

Morning Brief

Daily | May 31, 2024

Today's Outlook:

US MARKETS: The US Commerce Department reported that the US economy grew slower than expected in the first quarter after a downward revision to consumer spending, leaving US GDP to grow at an annualized rate of 1.3% compared to the previous estimate of 1.6%. The DOLLAR INDEX weakened following the data after rising to a 2-week high the previous day; the US TREASURY YIELD also fell after rising 2 days in a row driven by weak government debt auctions. There are actually several views regarding this latest economic indicator; the initial reaction is that perhaps the market is hoping this is an opportunity for the Fed to cut interest rates now that the slowdown in the economy & consumption means less inflationary pressures. On the other hand, fundamental investors may also see the economic slowdown as a drag on future corporate profit growth, and therefore negatively impacting the stock market. After the GDP data, investors anxiously await the April PCE price index report, the Fed's preferred measure of inflation, due later tonight at 7.30pm GMT; followed by Personal Income & Spending (Apr) growth data which will prove the strength of consumer spending. On the one hand, they need to see an improvement in unemployment as one of the factors that can reduce inflationary pressure by itself. The latest weekly INITIAL JOBLESS CLAIMS data showed unemployment claims in-line with expectations, increasing to 219k from 216 the previous week.

ASIA & EUROPEAN MARKETS: EUROZONE reported April Unemployment Rate reduced to 6.4% from 6.5% the previous month. Sentiment in the Services & Industrial sectors showed improvement in May although the Consumer Confidence and Business & Services Climate Surveys are still struggling to show strength. Today investors are waiting for important data, namely the preliminary EUROZONE INFLATION (May) estimate to be announced around 16:00 GMT, with a forecast annual inflation rate of 2.5% (from 2.4% previous period), and Core CPI still somewhat stuck around 2.7% yoy.

From the Asian continent, Industrial Production in SOUTH KOREA actually grew significantly to a 3-month high of 6.1% yoy in April compared to 1.0% in the previous month. On the other hand, their Retail Sales dropped -1.2% mom in April, contrary to the previous positive growth of 1.1%. Meanwhile in JAPAN, this morning just reported Tokyo Core CPI increased as expected to 1.9% yoy, from 1.6% previous figure; helped by higher than expected Retail Sales (Apr). Amidst the unexpectedly sluggish Industrial Production growth to negative -0.1% mom, their April Unemployment Rate has not budged from 2.6%, the same as the previous month. From the neighboring Bamboo Curtain country, there will be a number of important data from CHINA published today: Composite PMI including Manufacturing & Non-Manufacturing (May), Construction Orders & Housing Starts (Apr).

US TREASURY YIELD fell after the revised weaker 1Q GDP data maintained expectations for the Fed to start cutting interest rates this year. Yields on 2-year to 30-year US Treasuries all recorded their biggest daily declines in 2 weeks after peaking at a 4-week high on Wednesday, following a weaker-than-expected government bond auction. The benchmark 10-year US Treasury yield fell 7.6 basis points to 4.548%, from 4.624% at the end of Wednesday. Meanwhile, the 30-year US Treasury yield fell 6.3 basis points to 4.6814% from 4.744%. The 2-year U.S. Treasury yield, which typically moves with interest rate expectations, fell 5.6 basis points to 4.929%, from 4.985%.

COMMODITIES: Oil prices fell for the second day in a row after the US government reported weak fuel demand and a sudden surge in gasoline and distillate stocks. US WTI was down 1.67% at USD 77.91/barrel and BRENT was down 2.08% at USD 81.86/barrel. GOLD prices in the spot market added 0.13% to USD 2,341.94/ounce, supported by USD weakness & bond yields.

