

Morning Brief

Daily | May 28, 2024

Today's Outlook:

US & UK MARKETS are closed on Monday (27/05/24) due to the Memorial Day holiday, so traders are debating what the **EUROPEAN CENTRAL BANK** will decide on June 6. The European Central Bank (ECB) may have room to cut interest rates as their inflation trend slows, but it will take longer to ease policy further. While the ECB seems to have promised a rate cut on June 6, what market participants need to think about now is what their next move will be and the pace of the rate cut; making market participants re-evaluate their expectations to bet on only one more rate cut this year. ECB officials expressed that they need the flexibility to decide on a meeting by meeting basis and based on economic data monitored from time to time. EUROZONE Inflation figures will be released respectively on Friday (after GERMANY announced their CPI first on Wednesday) where economists believe the consensus of up to 2.5% will not stop the ECB from easing monetary policy next week.

ASIAN & EUROPEAN MARKETS: Most Asian stock markets rallied on Monday, recovering from the fall seen last week, while anticipating further clues on US inflation and interest rates in the coming days. Data on Monday showed CHINA'S industrial sector profits grew at a steady pace in April compared to the previous month. But reduced optimism over recent stimulus measures from Beijing kept gains in the Chinese market limited. Meanwhile in continental Europe, GERMANY is still somewhat pessimistic about the business climate for the next six months, as evidenced by the German Ifo Business Climate index (May) which remains flat at 89.3, the same as the previous month.

COMMODITIES: GOLD prices edged higher in Monday's trading, slightly rebounding from last week's price collapse as traders anticipated the metal's market movements ahead of this week's key US Inflation-related benchmark index readings. Price strength was followed by other precious metals such as Platinum (+1.2%) and Silver (+1.7%), as well as industrial metals such as 1-month COPPER futures up +0.3%, rebounding after collapsing from last week's record highs. Gold spot prices are up 0.4% at USD 2343.23/ounce, also rebounding after collapsing from last week's record high of USD 2450. Traders' focus is on whether the physical copper market is as tight as expected; and whether supply will remain stable in the coming months. The market is also awaiting more cues from major copper importer CHINA, especially regarding how the Chinese government plans to fund and implement its recently announced stimulus measures; in addition to focusing on the US PCE price index data due on Friday. From ENERGY commodities, OIL prices appreciated 1% in slow trading due to holidays in the US & UK, after going through a sluggish market last week due to unclear US interest rate prospects related to their seemingly intractable inflation. BRENT's July contract closed up 1.2% at USD 83.12/barrel, while US WTI futures gained 93cents to USD 78.65/barrel. Both Brent and US WTI experienced price slumps of 2% and 3% last week as the Federal Reserve meeting minutes were published which showed that it is not impossible for US central bank officials to raise interest rates again if inflation handling seems stagnant. The OPEC meeting scheduled for June 2 online will also play an important role in determining the future of Oil prices as they will negotiate the decision to extend the existing voluntary production cuts by 2.2 million barrels. Meanwhile, Goldman Sachs on Monday raised its global oil demand forecast for 2030 and expects consumption to peak in 2034 due to a potential slowdown in the use of electric vehicles, keeping refineries operating at higher-than-average levels until the end of the decade.

Corporate News

PGN (PGAS) Has Paid the Remaining Bonds Worth USD 396 Million

PT Perusahaan Gas Negara Tbk (PGN), part of Pertamina's Gas Subholding, has paid off the remaining bonds worth US\$ 396,709,000. PGN's Finance Director, Fadjar Harianto Widodo, said that the on-time repayment according to the maturity date in 2024 was part of the repayment of the overall bond value of USD 1.35 billion issued in 2014 and listed on the Singapore Exchange. The repayment is carried out according to the maturity period of the bonds. He explained that this repayment was made using a combination of internal funds and credit facilities owned by PGN since 2023. The 2024 repayment value is in accordance with the remaining Notes that are still outstanding after several corporate actions taken by Management to repurchase the Notes in 2022 and 2023. (Kontan)

