

Today's Outlook:

US MARKETS: The Fed's prospects to cut interest rates based on newly surfaced US Inflation data showing goods & services prices fell lower than expected in May, thus fueling optimism that the disinflation trend remains intact. As for the latest US CPI, it showed a growth of 3.3% yoy, slipping 0.1% from April. On a monthly basis, the CPI reading slowed to a flat 0.0%, compared to 0.3% in the previous month. The Federal Reserve held interest rates steady for the eighth consecutive time in Thursday's FOMC Meeting decision, but now sees only 1 rate cut opportunity this year (compared to the previous estimate in March of 3 cuts), as inflation is expected to trend higher than previously expected. Fed officials now see the benchmark rate falling to 5.1% this year, and 4.1% in 2025, up from the previous forecast of 3.9%; before finally falling to 3.1% in 2026. This narrative could seem even more hawkish as the outlook for one rate cut this year actually does not have the support of the 4 central bank committee members who favor no rate cut this year. Signs that US central bank officials are also of the view that monetary policy will be tighter in the long run, they raised their forecast for CORE CPI, which is the Fed's preferred inflation measure, to an estimated 2.8% in 2024, up from the previous forecast of 2.6%. For 2025, core inflation is forecast at 2.3%, up from 2.2% previously. The stiffer inflation outlook is not accompanied by expectations of stronger economic growth as central bank members did not change their gross domestic product, or GDP, forecast of 2.1% for this year and 2% for next year. Meanwhile, in the labor market, the unemployment rate is seen at 4% this year, unchanged from the previous estimate in March, but is now expected to rise to 4.2% next year, up 0.1% from the previous projection of 4.1%. In his press conference, Fed Chairman Jerome Powell acknowledged the inflation data had cooled off from expectations, but said the committee would continue to monitor economic data to determine future monetary policy. As such, he neither confirmed anything regarding a potential rate cut in September nor committed to any future pivot opportunities. Market participants took Powell's statement on the Summary of Economic Projections or what is known as "dot plots" as a conservative move and still indicated that the opportunity for more than 1 rate cut this year is still open. Important ECONOMIC INDICATORS from the US tonight continue as usual: weekly Initial Jobless Claims and US PPI (May) data which will show whether producer-level inflation will heat up to 2.5% yoy as expected.

ASIA & EUROPE MARKETS: Speaking of CPI, CHINA released its Inflation data (May) yesterday, which still showed signs of deflation as the growth of goods & services prices in May remained the same as the previous month at 0.3% yoy. On a monthly basis, the deflationary trend is more evident with -0.1% mom compared to 0.1% in April. Similarly, PPI (May) is still immersed in the deflationary figure of -1.4% yoy although slightly better than the projection of -1.5% and the previous month -2.5%. In continental EUROPE, the UK reported April GDP where economic growth appeared stagnant on a monthly basis. Of course, this was due to Industrial & Manufacturing Production (Apr) which weakened somewhat below expectations. GERMANY also released their May CPI figure which was in-line with forecasts at 2.4% yoy, meaning it heated up 0.2% from the previous month. Elsewhere, EUROPEAN CENTRAL BANK Vice President Luis de Guindos said the ECB should move "very slowly" in cutting interest rates, due to the high uncertainty on the inflation outlook.

COMMODITIES: OIL prices ended higher on Wednesday, as a cooling US Inflation report supported rate cut hopes, but gains were held back by an unexpected surge in weekly domestic crude supplies and hawkish Federal Reserve projections in predicting chances of a rate cut this year. BRENT futures rose 0.8% to USD 82.60/barrel, while US WTI futures appreciated 0.7% to USD 78.50/barrel. Government inventory data showed crude oil inventories rose by 3.7 million barrels in the week ending June 7 (to total 459.7 million barrels), against expectations of a 1.2 million barrel decline. In addition to crude oil supplies, gasoline and refined oil stocks also rose by 2.6 million and 881,000 barrels respectively, casting doubt on hopes that fuel consumption in the US will be able to pick up as the summer road trip season kicks off.

