

Morning Brief

Daily | June 14, 2024

Today's Outlook:

US MARKET: While Indonesian financial markets were on Eid al-Adha holiday, the US actually released several economic indicators this week including Retail Sales which turned out to grow only 0.1% mom in May, falling short of expectations of 0.3%. On one hand, Industrial Production actually grew 0.9% mom, faster than the 0.3% forecast and after being flat in April. Following the news, markets slightly increased the odds for 2 Federal Reserve rate cuts this year, according to LSEG's FedWatch report, although US central bank officials expect only 1 rate easing. Fed officials' comments on Tuesday did not provide anything exciting to move markets; New York Fed President John Williams said rates would be lowered gradually, while Richmond Fed's Thomas Barkin said he would need to study months of economic data before supporting a rate cut. It is the turn of the US financial markets to be closed this Wednesday due to the Juneteenth holiday. Expectations for multiple interest rate cuts this year, euphoria over AI-related companies, and strong earnings from other technology companies have driven equity markets strongly in recent months, with gains concentrated in a few heavily-weighted stocks. Citigroup raised its year-end target for the S&P 500 to 5,600 from 5,100.

ASIA & EUROPE MARKETS: CHINA reported Industrial Production (May) which still stumbled at 5.6%, to grow higher than the forecast of 6.2% as well as from April's level of 6.7%. Not only that, Housing Prices there fell further amidst a flat Unemployment Rate at 5.0% in May. Somewhat good news is that May Retail Sales were able to strengthen above expectations, coming in at 3.7%, higher than April's 2.3%. Meanwhile neighboring JAPAN this morning released their Trade Balance and May Export & Import growth which was stronger than the previous month. Later this afternoon at 1100WIB it is Indonesia's turn to publish our Trade Balance figures (May) which is expected to still be a surplus of USD 2.74 billion although it may be accompanied by negative growth in May Imports. On the EUROPEAN continent, EUROZONE has the threat of Inflation which may still be inflated from the region's Wage growth data, which grew 5.3% yoy in the first quarter of this year, higher than 3.2% in the previous quarter. Inevitably, when the ECB saw the released EUROZONE CPI (May month) climb back to 2.6% yoy from 2.4% in April, they chose to be more cautious in easing their monetary policy next time. Economic sentiment across the EU bloc did seem more optimistic going forward, in contrast to the GERMAN ZEW Economic Sentiment (June) which was more pessimistic.

COMMODITIES: OIL prices rose slightly in early trade on Wednesday as concerns over escalating conflicts in Europe and the Middle East offset forecasts of sluggish demand following an unexpected increase in US crude stockpiles. BRENT futures for August delivery rose 6 cents to USD 85.39/barrel, while US WTI futures for June gained 10 cents to USD 81.67/barrel. Both benchmark prices rose more than USD 1 in the previous session after a Ukrainian drone attack caused an oil terminal fire at a major Russian port, as reported by Russian officials and Ukrainian intelligence sources. Meanwhile in the Middle East, Israeli Foreign Minister Israel Katz warned of an "all-out war" with Lebanon's Hezbollah, even as the US seeks to avoid a wider conflict between Israel and Iran-backed Hezbollah. The escalation of war in the region raises the possibility of disrupting crude oil supplies from major producers. GOLD futures also started to creep up for August delivery, gaining 0.66% or USD 15.30 to USD 2,344.30/roy ounce. On the other hand, soaring US crude stockpiles of 2.264 million barrels in the week ended June 14, hindered the strengthening of oil prices on an over-supplied basis; according to market sources citing American Petroleum Institute figures on Tuesday. This was in stark contrast to Reuters analysts' forecasts of a 2.2 million barrel drop in crude stocks.

Corporate News

MDKA: Maturing, Merdeka Ready to Pay IDR 1.08 Trillion Bonds

Merdeka Copper Gold (MDKA) has debt securities with a maturity of IDR 1.08 trillion. The bonds, rated idA+, will mature on August 11, 2024. In paying off the bonds, the company plans to use a combination of internal funds and external loans. As of March 31, 2024, Merdeka Gold had cash and cash equivalents worth USD 138 million, excluding cash belonging to Merdeka Battery Materials (MBMA). Then, it has an unused revolving credit facility worth USD60 million, and funds from the bond issuance. (Emiten News)

Domestic Issue

Aims for IDR 10 Trillion from SBSN Auction Wednesday (19/6)

