

# Morning Brief

Daily | July 12, 2024

## Today's Outlook:

**US MARKETS:** Expectations of a Federal Reserve rate cut in September and hopes of a soft landing for the economy were supported by the latest inflation data. US CPI in June fell 0.1% mom, contrary to the 0.1% increase forecast. On an annualized basis, US CPI (June) grew 3%, lower than expectations of 3.1%. Core Inflation, which excludes volatile food and energy components, rose only 0.1% mom, and rose 3.3% yoy, compared to an estimated 3.4% increase. Following the CPI announcement, Treasury yields fell as traders increased their bets on an upcoming rate cut. The odds of a rate cut in September jumped to around 93%, as indicated by the CME FedWatch Tool, although the market consensus is that the Fed will keep rates on hold at its upcoming meeting this month. Fed Chairman Jerome Powell on Wednesday stated that he has indeed seen a recent slowdown in the US economy that would lead to a soft-landing situation as expected by the central bank. Powell also told lawmakers on Capitol Hill on Wednesday that "more good data" would support the US central bank to lower interest rates. The INITIAL JOBLESS CLAIMS showed there were 222,000 jobless claims in the latest week, lower than expectations of 236,000, indicating the labor market is still tight at times.

**ECONOMIC INDICATORS:** Today, US PPI will follow where forecasts expect producer prices of goods & services to grow 2.3% yoy in June (slightly heating up from 2.2% in the previous period); and 0.1% on a monthly basis (bouncing back from 0.2% deflation in the previous month). Furthermore, the market will pay attention to important views related to Inflation & consumer expectations, as well as business sentiment to be released by the respected University of Michigan.

**ASIA & EUROPE MARKETS:** good news from the UK, which recorded May economic growth increased by 1.4% yoy and 0.4% mom, higher than expectations & in the previous period, supported by improvements in Industrial & Manufacturing Production in the same month. GERMAN CPI was released in line with expectations of 2.2% yoy, managing to ease from 2.4% in the previous month. From the Asian continent, SOUTH KOREA's central bank has left interest rates unchanged at 3.5%. Today market participants will closely monitor CHINA's Trade Balance data, and more importantly monitor their Export-Import growth whether they can strengthen as expected or not, as China plays a major role in world trade as the largest consumer/producer.

**COMMODITIES:** OIL prices rose for the second consecutive session on Thursday, with BRENT settling above USD 85/barrel on rising hopes for a US rate cut after data showed a slowdown in Inflation. BRENT futures rose 0.4%, to USD 85.40/barrel; while US WTI futures rose 0.6%, to USD 82.62/barrel. Slowing Inflation opens up opportunities for interest rate cuts which in turn will spur more economic activity, and lead to increased demand for energy. The US DOLLAR INDEX will also start to drag down and become the next support for oil prices, as a softer greenback will increase the spending appetite of non-US buyers. On the other hand, some still believe that the outlook for global oil demand is still weak. In its monthly report, the International Energy Agency (IEA) sees global demand growth slowing to below one million barrels per day this year and next year, mainly reflecting a contraction in CHINA's consumption. However, the OPEC producer group in its monthly report on Wednesday kept its global demand growth forecast unchanged, at 2.25 million barrels per day this year and 1.85 million barrels per day next year.

## Corporate News

### WIKA: Pefindo Gives WIKAAA- Rating, This is the Trigger

PT Pemeringkat Efek Indonesia (Pefindo) in its Rating Highlights dated July 10, 2024, affirmed the ratings of PT Wijaya Karya (Persero) Tbk (WIKA) and Sustainable Bonds (SR) I, II, and III at idBBB-. "The rating is limited by a weak financial and liquidity profile, risks from previous expansion, and a volatile business environment," Pefindo explained on its official website. Furthermore, Pefindo states that the rating can be raised if WIKA significantly improves its business performance and financial indicators and generates stronger cash flow on an ongoing basis. Conversely, Pefindo may lower the rating if WIKA is unable to show improvements in business performance and operational management which may lead to a further decline in the company's financial aspects. (Emiten News)

