

Morning Brief

Daily | May 16, 2024

Today's Outlook:

US MARKETS: A slower-than-expected US CPI release after 3 months of upward surprises, raising hopes of a faster Fed rate cut and sending US Treasury yields sharply lower. The overall consumer price index slowed to a 0.3% mom rate in April, from 0.4% a month earlier, slower than economists' forecast of 0.4% (due to falling shelter and gasoline costs), raising hopes that the disinflationary trend is back on track. This changed the annualized figure to 3.4% yoy, in-line with expectations, and down from the 3.5% rate in the previous position. Meanwhile, Core Inflation which strips out volatile food and energy prices, rose 0.3% on a monthly basis and 3.6% on an annualized basis, easing from 3.8% in March. The slowdown in consumer prices was a relief after a day earlier producer-level inflation came out hotter than forecast. Investors see a 50.5% chance that the US central bank will start cutting interest rates in September, according to the CME FedWatch tool. US TREASURY yields fell sharply after the CPI was announced with the 10-year US Treasury yield falling 10 basis points to 4.34%. From other economic data, RETAIL SALES grew flat in April, failing to meet forecasts for a 0.4% increase on a monthly basis; making the annualized figure drop to 3.04% yoy, from 3.83% in the previous period.

MARKET/ANALYST: Evercore ISI thinks Inflation numbers will send US Treasury yields down and Inflation moving towards target. However they expect Nonfarm Payroll could still climb to 150k in May, Unemployment Rate may also stagnate at 3.9%. Wells Fargo & Morgan Stanley think the first rate cut could happen in September, on the other hand Macquarie insists the pivot will not happen this year, more pessimistic than RBC Capital which still holds at least December. Julius Baer Group analysts from Switzerland expect central banks to move their fund positions from US Treasuries to the Gold commodity; which started its gains on Wednesday with futures rallying 1.36% to USD 2392.05/ounce.

OTHER ECONOMIC INDICATORS: Today there will be a number of other US economic indicators such as: Building Permits & Housing Starts which will measure the strength of the US property sector especially in April, while waiting for the weekly Initial Jobless Claims figure which is predicted at 219 thousand (should be down from the previous week 231 thousand). Manufacturing sector activity in the Philadelphia region will also be in the spotlight of market participants, along with Industrial & Manufacturing Production (Apr.).

ASIA & EUROPE MARKETS: CHINA central bank keeps 1-year lending rate at 2.5%. EUROZONE released their preliminary Q1 GDP estimate at 0.4% yoy, firming from 0.1% in the previous period. Industrial Production in the region is still struggling to expand as it grew 0.6% mom in March, down from 1.0% in February. Today it's JAPAN's turn to announce preliminary numbers for their Q1 GDP which turned out to fall into recession as negative growth of -2.0% yoy and -0.5% mom; down deeper than forecasts of -1.5% and -0.3%, also contrary to the positive position in the previous quarter.

COMMODITIES: OIL prices ended higher on Wednesday, as a much larger-than-expected decline in US weekly stockpiles and a slumping US DOLLAR supported prices and offset the International Energy Agency's (IEA) outlook for weaker demand growth this year. BRENT futures rose 1% to USD 82.85/barrel, while US WTI futures rose 1% to USD 78.63/barrel.

INDONESIA: Indonesia recorded a Trade Balance surplus of USD 3.56bn in April, the 48th consecutive month of surplus, on the back of positive Export growth of 1.72% yoy and Import growth of 4.62% yoy (although not as expected but at least a significant improvement from negative position in the previous month).

Corporate News

BSI Launches Sustainability Sukuk, Offering Rewards of up to 7.20%

Bank Syariah Indonesia Tbk (BRIS) or BSI released the first Environmental, Social, and Governance (ESG) principle-based sukuk in Indonesia. The BSI sustainability sukuk or sustainable mudharabah sukuk I Phase I will be issued worth IDR 3 trillion. To attract investors, BSI offers attractive returns in the range of 6.40% to 7.20% per year. The company targets to raise a total of up to IDR 10 trillion in several stages of this sustainable sukuk issuance. The mudharabah sukuk consists of three series with the following details: Series A: The principal amount of Series A bonds with a reward rate of 6.40-7.10% and a term of 370 days. Series B: Principal amount of Series B bonds with a coupon rate of 6.45%-7.15% and a term of two years. Series C: Principal amount of Series C bonds with a fixed coupon rate of 6.50%-7.20% and a term of three years. BSI President Director Hery Gunardi said that in the first phase of this sukuk issuance, BSI has obtained permission from OJK through POJK Number 18 of 2023. (Katadata)