The government is aiming for an indicative target of IDR 10 trillion from the auction of 7 series of State Sharia Securities (SBSN) which will be held on Wednesday (19/6/2024). The Directorate General of Financing and Risk Management of the Ministry of Finance (DJPPR Kemenkeu) said that the IDR 10 trillion target from the SBSN auction will be used to meet part of the financing target in the 2024 State Budget. Referring to information on the Ministry of Finance's official DJPPR website, there are 7 SBSN series that will be auctioned, consisting of the State Treasury Securities-Syariah (SPN-S) and Project Based Sukuk (PBS) series. In detail, the SPN-S series that will be auctioned are SPNS 02122024 (reopening) and SPNS 03032025 (reopening). The SPN-S series has a discount coupon rate and a maximum non-competitive purchase allocation of 75% of the entire auction won. Meanwhile, the Project Based Sukuk series to be auctioned is offered in 5 series, namely PBS032 (reopening), PBS030 (reopening), PBS004 (reopening), PBS039 (reopening), PBS038 (reopening). The tenor of the Project Based Sukuk offered also varies from 2 years to 25 years, and coupon rates ranging from 4.87% to 6.87%. The PBS series has a non-competitive purchase allocation of a maximum of 30% of all auctions won. (Bisnis)

Recommendation

Does US10YT actually have a TARGET to fall below the psychological level of yield 4.0%? ADVISE: pay attention to the crucial Support around 4.20% yield because once it breaks the level, it is certain that US10YT will indeed fulfill the prediction towards the TARGET yield of 3.92% - 3.85%. On the one hand, the current position raises the stakes whether the RSI POSITIVE DIVERGENCE will be of any use to help boost the US10YT yield back to rebound above MA10 / yield 4.32% as the nearest Resistance.

ID10YT actually does have a TARGET to rise to a yield level of 7.325%, therefore once it escapes the psychological level of 7.0% yield, the yield continues to strengthen, thus on the other hand it means that the price continues to weaken.

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 : 95.71 (-0.39%)
FR0091 : 95.74 (-1.06%)
FR0094 : 96.23 (-0.09%)
FR0092 : 100.67 (-0.48%)

FR0086 : 98.05 (-0.11%)
FR0087 : 97.04 (-0.80%)
FR0083 : 103.56 (-0.75%)
FR0088 : 95.82 (+0.00%)

CDS of Indonesia Bonds

CDS 2yr: +14.15% to 36.54

CDS 5yr: +6.29% to 76.69

CDS 10yr: +3.38% to 130.66

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.20%	0.21%
USDIDR	16,400	0.80%
KRWIDR	11.89	0.47%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,834.86	56.76	0.15%
S&P 500	5,487.03	13.80	0.25%
FTSE 100	8,191.29	49.14	0.60%
DAX	18,131.97	63.76	0.35%
Nikkei	38,482.11	379.67	1.00%
Hang Seng	17,915.55	(20.57)	-0.11%
Shanghai	3,030.25	14.36	0.48%
Kospi	2,763.92	19.82	0.72%
EIDO	18.38	0.11	0.60%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,329.5	10.3	0.45%
Crude Oil (\$/bbl)	81.57	1.24	1.54%
Coal (\$/ton)	133.90	0.00	0.00%
Nickel LME (\$/MT)	17,294	(173.0)	-0.99%
Tin LME (\$/MT)	32,144	(4.0)	-0.01%
CPO (MYR/Ton)	3,883	(45.0)	-1.15%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 17 – June	US	19.30	Empire Manufacturing	Jun	-6.0	-10.0	-15.6
Tuesday 18 – June	US	19.30	Retail Sales Advance MoM	May	0.1%	0.3%	0.0%
	US	20.15	Industrial Production MoM	May	0.9%	0.3%	0.0%
Wednesday 19 - June	-	-	-	-	-	-	-
Thursday 20 – June	US	19.30	Initial Jobless Claim	Jun 15		235k	242k
	US	19.30	Housing Starts	May		1370k	1360k
Friday 21 – June	US	20.45	S&P Global US Manufacturing PMI	Jun P		51	51.3
	US	20.45	S&P Global US Services PMI	Jun P		54	54.8
	US	21.00	Leading Index	May		-0.3%	-0.6%
	US	21.00	Existing Home Sales	May		4.10m	4.14m

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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