

# Morning Brief

Daily | July 17, 2024

## Today's Outlook:

**US MARKETS:** After stronger than expected US RETAIL SALES data was seen as support for the Federal Reserve's interest rate cut prospects in order to achieve a soft landing. Data showed monthly retail sales were unchanged in June from May's figure of 0.3% which was revised upwards. This was better than the expected 0.3% contraction, suggesting that consumers still have healthy spending power, although it may limit the number of times the Fed will cut rates. Echoing Jerome Powell's dovish comments last Monday, Fed Governor Adriana Kugler said that the latest data showed Inflation returning to the central bank's target of 2%. Investors are pricing in an 89% chance of a rate cut of at least 25 basis points (bps) at the US central bank's September meeting, according to the CME FedWatch Tool. Later tonight markets will watch for other important economic data from the US: around the property sector (Building Permits & Housing Starts for June), as well as Industrial & Manufacturing Production (June).

**US POLITICAL MAP:** The electability of US presidential candidate DONALD TRUMP has risen sharply in the wake of last weekend's shooting attacks. The Republican candidate has signaled support for traditional policies that are considered more friendly to domestic business entities, such as implementing looser policies, imposing tariffs on imported goods, and cutting taxes. Trump's vice-presidential running mate, Ohio Senator J.D. Vance, is also known to be quite "fierce" towards China.

**CURRENCY:** DOLLAR INDEX remains flat; against the Japanese Yen, the Dollar gained 0.22% to 158.37. Investors are still keeping a close eye on the Yen after allegations the Bank of Japan may have intervened for a second time on July 12 amounting to 2.14 trillion Yen (USD 13.50 billion) to support the currency, following around USD 22.43 billion apparently spent on intervention the previous day.

**ASIA & EUROPE MARKETS:** Different results on ZEW Economic Sentiment were shown by GERMANY & EUROZONE, where economic sentiment seemed more optimistic in Germany than Eurozone; matching with Eurozone Trade Balance surplus data which weakened in May most likely not supported by sufficient Export - Import growth. Further today market participants will focus on the UK Inflation data (June) which could possibly be even lower than 2.0% (which is already the central bank's Target); while the Eurozone is also hoping that June CPI will be able to ease at least to 2.5% yoy, compared to 2.6% in May.

**INDONESIA:** All eyes will be on Bank Indonesia for its interest rate decision, which is expected to be held at 6.25%, in an effort to stabilize the Rupiah while waiting for concrete steps from the Fed's rate cut.

**COMMODITIES:** OIL prices fell more than 1% on Tuesday, the third consecutive day of declines, on fears of CHINA's economic slowdown hampering demand, although this decline was stemmed by the prospect of a Fed rate cut in September, as well as the disappearance of 4.4 million barrels from US crude inventories last week (much larger than the 33k barrel Reuters poll estimate). BRENT futures closed down 1.3%, at USD 83.73/barrel, while US WTI fell or 1.4%, to USD 80.76. As noted, China's economic growth was last released at 4.7% in the 2nd quarter of this year, the slowest pace since Q1 of 2023, and missed estimates of 5.1% according to a Reuters poll. China's GDP is on a weaker trend than the expansion in the previous quarter of 5.3%, due to the prolonged sluggishness of the property sector and insecurity in employment. Meanwhile, the global economy is expected to experience moderate growth in the next 2 years amid declining activity in the US, economic decline in Europe, and strengthening consumption and exports in China; although there are many risks on that path, according to the July edition of the IMF report released last Tuesday.

## Corporate News

**BNII: Pefindo Withdraws Maybank's Bond Rating, Here's Why**

PT Pemeringkat Efek Indonesia (Pefindo) said that it has withdrawn the rating of Maybank Indonesia's (BNII) debt securities on July 11, 2024. Pefindo in its release stated that it withdrew the rating of the Sustainable Bonds II Bank Maybank Indonesia Phase I Year 2017 Series B in connection with its repayment on July 11, 2024. It was explained that the last rating given was idAAA which was determined by Pefindo on March 8, 2024 was idAAA. (Issuer News)

