

Morning Brief

Daily | July 04, 2024

Today's Outlook:

US MARKETS: US Treasury yields fell for a second day and the Fed's June Minutes were released after the market closed, echoing Fed Chairman Jerome Powell's statement that inflationary pressures are easing.

ECONOMIC INDICATORS: Data showed US Factory Orders fell unexpectedly and June US Services Activity (ISM Non-Manufacturing PMI) plunged deep into contractionary territory (below 50), lower than the 52.6 expected and also from 53.8 in the previous month. The ADP National Employment Bulletin showed private employment increased by 150,000 in June, below expectations of 163k and May's revised figure of 157,000, consistent with slowing labor market momentum. Initial Jobless Claims also complemented this by recording an increase of 4k jobless claims in the latest week, to 238k versus 234k in the previous week. A series of data showing this economic slowdown, fueling hopes of a faster interest rate cut. No wonder market participants see a 68% chance of the first rate cut in September, up from 58% last week, as reported by Investing.com's Fed Rate Monitor Tool.

ASIA & EUROPE MARKETS: Positive regional market sentiment, weakening Dollar and falling US Treasury yields - an indication of loosening market friendly monetary policy - are likely to make Asian markets happy this Thursday. As for yesterday, CHINA's Caixin Services PMI (June) was slightly weaker although still above the 50 threshold. However, in the European region, GERMANY, EUROZONE, and the UK recorded Services PMIs that were more firmly in expansionary territory. There is not much other economic data for market participants to watch today.

JAPANESE YEN & BONDS experienced a consistent sell-off. The 10-year JGB yield on Wednesday reached 1.10% and the two-year JGB yield spread widened to 75 basis points. The yen is at a 38-year low, the 10-year JGB yield is at a 13-year high, and the yield curve is steepening rapidly. For traders, this situation should raise their guard, especially when the Nikkei is on the verge of breaking March's record high.

COMMODITIES: The Energy Information Agency (EIA) reported that US crude stockpiles fell by 12.2 million barrels in the week ended June 28, far exceeding expectations of a decline of around 680k barrels according to a Reuters poll. However, price gains were hampered by concerns of rising global supply ahead of the US Independence Day holiday. Both BRENT and US WTI rose 1.3% to USD 87.34 and USD 83.88/barrel respectively. Production constraints from the Gulf of Mexico, which is anticipating the impact of Hurricane Beryl, were offset by a second month of higher production from OPEC countries, mainly contributed by higher supply from Nigeria & Iran.

POLITICS: President Joe Biden was reported to be considering stepping down from the presidential race against former President Donald Trump, following his shaky performance at the recent presidential debate. However, Biden has recently confirmed that he intends to continue his campaign for re-election, despite facing skepticism from within his own party (the Democratic Party). US Vice President Kamala Harris is widely believed to be the first choice to replace Biden should the president choose to withdraw from the race.

Corporate News

BTPN: Pefindo Sets BTPN's Rating as idAAA

PT Pemeringkat Efek Indonesia (Pefindo) assigned an idAAA rating with a stable outlook to PT Bank BTPN Tbk (BTPN). This rating is also given to the planned issuance of BTPN Sustainable Bond V Year 2024 with a maximum value of IDR 3 trillion. On its official website, Pefindo stated that the rating was influenced by the very strong probability of support from the parent company, Sumitomo Mitsui Banking Corporation (SMBC). BTPN's standalone credit profile reflects very strong capitalization indicators and market position, but is constrained by intense competition in the banking industry. Pefindo added that the rating could be downgraded if there is a weakening of SMBC's support and ownership of BTPN. The rating could also come under pressure if BTPN's business profile or financial performance deteriorates significantly without any indication of support from SMBC. (Emiten News)

Domestic Issue

Government Withdraws IDR 7.184 Trillion from Auction of Seven Series of SBSN July 2

