

Morning Brief

Daily | July 09, 2024

Today's Outlook:

US MARKETS: The market remains cautious ahead of **FEDERAL RESERVE CHAIRMAN Jerome Powell's STATEMENT** before Congress and important **US Inflation data this week**. Whereas Powell had signaled last week that although the Fed has made some progress in lowering inflation, policymakers are still not convinced enough to start cutting interest rates. The minutes of the Fed's June meeting reinforced this idea. Weaker-than-expected labor data last week reinforced the outlook that the job market is cooling, giving the Fed more reasons to start cutting rates. Inflation data will certainly be a key point of consideration for the central bank in cutting rates. The June US consumer price index (CPI) will be released on Thursday, and is expected to rise 0.1% m/m and 3.1% y/y. Core CPI is expected to rise 0.2%. Investors now expect a more than 72% chance of a 25 basis point cut in September, up from the 57.9% chance seen last week. Market participants are concerned that if the central bank waits too long to cut rates, the labor market will loosen further and the economy will be pushed into recession.

ASIA & EUROPE MARKETS: **GERMANY** reported **negative growth in their Exports & Imports in May, however Trade Balance was able to surplus higher than expected as well as the previous month**. **INDONESIA's** consumer confidence fell to 123.3 in June, from 125.2 in May, the lowest since February, with almost all sub-indices, including current economic conditions, economic outlook, income expectations, and job availability all showing declines, except for a slight increase in current income expectations. Today there is one more supporting data from home: Retail Sales (May) which will see if it can bounce back from June's negative 2.7% growth, the first slump since August 2023.

GLOBAL POLITICS: **US politics** has also become a trending topic, with **President Joe Biden** being under pressure to **withdraw from the presidential candidacy after his poor debate performance**. Biden refused to cancel his re-election campaign on Monday, but investors are preparing to think about scenarios if another Democratic candidate emerges, which is Kamala Haris the vice-presidential candidate whose name has been mentioned.

Corporate News

SMRA: Maturing, Summarecon (SMRA) Ready to Pay IDR 200 Billion Bonds

Summarecon Agung (SMRA) has bonds maturing at IDR 200 billion. The bonds, with an idA+ rating, will mature on October 15, 2024. The bonds are Sustainable Bonds III Phase II Series B Year 2019. The company plans to pay off the maturing bonds using the proceeds from the bond issuance in June 2024. In addition, the company also has a cash balance of IDR 3.4 trillion as of March 31, 2024, and a projected EBITDA of IDR 2.7 trillion. Summarecon is engaged in the property business and is divided into three divisions namely property development, investment property, and leisure and hospitality. The main property projects are located in Kelapa Gading, Serpong, Bekasi, Bandung, Karawang, Makassar, Bogor, and Crown Gading. (Emiten News)

Domestic Issue

Ministry of Finance Seeks IDR 36 Trillion from SUN Auction on Tuesday (9/7)

The Ministry of Finance (Kemenkeu) is eyeing funds of up to IDR 36 trillion through the auction of 7 series of Government Securities (SUN) on Tuesday (9/7/2024). The funds will be used to fulfill part of the 2024 State Budget financing target. Meanwhile, the Ministry of Finance set a maximum target of IDR 36 trillion, while the indicative target is IDR 24 trillion. The auction opens at 09.00 WIB and closes at 11.00 WIB, while the settlement date falls on Thursday (11/7/2024). Based on the announcement on the official website of the Ministry of Finance's DJPPR, there are 2 types of SUN that will be auctioned later, namely State Treasury Notes (SPN) of 2 series and State Bonds (ON) of 5 series. In detail, the SPN series to be auctioned are SPN03241009 (New Issuance) which matures on October 9, 2024, and SPN12250710 (New Issuance) which matures on July 10, 2025. Both have a discount coupon rate with a maximum non-competitive purchase allocation of 50% of the winning amount. Furthermore, there are 5 series of state bonds offered, namely FR0097, FR098, FR0100, FR0101, and FR0102. The maximum purchase allocation for the ON series is 30% of the entire auction won. The coupon rates of the state bonds offered also vary, ranging from 6.62% to 7.12%. Meanwhile, the maturity period starts from 2029 to 2054. (Bisnis)

Recommendation

US10YT is actually undergoing a downtrend in yield, and it seems that there have been attempts to correct the direction of yield but it has not yet managed to break the first Resistance: **MA20 / yield 4.306%**. It is estimated that prices will still tend to strengthen limited until the yield touches the Support yield of 4.22% or 4.125%.

