

Morning Brief

Daily | June 12, 2024

Today's Outlook:

US MARKETS: The Federal Reserve begins its FOMC Meeting on Tuesday, and the central bank is expected to keep interest rates unchanged in a range of 5.25% to 5.5% on Wednesday. The monetary policy statement will also include the Fed's updated "dot plot" plan, or outlook for interest rates, inflation, and unemployment. Meanwhile, Fed Chairman Jerome Powell's statement is also expected to attract most of investors' attention. In addition to the Fed decision, the May reading of the US consumer price index, which is a highly anticipated measure of inflation in the world's largest economy, will also be released later tonight at around 7.30 pm GMT, where market participants still expect to see US CPI at 3.4% yoy, the same as the previous period. Signs of further easing in inflation could strengthen rate cut expectations, given that it is one of the symptoms of an economic slowdown; but if inflation looks too bad it could increase investors' concerns about a potential recession that has been suppressed for months.

FIXED INCOME: The 10-year US Treasury yield fell 7.4 basis points to 4.397% after a USD 38 billion auction of 10-year bonds delivered lower-than-expected yields, showing signs of stronger demand. Yields on 2-year, 5-year and 30-year US Treasuries also came under pressure following better-than-expected auction results.

COMMODITIES: OIL prices closed slightly higher on Tuesday as the US Energy Information Administration (EIA) raised its global oil demand growth forecast for this year, while OPEC stuck to its relatively strong growth forecast for 2024. BRENT futures rose 0.4%, to USD 81.92/barrel, continuing a sharp rebound as oversupply concerns have receded since Brent closed at USD 77.52 a week earlier, which was its lowest level since February. While US WTI rose 0.2%, to USD 77.90. The EIA raised its forecast for world oil demand growth in 2024 to 1.10 million bpd from the previous estimate of 900,000 bpd. The Organization of the Petroleum Exporting Countries (OPEC) maintained its forecast of relatively strong global oil demand growth in 2024, citing expectations for the travel and tourism sector in the second half. The EIA also projected US crude oil production in 2024 to increase higher than previously estimated to a record production of 13.24 million barrels.

EUROPE & ASIA MARKETS: The UK reported a number of employment-related economic indicators, including average wage growth slightly above expectations, the same figure as the previous month at 5.9%. Unemployment claims as recorded in May's Claimant Count Change jumped significantly to 50,400, much higher than the 10,200 forecast and 8,400 in the previous month. No wonder the Unemployment Rate (Apr) has crept up 0.1% to 4.4%. Later tonight a series of more important data will be released such as: GDP (Apr), Industrial & Manufacturing Production (Apr), and Trade Balance. This morning will soon be presented CHINA CPI data which is expected to be able to heat up slightly to 0.4% yoy from 0.3% in the previous period. Similarly, Inflation at the producer level (PPI) is expected to have been able to reduce deflation to just -1.5% yoy from -2.5% in the previous period. Speaking of CPI, GERMANY releases the data this afternoon with their consumer price index forecast to come in at 2.4% yoy, still heating up 0.2% from the previous month.

Corporate News

Pefindo Affirms idA Rating on Merdeka (MBMA), Here's Why

Pemeringkat Efek Indonesia (Pefindo) affirmed the ratings of Merdeka Battery Materials (MBMA), and idA bonds. The outlook for the company's rating is stable. The rating, reflects vertically integrated business activities, strong synergies with the group, strategic partners, adequate reserves and mining resources. However, the rating is limited by the risk of developing new projects, and exposure to fluctuations in nickel prices. The rating can be raised if Boy Thohir's company strengthens its business diversification, including adding downstream projects in the electric vehicle battery raw material value chain business. The rating could also be upgraded if the company successfully operates new projects on time, and generates higher revenue than projected by improving profitability indicators. (Emiten News)

Domestic Issue

Sri Mulyani Encourages Local Governments to Increase Issuance of Regional Bonds and Sukuk

