

Morning Brief

Daily | May 8, 2024

Today's Outlook:

US MARKETS: The US Treasury yields, after Fed officials have been fairly consistent in their remarks in recent weeks that a rate cut is likely but the central bank will be cautious in implementing it. Even so far the market seems to be ignoring comments from Minneapolis Federal Reserve President Neel Kashkari that the Fed may need to hold interest rates steady for the rest of the year due to the stalling of the decline in Inflation and strength in the property market. Investors currently anticipate 46 basis points of rate cuts from the Fed by the end of 2024, according to LSEG's interest rate probability application, with the first pivot in rate cuts seen in September and another in December (compared to 1x forecast before the labor report was released last week). Amidst the lack of economic calendar this week, market participants are indeed inclined to pay more attention to statements from the US central bank, while also still monitoring weekly jobless claims as usual, where Initial Jobless Claims will be released tomorrow with a prediction of 211K (vs previous week 208K).

ASIA & EUROPE MARKETS: JAPAN reported PMI figures in the Services sector which remained relatively stable expansionary in April. Tomorrow the more important data will come from CHINA which is their Trade Balance which is expected to be in surplus at an upward pace thanks to significant improvements on their Export & Import side. A number of mixed economic indicator figures have emerged from continental Europe. GERMANY, Europe's number one economy saw their Factory Orders for March drop -0.4% following a -0.8% decline in the previous month, failing to meet expectations of a 0.4% increase. The same concerns also haunted Germany's Industrial Production sector which was predicted to remain in negative territory for March. On the one hand, they posted growth on the Export & Import side in March resulting in a Trade Balance surplus of EUR 22.3 billion. The faster rolling economy was also detected in the UK Construction PMI in April which was firmly in expansionary territory. Even EUROZONE released more muted Retail Sales data in March, growing a positive 0.8% mom above the projected 0.6%, reversing from the previous month's minus 0.3%.

COMMODITIES: OIL prices closed slightly lower on Tuesday amid signs of waning supply concerns, while market participants now turn their focus to US government data on its oil reserve stocks due later on Wednesday. BRENT crude oil futures closed 17 cents lower at USD 83.16/barrel, and US West Texas Intermediate (WTI) crude oil futures closed 10 cents lower at USD 78.38. Prices fell further still after data from the American Petroleum Institute showed a weekly crude stockpile surge of 509 thousand barrels, instead of the 1.43 million barrel reduction they had expected, following a 4.90 million barrel build in the previous week and US fuel last week.

INDONESIA: This week will be a short week for the financial sector as it is truncated by 2 holidays for the Ascension of Jesus on Thursday and Friday. However today market participants can still monitor the last data before the long-weekend holiday, namely Foreign Exchange Reserves (Apr.) which will be announced later at around 11.00 am GMT.

Corporate News

Adira Finance Plans to Issue Bonds and Sukuk in 2024 Finance company PT Adira Dinamika Multi Finance Tbk (ADMF) or Adira Finance plans to issue Sustainable Bond VI Phase III Year 2024 and Sustainable Mudharabah Sukuk V Phase III Year 2024. Adira Finance Chief Financial Officer, Sylvanus Gani, said that it will issue sustainable bonds VI Phase III Year 2024 with a principal amount of IDR 1.6 trillion and sustainable mudharabah sukuk V phase III year 2024 with total funds of IDR 400 billion. As of March 31, 2024, Adira Finance's bond and sukuk loans were recorded at IDR 6.4 trillion, up 22% year on year (YoY) when compared to the same period the previous year. "Regarding the next bond and sukuk issuance plan, the company will continue to observe business conditions and funding needs going forward," Gani told Kontan.co.id, last Monday (6/5). For information, PT Pemeringkat Efek Indonesia (Pefindo) sees the prospect of issuing debt securities or bonds from financing companies, aka multifinance (leasing), will be more vibrant in the second quarter of 2024.(Kontan)

