

Morning Brief

Daily | May 14, 2024

Today's Outlook:

US MARKETS: Investors await key inflation readings and earnings reports due this week while surveys show that consumers are concerned about the inflation trend. The Federal Reserve Bank of New York survey, released on Monday, found that Americans expect inflation of 3.3% a year from now, up from 3% in March, while they expect 2.8% inflation within three years from now. On Friday, a University of Michigan report showed US consumer sentiment slumped to a six-month low in May on household concerns over the cost of living. Signs of a weakening labor market that fueled speculation of one or two Federal Reserve interest rate cuts this year. ISI Evercore thinks that the Federal Reserve is likely to cut interest rates twice this year starting in September, but if inflation data does not show enough of a slowdown in September, then it is likely that the Fed will not cut interest rates at all this year. This prediction comes as the market continues to debate whether one, two or no rate cuts are needed this year. The current market consensus is still in favor of two cuts for this year.

MARKET SENTIMENT: Investors are now focused on waiting for consumer & producer price index data, retail sales data, weekly jobless claims to be released this week. US consumer-level inflation is expected to increase 0.3% mom in April and 3.6% yoy according to economists forecast in a Reuters poll ahead of Wednesday's data release. Federal Reserve Vice Chairman Phillip Jefferson said he is more likely to hold interest rates steady until it is clear that price pressures are fading. From the sentiment of FINANCIAL REPORT SEASON: Of the 459 companies in the S&P 500 that have reported earnings through Friday, 77.3% beat analysts' earnings estimates (as reported by LSEG data); beating the long-term earnings average of 66.7%. Later this evening at around 19.30 hrs the US will release one of the most eagerly awaited sets of important Inflation data: US PPI (Apr.) which is predicted at 2.2% yoy & 0.3% mom, little changed from 2.1% & 0.2% in the previous month. In response to the data, market participants will also be listening closely to Fed Chairman Jerome Powell's comments.

ASIA & EUROPEAN MARKETS: JAPAN has announced their in-line producer-level inflation at 0.9% yoy in Apr. More important inflation data will be released from GERMANY, where they forecast German CPI (Apr.) to remain flat at 2.2% yoy, although on a monthly basis it increased slightly to 0.5% mom from 0.4% in the previous month. From the UK there will be more data related to employment as well as average wage growth, while the ZEW Economic Sentiment for May is likely to assess a more optimistic economic situation in May in the EUROZONE region & Germany.

COMMODITIES: OIL prices ended higher on Monday, on the back of signs of improvement in CHINA's economy boosting demand prospects, amid raging wildfires in Alberta that risk disrupting supply. BRENT crude futures rose 0.5% to USD 83.21/barrel, while US WTI futures rose 0.8% to settle at USD 78.92/barrel. China's inflation data released at the end of last week sparked hopes of global demand growth in crude oil as the Chinese government's large monetary support for its economic recovery. China's oil imports in April have fallen slightly compared to the previous month, which is little changed from last year as the country struggles to revive its sluggish economy post-COVID.

INDONESIA recorded car and motorcycle sales in April strengthened significantly, with motorcycles jumping 18.3% yoy, compared to -7.8% in the previous month. Indonesia's Consumer Confidence in April also seems optimistic with an increase to 127.7 from 123.8 in the previous month. As for today, we will look forward to Indonesia's Retail Sales data for the month of March.

Corporate News

Dian (DSSA) Offers IDR 1.05 Trillion Notes to Fund Expansion Dian Swastatika (DSSA) will offer sustainable bonds worth IDR 1.05 trillion. The proceeds from the bonds will be used for a number of purposes. The sustainable bonds phase II in 2024 are divided into three series. Namely, series A, IDR 44.60 billion with a fixed interest rate of 7.50 percent per year with a duration of 370 days. Series B with a principal amount of IDR 171.22 billion with a fixed interest rate of 8.50 percent per year with a term of 3 years from the date of issuance. Series C with a principal amount of IDR 836.69 billion with a fixed interest rate of 9 percent per year with a duration of 5 years from the date of issuance. The proceeds from the issuance of the bonds will be used for a number of needs. To be precise, around 70 percent is for the expansion of Eka Mas Republik's (EMR) internet service provision business. Through providing loans to EMR either directly from the company or indirectly through its subsidiaries. The funds, by EMR, will be used for business expansion with a focus on building a homepass network in areas of Indonesia not yet passed by the EMR internet service product network, namely MyRepublic. (Emiten News)

Domestic Issue

The Government is Ready to Auction Government Bonds (SUN) Tomorrow, Seeking Funds of up to IDR 33 T The government will conduct an auction of Government Bonds (SUN) today, Tuesday (14/5), opening at 09.00 Western Indonesia Time and closing at 11.00 Western Indonesia Time. The indicative target of this SUN auction is IDR 22 trillion and the maximum target is IDR 33 trillion. The government will auction seven series of SUN, namely SPN03240814 (New Issuance), SPN12250502 (Reopening), FR0101 (Reopening), FR0100 (Reopening), FR0098 (Reopening), FR0097 (Reopening), and FR0102 (Reopening). The coupon rates offered by the government range from 6.62 percent to 7.12 percent. The Directorate General of Financing and Risk Management of the Ministry of Finance explained that the auction of Government Securities was carried out in rupiah currency to meet part of the financing target in the 2024 State Budget. "The auction is carried out based on Minister of Finance Regulation Number 168/PMK.08/2019 concerning the Auction of Government Securities in the Domestic Primary Market (PMK No. 168/PMK.08/2019)," wrote the Directorate General of Financing and Risk Management in its announcement, quoted last Monday (13/5). The SUN to be auctioned has a nominal value per unit of IDR 1 million. The SUN sale will be carried out using an auction system organized by Bank Indonesia. The auction is open, using the multiple price method. Auction winners who submit competitive bids will pay according to the proposed yield. (Kumparan)

