

Morning Brief

Daily | June 14, 2024

Today's Outlook:

US MARKETS: US PPI aka US producer-level inflation unexpectedly fell in May, by 0.2% last month after rising by 0.5% in April. On an annualized basis, US PPI increased 2.2% after rising 2.3% in April. This followed the weekly Initial Jobless Claims data which showed the number of Americans filing new claims for unemployment benefits jumped to the highest level in 10 months last week (actual 242k versus forecast 225k, versus previous: 229k), raising financial market hopes that the Federal Reserve will have reason to start cutting interest rates in September. The odds of 2 rate cuts after the data is released are now at around 70% even as the Fed on Wednesday signaled to only make 1 cut this year, down from its earlier March forecast of 3 rate cuts. Later tonight will hear from the University of Michigan on consumer expectations for business sentiment and inflation in the next 6 months.

FIXED INCOME: The US government sold USD 22 billion worth of 30-year bonds on Thursday at lower-than-expected yields, driven by stronger demand. The yield on the 30-Year US Treasury fell to 4.396%, after trading at a session high around 4.491%, pushing other yields lower.

ASIA & EUROPEAN MARKETS: Industrial Production in the EUROZONE region unexpectedly contracted by 0.1% mom in April, falling from positive growth of 0.5% in the previous month. Some investors are starting to voice concerns whether the economy is slowing down too fast. Later this afternoon, the group's Trade Balance (Apr) data will be monitored, before investors focus closely on the BANK OF JAPAN's decision on their interest rate which is not expected to be raised from the last 0.1%. How much CHINA manages to disburse in new credit in May will be the benchmark for whether the world's second largest economy is moving in a more vibrant direction.

COMMODITIES: Concerns about a global OIL supply surplus curbing oil's price potential have been ongoing for months, and will now intensify as Iraq and Kurdistan appear close to a deal that could trigger a new wave of supply. Iraqi Oil Minister Hayan Abdel-Ghani hailed the latest developments in talks with Kurdistan region officials on a deal for Kurdistan to resume oil exports. The talks on the deal come after Iraq's recent repair of the Kirkuk-Ceyhan oil pipeline - which was shut down in 2014 after being damaged in repeated attacks by ISIS militants - paved the way for a transit capacity of 350,000 barrels of oil per day from Kurdistan to Turkey. Meanwhile in the US, NATURAL GAS prices are in an uptrend along the futures curve, despite apparent delays in the latest US LNG export project. Natural gas prices are already up more than 20% for the year. However, 2024 natural gas prices based on the futures curve have remained flat to date, while 2025 futures prices have increased by around 6% this year.

Corporate News

BCAP: Hary Tanoe's Issuer Prepares IDR 216.4 Billion to Pay Off 2023 Bonds

PT MNC Kapital Indonesia Tbk. (BCAP) prepares IDR 216.4 billion to pay off its Sustainable Bonds III Phase II Year 2023 Series A. In a written statement last Thursday (13/6/2024), BCAP's President Director, Mashudi Hamka said that the company prepared IDR 216,445,000,000 to pay off the bonds which will mature on July 7, 2024. Mashudi Hamka ensured that this repayment had no material impact on BCAP's operational activities, legal, financial condition or business continuity. (Emiten News)

Domestic Issue

Many Issuing Bonds, Is Banking Liquidity Getting Tighter?

Banks are starting to look for funding from non-Third Party Funds (DPK), one of which is by issuing bonds. This happened when the banking industry was overshadowed by the tightening of liquidity that began to appear. If you look at the data from the Financial Services Authority (OJK), the liquidity ratio such as the Loan to Deposit Ratio (LDR) as of April 2024 was at the level of 84.49%. This figure increased from the previous month which was at the level of 84.23% and at the end of 2023 which was at the level of 83.83%. During such liquidity conditions, there are at least three banks that plan to issue bonds in the near future. The three banks include PT Bank BTPN Tbk, PT Bank Pembangunan Daerah Jawa Barat Tbk (Bank BJB) and PT Bank Victoria International Tbk. The value targeted from the bond issuance also varies. Bank BJB will be eyeing funds of around IDR 1.5 trillion, Bank BTPN is eyeing funds of IDR 750 billion, and Bank Victoria is eyeing funds of IDR 500 billion. Meanwhile, the three banks have the same goal in issuing these bonds. The funds obtained will be used for credit expansion with long-term funding. (Kontan)

Recommendation

US10YT was found to be testing the Support lower channel with RSI POSITIVE DIVERGENCE indicating the potential for an immediate technical rebound in yield towards the BEGINNING TARGET / RESISTANCE: yield 4.365% / 4.424%, up to 4.50%. ADVISE: anticipate a short-term decline in prices as yields rebound.

ID10YT after passing the psychological level of 7.0% yield, seems to need to test support first to around MA10 / yield 6.945%; before continuing the journey up to TARGET YIELD 7.325%. ADVISE: use the momentum of yield weakness to sell bonds at better prices, before yield continues its upward swing and prices depreciate again.

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 : 96.25 (+0.18%)
FR0091 : 96.65 (+0.05%)
FR0094 : 96.32 (+0.00%)
FR0092 : 101.15 (-0.46%)

FR0086 : 98.25 (+0.09%)
FR0087 : 97.58 (+0.38%)
FR0083 : 104.20 (-0.01%)
FR0088 : 95.82 (+0.00%)

CDS of Indonesia Bonds

CDS 2yr: +1.47% to 33.03

CDS 5yr: +0.48% to 73.22

CDS 10yr: +0.42% to 127.25

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.99%	-0.04%
USDIDR	16,270	-0.15%
KRWIDR	11.84	-0.05%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,647.10	(65.11)	-0.17%
S&P 500	5,433.74	12.71	0.23%
FTSE 100	8,163.67	(51.81)	-0.63%
DAX	18,265.68	(365.18)	-1.96%
Nikkei	38,720.47	(156.24)	-0.40%
Hang Seng	18,112.63	174.79	0.97%
Shanghai	3,028.92	(8.55)	-0.28%
Kospi	2,754.89	26.72	0.98%
EIDO	18.71	(0.20)	-1.06%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,304.2	(20.8)	-0.89%
Crude Oil (\$/bbl)	78.62	0.12	0.15%
Coal (\$/ton)	134.70	1.75	1.32%
Nickel LME (\$/MT)	17,645	(416.0)	-2.30%
Tin LME (\$/MT)	32,794	(571.0)	-1.71%
CPO (MYR/Ton)	3,936	(27.0)	-0.68%

Date	Country	Hour	Event	Period	Actual	Consensus	Previous
Monday	JP	6.50	BoP Current Account Balance	1QF	¥2050.5B	¥1737.6B	¥3398.8B
<i>10 – June</i>	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	-	-	-	-	-	-	-
<i>11 – June</i>							
Wednesday	JP	06.50	PPI YoY	May	2.4%	2%	0.9%
<i>12 - June</i>	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	-0.2%	0.1%	0.5%
<i>13 – June</i>	US	01.00	FOMC Rate Decision (Upper Bound)	Jun 12	5.5 %	5.50%	5.50%
	US	19.30	Initial Jobless Claim	Jun 8	242k	--	229k
Friday	US	21.00	U of Michigan Sentiment	Jun P	-	73.0	69.1
<i>14 – June</i>							

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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