

Morning Brief

Daily | April 4, 2024

Today's Outlook:

US MARKETS: US economic data showed growth in the services industry there slowed further in March, indicating inflation is cooling, but not enough for the Federal Reserve to confirm when interest rate cuts can begin. Fed Chairman Jerome Powell said most central bank officials agree that a rate cut could probably materialize at some point this year, but only after they have sufficient confidence that inflation is moving down sustainably towards the 2% target. The stock market initially fell after the ADP National Employment report stated that there was an increase of 184,000 jobs in the private sector in March, higher than expectations of 148,000 and February's 155,000. The report also showed a jump in average wages for employees changing jobs by 10% on an annualized basis, after increasing 7.6% in February, indicating a strong economy but a bad sign for the inflation trend. On the other hand, the Institute for Supply Management (ISM) survey of the US services industry showed prices fell to a 4-year low, which is a good sign of easing inflation.

The 10-year US Treasury yield fell 1.6 bps to 4.349% after hitting a 4-month high of 4.429%. Another comment from Atlanta Fed President Raphael Bostic, who reiterated his policy that the US central bank only needs to cut interest rates once this year. Although the DOLLAR INDEX held around a 4-month high and pushed the Yen to its lowest point in decades, the index that measures the greenback's strength over 6 other major world currencies lost 0.5%. The US economic data line-up later tonight is still around employment: Weekly Initial Jobless Claims predicts 213K new jobless claims. Investors can also keep an eye on the US Trade Balance and Import-Export growth, as well as watch for further statements from other Fed officials.

COMMODITIES: OIL prices rallied to 5-month highs as traders calculated the risks to supply posed by Ukraine's attack on Russia's refinery, as well as the potential escalation of the Middle East conflict, while the OPEC+ ministers meeting decided to maintain their output policy; and the US released its oil stockpile figures which turned out to be 3.2 million barrels higher than the expected 1.5 million barrel decline. US WTI crude oil gained 28 cents to USD 85.43/barrel, while BRENT rose 43 cents to USD 89.35/barrel. **GOLD prices shot to another record high. US gold futures closed 1.5% higher at USD 2,315/ounce.**

ASIA & EUROPE MARKETS: JAPAN & CHINA reported March Services PMI in an increasingly expansionary trend compared to Feb, although au Jibun Bank Japan Services PMI was slightly below expectations. Meanwhile EUROZONE managed to mark March Inflation to 2.4% yoy, lower than expected and also from the previous month's 2.6%. Similarly, their Core CPI which is the reference for the European Central Bank to be able to walk to their 2% Target, managed to cool down to 2.9% yoy, lower than the 3.0% prediction. As a follow up, later tonight they will announce the PPI figure where consensus says it will still be struggling in the deflation zone. It's the turn of GERMANY, EUROZONE, and UK today to release their PMI numbers, both from manufacturing and services industries, which some of them are expected to struggle to get out of contraction territory.

Corporate News

Pefindo Downgrades PP Properti (PPRO) Rating and Sustainable Bonds PT Perneringkat Efek Indonesia (Pefindo) downgraded PT PP Properti Tbk (PPRO) and its Sustainable Bonds II to idBB- from idBBB-. The Company's rating outlook was revised to negative from stable. Launching Pefindo's official website, the downgrade reflects a combination of the deterioration of PPRO's stand-alone credit profile with the limited possibility of support from the Parent company. The deterioration of PPRO's stand-alone credit profile was triggered by the weakening of the Company's credit profile along with weak pre-sales performance, limited financial capacity to complete the construction of ongoing projects, as well as a potential decline in the portion of recurring income with the divestment of several assets owned. As a result, Pefindo said that PPRO's financial profile also deteriorated, especially in the aspects of capital structure, cash flow protection, and financial flexibility. "We also assess that PPRO has limited capacity to provide extraordinary support to PPRO, considering that loans provided from PTPP have reached the maximum limit of 50% of parent equity," said Pefindo on its official website, Monday (1/4/2024). It was further stated that the negative outlook was pinned to the Company's rating anticipating an increase in refinancing risk over the repayment of bonds maturing on September 2, 2024. (Bareksa)

Domestic Issue

Government Targets IDR 160 Trillion Retail SBN Sales in 2024, Consider the Challenges The government is targeting the sale of retail Government Securities (SBN) to reach IDR 160 trillion this year. Bank Permata Chief Economist Josua Pardede said that the challenge faced by the government in achieving the retail SBN issuance target is global uncertainty. According to him, this reduces risk appetite for retail investors, especially for tradable series, such as the SR series and ORI series. "As for the non-tradeable series, it is estimated that it is still quite attractive, especially in the current conditions, considering that the coupons offered are more attractive than the yields of some domestic assets," he told Kontan.co.id, last Tuesday (2/4). This challenge can be seen from the achievements of the issuance of the first two series this year. Josua assessed that the sales of ORIO25 and SRO20 tend to be below what they should be, seeing the issuance of several series of retail SBN which were able to reach above IDR 25 trillion in 2023. As a reminder, the government obtained IDR 23.92 trillion from the ORIO25 offering and SRO20 amounted to IDR 21.35 trillion. Josua assessed that the limited demand for retail SBN cannot be separated from the increasing global uncertainty throughout the first quarter of 2024, due to stronger US data, as well as uncertainty about the Chinese economy. "Tradeable series tend to be more easily affected by global sentiment," he explained. With yields still high, Josua also projects that the coupon for retail SBN offers this year will still be around 6%. According to him, Bank Indonesia (BI) will not immediately lower its interest rates. (Kontan)

Recommendation

US10YT was halted at the 4.351% yield resistance line upon hearing Federal Reserve Chairman Jerome Powell's dovish tone stating that most FOMC officials are quite optimistic that there will be a rate cut this year, although it needs to be implemented with the belief that US inflation is on its way to the 2% target trajectory. ADVISE: AVERAGE UP accordingly, wait for break out to buy more / average up. NEXT TARGET: yield 4.60% - 4.66%. The third moving average support is in the range of: 4.258% - 4.206%.

