

Morning Brief

Daily | May 15, 2024

Today's Outlook:

US MARKETS: The US producer-level Price Index grew at a faster-than-expected pace of 0.5% mom in April (above economists' 0.3% expectation and up from a downwardly revised contraction to -0.1% in March) mainly due to high costs of services and goods, signaling inflationary pressures lingered at the start of the second quarter.

On an annualized basis, US PPI rose as estimated by 2.2% yoy - the largest increase since a 2.3% surge in April 2023. The latest figure for the previous month was also revised down to 1.8%.

In response to the data, Morgan Stanley said the PPI data is still above the threshold that they see as convincing evidence that inflation is moving in the right direction. Similarly, Federal Reserve Chairman Jerome Powell also emphasized that the handling of inflation in Q1 did not show much progress. He does not believe that inflation will be able to fall further or stagnate, although he remains optimistic that the current monetary policy is effective in controlling people's purchasing power and he ruled out the possibility of raising interest rates as the next step to be taken by the central bank. Powell also gave an optimistic view of the US economy by highlighting strong consumer spending and business investment when he spoke at the Annual General Meeting of the Foreign Bankers Association in Amsterdam, on the one hand it has also begun to detect a reduction in labor in various industries, causing the labor market to begin to get its balance. Powell also projected US GDP growth of 2% or better.

Later tonight around 19.30 WIB, it is the turn for the US consumer price index, which will be in the spotlight of market participants. Inflation at the US consumer level is expected to cool to 3.4% yoy in April from 3.5% in the previous month. Complementing the data, US Retail Sales for April will also be published, which is predicted to grow 0.4% on a monthly basis, down from the previous month's 0.7%.

EUROPEAN MARKETS: The UK reported that their employment situation seems to be still quite strong: although the March Unemployment Rate rose 0.1% to 4.3%, average Wages grew. April's Unemployment Count was also lower than expected, while Q4 Labor Productivity turned out to be better than forecast. Speaking of Inflation, GERMANY released April CPI which was indeed stagnant at 2.2%yoy as expected. However, Germany and EUROZONE are more optimistic about the economic sentiment for the next 6 months as evidenced by the higher ZEW Economic Sentiment (May) reading. Not to be outdone by the US, a number of important data will also come out of the Eurozone today: Industrial Production and Q1 GDP with a projected increase to 0.4% yoy from 0.1% in the previous quarter.

INDONESIA reported strong Retail Sales in March, growing 9.3% yoy, higher than the previous month at 6.4%. Later today we will await Trade Balance (Apr.) data which is expected to result in another surplus this time of IDR 3.3 billion accompanied by positive Export Import growth. FYI foreign net sell still continues to persist, amounting to almost IDR 770 billion all market yesterday, finally spending the entire foreign net long position this year.

Corporate News

Summarecon Seeks IDR 1.3 Trillion in Funds through Bonds to Support Subsidiaries and Pay Debt PT Summarecon Agung Tbk (SMRA) plans to seek fresh funds through corporate actions in the capital market through the offering of sustainable bonds IV phase III in 2024 with a principal amount of IDR 1.3 trillion. In the prospectus published, the company revealed that the bonds are divided into two series, namely series A with a value of IDR 329 billion with a 3-year term with an interest rate of 8.25% per annum. Then, series B is worth IDR 971 billion with a period of 5 years and interest of 9.30% per year. The funds obtained from this bond, after deducting issuance costs, will be used by the Company as much as IDR 606.23 billion will be used to increase capital participation by the Company in SMPD which will cause the Company to continue to have 99.99% share ownership in SMPD. Then, IDR 200 billion to fund all of the Company's obligations in the plan to repay the entire principal of Shelf Registration Bond III Phase II Year 2019 (Shelf Registration Bond III Phase II) Series B which will mature on October 15, 2024. And, IDR 486.62 billion for the Company's working capital which will be used for operational activities. In this corporate action, Pefindo gave an idA+ rating for this bond. (Warta Ekonomi)

