

Morning Brief

Daily | July 03, 2024

Today's Outlook:

US MARKETS: The markets digested data that showing the US labor market remains tight, and the prospect of an interest rate cut after hearing comments from Federal Reserve Chairman Jerome Powell. The Fed needs more data before cutting interest rates to ensure recent weaker inflation readings truly reflect underlying price pressures, Powell said during a conference in Portugal on Tuesday. The Labor Department reported on Tuesday the results of the JOLTS JOB OPENINGS survey, a measure of labor demand, rose by 221,000 to 8.140 million on the last day of May, the lowest level since February 2021 and slightly above Wall Street expectations that hoped to see a figure below 8 million. Nevertheless, the yield on the benchmark 10-year US Treasury note fell 4.9 basis points to 4.43%. Portfolio managers interpreted Powell's comments that it looks like he is preparing the ground for a rate cut possibly in September. The market currently sees a 64% chance of a rate cut in September, up from about 61% last week, according to Investing.com's Fed Rate Monitor Tool. The Powell statement comes a day ahead of the release of the Fed's June Minutes and more insight into the labor market will come from Friday's Nonfarm Payrolls data.

ECONOMIC INDICATORS: Today it is the turn of employment data in the private sector, aka ADP NONFARM EMPLOYMENT CHANGE (June) which will be the center of attention of investors, where it is expected that there will be an increase in new hires by 7 thousand to 159 thousand, slightly higher than the previous month's 152 thousand. The weekly INITIAL JOBLESS CLAIMS will be announced earlier than usual on Thursday in anticipation of the 4th of July holiday. Also following will be Composite & Services PMI data from S&P Global which will find out whether business activity in general and services in particular in the US is able to stay in expansionary territory, given that Factory Orders (May) data is predicted to weaken.

COMMODITIES: Crude OIL prices fell as fears of supply disruptions caused by Hurricane Beryl faded. BRENT futures were down 0.42% at USD 86.24/barrel, while US WTI closed at USD 82.81/barrel, down 0.68%. GOLD spot prices edged down 0.07% to USD 2,330.03/ounce, while futures depreciated further slightly to USD 2,325.80/ounce.

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 105.68. Against the Japanese Yen, the Dollar was 0.01% weaker at 161.44 after reaching 161.745 on Tuesday, its strongest position in almost 38 years, largely driven by the wide US-Japan interest rate gap.

INDONESIA: Indonesia's Manufacturing Purchasing Manager's Index (PMI) in June 2024 corrected to 50.7, down 2.68% from 52.1 in May 2024. Despite the decline, Indonesia's Manufacturing PMI still continued its expansionary trend for 34 consecutive months. Indonesia's Manufacturing PMI is now lower than countries such as China & the US which are at 51.8 and 51.7 respectively, as well as from several ASEAN countries such as Vietnam & Thailand; which are at 54.7 and 51.7 respectively. S&P Global said the decline in Indonesia's PMI was due to sluggish exports for four consecutive months. At the same time, the government is preparing a discourse to raise import duties of up to 200% on imported textile products from China in response to China's dumping actions which are considered detrimental to the domestic industry. Economic observers emphasize the potential for blunders in the Minister of Trade's plan because the imposition of Anti Dumping Import Duty (BMAD) that is too high on imported products is at risk of causing retaliation from the country of origin, especially when it turns out that Indonesia cannot prove the existence of dumping on imported products from China. . China could then turn around and impose high import duties on Indonesian export products.

Corporate News

PTPP: PTPP Spends IDR 1.25 Trillion to Pay Bond and Sukuk Debt

State-owned construction company PT PP (Persero) Tbk. (PTPP) spent IDR 1.25 trillion to pay bond and sukuk mudharabah debts, which have maturity dates on Tuesday (2/7/2024). In detail, PTPP Sustainable Bonds III Phase I in 2021 Series A is worth IDR 800 billion and Sustainable Mudharabah Sukuk I Phase I Year 2021 Series A is IDR 400 billion. The bonds and sukuk mudharabah are the result of an ongoing public offering held by PTPP in 2021 with a tenor of three years, and a coupon of 8.5% per year. PTPP President Director Novel Arsyad said the company had sent bond and sukuk mudharabah repayment funds to the Indonesian Central Securities Depository (KSEI) account on Monday (1/7/2024) or the day before the maturity date. According to him, the fulfillment of this maturity obligation is PTPP's commitment to prioritize and apply the principles of good corporate governance, while having a positive impact on future financial performance. (Bisnis)