While ID10YT is undergoing a reasonable pullback to the nearest MA10 Resistance, in a short term uptrend swing that should not yet disrupt the TARGET direction towards yields: 6.75% / 6.80% - 6.81%. ADVISE: monitor Support area at yield 6.684% - 6.664% to ensure uptrend strength & BUY ON WEAKNESS opportunity. AVERAGE UP above yield 6.737%.

PRICE OF BENCHMARK SERIES

FR0090 : 96.41 (-0.04%)

FR0091 : 98.23 (-0.08%)

FR0094 : 97.11 (-0.02%)

FR0092 : 102.05 (0.00%)

FR0086 : 98.44 (+0.01%)

FR0087 : 99.23 (-0.08%)

FR0083 : 105.73 (+0.07%)

FR0088 : 95.98 (-0.62%)

CDS of Indonesia Bonds

CDS 2yr: -0.45% to 32.34

CDS 5yr: +0.48% to 74.71

CDS 10yr: -0.50% to 128.79

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.69%	0.01%
USDIDR	15,920	0.14%
KRWIDR	11.80	0.39%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,127.14	(43.10)	-0.11%
S&P 500	5,211.49	5.68	0.11%
FTSE 100	7,937.44	2.35	0.03%
DAX	18,367.72	84.59	0.46%
Nikkei	39,451.85	(387.06)	-0.97%
Hang Seng	16,725.10	(206.42)	-1.22%
Shanghai	3,069.30	(5.66)	-0.18%
Kospi	2,706.97	(46.19)	-1.68%
EIDO	21.90	(0.12)	-0.55%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,300.0	19.3	0.85%
Crude Oil (\$/bbl)	85.43	0.28	0.33%
Coal (\$/ton)	129.65	(2.60)	-1.97%
Nickel LME (\$/MT)	17,339	309.0	1.81%
Tin LME (\$/MT)	28,395	498.0	1.79%
CPO (MYR/Ton)	4,407	95.0	2.20%

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

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	1.4%	1.0%	-3.6%
2 – Apr.	US	21:00	Durable Goods Orders	Feb F	1.3%	—	1.4%
	GE	19:00	CPI YoY	Mar P	2.2%	—	2.5%
	KR	06:00	CPI YoY	Mar	3.1%	3.1%	3.1%
Wednesday	US	19:15	ADP Employment Change	Mar	184K	150K	140K
3 – Apr.	EC	16:00	CPI MoM	Mar P	0.8%	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



Indonesia 10 Years Treasury



Research Division

Head of Research

Liza Camelia Suryanata

Equity Strategy, Macroeconomics,
Technical
T +62 21 5088 ext 9134

Analyst

Axell Ebenhaezer

Mining, Property
T +62 21 5088 ext 9133
E Axell.Ebenhaezer@nhsec.co.id

Analyst

Cindy Alicia Ramadhania

Consumer, Healthcare
T +62 21 5088 ext 9129
E cindy.alicia@nhsec.co.id

Analyst

Richard Jonathan Halim

Technology, Transportation

Analyst

Leonardo Lijuwardi

Banking, Infrastructure
T +62 21 5088 ext 9127
E leonardo.lijuwardi@nhsec.co.id

Research Support

Amalia Huda Nurfalih

Editor & Translator
T +62 21 5088 ext 9132
E amalia.huda@nhsec.co.id

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PT. NH Korindo Sekuritas Indonesia

JAKARTA (HEADQUARTER):

District 8 Treasury Tower 51st Fl. Unit A, SCBD Lot.28

Jl. Jendral Sudirman Kav. 52-53

Jakarta Selatan 12190

Telp : +62 21 5088 9102

Branch Office BSD:

ITC BSD Blok R No.48

Jl. Pahlawan Seribu Serpong

Tangerang Selatan 15311

Indonesia

Telp : +62 21 509 20230

Branch Office Medan :

Jl. Asia No. 548 S

Medan – Sumatera Utara 20214

Indonesia

Telp : +62 614 156500

Branch Office Bandung:

Paskal Hypersquare Blok A1

Jl. Pasirkaliki No 25-27

Bandung 40181

Indonesia

Branch Office Bandengan (Jakarta Utara):

Jl. Bandengan Utara Kav. 81

Blok A No.02, Lt 1

Jakarta Utara 14440

Indonesia

Telp : +62 21 6667 4959

Branch Office Kamal Muara (Jakarta Utara):

Rukan Exclusive Mediterania

Blok F No.2

Jakarta Utara 14470

Indonesia

Telp : +62 24 844 6878

Branch Office Pekanbaru:

Sudirman City Square

Jl. Jend. Sudirman Blok A No.7

Pekanbaru

Indonesia

Telp : +62 761 801 1330

Branch Office Makassar:

Jl. Gunung Latimojong No.120A

Makassar

Indonesia

Branch Office Denpasar:

Jl. Cok Agung Tresna

Ruko Griya Alamanda No. 9

Renon Denpasar, Bali 80226

Indonesia

Telp : +62 361 209 4230

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Jakarta