The government on Tuesday, July 2, 2024 yesterday conducted an auction of seven series of State Sharia Securities (SBSN) or state sukuk. Of the seven sukuk series offered, namely the SPNS20012025 series (reopening), SPNS01042025 (new issuance), PBS032 (reopening), PBS030 (reopening), PBSG001 (reopening), PBS004 (reopening) and PBS038 (reopening), the total incoming bid amounted to IDR 17.99 Trillion. In detail, for the SPNS20012025 series, the total incoming bid amounted to IDR 2.195 trillion, SPNS01042025 series IDR 0.496 trillion, PBS032 series IDR 0.173 trillion, PBS030 series IDR 0.152 trillion, PBSG001 series IDR 0.300 trillion, PBS004 series IDR 0.359 trillion, and PBS038 series amounting to IDR 5.3197 trillion. In accordance with the authority granted by Law Number 19 of 2008 concerning State Sharia Securities, the Minister of Finance determined the auction results as follows: For the SPNS20012025 series, the nominal amount withdrawn is IDR 0.300 trillion, SPNS01042025 series IDR 1.184 trillion, PBS032 series IDR 1.300 trillion, PBSG001 series IDR 0.100 trillion, PBS004 series IDR 0.150 trillion, and PBS038 series amounting to IDR 4.150 trillion. Thus the total nominal withdrawn by the government from the seven series of SBSN or sukuk offered is IDR 7,184 trillion. (Emiten News)

Recommendation

US10YT: In overall, it is still running in a downtrend channel. Currently supported by MA10 & MA20 support at 4.325% yield. A break of this support will bring the US10YT yield down further to the 4.21% - 4.19% level; and the bond price will turn up.

ID10YT: Yield may be testing the first support around 7.09%. ID10YT is still relatively safe running above its short-term uptrend, as long as it has not broken the current MA20 / yield of 7.04%. The journey towards the TARGET yield of 7.325% looks intact.

PRICE OF BENCHMARK SERIES

FR0090 : 96.11 (+0.11%)
FR0091 : 96.12 (+0.04%)
FR0094 : 96.09 (-0.02%)
FR0092 : 99.98 (+0.05%)

FR0086 : 98.02 (-0.03%)
FR0087 : 97.19 (+0.03%)
FR0083 : 103.68 (-0.02%)
FR0088 : 93.76 (-0.22%)

CDS of Indonesia Bonds

CDS 2yr: -2.21% to 34.93

CDS 5yr: -2.00% to 75.29

CDS 10yr: -1.82% to 127.43

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.12%	-0.01%
USDIDR	16,370	-0.15%
KRWIDR	11.81	-0.06%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,308.00	(23.85)	-0.06%
S&P 500	5,537.02	28.01	0.51%
FTSE 100	8,171.12	49.92	0.61%
DAX	18,374.53	210.47	1.16%
Nikkei	40,580.76	506.07	1.26%
Hang Seng	17,978.57	209.43	1.18%
Shanghai	2,982.38	(14.64)	-0.49%
Kospi	2,794.01	13.15	0.47%
EIDO	19.64	0.20	1.03%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,356.2	26.7	1.15%
Crude Oil (\$/bbl)	83.88	1.07	1.29%
Coal (\$/ton)	135.00	2.75	2.08%
Nickel LME (\$/MT)	17,323	319.0	1.88%
Tin LME (\$/MT)	33,363	441.0	1.34%
CPO (MYR/Ton)	4,082	(7.0)	-0.17%

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

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday 01 – July	US	20.45	S&P Global US Manufacturing PMI	51.6	Jun F	51.7	51.7
	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%
Tuesday 02 – July	KR	06.00	CPI YoY	2.4%	Jun	2.6%	2.7%
Wednesday 03 - July	US	18.00	MBA Mortgage Applications	-2.6%	June 28	-	0.8%
	US	19.15	ADP Employment Change	150k	June 21	163k	152k
	US	19.30	Trade Balance	-\$ 75.1B	May	-\$ 72.2B	-\$ 74.6B
	US	19.30	Initial Jobless Claim	238k	June 29	-	233k
	US	21.00	Factory Orders	-0.5%	May	0.3%	0.7%
	US	21.00	Durable Goods Orders	0.1%	May F	-	0.1%
Thursday 04 – July	-	-	-	-	-	-	-
Friday 05 – July	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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