Corporate News

WOM Finance (WOMF) to Issue IDR 1 Trillion Bonds

Multifinance issuer, PT Wahana Otomitra Multiartha Tbk (WOMF) or WOM Finance plans to issue sustainable bonds V Phase I Year 2024 worth IDR 1 trillion. These funds will be used by the company as working capital financing. Based on the prospectus published by the company in the Investor Daily Indonesia daily on Thursday (30/5/2024), these bonds are part of the V sustainable bonds with a target fund raised of IDR 5 trillion. Later, the bonds will be offered through two series. "All funds obtained from this public offering, after deducting the issuance costs, will be used for working capital financing, including but not limited to consumer financing, business capital financing, and finance leases," WOMF said in the prospectus. In connection with the issuance of these bonds, WOM Finance has obtained a rating result on long-term debt securities from PT Pemeringkat Efek Indonesia, namely IDAA+ (double A Plus). (Investor Id)

Domestic Issue

SBR013 Yield Predicted to Reach 7%, Check the Factors

The DJPPR of the Ministry of Finance will soon issue the SBN Retail Savings Bond series SBR013 on June 10 to July 4, 2024 (tentative). The yield or coupon of SBR013 is predicted to reach around 7%. Bank Permata Chief Economist Josua Pardede said that the offering coupon for SBR013 is estimated to be in the range of 6.90%-7.20% for a 2-year tenor, and in the range of 7%-7.30% for a 4-year tenor. "Our estimate is based on the SBR012 coupon last year of 6.15% [BI rate +65bps] for the 2-year tenor, and 6.35% [BI rate + 85bps] for the 4-year tenor," Josua told Bisnis on Thursday (30/5/2024). Furthermore, he said, the issuance of SBR012 in January 2023 was carried out before Bank Indonesia (BI) raised its interest rate, at that time the BI rate was still at 5.75%. Meanwhile, currently BI has raised interest rates to 6.25%. Therefore, this year's SBR013 coupon rate adjusts to the BI benchmark interest rate. "Sales in the SBR013 series are estimated to be in the range of IDR 10 trillion to IDR 15 trillion, in line with the condition of the domestic bond market which is still filled with uncertainty due to sentiment from the Fed," he said. According to him, although this series is non-tradeable, SBR013 is still influenced by domestic bond market sentiment. In line with the high global uncertainty, risk-appetite has not yet recovered, which is reflected in the relatively low demand for auctions in general. (Bisnis)

Recommendation

US10YT was actually heading towards the **TARGET** of 4.682%, close to the highest yield point in April around 4.74%. However, due to the revision of weaker 1Q GDP data, the US Treasury yield also collapsed to the current closest Support of 4.532% with a Bearish Engulfing-like candle. The next support that should hold is 4.50%. **ADVISE:** WAIT & SEE.

ID10YT breaks out the upper channel resistance thus opening up opportunities for yield strengthening towards the **TARGET** of 7.325%, back to the previous High point in April. **ADVISE:** if the yield breaks MA20 / yield 6.98% up to 7.0% then reduce the position because the price will drop further.

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 : 95.92 (+1.15%)
FR0091 : 97.05 (-0.11%)
FR0094 : 96.01 (+0.00%)
FR0092 : 101.55 (+0.06%)

FR0086 : 97.96 (-0.14%)
FR0087 : 97.81 (-0.18%)
FR0083 : 104.87 (-0.09%)
FR0088 : 94.70 (-0.11%)

CDS of Indonesia Bonds

CDS 2yr: +1.13% to 32.66

CDS 5yr: +1.16% to 72.83

CDS 10yr: +0.86% to 123.01

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	38,111.48	(330.06)	-0.86%
S&P 500	5,235.48	(31.47)	-0.60%
FTSE 100	8,231.05	47.98	0.59%
DAX	18,496.79	23.50	0.13%
Nikkei	38,218.51	164.38	0.43%
Hang Seng	18,230.19	(246.82)	-1.34%
Shanghai	3,091.68	(19.34)	0.62%
Kospi	2,649.80	14.36	0.54%
EIDO	19.86	(0.10)	-0.50%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,344.5	1.4	0.06%
Crude Oil (\$/bbl)	77.70	(0.21)	-0.27%
Coal (\$/ton)	142.40	0.00	0.00%
Nickel LME (\$/MT)	20,063	427.0	-2.08%
Tin LME (\$/MT)	33,111	-998.0	-2.93%
CPO (MYR/Ton)	3,990	(3.0)	-0.08%

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	102.0	96.5	97.0
28 – May	—	—	—	—	—	—	—
Wednesday	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%
Thursday	US	19:30	GDP Annualized QoQ	1Q S	1.3%	1.2%	1.6%
30 – May	US	19:30	Initial Jobless Claims	May 25	219k	—	—
	EC	16:00	Consumer Confidence	May F	-14.3	—	—
	EC	16:00	Unemployment Rate	Apr	6.9%	—	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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