

Today's Outlook:

ECONOMIC INDICATORS: Market players weighed data showing US manufacturing activity had slowed for the second month in a row when it unexpectedly fell more than expected in May, raising fears of weakening economic growth. Investors see a 59% chance that the Fed will start lowering interest rates in September, up from about 53% before the ISM Manufacturing PMI data was released, according to the CME FedWatch Tool. 10-year US TREASURY YIELD fell to its lowest level in two weeks following sluggish manufacturing data. The focus this week is a number of employment data which will start today (tonight at 21:00 WIB) in the form of JOLTS JOB OPENINGS which predicts the creation of 8.4 million job vacancies in April, a slight decrease compared to the previous month's 8,488 million. The May NONFARM PAYROLLS data, which will be released later this week, is the culmination point which will provide more cues on the labor market – another important consideration for the Fed in cutting interest rates. The US central bank will hold a FOMC MEETING next week and is expected to keep interest rates steady.

ASIAN & EUROPEAN MARKETS: Focus on PMI Manufacturing is also occurring on the Asian continent, especially SOUTH KOREA, JAPAN and CHINA, and INDONESIA is no exception; where they all succeeded in maintaining the growth of the manufacturing sector in an expansive realm. Meanwhile on the European continent, at least GERMANY & EUROZONE are still unable to cross into the expansive area (above level 50) even though growth is starting to appear; Meanwhile, the UK was the first to push their S&P Global UK Manufacturing PMI into expansive territory at level 51.2, quite in line with expectations. This morning, South Korea announced that the CPI (May) level had dropped to 2.7% yoy, from 2.9% in the previous period. Talking about CPI, Indonesia reported no inflation in May, instead there was deflation on a monthly basis. The CPI in May actually deflated 0.03% mom (this is the first deflation since August 2023), lower than the Bloomberg inflation consensus of 0.07%; especially since April, which recorded inflation of 0.25%. On an annual basis, the inflation rate for May 2024 was recorded at 2.84% yoy, below April's 3% yoy; also below the Bloomberg consensus of 2.97%. On the same occasion, the Head of BPS announced that Indonesia is estimated to still be in the rice harvest period in May. The reference and retail price relaxation policy imposed in April is still in effect until May 31 for several commodities such as granulated sugar, corn, chicken meat, chicken eggs and rice.

COMMODITIES: Throughout May, the price of GOLD on the LME market rose 0.62% to reach USD 2351 / troy ounce. Meanwhile, OIL prices fell sharply on Monday to a 4-month low, as the decision by OPEC and its allies to extend production cuts until 2025, but also to phase out cuts that began later this year sparked concerns about a supply surplus amid persistent global demand. sluggish. US WTI futures fell 3.6% to USD 74.22 / barrel, while BRENT futures expiring in August fell 3.4% to USD 78.36 / barrel. The Organization of the Petroleum Exporting Countries and its allies including Russia, known as OPEC+, decided to extend production cuts of about 5.86 million barrels per day until 2025; divided into cuts of 3.6 million barrels per day until the end of 2025 and voluntary cuts of 2.2 million barrels per day which will be extended for 3 months until the end of September this year. These voluntary cuts will then be phased out in stages from October to September 2025. This is what traders fear will again lead to excess supply amidst the world economy and global demand for energy which is still sluggish. On the other hand, other commodity analysts think that this OPEC+ movement will not necessarily make oil prices bearish because, however, OPEC+ still has full flexibility regarding the policies it sets. Signs of weakening global demand have weighed on oil prices in recent months, with the focus on US fuel consumption data. The US government will release oil stock and demand estimates on Wednesday, which will show how much gasoline is consumed around Memorial Day weekend, the start of the US driving season.

MIDDLE EAST CONFLICT : An aide to Israel's prime minister confirmed on Sunday that Israel had accepted the framework of a deal to defuse the Gaza war, although the Israeli side called it a "flawed" deal.

