

Today's Outlook:

**US MARKETS:** The US Treasury yields rose after a third consecutive weak auction of US government bonds, plus investors worried about the prospect of higher interest rates as they await the key US inflation report PCE price index due on Friday.

As the month-end approached, it was expected that investors would undertake profit-taking, amid sluggish 7-year US TREASURY auctions, following the same situation a day earlier in the 2- and 5-year bond auctions. Thus, yields climbed up in 3 consecutive auctions and hit the stock market. The 10-year US Treasury yield reached its highest level in 4 weeks and was last up 7.2 basis points at 4.614%. The 2-year bond yield, which usually moves with interest rate expectations, rose 1.8 basis points to 4.9747%. The market again kept a close eye on the US Treasury yield curve which measures the gap between 2- and 10-year bond yields (which is seen as an indicator of economic expectations), narrowing to negative 36.3 basis points. The 7-year yield rose to 4.64% from 4.56%. Wednesday's auction of USD 44 billion worth of US 7-year debt resulted in a high yield of 4.65%, above the expected level. In terms of currencies, the higher bond yields also lifted the DOLLAR INDEX up 0.44% to 105.12. The DXY which measures the greenback's strength against other major world currencies, triumphed over the Euro which was down 0.51% at USD 1.08, and rose to a 4-week high against the Japanese Yen after strengthening 0.34% to 157.69, thereby reaching its highest level since May 1.

**Market participants are taking a WAIT & SEE stance ahead of important economic data releases: US PCE price index scheduled for Friday, as well as the full US employment report next week.** In yesterday's afternoon, the US central bank released the BEIGE BOOK survey that showed economic activity continued to expand from early April to mid-May, but firms are a little pessimistic about the future amid the threat of weakening consumer demand at a time when inflation is still on the rise. Stagnant inflation and hawkish comments from central bankers have forced market participants to lower expectations of a pivot this year to just once in November or December, as reported by the CME FedWatch Tool.

**COMMODITIES:** OIL prices weakened on concerns of weakening gasoline demand in the US as well as the potential for the Fed to keep interest rates higher for longer. US WTI crude oil was down 0.75% at USD 79.23/barrel and BRENT depreciated 0.74% at USD 83.60/barrel. However, there were still bullish factors that could have boosted prices, when the release of data from the American Petroleum Institute (API) early this morning showed a drop in US oil reserve stocks by 6.5 million barrels in the week ending 24May, which was greater than expected at only 1.9 million barrels, and a big loss compared to the influx of 4.5 million barrels in the same week last year and the average addition of 1.1 million barrels over the past 5 years (2019-2023). Other views that serve to support prices are the expectation that the OPEC+ meeting on Sunday will extend voluntary production cuts by 2.2 million bpd; as well as China whose economy is set to grow 5% this year, after the IMF raised their forecast from the previous level of 4.6%. Rising tensions in the MIDDLE EAST CONFLICT also contributed to the weakening of oil prices. It is known that Israel has sent tank attacks to the Rafah region and predicted that the war with Hamas militants (backed by Iran) will last all year. The Houthi militants (affiliated with Yemen) have launched attacks on 6 commercial ships in three different seas; and Iran confirmed support for the Houthis in the form of Ghadr sea cruise ballistic missiles.

**GOLD prices in the spot market fell 1.01% to USD 2,337.07/ounce due to the strengthening Dollar and higher bond yields, plus hawkish comments from Fed officials on Tuesday still weighing on sentiment.**

Corporate News

**WIFI Subsidiary Issues IDR 600 Billion Bonds to Boost Business Expansion**

A subsidiary of PT Solusi Sinergi Digital Tbk (WIFI) or Surge, PT Integrasi Jaringan Ekosistem (IJE) will issue bonds with a total value of IDR 600 billion. The issuance was carried out to support business expansion in the telecommunications business line. By accelerating the development of fiber optic networks to be able to serve 25 million households along the railway line in Java. The bonds will be issued in several series with varying tenors of 1, 3, and 5 years. The interest rate offered is very competitive and will be paid quarterly. The bond issuance has received an idA- (Single A Minus) rating from Pefindo, reflecting market confidence in the sustainability of the Company's financial condition and solid business prospects. Meanwhile, the initial offering period for the 2024 Ecosystem Network Integration Bonds I has started on May 28, 2024 and will end on June 12, 2024. (Investor Id)