Domestic Issue

3 Months Ahead of Jokowi's Resignation, Indonesia's Debt Ratio Rises to 38.71%

The Ministry of Finance (Kemenkeu) noted that the ratio of government debt as of the end of May 2024 rose to a level of 38.71% of gross domestic product (GDP) ahead of the end of President Joko Widodo's (Jokowi) administration. Meanwhile, the position of government debt reached IDR 8,353.02 trillion by the end of May 2024. The current government debt position increased when compared to the position in the previous month (month-to-month / mtm) which amounted to IDR 8,338.43 trillion or with a ratio of 38.64% to GDP. Meanwhile, the majority of government debt comes from domestic sources with a proportion of 71.12%. This is in line with the government's debt financing policy which optimizes domestic financing sources and utilizes foreign debt as a complement. Based on the instrument, the composition of government debt is mostly in the form of Government Securities (SBN), which reached 87.96%. Furthermore, as of the end of May 2024, financial institutions held around 41.9% of domestic SBN ownership, consisting of banks 22.9% and insurance companies and pension funds 18.9%. Meanwhile, foreign investors only owned around 14.1% of domestic SBN. The amount includes holdings by foreign governments and central banks. (Bisnis)

Recommendation

US10YT stumbled upon the upper channel Resistance area around 4.516% yield and hence testing the MA50 Support / 4.424% yield. **POTENTIAL:** further consolidation will bring the yield towards the next Support which is the MA10 & MA20 range around 4.330% yield.

ID10YT finally showed a rebound reaction at the Support trendline and moved back above MA10 Resistance, signaling the yield uptrend is still intact. **POTENTIAL:** yield towards Resistance from previous High level around 7.243%, on the way to TARGET (pattern) around 7.325%. **ADVISE:** anticipate further price decline.

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)	2.93	3.56	Govt. Spending Yoy	19.90%	2.81%
Exports Yoy	2.86%	1.72%	FDI (USD bn)	6.03	4.82
Imports Yoy	-8.83%	4.62%	Business Confidence	104.82	104.30
Inflation Yoy	2.51%	2.84%	Cons. Confidence*	125.20	127.70

PRICE OF BENCHMARK SERIES

FR0090 : 95.99 (-0.09%)

FR0091 : 96.08 (-0.16%)

FR0094 : 96.11 (+0.04%)

FR0092 : 99.92 (-0.06%)

FR0086 : 98.05 (+0.02%)

FR0087 : 97.15 (-0.10%)

FR0083 : 103.70 (-0.03%)

FR0088 : 93.91 (-0.28%)

CDS of Indonesia Bonds

CDS 2yr: -1.16% to 35.72

CDS 5yr: -2.04% to 76.82

CDS 10yr: -0.95% to 129.80

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.12%	0.05%
USDIDR	16,395	0.45%
KRWIDR	11.82	0.22%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,331.85	162.33	0.41%
S&P 500	5,509.01	33.92	0.62%
FTSE 100	8,121.20	(45.56)	-0.56%
DAX	18,164.06	(126.60)	-0.69%
Nikkei	40,074.69	443.63	1.12%
Hang Seng	17,769.14	50.53	0.29%
Shanghai	2,997.01	2.28	0.08%
Kospi	2,780.86	(23.45)	-0.84%
EIDO	19.44	0.00	0.00%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,329.5	(2.4)	-0.10%
Crude Oil (\$/bbl)	82.81	(0.57)	-0.68%
Coal (\$/ton)	132.25	0.15	0.11%
Nickel LME (\$/MT)	17,004	(353.0)	-2.03%
Tin LME (\$/MT)	32,922	22.0	0.07%
CPO (MYR/Ton)	4,089	110.0	2.76%

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	US	20.45	S&P Global US Manufacturing PMI	51.6	Jun F	51.7	51.7
01 – July	US	21.00	ISM Manufacturing	48.5	Jun	49.2	48.7
	JP	07.30	Jibun Bank Japan PMI Mfg	50.0	Jun F	-	50.1
	ID	07.30	S&P Global Indonesia PMI Mfg	50.7	Jun	-	52.1
	ID	11.00	CPI YoY	2.51%	Jun	2.7%	2.84%
	GR	19.00	CPI YoY	2.2%	Jun	2.3%	2.4%
	KR	06.00	CPI YoY	-	Jun	2.6%	2.7%
Tuesday							
02 – July							
Wednesday	US	18.00	MBA Mortgage Applications	-	June 28	-	0.8%
	US	19.15	ADP Employment Change	-	June 21	163k	152k
	US	19.30	Trade Balance	-	May	-\$ 72.2B	-\$ 74.6B
	US	19.30	Initial Jobless Claim	-	June 29	-	233k
	US	21.00	Factory Orders	-	May	0.3%	0.7%
	US	21.00	Durable Goods Orders	-	May F	-	0.1%
Thursday	-	-	-	-	-	-	-
04 – July							
Friday	US	19.30	Change in Nonfarm Payrolls	-	Jun	188k	272k
	US	19.30	Unemployment Rate	-	Jun	4%	4%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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