

# Morning Brief

Daily | April 25, 2024

## Today's Outlook:

**US MARKETS:** The USD 70 billion 5-year US TREASURY auction pushed bond yields higher and weighed on the stock market. The 10-year US Treasury also rose 5 bps to a yield of 4.646%. Market participants were quite nervous waiting for important economic data in 2 days, namely: Q1 GDP and Personal Consumption Expenditures (PCE) price index for March. If these economic growth and inflation benchmarks turn out to be stronger than expected, it will further distance the hopes of a US interest rate cut in the near future.

**ECONOMIC INDICATORS:** US Durable Goods Orders (Mar.) came in-line with expectations at 2.6%, signaling a significant increase in demand in the last 4 months for durable products from the US (including vehicles), from the previous growth of only 0.7%.

**COMMODITIES:** The US reported weekly crude oil reserves fell by 3.23 million barrels, missing estimates of a 1.8 million barrel addition, as reported by the American Petroleum Institute. This minus position was in line with the US government's report on crude oil reserve stocks which indeed decreased by 6.368 million barrels, against expectations of an addition of 1.6 million barrels. Nonetheless, global OIL prices continued to depreciate at the close of Wednesday's trading as the threat of an Israeli-Iranian war eased and global oil shipping flows opened up again, with US WTI down 0.66% to USD 82.81/barrel on the New York Mercantile Exchange; while BRENT eroded 0.45% to USD 88.02/barrel on the London ICE Futures Exchange. Both global oil benchmark prices have recorded gains this year of 15% and 14% respectively. Traders are now refocusing on the supply-demand fundamentals surrounding global oil prices. Goldman Sachs has even predicted a reduction in geopolitical risks in the coming months, projecting that oil prices could fall by USD 5-10/barrel. It is known that US President Joe Biden has signed a foreign aid package that will expand sanctions on Iranian oil, although Biden retains the authority to remove the sanctions for national security reasons; or will not impose strict sanctions that will cause a spike in oil prices during the US election year.

**INDONESIA:** Bank Indonesia's Board of Governors Meeting (RDG) set a 25 bps increase in the benchmark interest rate to 6.25% where the Deposit Rate and Lending Rate were adjusted to 5.50% & 7.0%. This step was taken in order to stabilize the RUPIAH exchange rate and mitigate the effects of global conflicts. USD/IDR remained unmoved from >16200 per USD, staying above the first Support: in the range of 16192-16140 per USD.

## Corporate News

**Superior Business, Pefindo Affirms Telkom's (TLKM) idAAA Rating** Pemeringkat Efek Indonesia (Pefindo) affirmed Telkom Indonesia's (TLKM) rating with idAAA. The rating also applies to the Sustainable Bonds I Year 2015. The outlook for the company's rating is stable. The company's rating, reflects the very strong possibility of support from the government as the controlling shareholder. Telkom's stand-alone credit profile reflects superior business position, diversified business, extensive network, and very strong financial profile. Ratings are capped by intense industry-level competition. The rating could be downgraded if Pefindo assesses a significant deterioration in its relationship with or support from the government. And, at the same time, Telkom experiences a weakening business profile, or if Telkom increases debt by a greater amount than projected without being compensated by adequate revenue growth that weakens the company's financial condition. (Emiten News)

## Domestic Issue

**Government Debt Ratio Will Rise to 40% in 2025, Economists Highlight This** The preliminary draft document of the Government Work Plan (RKP) 2025 states that the ratio of government debt to gross domestic product (GDP) of Indonesia is estimated to rise to a level in the range of 39.77% to 40.14% in 2025. This figure increases when compared to the 2024 target of 38.26% of GDP and is higher than last year's realization of 38.98% of GDP. The increase in the debt ratio is in line with the targeted increase in the budget deficit. The budget deficit in 2025 is targeted to increase to 2.45% to 2.8% of GDP, from this year's 2.29% of GDP. Economic researcher from the Center of Reform on Economics (CORE) Indonesia Yusuf Rendy Manilet said that the RKP document that targets the range of debt ratios in the range of 39% to 40% of GDP is certainly not in line with the medium to long term fiscal policy framework. According to him, the target of the rising debt ratio is actually inseparable from the spending policy that has the potential to increase to accommodate some of the spending needs of the new government as stated during the campaign period. He projects that government policy in 2025 will be relatively expansive, because the new government has several new policy rules that have never been implemented in the previous government. This will increase the budget expenditure post and have an impact on the budget deficit and debt which has the potential to increase along with spending needs. (Kontan)

## Recommendation

**US10YT is also sticking around the resistance region at 4.66% - 4.70% yield, after successfully testing MA10 support / around 4.61%.** It looks like important US economic data today & tomorrow (PCE price index & Q1 GDP) will determine whether the support can still hold or not. ADVISE: HOLD, set your TRAILING STOP. Next TARGET: yield 4.80%.

