

Morning Brief

Today's Outlook:

US MARKETS: GOLD surged to an all-time high as investors weighed hawkish comments from Federal Reserve officials regarding the handling of US Inflation. Fed officials' comments still reflected the US central bank's cautious view on their progress in controlling inflation, as well as the timing of interest rate cuts. Fed Vice Chairman Philip Jefferson said it was too early to tell whether the slowdown in inflation would last, while Fed Vice Chairman Michael Barr said tight monetary policy should be in place for longer. Atlanta Fed President Raphael Bostic said the central bank still needs more time to be convinced that price growth is on the expected downward trajectory. More comments are coming from Fed officials today, while US TREASURY yields edged higher after Fed officials expressed uncertainty about the timing of a rate cut. The 10-year bond ended down 32/7 leaving the yield at 4.4453%, from 4.42% at the end of Friday. Meanwhile, the 30-year bond ended lower at 32/11 making the yield at 4.5816%, from 4.561% at the end of last Friday. The US DOLLAR posted slight gains against a number of world currencies as investors await further clues on the path of interest rates. The DOLLAR INDEX (DXY) rose 0.15%, and the Euro fell 0.11% to USD 1.0858/Eur. The Japanese Yen weakened 0.39% against the greenback at 156.30/USD, while the PoundSterling last traded at USD 1.2702, up 0.02%.

EUROPEAN & ASIAN MARKETS: CHINA set its interest rates to remain unchanged as expected. This morning JAPAN reported the Tertiary Industry Index which measures the change in the total value of services purchased by businesses, increased significantly to its highest level since at least August 2023; indicating meaningful economic health. Today will see GERMAN PPI (Apr.) and EUROZONE Trade Balance data.

COMMODITIES: Crude OIL prices stabilized as traders digested the Fed's hawkish comments against signs that Inflation is starting to ease. US WTI crude fell 0.32% to USD 79.80/barrel, while BRENT settled at USD 83.71/barrel, down 0.32% on Monday's trade. The Oil market seemed less affected by political uncertainty in the world's two major oil producing countries after Iranian President Ebrahim Raisi was killed in a helicopter crash and Saudi Arabia's crown prince postponed a trip to Japan due to the health of his father, the king. Iran's oil policy should not be affected by the president's sudden death as Supreme Leader Ayatollah Ali Khamenei holds the ultimate power to decide all state affairs. In Saudi Arabia, the market is accustomed to Crown Prince Mohammed Bin Salman's leadership in the energy sector so the sustainability of Saudi Arabia's strategy is expected to be undisturbed by the king's health issues. In other commodities, GOLD hit record highs, following last week's encouraging inflation data plus the latest speculation regarding the death of Iran's President in a helicopter crash; while SILVER hit its highest level in over 11 years. Gold prices on the spot market closed up 0.4% to USD 2,424.69/ounce. COPPER, a barometer of economic sentiment, surged to a record high after China announced measures to shore up its crisis-hit property sector. Copper rose 2.97% to USD 10,985.00/ton.

INDONESIA posted a Balance of Payment deficit of USD 6 billion in the 1/2024 quarter, reversing direction from the 4/2023 quarter surplus of IDR 8.6 billion. Going forward, Bank Indonesia continues to pay close attention to the dynamics of the global economy that could affect the outlook for the Balance of Payments, in addition to continuing to strengthen the policy mix in close synergy with the government and related authorities, in order to strengthen the resilience of the external sector. BI expects the 2024 balance of payments to be maintained with the current account in a low deficit range of 0.1% to 0.9% of GDP. The capital and financial account balance is predicted to record a surplus, in line with the forecasted increase in foreign capital inflows as global financial market uncertainty eases, as well as the maintenance of positive investor perceptions of the national economic outlook and attractive investment returns.

Corporate News

OJK Mentions 11 Financing Companies Will Issue Bonds This Year

The Financial Services Authority (OJK) said there are 11 finance companies that plan to issue bonds this year. The details are IDR 12.8 trillion in the first semester of 2024 and IDR 9.375 trillion in the second semester of 2024. OJK Chief Executive of the Supervision of Financing Institutions, Venture Capital Companies, Microfinance Institutions and Other Financial Services Institutions (PVML) Agusman said the issuance plan began in the second quarter of 2024. "The bond issuance plan will begin in the second quarter of 2024 by considering the liquidity needs of each company," Agusman said in a written answer quoted on Sunday (19/5/2024). Several finance companies also revealed their plans to issue bonds in the second quarter of 2024. They are PT BFI Finance Indonesia Tbk (BFI Finance) which will issue Sustainable Bond VI with a target of IDR 6 trillion and PT CIMB Niaga Auto Finance (CNAF) or CIMB Niaga Finance which plans to issue Sukuk Sustainable Public Offering I (PUB I) Wakalah BI Al Istitsmar in the second quarter of 2024 with a target of IDR 1 trillion. Next is PT Wahana Ottomitra Multiartha Tbk (WOMF) or WOM Finance, which revealed that it plans to issue bonds in the second quarter of 2024. (Bisnis)