Domestic Issue

Seven SUN Series Auction, Government Raises IDR 21.36 Trillion Funds The government auctioned seven series of state debt securities (SUN) on Tuesday (5/14/2024). As a result, the government raised funds worth IDR 21.36 trillion. The Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance (Kemenkeu) said that the seven series auctioned were SPN03240814 (new issuance), SPN12250502 (reopening), FR0101 (reopening), FR0100 (reopening), FR0098 (reopening), FR0097 (reopening), and FR0102 (reopening). The largest absorption came from the FR0101 series which won IDR 8.6 trillion from an incoming bid of IDR 12.44 trillion. The weighted average yield won was 6.99994 percent. Then, the government absorbed funds of IDR 6.05 trillion from the FR0100 series which received an incoming bid of IDR 17.43 trillion, with a weighted average yield won of 7.02987 percent. Furthermore, from the FR0098 series, the government won funds of IDR 2.1 trillion from an incoming bid of IDR 4.88 trillion. The weighted average yield won by this series is 7.01965 percent. Then, the FR0097 and SPN12250502 series won IDR 2 trillion each. The incoming bid for the FR0097 series was recorded at IDR 3.49 trillion with a weighted average yield won of 7.05753 percent. While the SPN12250502 series received an incoming bid of IDR 5.10 trillion with a weighted average yield won of 6.82801 percent. The government then absorbed funds of IDR 600 billion from the FR0102 series. The incoming bid for this series was recorded at IDR 3.76 trillion with a weighted average yield won of 7.02965 percent. Then, the government won funds of IDR 14 billion from the SPN03240814 series, which received an incoming bid of IDR 2.30 trillion with a weighted average yield won of 6.60000 percent. (IDX Channel)

Recommendation

US10YT is still hesitant to make a reversal from this point despite the release of US PPI data and comments from Fed Chairman Jerome Powell indicating interest rates should remain higher for longer amid the strong US economic outlook going forward. The key level will be at 4.50% yield therefore NHKSI RESEARCH suggests to use that figure as a point to Average Up, while waiting for another Inflation data release tonight which is US CPI.

ID10YT was stopped up after reaching 61.8% Fibonacci retracement around 7.15% yield with a Shooting Star-like candle (at Resistance area).
ADVISE: HOLD, WAIT & SEE.

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)	136.20	140.40	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

FR0090	: 95.55 (+0.06%)
FR0091	: 96.39 (-0.08%)
FR0094	: 95.98 (+1.06%)
FR0092	: 101.25 (-0.07%)
FR0086	: 97.77 (-0.02%)
FR0087	: 97.58 (-0.09%)
FR0083	: 104.37 (-0.04%)
FR0088	: 93.80 (-0.33%)

CDS of Indonesia Bonds

CDS 2yr:	-0.62% to 33.55
CDS 5yr:	-0.93% to 70.86
CDS 10yr:	-0.45% to 122.62

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.03%	0.04%
USDIDR	16,104	0.15%
KRWIDR	11.76	0.04%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,558.11	126.60	0.32%
S&P 500	5,246.68	25.26	0.48%
FTSE 100	8,428.13	13.14	0.16%
DAX	18,716.42	(25.80)	-0.14%
Nikkei	38,356.06	176.60	0.46%
Hang Seng	19,073.71	(41.35)	-0.22%
Shanghai	3,145.77	(2.25)	-0.07%
Kospi	2,730.34	3.13	0.11%
EIDO	20.48	0.08	0.39%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,358.1	21.8	0.93%
Crude Oil (\$/bbl)	78.02	(1.10)	-1.39%
Coal (\$/ton)	142.65	0.55	0.39%
Nickel LME (\$/MT)	19,075	(155.0)	-0.81%
Tin LME (\$/MT)	33,366	448.0	1.36%
CPO (MYR/Ton)	3,815	(53.0)	-1.37%

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	0.5%	0.3%	0.2%
14 – May	GE	13:00	CPI YoY	Apr F	2.2%	—	2.2%
	JP	06:50	PPI YoY	Apr	0.9%	—	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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