Domestic Issue

**Prepare Another Sukuk Auction on June 4, Government Seeks IDR 10 Trillion**

The government on Tuesday, June 4, 2024 will hold another auction of State Sharia Securities (SBSN) in order to meet part of the financing target in the 2024 State Budget. A press release from the Directorate of Sharia Financing of the Ministry of Finance stated that there are 7 series to be auctioned, with an indicative target of IDR 10 trillion and a settlement date of June 6, 2024. The seven sukuk series are as follows: SPNS 02122024 (reopening) maturity date December 2, 2024, SPNS 03032025 (new issuance) maturity date March 3, 2025, PBS032 (reopening) maturity date July 15, 2026, PBS030 (reopening) maturity date July 15, 2028, PBSG001 (reopening) maturity date September 15, 2029, PBS004 (reopening) maturity date February 15, 2037 and PBS038 (reopening) maturity date December 15, 2049. Non-competitive Purchase Allocation for SPNS 02122024 series and SPNS 03032025 series is 75% of the amount won. While the other series are 30% of the amount won. In this auction, the PBSG001 series was offered again, which is a green sukuk series offered through an auction in the domestic primary market. The issuance of the Green Sukuk series through this auction complements the Green sukuk issuance program which has been carried out 6 times in the global market since 2018 and 6 times in the domestic market through retail green sukuk since 2019. (Emiten News)

Recommendation

**US10YT** will continue to strengthen its yield towards **TARGET 4.682%** according to the pattern (bullish reversal) similar to **INVERTED HEAD & SHOULDERS**; or even return to the highest point of **4.74%**. **MA10 & MA20** which have been goldencrossed and **NECKLINE** around 4,474% - 4,502% serves as the closest support for yield.

**ID10YT** will test the upper channel (downtrend) resistance that has prevented this yield from rallying above **6.95%**. **POTENTIAL:** if the break out is able to materialize, then the yield will start to crawl up towards the **TARGET: 7.20% / 7.304% - 7.33%** as the highest point of the previous yield. On the other hand, while anticipating bond prices to fall, also pay attention to yield support located at **MA10 & MA50** or yield **6.88% - 6.84%** to pay attention to the timing of prices to rebound 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 : 95.81 (+0.00%)  
FR0091 : 97.14 (-0.02%)  
FR0094 : 96.02 (+0.00%)  
FR0092 : 101.49 (-0.44%)

FR0086 : 98.09 (+0.22%)  
FR0087 : 97.99 (-0.16%)  
FR0083 : 104.97 (-0.03%)  
FR0088 : 94.80 (-0.04%)

## CDS of Indonesia Bonds

CDS 2yr: +1.54% to 32.29

CDS 5yr: +0.81% to 72.00

CDS 10yr: +1.00% to 121.95

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.94%	0.01%
USDIDR	16,160	0.44%
KRWIDR	11.84	-0.06%

## Global Indices

Index	Last	Chg.	%
Dow Jones	38,441.54	(411.32)	-1.06%
S&P 500	5,266.95	(39.09)	-0.74%
FTSE 100	8,183.07	(71.11)	-0.86%
DAX	18,473.29	(204.58)	-1.10%
Nikkei	38,556.87	(298.50)	-0.77%
Hang Seng	18,477.01	(344.15)	-1.83%
Shanghai	3,111.02	1.45	0.05%
Kospi	2,677.30	(45.55)	-1.67%
EIDO	19.96	(0.47)	-2.30%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,338.1	(23.2)	-0.98%
Crude Oil (\$/bbl)	79.23	(0.60)	-0.75%
Coal (\$/ton)	142.40	0.00	0.00%
Nickel LME (\$/MT)	20,490	23.0	0.11%
Tin LME (\$/MT)	34,109	181.0	0.53%
CPO (MYR/Ton)	4,034	74.0	1.87%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
<b>Monday</b>	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
<b>Tuesday</b>	US	21:00	Conf. Board Consumer Confidence	May	102.0	96.5	97.0
28 – May	—	—	—	—	—	—	—
<b>Wednesday</b>	EC	15:00	M3 Money Supply YoY	Apr	1.3%	—	0.9%
29 – May	GE	19:00	CPI YoY	May P	2.2%	—	2.2%
<b>Thursday</b>	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%
<b>Friday</b>	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



## 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

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## PT. NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

### JAKARTA (HEADQUARTER):

District 8 Treasury Tower 51<sup>st</sup> 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

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Jakarta