Corporate News

Boy Thohir's Broker (TRIM) to Offer IDR 388 Billion Bonds

Trimegah Sekuritas (TRIM) will offer debt securities worth IDR 388 billion. The 2024 edition of the phase II sustainable bonds carries an iDA rating from Pefindo. Boy Thohir's securities bonds are an integral part of the issuance of sustainable bonds with a target of IDR 1.1 trillion. The bonds will be guaranteed with a full undertaking of IDR 100 billion, and a best undertaking of IDR 288 billion. The bonds, issued scripless and offered at a value of 100 percent, are priced at a fixed interest rate of 7.70 percent per year with a duration of 370 days. (Emiten News)

Domestic Issue

State Sukuk Re-auction May 19, Government Aims for IDR 10 Trillion

The government will re-auction State Sharia Securities (SBSN) or State Sukuk on Wednesday, June 19, 2024. The SBSN series to be auctioned are the SPN-S (Surat Perbendaharaan Negara - Syariah) and PBS (Project Based Sukuk) series to meet part of the financing target in the 2024 State Budget. There are seven SBSN series that will be auctioned next week. All of them are sukuk series that have been previously issued (reopening). The seven series are: SPNS Series 02122024, due December 2, 2024, SPNS Series 03032025, due March 3, 2025, PBS032 Series, due July 15, 2026, PBS030 Series, due July 15, 2028, PBS004 Series, due February 15, 2037, PBS039 Series, due July 15, 2041, and PBS038 Series, due December 15, 2049. The two SPNS sukuk series have a non-competitive purchase allocation of 75% of the amount won, while for the PBS series 30% of the amount won. From the auction of the seven sukuk series, the government set an indicative target of IDR 10 trillion. (Emiten News)

Recommendation

Narratively the Federal Reserve is not too dovish by only indicating one interest rate cut this year, thus the US TREASURY yield did not consolidate deeper and instead US10YT showed a rebound reaction when Low touched the lower channel support at a yield of 4.247%. The Resistance point is none other than MA10 & MA20 which is currently blocking right at the High point of 4.426%. The Fed's narrative which at any time can still change in a hawkish direction leaves room for strengthening to the upper channel target of around 4,570%, although the overall yield has indeed moved in a downward trend since its peak last April.

ID10YT is increasingly breaking through the psychological yield resistance level of 7.0%, thus opening up the potential for further yield strengthening towards the TARGET: 7.30% - 7.325%. ADVISE : anticipate price decline.

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 : 96.08 (-0.04%)
FR0091 : 96.60 (-0.02%)
FR0094 : 96.32 (+0.00%)
FR0092 : 101.62 (+0.06%)

FR0086 : 98.16 (+0.06%)
FR0087 : 97.58 (-0.22%)
FR0083 : 104.28 (-0.25%)
FR0088 : 95.82 (+0.77%)

CDS of Indonesia Bonds

CDS 2yr: -0.67% to 32.64
CDS 5yr: -0.43% to 71.75
CDS 10yr: -0.54% to 117.80

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.03%	0.01%
USDIDR	16,295	0.03%
KRWIDR	11.84	0.17%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,712.21	(35.21)	-0.09%
S&P 500	5,421.03	45.71	0.85%
FTSE 100	8,215.48	67.67	0.83%
DAX	18,630.86	260.92	1.42%
Nikkei	38,876.71	(258.08)	-0.66%
Hang Seng	17,937.84	(238.50)	-1.31%
Shanghai	3,037.47	9.42	0.31%
Kospi	2,728.17	22.85	0.84%
EIDO	18.91	0.01	0.05%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,325.0	8.0	0.34%
Crude Oil (\$/bbl)	78.50	0.60	0.77%
Coal (\$/ton)	132.95	1.70	1.30%
Nickel LME (\$/MT)	18,061	243.0	1.36%
Tin LME (\$/MT)	33,365	1452.0	4.55%
CPO (MYR/Ton)	3,963	32.0	0.81%

Date	Country	Hour	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	2.4%	2%	0.9%
12 - June	KR	06.00	Unemployment Rate SA	May	2.8%	2.9%	2.8%
	GE	13.00	CPI YoY	May	2.4%	2.7%	2.9%
	US	18.00	MBA Mortgage Applications	Jun 7	15.6%	-	-5.2%
	US	19.30	CPI YoY	May	3.3%	3.4%	3.4%
	US	19.30	CPI MoM	May	0.0%	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	5.5 %	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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