## Domestic Issue

### Aiming for 2024 State Budget Financing, Government to Re-auction 7 Sukuk Series

On Tuesday, July 16, 2024, the government will re-auction seven series of State Sharia Securities (SBSN) or State Sukuk to meet part of the financing target in the 2024 State Budget. The SBSN series to be auctioned are SPN-S (Surat Perbendaharaan Negara - Syariah) and PBS (Project Based Sukuk) series: SPNS 20012025 (reopening) with maturity date on January 20, 2025, SPNS 01042025 (reopening) with maturity date on April 1, 2025, PBS032 (reopening) with maturity date on July 15, 2026, PBS030 (reopening) with maturity date on July 15, 2028, PBS004 (reopening) with maturity date on February 15, 2037, PBS039 (reopening) with maturity date on July 15, 2042, and PBS038 (reopening) with maturity date on December 15, 2049. The Non-competitive Purchase allocation for the SPNS series is 75% of the amount won. While the PBS series is 30% of the amount won. Of the seven series of SBSN or state sukuk that will be auctioned next week, as released by the Directorate of Sharia Financing, Ministry of Finance, the government has set an indicative target of IDR 10 trillion. The settlement date is set for July 18, 2024. (Emiten News)

## Recommendation

**US10YT is testing Support from the previous Low level in the 4.188% area, with the tendency of RSI positive divergence.** ADVISE: anticipate a rebound in yield towards the Resistance range: MA20 & MA10 around 4.301% - 4.327%; or MA50 at 4.376%. LIMITED DOWNSIDE POTENTIAL on yield, leading to potential consolidation on price.

**ID10YT seems to have a task to close the GAP at 7.051% yield, or at least pullback to the nearest Support: MA10 & MA20 around 7.08% yield after jumping gap up the day before.** POTENTIAL: both price and yield are still in a Sideways phase, unless the yield breaks the Resistance of 7.20% then the yield will accelerate back towards the level of 7.243% or towards the TARGET of 7.33%.

## PRICE OF BENCHMARK SERIES

FR0090 : 96.12 (+0.00%)  
FR0091 : 96.49 (+0.07%)  
FR0094 : 96.18 (0.00%)  
FR0092 : 100.36 (+0.08%)

FR0086 : 98.09 (+0.01%)  
FR0087 : 97.62 (+0.15%)  
FR0083 : 103.90 (+0.08%)  
FR0088 : 94.15 (+0.06%)

## CDS of Indonesia Bonds

CDS 2yr: -1.23% to 32.50

CDS 5yr: -0.75% to 70.66

CDS 10yr: -0.92% to 120.55

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.00%	-0.06%
USDIDR	16,195	-0.28%
KRWIDR	11.80	0.55%

## Global Indices

Index	Last	Chg.	%
Dow Jones	39,753.75	32.39	0.08%
S&P 500	5,584.54	(49.37)	-0.88%
FTSE 100	8,223.34	29.83	0.36%
DAX	18,534.56	127.34	0.69%
Nikkei	42,224.02	392.03	0.94%
Hang Seng	17,832.33	360.66	2.06%
Shanghai	2,970.39	31.02	1.06%
Kospi	2,891.35	23.36	0.81%
EIDO	20.29	0.11	0.55%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,415.5	44.2	1.86%
Crude Oil (\$/bbl)	82.62	0.52	0.63%
Coal (\$/ton)	133.75	0.00	0.00%
Nickel LME (\$/MT)	16,809	(82.0)	-0.49%
Tin LME (\$/MT)	34,666	(341.0)	-0.97%
CPO (MYR/Ton)	3,935	17.0	0.43%

## 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
<b>Monday</b>	-	-	-	-	-	-	-
08 – July							
<b>Tuesday</b>	-	-	-	-	-	-	-
09 – July							
<b>Wednesday</b>	US	18.00	MBA Mortgage Applications	-0.2%	Jul 5	-	-2.6%
10 - July	JP	06.50	PPI YoY	2.9%	Jun	2.9%	2.4%
	KR	06.00	Unemployment Rate SA	2.8%	Jun	2.8%	2.8%
<b>Thursday</b>	US	19.30	CPI MoM	-0.1%	Jun	0.1%	0.0%
11- July	US	19.30	CPI YoY	3.0%	Jun	3.1%	3.3%
	US	19.30	Initial Jobless Claims	222k	Jul 6	-	238k
	GE	13.00	CPI MoM	0.1%	Jun F	0.1%	0.1%
	GE	13.00	CPI YoY	2.2%	Jun F	2.2%	2.2%
	JP	06.50	Core Machine Orders MoM	-3.2%	May	0.8%	-2.9%
<b>Friday</b>	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

Published on Investing.com, 11 Jul 2024 - 23:07:24 GMT, Powered by TradingView.  
United States 10 Year, United States, NYSE:US10YT=F, 0



## Indonesia 10 Years Treasury

Published on Investing.com, 10 Jul 2024 - 22:08:11 GMT, Powered by TradingView.  
Indonesia 10 Year, Indonesia, Jakarta:D10YT=RR, 0



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