

Morning Brief

Daily | June 7, 2024

Today's Outlook:

US MARKETS: Investors will focus on Friday's crucial US Nonfarm Payrolls report, where economists expect the US economy to add 186k new jobs, slightly up from the previous month's 175k. The INITIAL JOBLESS CLAIMS report is the latest data to show an easing labor market where the latest week's jobless claims rose more than anticipated at 229k, up from last week's figure of 221k which was revised up, also higher than economists' forecast of 220k. As such, this result makes it possible for the Federal Reserve to start cutting interest rates, following two earlier released labor data namely new job creation in the private sector and job openings; both of which also showed weakness. The EUROPEAN CENTRAL BANK (ECB) has already implemented its first interest rate cut since 2019 at their meeting yesterday, bringing down the benchmark rate by 25bps to 4.25%. In addition to the ECB, the DENMARK central bank also cut its benchmark interest rate by 25 bps to 3.35%. The European central bank's action is expected to further motivate other world central banks to start cutting interest rates, even before the Fed is predicted to execute a 25bps pivot in September this year. The percentage chance of that happening already stands at 68% currently, as quoted from CME FedWatch survey tool; as well as market pricing-in 2 rate cuts this year, according to data from LSEG and Reuters poll. Other important ECONOMIC INDICATORS that will complement the US labor data series are the UNEMPLOYMENT RATE (May) which is currently expected to remain stagnant at around 3.9%, as well as the Average Hourly Wage (May) data which is also flat at 3.9% yoy.

EUROPE & ASIA MARKETS: GERMANY yesterday reported that their Factory Orders for April have not been able to recover to the positive growth of 0.6% as expected, instead still dropping to -0.2% mom, although not as much as the -0.8% weakening in the previous month. Today the Asian continent will be exposed to equally important data from JAPAN: Household Spending for April has started to grow positively on an annualized basis, up 0.5% yoy compared to -1.2% in the previous period. After yesterday's rate cut, EUROZONE will present Q1 GDP data today which is projected to grow 0.4% yoy, stronger than the previous 0.1%. Of course they will also want to see German Industrial Production support the European economy with 0.1% mom growth, bouncing back from -0.4% a month earlier. Following this morning market participants will be monitoring CHINA's Trade Balance data and more vitally May's Export & Import growth, which, if Exports are able to grow significantly to 6.0% as expected (from 1.5% in the previous month) will bring relief and fresh air to the signs of economic improvement there.

COMMODITIES: OIL prices rose 2% on Thursday after the European central bank voted to cut interest rates, fueling hopes that the Fed will do the same; while OPEC+ ministers assured traders that the latest oil production agreement could change depending on the market. BRENT futures closed USD 1.46 higher or 1.86% at USD 79.87/barrel. Meanwhile, US WTI futures were up USD 1.48 or 2% at USD 75.55. Lower fuel costs and reduced post-pandemic supply constraints have helped lower the global inflation rate to 2.6% in the 20 countries that use the Euro, from 10% by the end of 2022. GOLD prices hit a two-week peak of USD 2,378/roy ounce after the US Bureau of Labor Statistics announced weaker-than-expected jobs data. Gold spot prices were trading at USD 2,369, registering a 0.54% gain after bouncing off a weekly low of USD 2,320.

INDONESIA will be watching the Foreign Exchange Reserves figure (May) today.

Corporate News

Accelerate Growth, INPP GMS Approves Bond Issuance

PT Indonesian Paradise Property Tbk (INPP), will carry out a series of strategic corporate actions in the second semester of 2024. The company's Annual General Meeting of Shareholders (AGM) on Thursday (6/6/2024) approved the issuance of bonds. In the 2024 Annual General Meeting of Shareholders, it was also decided that the proceeds from the bond issuance would be used for commercial projects, hospitality businesses, and property development initiatives. Currently the Company Rating/Outlook from Pefindo which was updated on June 7, 2023 is idBBB+ Stable. The rating was assigned due to INPP's consistency in meeting its earnings targets, both through recurring income and non-recurring income segments as well as a good market position with good asset quality, and a strong hotel chain brand. (Emiten News)