**ID10YT had tested yield support at the psychological level of 7.0% and managed to close within resistance of 7.078%,** when RSI was showing negative divergence which actually indicates a trend reversal could occur at any time, especially if ID10YT breaks Support 6.90% (MA10). ADVISE: HOLD, set your TRAILING STOP.

## PRICE OF BENCHMARK SERIES

FR0090 : 95.23 (+0.03%)  
FR0091 : 96.40 (+0.12%)  
FR0094 : 96.57 (-0.01%)  
FR0092 : 100.13 (+0.69%)

FR0086 : 98.16 (-0.03%)  
FR0087 : 97.16 (-0.26%)  
FR0083 : 103.27 (-0.11%)  
FR0088 : 93.34 (-2.12%)

## CDS of Indonesia Bonds

CDS 2yr: +1.11% to 34.28

CDS 5yr: -0.37% to 78.13

CDS 10yr: +0.77% to 133.70

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.06%	0.01%
USDIDR	16,154	-0.41%
KRWIDR	11.80	0.24%

## Global Indices

Index	Last	Chg.	%
Dow Jones	38,460.92	(42.77)	-0.11%
S&P 500	5,071.63	1.08	0.02%
FTSE 100	8,040.38	(4.43)	-0.06%
DAX	18,088.70	(48.95)	-0.27%
Nikkei	38,460.08	907.92	2.42%
Hang Seng	17,201.27	372.34	2.21%
Shanghai	3,044.82	22.84	0.76%
Kospi	2,675.75	52.73	2.01%
EIDO	21.02	(0.09)	-0.43%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,316.2	(5.9)	-0.25%
Crude Oil (\$/bbl)	82.81	(0.55)	-0.66%
Coal (\$/ton)	129.00	(0.75)	-0.58%
Nickel LME (\$/MT)	18,945	(61.0)	-0.32%
Tin LME (\$/MT)	31,836	(102.0)	-0.32%
CPO (MYR/Ton)	3,942	(29.0)	-0.73%

## Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.25%	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)	4.47	0.87	Govt. Spending Yoy	2.81%	-3.76%
Exports Yoy	-4.19%	-9.45%	FDI (USD bn)	4.82	4.86
Imports Yoy	-12.76%	15.84%	Business Confidence	104.82	104.30
Inflation Yoy	3.05%	2.75%	Cons. Confidence*	123.80	123.10

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b>	ID	11:00	Trade Balance	Mar	\$4473M	\$1100M	\$867M
22 – Apr.	ID	11:00	Exports YoY	Mar	-4.19%	-10.73%	-9.45%
	ID	11:00	Imports YoY	Mar	-12.76%	-5.30%	15.84%
	EC	21:00	Consumer Confidence	Apr P	-14.7	-14.3	-14.9
<b>Tuesday</b>	US	20:45	S&P Global US Manufacturing PMI	Apr P	49.9	51.8	51.9
23 – Apr.	US	21:00	New Home Sales	Mar	693K	670K	662K
	GE	14:30	HCOB Germany Manufacturing PMI	Apr P	42.2	43.5	41.9
	EC	15:00	HCOB Eurozone Manufacturing PMI	Apr P	45.6	46.6	46.1
	JP	07:30	Jibun Bank Japan PMI Mfg	Apr P	49.9	—	48.2
<b>Wednesday</b>	US	19:30	Durable Goods Orders	Mar P	2.6%	2.8%	1.3%
24 – Apr.	KR	04:00	Consumer Confidence	Apr	100.7	—	100.7
<b>Thursday</b>	US	19:30	GDP Annualized QoQ	1Q A	—	2.3%	3.4%
25 – Apr.	US	19:30	Initial Jobless Claims	Apr 20	—	—	212K
	KR	06:00	GDP YoY	1Q A	—	2.6%	2.2%
<b>Friday</b>	US	19:30	Personal Income	Mar	—	0.5%	0.3%
26 – Apr.	US	19:30	Personal Spending	Mar	—	0.6%	0.8%
	US	21:00	U. of Mich. Sentiment	Apr F	—	77.9	77.9
	EC	15:00	M3 Money Supply YoY	Mar	—	0.5%	0.4%
	JP	06:30	Tokyo CPI Ex-Fresh Food YoY	Apr	—	2.2%	2.4%
	JP	—	BOJ Target Rate (Upper Bound)	Apr 26	—	—	0.10%

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury

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## Indonesia 10 Years Treasury

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