Domestic Issue

Government Auctions Eight SUN Series on Tuesday (28/5), Here's the Complete List

The government will hold an auction of rupiah-denominated Government Securities (SUN) on Tuesday (28/5). At the SUN auction this time, the government set an indicative target of IDR 22 trillion - IDR 33 trillion. Based on information from the Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance, there are eight series of SUN that will be auctioned starting at 09.00 WIB until 11.00 WIB. The auction aims to fulfill part of the financing target in the 2024 State Budget. The following are the details of the eight SUN series that will be offered at the auction on Tuesday (28/5): SPN03240828 (New Issuance) will mature on August 28, 2024 with a discounted interest rate, SPN12250529 (New Issuance) will mature on May 29, 2025 with a discounted interest rate, FR0101 will mature on April 15, 2029 with an interest rate of 6.87%, FRSDG001 will mature on October 15, 2030 with an interest rate of 7.37%, FR0100 will mature on February 15, 2034 with a yield rate of 6.62%, FR0098 will mature on June 15, 2038 with a yield rate of 7.12%, FR0097 will mature on June 15, 2043 with a yield rate of 7.12% and FR0102 will mature on July 15, 2054 with a yield rate of 6.87%. In this auction, the FRSDG001 Series was offered again, which is the first Sustainable Development Goals (SDGs) Bond series offered through auctions in the domestic primary market. (Kontan)

Recommendation

US10YT needs to decide whether to test the yield resistance of 4.50% up to 4.54%; or break the MA10 support / yield of 4.436%. ADVISE: WAIT & SEE wait for the direction of the chosen yield breakout.

ID10YT is still trapped inside the downtrend channel pattern, which is currently sandwiched between MA50 support / yield 6.827% and MA10 resistance / yield 6.9%. ADVISE: wait for the breakout direction before deciding to sell/buy bonds.

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 : 95.80 (+0.03%)
FR0091 : 97.33 (0.00%)
FR0094 : 96.01 (0.00%)
FR0092 : 101.84 (-0.21%)

FR0086 : 97.88 (0.00%)
FR0087 : 98.13 (-0.08%)
FR0083 : 104.92 (-0.11%)
FR0088 : 94.85 (-0.08%)

CDS of Indonesia Bonds

CDS 2yr: -0.54% to 32.31
CDS 5yr: -0.69% to 71.93
CDS 10yr: -0.43% to 122.16

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.94%	-0.04%
USDIDR	16,065	0.45%
KRWIDR	11.78	0.89%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,069.59	4.33	0.01%
S&P 500	5,304.72	36.88	0.70%
FTSE 100	8,317.59	(21.64)	-0.26%
DAX	18,774.71	81.34	0.44%
Nikkei	38,900.02	253.91	0.66%
Hang Seng	18,827.35	218.41	1.17%
Shanghai	3,124.04	35.17	1.14%
Kospi	2,722.99	35.39	1.32%
EIDO	20.50	0.10	0.49%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,351.0	17.1	0.73%
Crude Oil (\$/bbl)	77.72	0.85	1.11%
Coal (\$/ton)	142.80	0.00	0.00%
Nickel LME (\$/MT)	20,250	166.0	0.83%
Tin LME (\$/MT)	33,229	(222.0)	-0.66%
CPO (MYR/Ton)	3,870	(15.0)	-0.39%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	GE	15:00	IFO Business Climate	May	89.3	—	89.4
27 – May	JP	12:00	Leading Index CI	Mar F	112.2	—	111.4
Tuesday	US	21:00	Conf. Board Consumer Confidence	May		96.5	97.0
28 – May	—	—	—	—	—	—	—
Wednesday	EC	15:00	M3 Money Supply YoY	Apr		—	0.9%
29 – May	GE	19:00	CPI YoY	May P		—	2.2%
Thursday	US	19:30	GDP Annualized QoQ	1Q S		1.2%	1.6%
30 – May	US	19:30	Initial Jobless Claims	May 25		—	—
	EC	16:00	Consumer Confidence	May F		—	—
	EC	16:00	Unemployment Rate	Apr		—	6.5%
Friday	US	19:30	Personal Income	Apr		0.3%	0.5%
31 – May	US	19:30	Personal Spending	Apr		0.3%	0.8%
	US	20:45	MNI Chicago PMI	May		40.4	37.9
	CH	08:30	Manufacturing PMI	May		—	50.4
	EC	16:00	CPI MoM	May P		—	0.6%
	JP	06:30	Jobless Rate	Apr		—	2.6%
	JP	06:50	Industrial Production MoM	Apr P		—	4.4%
	KR	06:00	Industrial Production YoY	Apr		—	0.7%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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