Domestic Issue

SBR013 Launches Soon, Check out Bond Market Predictions

The Ministry of Finance's DJPPR will soon launch the SBN Retail Savings Bonds series SBR013 on June 10 to July 4, 2024 (tentative). Investor interest in SBR013 is predicted to remain quite high, in line with the bond market recovery. Director & Chief Investment Officer, Fixed Income Manulife Aset Manajemen Indonesia (MAMI) Ezra Nazula said the high interest in retail SBN is based on attractive yields. The Indonesian bond market also received a positive catalyst from the policy of the US Federal Reserve (Fed), which is predicted to cut the benchmark interest rate this year. So far, the Fed's interest rate is still on hold in the range of 5.25%-5.5%. According to Ezra, interest in SBN is influenced by the possibility of a reduction in the benchmark interest rate by the US central bank which will be followed by Bank Indonesia (BI). Although market participants' expectations about central bank monetary policy have shifted, this sentiment will move the market significantly. As for now, the Ministry of Finance's DJPPR has not yet determined the coupon amount or quota for the SBR013 offering. (Bisnis)

Recommendation

US10YT yield shows signs of limited weakening at the expected Support area (around 4.26% yield). ADVISE: anticipate technical rebound towards Resistance as follows: 4.44% - 4.5%, up to 4.6% but still within its downtrend channel range. Prices are expected to weaken limitedly following the strengthening in this yield. It seems that the latest US employment data this week (Nonfarm Payrolls) will be a crucial factor in determining the direction of the yield.

ID10YT is a bit hampered to resuming the upward swing in yields, even though the previous day yields have broken out of some resistance and therefore have a chance to rise (short term) towards : 6.95%- 6.99%; up to the psychological level of 7.0% which will be the deciding point. This psychological level will determine whether ID10YT will actually move back towards the Target of the previous High level around 7.325% yield. ADVISE : watch for a break out in yield to anticipate a decline in bond prices).

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 : 96.11 (+0.03%)
FR0091 : 97.05 (+0.09%)
FR0094 : 96.20 (+0.00%)
FR0092 : 101.71 (+0.02%)

FR0086 : 98.38 (+0.01%)
FR0087 : 98.01 (+0.08%)
FR0083 : 105.43 (+0.08%)
FR0088 : 94.78 (+0.09%)

CDS of Indonesia Bonds

CDS 2yr: -0.60% to 32.13

CDS 5yr: -1.06% to 71.66

CDS 10yr: -0.44% to 121.61

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.91%	-0.00%
USDIDR	16,260	-0.15%
KRWIDR	11.91	0.30%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,886.17	78.84	0.20%
S&P 500	5,352.96	(1.07)	-0.02%
FTSE 100	8,285.34	38.39	0.47%
DAX	18,652.67	76.73	0.41%
Nikkei	38,703.51	213.34	0.55%
Hang Seng	18,476.80	51.84	0.28%
Shanghai	3,048.79	(16.61)	-0.54%
Kospi	2,689.50	27.40	1.03%
EIDO	20.11	0.20	1.00%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,376.1	20.7	0.88%
Crude Oil (\$/bbl)	75.55	1.48	2.00%
Coal (\$/ton)	134.35	(1.65)	-1.21%
Nickel LME (\$/MT)	18,531	243.0	1.33%
Tin LME (\$/MT)	32,198	877.0	2.80%
CPO (MYR/Ton)	3,960	54.0	1.38%

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%	0.7%	1.6%
04 – June	US	21:00	Durable Goods Orders	Apr	0.6%	0.7%	0.7%
	US	18:00	MBA Mortgage Applications	May 31	-5.2%	—	-5.7%
	US	19:15	ADP Employment Change	May	152k	175k	192k
	EC	15:00	HCOB Eurozone Manufacturing PMI	May		47.4	47.4
Wednesday	—	—	—	—	—	—	—
05 – June							
Thursday	US	19:30	Trade Balance	Apr	-\$74.6B	-\$69.8B	-\$69.4B
06 – June	US	19:30	Initial Jobless Claims	Jun 1	229k	—	219k
	EC	19:15	ECB Deposit Facility Rate	Jun 6	3.75%	3.75%	4.00%
	EC	19:15	ECB Main Refinancing Rate	Jun 6	4.25%	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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