of SOEs, led by Erick Thohir, approved PT Adhi Karya (Persero) Tbk. (ADHI) to issue bonds with a total value of IDR 5 trillion. President Director of ADHI Entus Asnawi Mukhsan said the company has received approval from shareholders to issue Sustainable Public Offering (PUB) Bond IV with a maximum of IDR 5 trillion which will be carried out in 2024 - 2026. "The use of funds for PUB Bond IV includes refinancing, working capital, and participation in government and business entity cooperation [PPP]," he said in a press conference in Jakarta, Monday (1/4/2024). Entus explained that the issuance will be carried out periodically. This year, the company plans to issue bonds worth IDR 1 trillion, then IDR 2 trillion in 2025 and 2026. He revealed that the benefits ADHI received from the issuance of the PUB were increased liquidity and solvency, as well as encouraging efficiency in the cost of production in completing projects. (Bisnis)

Domestic Issue

Government Debt Reach IDR 8,319.2 Trillion as of February 2024 The government debt position was recorded at IDR 8,319.2 trillion as of February 29 2024. This amount increased from the position at the end of January, which was valued at IDR 8,253.09 trillion or an increase of IDR 66.13 trillion in one month. This government debt is equivalent to 39.06% of gross domestic product (GDP) and continues its all-time high trend. The Ministry of Finance (Kemenkeu) in the March 2024 edition of our APBN book noted that the debt ratio in February was still below the safe debt ratio limit in accordance with Law (UU) NO. 17/2023 which is 60%. As of the end of February 2024, the maturity profile of government debt is considered quite safe with a weighted average maturity (ATM) of around 8 years. Comparing with the debt to GDP ratio in the last three years, this year's ratio tends to decrease. Where at the end of 2021 the debt ratio reached 40.74%, then fell in 2022 to 39.7%, and at the end of last year it was at the level of 38.98%. Looking at the debt composition, the majority is domestic Government Securities (SBN) with a portion of 88.19%. This amount is equivalent to IDR 5,947.95 trillion. Meanwhile, foreign currency SBN was recorded as having a portion of 16.07% or covering IDR 1,388.92 trillion. The government also incurred debt from both domestic and foreign loans which reached IDR 982.35 trillion or representing 11.81% of the total debt. Disciplined debt management helps support the assessment results of credit rating agencies (S&P, Fitch, Moody's, R&I, and JCR) which currently maintains Indonesia's sovereign rating at investment grade level amidst global economic dynamics and financial market volatility. On March 15 2024, Fitch again maintained Indonesia's credit rating at BBB with a stable outlook. (Bisnis)

Recommendation

US10YT hits the first Resistance level around yield of 4.351%, lifted by the US ISM Manufacturing PMI numbers which moved into the expansionary zone. If this level could be broken, then there is a potential for further yield strengthening towards 4.60%-4.65%. ADVISE: AVERAGE UP accordingly.

ID10YT is predicted to still be on its way to the nearest MA10 Support / yield of 6.674% on a real uptrend leading to a Target Yield of around 6.80%. ADVISE: BUY ON WEAKNESS, or Wait & See.

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	3.05%	2.75%	Cons. Confidence*	123.10	125.00

PRICE OF BENCHMARK SERIES

FRO090 : 96.46 (-0.01%)
FRO091 : 98.32 (+0.15%)
FRO094 : 97.10 (+0.06%)
FRO092 : 102.12 (+0.12%)

FRO086 : 98.42 (-0.05%)
FRO087 : 99.37 (+0.04%)
FRO083 : 105.66 (-0.07%)
FRO088 : 96.62 (-0.24%)

CDS of Indonesia Bonds

CDS 2yr: +0.92% to 31.96

CDS 5yr: +0.91% to 72.42

CDS 10yr: +1.16% to 127.90

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.69%	-0.04%
USDIDR	15,890	0.22%
KRWIDR	11.78	0.09%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,566.85	(240.52)	-0.60%
S&P 500	5,243.77	(10.58)	-0.20%
FTSE 100	7,952.62	20.64	0.26%
DAX	18,492.49	15.40	0.08%
Nikkei	39,803.09	(566.35)	-1.40%
Hang Seng	16,541.42	148.58	0.91%
Shanghai	3,077.38	36.21	1.19%
Kospi	2,747.86	1.23	0.04%
EIDO	21.97	(0.56)	-2.49%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,251.4	21.6	0.97%
Crude Oil (\$/bbl)	83.71	0.54	0.65%
Coal (\$/ton)	132.00	2.90	2.25%
Nickel LME (\$/MT)	16,749	129.0	0.78%
Tin LME (\$/MT)	27,451	(73.0)	-0.27%
CPO (MYR/Ton)	4,267	73.0	1.74%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	US	20:45	S&P Global US Manufacturing PMI	Mar F	51.9	—	52.5
1 – Apr.	US	21:00	ISM Manufacturing	Mar	50.3	48.5	47.8
	CH	08:45	Caixin China PMI Mfg	Mar	51.1	50.8	50.9
	ID	07:30	S&P Global Indonesia PMI Mfg	Mar	54.2	—	52.7
	ID	11:00	CPI YoY	Mar	3.05%	2.88%	2.75%
	KR	07:00	Trade Balance	Mar	\$4280M	\$5818M	\$4290M
Tuesday	US	21:00	Factory Orders	Feb		1.0%	-3.6%
2 – Apr.	US	21:00	Durable Goods Orders	Feb F		—	1.4%
	GE	19:00	CPI YoY	Mar P		—	2.5%
	KR	06:00	CPI YoY	Mar		3.1%	3.1%
Wednesday	US	19:15	ADP Employment Change	Mar		150K	140K
3 – Apr.	EC	16:00	CPI MoM	Mar P		0.7%	0.6%
Thursday	US	19:30	Trade Balance	Feb		-\$65.7B	-\$67.4B
4 – Apr.	US	19:30	Initial Jobless Claims	Mar 30		—	—
Friday	US	19:30	Change in Nonfarm Payrolls	Mar		216K	275K
5 – Apr.	US	19:30	Unemployment Rate	Mar		3.8%	3.9%
	GE	13:00	Factory Orders MoM	Feb		—	-11.3%
	ID	10:00	Foreign Reserves	Mar		—	\$144.00B

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

Published on Investing.com, 11Apr2024 - 23:34:56 GMT, Powered by TradingView
United States 10-Year, United States, NYSE:US10YT=X, D



Indonesia 10 Years Treasury

Published on Investing.com, 11Apr2024 - 23:35:57 GMT, Powered by TradingView
Indonesia 10-Year, Indonesia, Jakarta:ID10YT=RR, D



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