## Domestic Issue

**SBSN Series 7 Auction, Government Pockets IDR 10 Trillion in Fresh Funds**

Auctioning off seven series of State Sharia Securities (SBSN) on Tuesday (16/7), the government managed to pocket fresh funds worth IDR 10 trillion. The seven auctioned series include SPNS20012025 (reopening), SPNS01042025 (reopening), PBS032 (reopening), PBS030 (reopening), PBS004 (reopening), PBS039 (reopening), and PBS038 (reopening). The auction is conducted through the Bank Indonesia auction system. The Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance (Kemenkeu) stated that the total incoming bids at this auction reached IDR 27.71 trillion. The largest absorption came from the PBS030 series which won IDR 5.5 trillion from an incoming bid of IDR 6.96 trillion. The weighted average yield won by this series is 6.80167 percent. The next absorption was the PBS038 series which won IDR 1.85 trillion from an incoming bid of IDR 4.70 trillion, with a weighted average yield won of 7.15493 percent. In addition, the government won a nominal amount of IDR 1.1 trillion from the PBS032 series which received an incoming bid of IDR 9.93 trillion. The weighted average yield won by this series is 6.81997 percent. Meanwhile, from the SPNS20012025 series, the government raised IDR 600 billion from an incoming bid of IDR 2.19 trillion, with a weighted average yield won of 6.81833 percent. Then, the government absorbed IDR 550 billion from the SPNS01042025 series which received an incoming bid of IDR 3.33 trillion, with a weighted average yield won of 6.89924 percent. Meanwhile, from the PBS004 series, the government won funds of IDR 300 billion. The incoming bid for this series was IDR 387 billion with a weighted average yield won of 6.95853 percent. Meanwhile, from the PBS039 series, the government raised IDR 100 billion from an incoming bid of IDR 201 billion with a weighted average yield won of 7.02696 percent. (Pasardana)

## Recommendation

**US10YT** has not yet rebounded from the Support level of the previous Low yield of 4.188%, instead it is likely to be heading towards the lower channel around yield 4.12% in search of more solid Support. Even in this situation, RSI positive divergence is still detected, so anticipate limited downside potential on yield; aka limited price strengthening. Resistance: Moving Average range at yield 4.253% - 4.29% / 4.36%.

**ID10YT** is also increasingly deviating from the Support of rising short-term yields, steadily below the Moving Average Resistance at a yield of 7.0% - 7.05%. ADVISE: HOLD; WAIT & SEE: anticipate the yield will still drop further towards the next Support: 6.84% / 6.76% (thus price strengthening still has the potential to continue).

## PRICE OF BENCHMARK SERIES

FR0090 : 96.14 (+0.03%)  
FR0091 : 96.74 (+0.09%)  
FR0094 : 96.23 (+0.00%)  
FR0092 : 100.44 (+0.03%)

FR0086 : 98.06 (-0.01%)  
FR0087 : 97.87 (+0.09%)  
FR0083 : 103.95 (+0.03%)  
FR0088 : 94.48 (+0.32%)

## CDS of Indonesia Bonds

CDS 2yr: +1.46% to 33.66

CDS 5yr: +1.11% to 72.40

CDS 10yr: +1.13% to 123.89

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.96%	-0.00%
USDIDR	16,180	0.06%
KRWIDR	11.68	-0.09%

## Global Indices

Index	Last	Chg.	%
Dow Jones	40,954.48	742.76	1.85%
S&P 500	5,667.20	35.98	0.64%
FTSE 100	8,164.90	(18.06)	-0.22%
DAX	18,518.03	(72.86)	-0.39%
Nikkei	41,275.08	84.40	0.20%
Hang Seng	17,727.98	(287.96)	-1.60%
Shanghai	2,976.30	2.29	0.08%
Kospi	2,866.09	5.17	0.18%
EIDO	20.08	(0.08)	-0.40%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,469.1	46.8	1.93%
Crude Oil (\$/bbl)	80.76	(1.15)	-1.40%
Coal (\$/ton)	134.40	(0.55)	-0.41%
Nickel LME (\$/MT)	16,594	(107.0)	-0.64%
Tin LME (\$/MT)	33,171	(75.0)	-0.23%
CPO (MYR/Ton)	3,944	49.0	1.26%

## 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	1.17%	2.86%	FDI (USD bn)	6.03	4.82
Imports Yoy	7.58%	-8.83%	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>	US	19.30	Empire Manufacturing	-6.6	Jul	-8.0	-6
<i>15 – July</i>							
<b>Tuesday</b>	US	19.30	Retail Sales Advance MoM	-	Jun	-0.2%	0.1%
<i>16 – July</i>	GE	16.00	ZEW Survey Expectations	-	Jul	43	47.5
<b>Wednesday</b>	US	18.00	MBA Mortgage Applications	-	July 12	-	-0.2%
<i>17 - July</i>	US	19.30	Housing Starts	-	Jun	1300k	1277k
	US	20.15	Industrial Production MoM	-	Jun	0.3%	0.9%
<b>Thursday</b>	US	19.30	Initial Jobless Claims	-	Jul 13	-	222k
<i>18- July</i>	US	19.30	Leading Index	-	Jun	-0.3%	-0.5%
<b>Friday</b>	JP	06.30	Natl CPI YoY	-	Jun	2.9%	2.8%
<i>19 – July</i>							

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury



## Indonesia 10 Years Treasury



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