Finance Minister Sri Mulyani Indrawati encouraged local governments to intensify the issuance of bonds, regional sukuk, and other financing to accelerate the sustainability of development in their respective regions. In addition, Sri Mulyani said that there is a need for creative and innovative financing for long-term development and structural improvements in the region, one of which is by collaborating with Regional Owned Enterprises (BUMD). Because, it cannot continue to rely only on central government transfers to the regions. "Regions may need to start getting to know, although still careful, how to issue regional bonds and sukuk, and develop creative financing," said Sri Mulyani at the Working Meeting of Committee IV DPD RI, Tuesday, June 11. According to Sri Mulyani, the best initial scheme to maintain the risk of creative financing can mainly be carried out by regions that have a larger Revenue Sharing Fund (DBH), so that local governments can start building regional endowments to finance long-term financing. (VOI)

Recommendation

US10YT fell back below the Moving Average Support which should keep the yield stable above 4.43%, even though the projected movement tends to be downtrend as the prospect of THE FED's rate cut increases in the future. ADVISE: WAIT & SEE.

ID10YT is getting stronger as it continues its predicted upward swing from the PARALLEL CHANNEL pattern that has broken its downtrend. If it stays above the psychological level of 7.0% as it is currently exploring, then ID10YT will pave the way to the TARGET yield of 7.325%. ADVISE: anticipate a decline in price if yield strengthening continues.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.25%	6.25%	Real GDP	5.11%	5.04%
FX Reserve (USD bn)	139.00	136.20	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)	6.03	4.82
Imports Yoy	4.62%	-12.76%	Business Confidence	104.82	104.30
Inflation Yoy	2.84%	3.00%	Cons. Confidence*	125.20	127.70

PRICE OF BENCHMARK SERIES

FR0090 : 96.12 (+0.03%)
FR0091 : 96.62 (-0.14%)
FR0094 : 96.32 (+0.01%)
FR0092 : 101.57 (-0.06%)

FR0086 : 98.10 (-0.03%)
FR0087 : 97.60 (-0.22%)
FR0083 : 104.54 (-0.63%)
FR0088 : 95.09 (-0.04%)

CDS of Indonesia Bonds

CDS 2yr: +2.35% to 32.86

CDS 5yr: +0.66% to 72.54

CDS 10yr: -2.18% to 118.43

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.90%	-0.01%
USDIDR	16,280	0.52%
KRWIDR	11.83	-0.25%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,747.42	(120.62)	-0.31%
S&P 500	5,375.32	14.53	0.27%
FTSE 100	8,147.81	(80.67)	-0.98%
DAX	18,369.94	(124.95)	-0.68%
Nikkei	39,134.79	96.63	0.25%
Hang Seng	18,176.34	(190.61)	-1.04%
Shanghai	3,028.05	(23.23)	-0.76%
Kospi	2,705.32	4.15	0.15%
EIDO	18.90	(0.98)	-4.93%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,317.0	6.1	0.27%
Crude Oil (\$/bbl)	77.90	0.16	0.21%
Coal (\$/ton)	131.25	(0.60)	-0.46%
Nickel LME (\$/MT)	17,818	(73.0)	-0.41%
Tin LME (\$/MT)	31,913	(88.0)	-0.27%
CPO (MYR/Ton)	3,931	12.0	0.31%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	JP	6.50	BoP Current Account Balance	1QF	¥2050.5B	¥1737.6B	¥3398.8B
10 – June	JP	6.50	GDP Annualized SA QoQ	1QF	-1.8%	-2%	-2%
	JP	6.50	GDP SA QoQ	1QF	-0.5%	-0.5%	-0.5%
Tuesday	-	-	-	-	-	-	-
11 – June							
Wednesday	JP	06.50	PPI YoY	May		2%	0.9%
12 - June	KR	06.00	Unemployment Rate SA	May		2.9%	2.8%
	GE	13.00	CPI YoY	May		2.7%	2.9%
	US	18.00	MBA Mortgage Applications	Jun 7		-	-5.2%
	US	19.30	CPI YoY	May		3.4%	3.4%
	US	19.30	CPI MoM	May		0.1%	0.3%
Thursday	US	19.30	PPI Final Demand MoM	May		0.1%	0.5%
13 – June	US	01.00	FOMC Rate Decision (Upper Bound)	Jun 12		5.50%	5.50%
	US	19.30	Initial Jobless Claim	Jun 8		--	229k
Friday	US	21.00	U of Michigan Sentiment	Jun P		73.0	69.1
14 – June							

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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