Domestic Issue

Holds Auction of 7 State Sukuk Series, Government Aims for IDR 10 Trillion

The government on Monday, May 20, 2024 will conduct an auction of State Sharia Securities (SBSN) or State Sukuk in order to meet part of the financing target in the 2024 State Budget. The State Sukuk series to be auctioned are the SPN-S (State Treasury Securities - Sharia) and PBS (Project Based Sukuk) series. A press release from the Directorate of Sharia Financing of the Ministry of Finance of the Republic of Indonesia on Wednesday (13/3/2024) stated that there are 7 series that will be auctioned on Monday next week. The seven sukuk series have been offered in previous auctions (reopening). The Ministry of Finance set an indicative target of IDR 10 trillion from the auction of the seven SBSN series, with a settlement date of May 22, 2024. The seven series of state sukuk are as follows: SPNS 18112024 (reopening) maturity date on November 18, 2024, SPNS 02122026 (reopening) maturity date February 2, 2025, PBS032 (reopening) maturity date July 15, 2026, PBS030 (reopening) maturity date July 15, 2028, PBS004 (reopening) maturity date February 15, 2037, PBS039 (reopening) maturity date July 15, 2041 and PBS038 (reopening) maturity date December 15, 2049. (Emiten News)

Recommendation

Since US CPI managed to cool down, US10YT Yield is set to drop further after breaking the lower channel support of 4.45% to a consolidation target around yield of 4.08%. ADVISE: reduce position.

ID10YT needs to stay above the short term trendline support around 6.97% yield to maintain this short term uptrend; while trying to break MA10 & MA20 resistance at current yield level of 7.042% - 7.078%. ADVISE: HOLD; WAIT & SEE for BUY ON WEAKNESS opportunity; or decision to reduce position again.

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)	3.56	4.47	Govt. Spending Yoy	19.90%	2.81%
Exports Yoy	1.72%	-4.19%	FDI (USD bn)	4.82	4.86
Imports Yoy	4.62%	-12.76%	Business Confidence	104.82	104.30
Inflation Yoy	3.00%	3.05%	Cons. Confidence*	127.70	123.80

PRICE OF BENCHMARK SERIES

FR0090 : 95.70 (+0.15%)
FR0091 : 96.55 (+0.17%)
FR0094 : 95.98 (+0.00%)
FR0092 : 101.33 (+0.08%)

FR0086 : 97.84 (+0.07%)
FR0087 : 97.69 (+0.11%)
FR0083 : 104.44 (+0.06%)
FR0088 : 94.03 (+0.27%)

CDS of Indonesia Bonds

CDS 2yr: +0.09% to 33.58

CDS 5yr: +0.34% to 71.10

CDS 10yr: +0.08% to 122.72

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.98%	-0.05%
USDIDR	16,028	-0.47%
KRWIDR	11.78	0.18%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,908.00	349.89	0.88%
S&P 500	5,308.15	61.47	1.17%
FTSE 100	8,445.80	17.67	0.21%
DAX	18,869.36	152.94	0.82%
Nikkei	38,385.73	29.67	0.08%
Hang Seng	19,073.71	(41.35)	-0.22%
Shanghai	3,119.90	(25.87)	-0.82%
Kospi	2,730.34	3.13	0.11%
EIDO	20.87	0.39	1.90%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,386.0	27.9	1.18%
Crude Oil (\$/bbl)	78.63	0.61	0.78%
Coal (\$/ton)	143.00	0.35	0.25%
Nickel LME (\$/MT)	19,489	414.0	2.17%
Tin LME (\$/MT)	33,410	44.0	0.13%
CPO (MYR/Ton)	3,861	46.0	1.21%

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	-15.6	-10.0	-14.3
15 – May	US	19:30	CPI YoY	Apr	3.4%	3.4%	3.5%
	US	19:30	Retail Sales Advance MoM	Apr	0.0%	0.4%	0.7%
	EC	16:00	GDP SA YoY	1Q P	0.4%	—	0.4%
	ID	11:00	Imports YoY	Apr	4.62%	—	-12.76%
	ID	11:00	Exports YoY	Apr	1.72%	—	-3.75%
	ID	11:00	Trade Balance	Apr	\$3,559M	—	\$4,473M
Thursday	US	19:30	Initial Jobless Claims	May 11	—	—	—
16 – May	US	19:30	Housing Starts	Apr	1,438K	1,438K	1,321K
	US	20:15	Industrial Production MoM	Apr	0.2%	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%	-0.2%	-0.3%
17 – May	CH	09:00	Industrial Production YoY	Apr	5.4%	5.4%	4.5%
	CH	09:00	Retail Sales YoY	Apr	3.9%	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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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
T +62 21 5088 ext 9128
E Richard.jonathan@nhsec.co.id

Analyst

Leonardo Lijuwardi

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

Research Support

Amalia Huda Nurfalah

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

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PT. NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

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

Telp : +62 22 860 22122

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

Telp : +62 411 360 4650

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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