Domestic Issue

Government Debt in March 2024 Drops to IDR 8,262.10 Trillion, Equivalent to 38.79% of GDP The Ministry of Finance (Kemenkeu) noted that the position of government debt reached IDR 8,262.10 trillion as of the end of March 2024, equivalent to 38.79% of Indonesia's gross domestic product (GDP). The debt position decreased compared to the position in February 2024 which was recorded at IDR 8,319.2 trillion, equivalent to 39.06% of GDP. "In addition, the government prioritizes debt procurement with medium-long term maturities and conducts active debt portfolio management," as quoted from the April 2024 Edition of Our State Budget Report, Tuesday (7/5/2024). In detail, the majority of government debt as of the end of March 2024 came from domestic sources with a proportion of 71.52%. This is in line with the general policy of debt financing to optimize domestic financing sources and utilize foreign debt as a complement. Meanwhile, based on instruments, the composition of government debt is mostly in the form of Government Securities (SBN) which reached 88.05%. As of the end of March 2024, financial institutions held around 43.4% of domestic SBN ownership, consisting of banks at 24.8% and insurance companies and pension funds at 18.6%. Meanwhile, the ownership of domestic SBN by Bank Indonesia (BI) is 21.3%, which, among others, is used as an instrument of monetary management. On the other hand, the Ministry of Finance noted that foreigners only own domestic SBN of around 14.2%, including ownership by foreign governments and central banks. (Bisnis)

Recommendation

US10YT is in the Support area of the uptrend channel around 4.40% yield. During Indonesia's 2-day holiday, we anticipate what economic events/indicators will keep US10YT in its bullish trend. Considering the uncertainty factor, our BEST ADVISE is: HOLD; WAIT & SEE.

ID10YT arrived at 50% Fibonacci retracement, making 6.975% yield as the closest Support now. In order to create a bullish swing again, ID10YT needs to rise above MA10 / 7.114% Resistance as a first step. ADVISE: it might be better to HOLD; WAIT & SEE first especially before the long-weekend holiday and the financial market is closed.

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)	140.40	144.00	Current Acc (USD bn)	-1.29	-0.90
Trd Balance (USD bn)	4.47	0.87	Govt. Spending Yoy	19.90%	2.81%
Exports Yoy	-3.75%	-9.45%	FDI (USD bn)	4.82	4.86
Imports Yoy	-12.76%	15.84%	Business Confidence	104.82	104.30
Inflation Yoy	3.00%	3.05%	Cons. Confidence*	123.80	123.10

PRICE OF BENCHMARK SERIES

FR0090 : 95.40 (-0.03%)
FR0091 : 96.64 (-0.05%)
FR0094 : 96.06 (0.00%)
FR0092 : 101.32 (+0.00%)

FR0086 : 97.86 (+0.13%)
FR0087 : 98.02 (+0.03%)
FR0083 : 104.38 (+0.35%)
FR0088 : 95.13 (+1.43%)

CDS of Indonesia Bonds

CDS 2yr: +0.43% to 33.48

CDS 5yr: +1.48% to 71.78

CDS 10yr: +0.47% to 122.66

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.92%	0.03%
USDIDR	16,049	0.15%
KRWIDR	11.80	0.10%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,884.26	31.99	0.08%
S&P 500	5,187.70	6.96	0.13%
FTSE 100	8,313.67	100.18	1.22%
DAX	18,430.05	254.84	1.40%
Nikkei	38,835.10	599.03	1.57%
Hang Seng	18,479.37	(98.93)	-0.53%
Shanghai	3,147.74	7.02	0.22%
Kospi	2,734.36	57.73	2.16%
EIDO	20.71	(0.28)	-1.33%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,314.1	(9.9)	-0.42%
Crude Oil (\$/bbl)	78.38	(0.10)	-0.13%
Coal (\$/ton)	146.40	1.10	0.76%
Nickel LME (\$/MT)	19,256	19.0	0.10%
Tin LME (\$/MT)	32,593	610.0	1.91%
CPO (MYR/Ton)	3,930	68.0	1.76%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	ID	11:00	GDP YoY	1Q	5.11%	5.08%	5.04%
6 – May	ID	11:00	GDP QoQ	1Q	-0.83%	-0.86%	0.45%
Tuesday	CH	—	Foreign Reserves	Apr	\$3200.8B	—	\$3245.6B
7 – May	EU	13:00	Factory Orders MoM	Mar	-0.4%	-0.2%	0.2%
	KR	04:00	Foreign Reserves	Apr	\$413.26B	—	\$419.25B
Wednesday	US	18:00	MBA Mortgage Applications	May 3	—	—	-2.3%
8 – May	ID	10:00	Foreign Reserves	Apr	—	—	\$140.40B
	EU	13:00	Industrial Production SA MoM	Mar	-1.0%	—	2.1%
Thursday	US	19:30	Initial Jobless Claims	May 4	—	—	208K
9 – May	CH	—	Trade Balance	Apr	—	—	\$58.55B
	KR	06:00	BoP Current Account Balance	Mar	—	—	\$6858.3B
Friday	US	21:00	U. of Mich. Sentiment	May P	—	77.0	77.2
10 – May	—	—	—	—	—	—	—

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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