

Morning Brief

Daily | May 31, 2024

Today's Outlook:

US MARKETS: The US DOLLAR fell along with US Treasury yields after data showed only a slight increase in US inflation in April. The US Commerce Department announced the PCE price index which is widely seen as the Federal Reserve's favorite inflation indicator, increased 0.3% in April in line with expectations, while core PCE rose 0.2%, compared to 0.3% in March. Market strategists see this PCE price index data will not provide much clarity on whether the Federal Reserve still needs to keep interest rates high for longer, or decide on an immediate rate cut. Separately, the Chicago Purchasing Managers' Index (PMI), which monitors the health of manufacturing in the Chicago area, fell to 35.4 from 37.9 last month and well below economists' expectations of 41. For the week, the MSCI index showed a second consecutive decline but a monthly gain.

EUROPEAN & ASIAN MARKETS: Data showed EUROZONE INFLATION increased more than expected in May, although analysts say that probably won't stop the European Central Bank (ECB) from lowering borrowing costs at their meeting next Thursday June 6, although it may strengthen the case for a pause in July.

CURRENCY: The DOLLAR INDEX which measures the greenback's strength against a basket of other major world currencies including the Yen and Euro, fell 0.15% to 104.61 and showed the first monthly decline in 2024 after the release of flat inflation data.

FIXED INCOME: US TREASURY YIELD fell after signs of stabilizing inflation in April, suggesting that the potential for the Fed to cut interest rates later this year still remains. The benchmark 10-year US Treasury yield fell 5.1 basis points to 4.503%, from 4.554% at the end of Thursday while the 30-year US Treasury yield fell 3.4 basis points to 4.6511% from 4.685%. The yield on the 2-year note, which usually moves with interest rate expectations, fell 5.2 basis points to 4.8768%, from 4.929% at the end of Thursday.

COMMODITIES: OIL prices slipped to a weekly loss after weakening on Friday, on renewed hope on the prospects of a ceasefire in Gaza and concerns about continued sluggish global demand due to overwhelming CHINA PMI data. US WTI crude fell 1.18% to USD 76.99/barrel and BRENT settled at USD 81.62/barrel, down 0.29%. This price weakness comes a day before OPEC+ holds their important meeting on Sunday. As noted, OPEC+ members are currently cutting production by 5.86 million barrels per day (bpd), or about 5.7% of global demand. The figure includes a cut of 3.66 million bpd, which will expire at the end of 2024, and voluntary cuts by eight members of 2.2 million bpd, which will expire at the end of June 2024. On Sunday, OPEC+ agreed to extend the cut of 3.66 million barrels per day for one year until the end of 2025 and extend the cut of 2.2 million barrels per day for three months until the end of September 2024. OPEC+ will phase out the production cut of 2.2 million barrels per day for one year from October 2024 to September 2025.

Corporate News

Issuing Sukuk Phase I IDR 3 Trillion, BRIS Appoints BRI Danareksa

BRI Danareksa Sekuritas (BRIS) was officially appointed by PT Bank Syariah Indonesia Tbk (BRIS) as one of the underwriters for the issuance of Sustainable Sustainability-Based Mudharabah Sukuk or Sukuk Sustainability with a total Sustainable Public Offering worth IDR 10 trillion. In the issuance of Sukuk Sustainability Phase I, BSI is targeting total emissions to be raised as much as IDR 3 trillion, of which Sukuk Sustainability is offered in three series to the public. Series A for a tenor of 370 calendar days with an indicated coupon of 6.40% - 7.10%, Series B with a tenor of 2 years with an indicated coupon of 6.45% - 7.15%, and Series C with a tenor of 3 years with an indicated coupon of 6.50% - 7.20%. The funds obtained from the issuance of this Sustainability Sukuk will later be used by BSI for the distribution of new or existing financing, either directly or indirectly, for activities included in the category of Environmentally Sound Business Activities (KUBL) and Socially Sound Business Activities (KUBS) as regulated in POJK No.18 of 2023. (CNBC Indonesia)

Domestic Issue

Details of Tapera Fund Investment Placement, Most in SBN

The public housing savings management fund (Tapera) is placed in a number of investment instruments with the largest portion in bonds. BP Tapera Commissioner Heru Pudyo Nugroho stated that the largest portion of Tapera fund investment will be allocated to investment instruments in Government Securities (SBN). Heru said that the investment portfolio currently being managed came from deposits of former Civil Servants Housing Savings Advisory Board (BAPERTARUM-PNS) participants. "We optimize this [ex-Bapertarum participant funds] through collective investment contracts run by investment managers. The portfolio is approximately 80% in bonds, mostly in state bonds," Heru said at a press conference on Friday (31/5/2024). Apart from SBN, Tapera funds are also fostered through corporate bond investment instruments. Heru ensured that the bond instruments chosen were bonds with a high rating of at least grade A. Along with this, Heru emphasized that the percentage of profit from saving via Tapera contributions is certainly much higher than the public investing their funds in deposits. (Bisnis)

Recommendation

US10YT actually has an upside target towards a yield of 4.682% based on the INVERTED HEAD & SHOULDERS (bullish reversal) pattern, up to the level of the previous April High around yield 4.74%. But this time it seems to have to test the Support 3 layer Moving Average first around yield 4.502% - 4.47%. ADVISE: if the yield bounces back up then be prepared to anticipate a price drop.

ID10YT actually has a target of strengthening yield towards 7.325% equivalent to the previous high level of April 7.33%; after breaking out of the downtrend channel pattern. ADVISE: if the yield is able to pass the last Resistance (MA20) at a yield of 6.962% then reduce the position (= sell bonds) because the price will weaken and the yield starts its ascent.