Domestic Issue

Foreign Capital Flow to Bonds Hampered by Fed Interest Rates

Foreign investors' capital flow into the Indonesian bond market is still hampered by the uncertainty of the US Central Bank or Federal Reserve (Fed) interest rate policy. Bank Permata Chief Economist Josua Pardede said the outlook for the debt securities market for the rest of the year is still highly dependent on global sentiment, in line with global uncertainty regarding the direction of the Fed interest rate which is still a challenge for foreign capital flow into the domestic bond market. "This external side is still the main risk of domestic bond demand, reflected in the net outflow that occurred in the last 3 months. The sentiment of global uncertainty is expected to continue until the second half of 2024," Josua told Bisnis, Monday (5/20/2024). According to him, bond issuance this year tends to be hampered by changing expectations of interest rate cuts by market participants, from previously expected cuts of up to 125bps to only 25-50bps in 2024. This change in expectation has made investors to be more cautious in investing in the domestic bond market. This sentiment is expected to subside when the US economic indicators start to slow down, and the Fed has started signaling interest rate cuts. (Bisnis)

Recommendation

YIELD US10YT is testing the MA10 & MA50 resistance around 4.438% - 4.453%. LIMITED UPSIDE POTENTIAL to next resistance: MA20 & lower channel around yield 4.50%. ADVISE : be ready to collect again when yield turns down.

ID10YT is testing MA10 resistance at 6.97% yield, if it breaks out it will continue to advance to TARGET: MA20 and the crossing of two resistance lines at a yield of 7.04%. ADVISE : be ready to collect / buy back when the yield increase is blocked and the price rises 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)	-2.16	-1.29
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 : 95.86 (+0.03%)
FR0091 : 97.06 (-0.20%)
FR0094 : 96.20 (0.00%)
FR0092 : 101.83 (-0.38%)

FR0086 : 98.22 (-0.03%)
FR0087 : 98.15 (+0.46%)
FR0083 : 104.81 (-0.21%)
FR0088 : 94.70 (-0.06%)

CDS of Indonesia Bonds

CDS 2yr: -0.90% to 32.97

CDS 5yr: -0.79% to 69.89

CDS 10yr: -0.87% to 120.81

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.94%	-0.04%
USDIDR	15,975	0.13%
KRWIDR	11.78	0.09%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,806.77	(196.82)	-0.49%
S&P 500	5,308.13	4.86	0.09%
FTSE 100	8,424.20	3.94	0.05%
DAX	18,768.96	64.54	0.35%
Nikkei	39,069.68	282.30	0.73%
Hang Seng	19,636.22	82.61	0.42%
Shanghai	3,171.15	17.12	0.54%
Kospi	2,742.14	17.52	0.64%
EIDO	20.90	(0.40)	-1.88%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,425.3	10.1	0.42%
Crude Oil (\$/bbl)	79.80	(0.26)	-0.32%
Coal (\$/ton)	141.00	(0.50)	-0.35%
Nickel LME (\$/MT)	21,615	535.0	2.54%
Tin LME (\$/MT)	34,468	217.0	0.63%
CPO (MYR/Ton)	3,921	29.0	0.75%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	ID	10:00	BoP Current Account Balance	1Q	-\$2,161M	-\$1,930M	\$1,290M
20 – May	JP	11:00	Tertiary Industry Index MoM	Mar	-2.4%	0.1%	1.5%
Tuesday	—	—	—	—	—	—	—
21 – May	—	—	—	—	—	—	—
Wednesday	US	21:00	Existing Home Sales	Apr		4.18 M	4.19M
22 – May	ID	14:20	BI Rate	May 31		6.25%	6.25%
	KR	04:00	PPI YoY	Apr		—	-1.5%
Thursday	US	19:30	Initial Jobless Claims	May 18		—	222K
23 – May	US	20:45	S&P Global US Manufacturing PMI	May P		50.2	50.0
	US	21:00	New Home Sales	Apr		680K	693K
	KR	—	BoK Base Rate	May 23		3.50%	3.50%
Friday	US	19:30	Durable Goods Orders	Apr P		-0.6%	0.9%
24 – May	US	21:00	U. of Mich. Sentiment	May F		67.4	67.4

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
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

DISCLAIMER

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein.

All rights reserved by PT NH Korindo Sekuritas Indonesia



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

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

A Member of NH Investment & Securities Global Network

Seoul | New York | Hong Kong | Singapore | Shanghai | Beijing | Hanoi |
Jakarta