Recommendation

US10YT is waiting for the release of US CPI & PPI data to determine the Fed's further monetary policy, therefore the yield is currently staying in the lower channel support area (uptrend), just above MA50 also around 4.422%. Only when the US Inflation reading is released, whether it will be responded with a break out of MA10 resistance / yield 4.50%, which will open the potential for further strengthening towards the next resistance / TARGET as follows: yield 4.57% / 4.70%-4.74% / 4.90%. ADVISE: AVERAGE UP accordingly.

ID10YT now seems to be mirroring the previous Fibonacci by using 50% retracement as Target area around yield 7.10% which also coincides with MA10 position; making that level up to 7.141% as crucial Resistance level. ADVISE: WAIT & SEE NOW, reduce position if the yield reverses towards MA20 Support / yield 7.0%. Next Resistance: yield 7.272% / 7.327%.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.25%	6.00%	Real GDP	5.11%	5.04%
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	19.90%	2.81%
Exports Yoy	-3.75%	-9.45%	FDI (USD bn)	4.82	4.86
Imports Yoy	-12.76%	15.84%	Business Confidence	104.82	104.30
Inflation Yoy	3.00%	3.05%	Cons. Confidence*	127.70	123.80

PRICE OF BENCHMARK SERIES

FRO090	: 95.49 (-0.10%)
FRO091	: 96.46 (-0.15%)
FRO094	: 95.98 (+1.08%)
FRO092	: 101.32 (+0.01%)
FRO086	: 97.79 (-0.14%)
FRO087	: 97.67 (-0.24%)
FRO083	: 104.52 (-0.09%)
FRO088	: 94.11 (-0.91%)

CDS of Indonesia Bonds

CDS 2yr	: -1.49% to 33.76
CDS 5yr	: -0.63% to 71.52
CDS 10yr	: -1.31% to 123.17

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.99%	0.02%
USDIDR	16,080	0.22%
KRWIDR	11.76	0.22%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,431.51	(81.33)	-0.21%
S&P 500	5,221.42	(1.26)	-0.02%
FTSE 100	8,414.99	(18.77)	-0.22%
DAX	18,742.22	(30.63)	-0.16%
Nikkei	38,179.46	(49.65)	-0.13%
Hang Seng	19,115.06	151.38	0.80%
Shanghai	3,148.02	(6.53)	-0.21%
Kospi	2,727.21	(0.42)	-0.02%
EIDO	20.40	(0.08)	-0.39%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,336.3	(24.2)	-1.02%
Crude Oil (\$/bbl)	79.12	0.86	1.10%
Coal (\$/ton)	142.10	(2.30)	-1.59%
Nickel LME (\$/MT)	19,230	278.0	1.47%
Tin LME (\$/MT)	32,918	825.0	2.57%
CPO (MYR/Ton)	3,868	59.0	1.55%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	ID	—	Consumer Confidence Index	Apr	127.7	—	123.8
13 – May	JP	06:50	Money Stock M2 YoY	Apr	2.2%	—	2.5%
Tuesday	US	19:30	PPI Final Demand MoM	Apr		0.3%	0.2%
14 – May	GE	13:00	CPI YoY	Apr F		—	2.2%
	JP	06:50	PPI YoY	Apr		—	0.8%
Wednesday	US	19:30	Empire Manufacturing	May		-10.0	-14.3
15 – May	US	19:30	CPI YoY	Apr		3.4%	3.5%
	US	19:30	Retail Sales Advance MoM	Apr		0.4%	0.7%
	EC	16:00	GDP SA YoY	1Q P		—	0.4%
	ID	11:00	Imports YoY	Apr		—	-12.76%
	ID	11:00	Exports YoY	Apr		—	-3.75%
	ID	11:00	Trade Balance	Apr		—	\$4,473M
Thursday	US	19:30	Initial Jobless Claims	May 11		—	—
16 – May	US	19:30	Housing Starts	Apr		1,438K	1,321K
	US	20:15	Industrial Production MoM	Apr		0.2%	0.4%
	JP	06:50	GDP Annualized SA QoQ	1Q P		-1.6%	0.4%
	JP	11:30	Industrial Production MoM	Mar F		—	3.8%
Friday	US	21:00	Leading Index	Apr		-0.2%	-0.3%
17 – May	CH	09:00	Industrial Production YoY	Apr		5.4%	4.5%
	CH	09:00	Retail Sales YoY	Apr		3.9%	3.1%
	EC	16:00	CPI YoY	Apr F		—	2.4%
	KR	06:00	Unemployment rate SA	Apr		—	2.8%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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