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)	136.20	140.40	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	3.00%	3.05%	Cons. Confidence*	127.70	123.80

PRICE OF BENCHMARK SERIES

FR0090 : 95.96 (+0.05%)
FR0091 : 97.24 (+0.19%)
FR0094 : 96.02 (+0.00%)
FR0092 : 101.62 (+0.07%)

FR0086 : 98.02 (+0.06%)
FR0087 : 97.96 (+0.15%)
FR0083 : 105.12 (+0.23%)
FR0088 : 94.79 (+0.09%)

CDS of Indonesia Bonds

CDS 2yr: -0.60% to 32.45

CDS 5yr: -0.72% to 72.30

CDS 10yr: -0.56% to 122.32

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.92%	-0.04%
USDIDR	16,250	-0.06%
KRWIDR	11.73	-0.53%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,686.32	574.84	1.51%
S&P 500	5,277.51	42.03	0.80%
FTSE 100	8,275.38	44.33	0.54%
DAX	18,497.94	1.15	0.01%
Nikkei	38,487.90	433.77	1.14%
Hang Seng	18,079.61	(150.58)	-0.83%
Shanghai	3,086.81	(4.87)	-0.16%
Kospi	2,636.52	1.08	0.04%
EIDO	19.76	(0.10)	-0.50%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,327.3	(15.7)	-0.67%
Crude Oil (\$/bbl)	76.99	(0.92)	-1.18%
Coal (\$/ton)	142.40	0.00	0.00%
Nickel LME (\$/MT)	19,710	(353.0)	-1.76%
Tin LME (\$/MT)	33,042	(69.0)	-0.21%
CPO (MYR/Ton)	4,076	83.0	2.08%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday	US	20.45	S&P Global US Manufacturing PMI	May F	—	—	50.9
03 – June	US	21:00	ISM Manufacturing	May	—	49.7	49.2
	GE	14:55	HCOB Germany Manufacturing PMI	May	—	45.4	45.4
	EC	15:00	HCOB Eurozone Manufacturing PMI	May	—	47.4	47.4
Tuesday	US	21:00	Factory Orders	Apr	—	0.7%	1.6%
04 – June	US	21:00	Durable Goods Orders	Apr	—	0.7%	0.7%
	US	18.00	MBA Mortgage Applications	May 31	—	—	-5.7%
	US	19.15	ADP Employment Change	May	—	175k	192k
	EC	15:00	HCOB Eurozone Manufacturing PMI	May	—	47.4	47.4
Wednesday	—	—	—	—	—	—	—
05 – June							
Thursday	US	19:30	Trade Balance	Apr	—	-\$69.8B	-\$69.4B
06 – June	US	19:30	Initial Jobless Claims	Jun 1	—	—	219k
	EC	19:15	ECB Deposit Facility Rate	Jun 6	—	3.75%	4.00%
	EC	19:15	ECB Main Refinancing Rate	Jun 6	—	4.25%	4.50%
Friday	US	19:30	Change in Nonfarm Payrolls	May	—	180k	175k
07 – June	US	19:30	Unemployment Rate	May	—	3.9%	3.9%
	EC	16:00	GDP SA YoY	1Q F	—	0.4%	0.4%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



Research Division

Head of Research

Liza Camelia Suryanata

Equity Strategy, Macroeconomics,
Technical
T +62 21 5088 ext 9134

Research Support

Amalia Huda Nurfalih

Editor & Translator
T +62 21 5088 ext 9132
E amalia.huda@nhsec.co.id

Analyst

Leonardo Lijuwardi

Banking, Infrastructure
T +62 21 5088 ext 9127
E leonardo.lijuwardi@nhsec.co.id

Analyst

Richard Jonathan Halim

Technology, Transportation
T +62 21 5088 ext 9128
E Richard.jonathan@nhsec.co.id

Analyst

Axell Ebenhaezer

Mining, Property
T +62 21 5088 ext 9133
E Axell.Ebenhaezer@nhsec.co.id

DISCLAIMER

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein.

All rights reserved by PT NH Korindo Sekuritas Indonesia



PT. NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

JAKARTA (HEADQUARTER):

District 8 Treasury Tower 51st Fl. Unit A, SCBD Lot.28

Jl. Jendral Sudirman Kav. 52-53

Jakarta Selatan 12190

Telp : +62 21 5088 9102

Branch Office BSD:

ITC BSD Blok R No.48

Jl. Pahlawan Seribu Serpong

Tangerang Selatan 15311

Indonesia

Telp : +62 21 509 20230

Branch Office Medan :

Jl. Asia No. 548 S

Medan – Sumatera Utara 20214

Indonesia

Telp : +62 614 156500

Branch Office Bandung:

Paskal Hypersquare Blok A1

Jl. Pasirkaliki No 25-27

Bandung 40181

Indonesia

Branch Office Bandengan (Jakarta Utara):

Jl. Bandengan Utara Kav. 81

Blok A No.02, Lt 1

Jakarta Utara 14440

Indonesia

Telp : +62 21 6667 4959

Branch Office Kamal Muara (Jakarta Utara):

Rukan Exclusive Mediterania

Blok F No.2

Jakarta Utara 14470

Indonesia

Telp : +62 24 844 6878

Branch Office Pekanbaru:

Sudirman City Square

Jl. Jend. Sudirman Blok A No.7

Pekanbaru

Indonesia

Telp : +62 761 801 1330

Branch Office Makassar:

Jl. Gunung Latimojong No.120A

Makassar

Indonesia

Branch Office Denpasar:

Jl. Cok Agung Tresna

Ruko Griya Alamanda No. 9

Renon Denpasar, Bali 80226

Indonesia

Telp : +62 361 209 4230

A Member of NH Investment & Securities Global Network

Seoul | New York | Hong Kong | Singapore | Shanghai | Beijing | Hanoi |
Jakarta