ID10YT on the other hand is forming an upward trend in yield, while the price looks gap up breaking **MA10 & MA20 Resistance at once, leaving yield 7.08% as the closest Support**. It is estimated that bond prices will continue to consolidate as yields have a chance to continue to strengthen towards Resistance from the previous High level of 7.24% up to 7.325% which is also the previous highest point.

PRICE OF BENCHMARK SERIES

FR0090 : 96.10 (+0.10%)
FR0091 : 96.42 (+0.09%)
FR0094 : 96.19 (+0.11%)
FR0092 : 100.31 (+0.04%)

FR0086 : 98.07 (-0.03%)
FR0087 : 97.47 (+0.03%)
FR0083 : 103.91 (+0.06%)
FR0088 : 94.18 (+0.26%)

CDS of Indonesia Bonds

CDS 2yr: -0.72% to 34.01

CDS 5yr: -0.94% to 73.17

CDS 10yr: -0.52% to 124.94

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.03%	-0.03%
USDIDR	16,255	-0.14%
KRWIDR	11.76	-0.30%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,344.79	(31.08)	-0.08%
S&P 500	5,572.85	5.66	0.10%
FTSE 100	8,193.49	(10.44)	-0.13%
DAX	18,472.05	(3.40)	-0.02%
Nikkei	40,780.70	(131.67)	-0.32%
Hang Seng	17,524.06	(275.55)	-1.55%
Shanghai	2,922.45	(27.48)	-0.93%
Kospi	2,857.76	(4.47)	-0.16%
EIDO	19.87	0.02	0.10%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,359.1	(33.0)	-1.38%
Crude Oil (\$/bbl)	82.33	(0.83)	-1.00%
Coal (\$/ton)	135.05	(0.70)	-0.52%
Nickel LME (\$/MT)	17,473	132.0	0.76%
Tin LME (\$/MT)	34,218	344.0	1.02%
CPO (MYR/Ton)	4,042	(25.0)	-0.61%

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)	140.18	139.00	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	2.85%	1.72%	FDI (USD bn)	6.03	4.82
Imports Yoy	-8.84%	4.62%	Business Confidence	104.82	104.30
Inflation Yoy	2.51%	2.84%	Cons. Confidence*	123.30	125.20

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	-	-	-	-	-	-	-
08 – July							
Tuesday	-	-	-	-	-	-	-
09 – July							
Wednesday	US	18.00	MBA Mortgage Applications	-	June 28	-	0.8%
10 - July	JP	06.50	PPI YoY	-	Jun	2.9%	2.4%
	KR	06.00	Unemployment Rate SA	-	Jun	2.8%	2.8%
Thursday	US	19.30	CPI MoM	-	Jun	0.1%	0.0%
11- July	US	19.30	CPI YoY	-	Jun	3.1%	3.3%
	US	19.30	Initial Jobless Claims	-	Jul 6	-	238k
	GE	13.00	CPI MoM	-	Jun F	0.1%	0.1%
	GE	13.00	CPI YoY	-	Jun F	2.2%	2.2%
	JP	06.50	Core Machine Orders MoM	-	May	0.8%	-2.9%
Friday	US	19.30	PPI Final Demand MoM	-	Jun	0.1%	-0.2%
12 – July	US	19.30	U. Of Michigan Sentiment	-	Jul P	67.0	68.2
	JP	11.30	Industrial Production MoM	-	May F	-	2.8%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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