Corporate News

Paper Factory Expansion, INKP Offers Bonds Worth USD 15 Million

PT Indah Kiat Pulp & Paper Tbk (IDX: INKP) will conduct a Public Offering of Continuous Bonds I Phase IV/2024 worth USD 15 million on 12-13 June 2024. The plan is to list the INKP bonds on the Indonesia Stock Exchange (BEI) on 24 June 2024. This bond is part of the public offering of sustainable bonds I INKP worth a total of USD 300 million consisting of three series, namely; Series A, with a principal amount of USD 200 thousand, has a fixed interest rate of 5.75% per year and a term of 370 days. Series B worth USD 450 thousand has a three year term with a fixed interest rate of 7.0% per year, and series C worth USD 3.506 million has a five year term with a fixed interest rate of 8.0% per year. In the additional prospectus for the planned public offering of bonds which was announced to investors in Jakarta, Friday (31/5/2024), it was stated that the proceeds from the bond issuance, after deducting issuance costs, will all be used by the Company for capital expenditure related to the expansion of the construction of the industrial paper factory. in the form of financing partly from equipment purchases and partly from civil works. (Pasardana)

Domestic Issue

Government Immediately Issues SBR013, Here's Estimated Coupon

The government will again offer retail Government Securities (SBN) series Retail Savings Bond series SBR013. Sales of SBR013 are planned for June 10 to July 4 2024. Bank Permata Chief Economist Josua Pardede estimates that the SBR013 coupon will be around 6.9%-7.2% for a two-year tenor and in the range of 7%-7.3% for a four-year tenor. This estimate is based on last year's SBR coupon of 6.15% (BI rate + 65bps) for a two-year tenor and 6.35% (BI rate + 85bps) for a four-year tenor. "Last year's issuance was carried out before BI raised its interest rate, so the coupon rate will be adjusted to the BI reference interest rate," he stressed. However, for absorption, Josua is more conservative. He estimates that SBR013 sales will be around IDR 10 trillion to IDR 15 trillion. This is in line with the condition of the domestic bond market which is still full of uncertainty due to sentiment from the Fed. Even though this series is a non-tradeable series, the SBR series is still influenced by domestic bond market sentiment, in line with global uncertainty which is still high. (Kontan)

Recommendation

US10YT is around the Support yield of its uptrend channel. The resistance of the 3 layer Moving Average looks tough enough to prevent the yield from rising above 4.5%. ADVISE: if the yield turns out to fall further below 4.32% then bond prices will start to creep up; then just do AVERAGE UP at this point.

ID10YT is in the consolidation stage or testing yield support around 6.90%. ADVISE: WAIT & SEE, wait for the direction of the breakout, if the yield has penetrated Resistance MA20 / 6.945% then the new price movement will begin to weaken, with the yield having a TARGET to rise to a yield of 7.325%.

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	2.84%	3.00%	Cons. Confidence*	127.70	123.80

PRICE OF BENCHMARK SERIES

FR0090 : 95.97 (+0.01%)
FR0091 : 97.45 (+0.22%)
FR0094 : 96.02 (+0.00%)
FR0092 : 101.74 (+0.12%)

FR0086 : 98.21 (+0.19%)
FR0087 : 98.10 (+0.14%)
FR0083 : 105.10 (-0.01%)
FR0088 : 94.68 (-0.12%)

CDS of Indonesia Bonds

CDS 2yr: -0.94% to 32.16
CDS 5yr: -1.06% to 71.53
CDS 10yr: -0.78% to 121.36

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.89%	-0.03%
USDIDR	16,230	-0.12%
KRWIDR	11.80	0.56%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,571.03	(115.29)	-0.30%
S&P 500	5,283.40	5.89	0.11%
FTSE 100	8,262.75	(12.63)	-0.15%
DAX	18,608.16	110.22	0.60%
Nikkei	38,923.03	435.13	1.13%
Hang Seng	18,403.04	323.43	1.79%
Shanghai	3,078.49	(8.32)	-0.27%
Kospi	2,682.52	46.00	1.74%
EIDO	20.05	0.29	1.47%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,350.8	23.4	1.01%
Crude Oil (\$/bbl)	74.22	(2.77)	-3.60%
Coal (\$/ton)	140.20	(2.20)	-1.54%
Nickel LME (\$/MT)	19,422	(288.0)	-1.46%
Tin LME (\$/MT)	32,350	(692.0)	-2.09%
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	51.3	—	50.9
03 – June	US	21:00	ISM Manufacturing	May	49.5	49.7	49.2
	GE	14:55	HCOB Germany Manufacturing PMI	May	45.4	45.4	45.4
	EC	15:00	HCOB Eurozone Manufacturing PMI	May	47.3	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



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