

Today's Outlook:

US MARKETS: Investors seem to have fully price-in all the good news, including the expectation that the Federal Reserve will cut interest rates in September and that a recession is likely to be avoided. Anticipation of further comments from Republican presidential candidate Donald Trump on Thursday at the Republican National Convention could add to market jitters, with Trump suspected of increasing tariffs that are not friendly to technology companies, according to Goldman Sachs.

CURRENCY: The JAPANESE YEN slipped again after hitting a 6-week high, while the EURO weakened after ECB President Christine Lagarde postponed interest rate changes but said that there is a wide open rate cut decision at the next ECB meeting in September. The Dow Jones Industrial Average closed down 533.06 points, or 1.29%, at 40,665.02, snapping a string of consecutive closing highs. The S&P 500 Index fell 43.68 points, or 0.78%, to 5,544.59. THE DOLLAR INDEX rallied after the Philadelphia Fed Manufacturing Index (Jul) data unexpectedly skyrocketed to 13.9, much higher than the 2.7 forecast and the 1.3 figure in the previous month. On the one hand, Initial Jobless Claims did increase by 20k to 243k jobless claims for the latest week, higher than the forecast of 229k compiled by Reuters polled economists; however this data is considered to show little significant slowdown in the labor market due to seasonal factors. As a result the DXY was up 0.5% at 104.19, after being near its weakest level in 4 months. The Euro was down 0.37% at USD 1.0896, down from a 4-month high on Wednesday. From JAPAN, the Yen fell from its highest level after daily data showed little fresh evidence of intervention from authorities. The currency was 0.75% weaker against the greenback at 157.36/USD. The Yen has fallen sharply against the Dollar this year due to the wide interest rate differential between the US and Japan, creating favorable trading opportunities, where traders borrow Yen at low interest rates to invest in Dollar-priced assets for higher returns, known as the carry trade.

FIXED INCOME: The latest interest rate-sensitive 2-year US TREASURY yield rose 3.4 basis points to 4.463% and the 10-year yield rose 4.4 basis points to 4.19%. The yield curve between the 2-year and 10-year bonds climbed 1 basis point today to minus 27 basis points. This means that investors now see a rate cut by the Fed as a certainty, if Inflation continues to move in the right direction (flattening).

ASIAN MARKETS: Bloomberg News reported that US President Joe Biden's administration is considering a policy called the foreign direct product rule, which would allow the US to stop the sale of a product if it is made using American technology. In CHINA itself, investors are likely to be very disappointed with the outcome of the Communist Party Central Committee meeting, known as the plenary session, where they watched for signs of a much-needed stimulus rollout to revive the flagging economy. China's leaders reiterated their general economic policy objectives: modernizing industry, boosting domestic demand and limiting debt and property sector risks; although the details of how this will work on the ground are unclear. JAPAN inflation will be the main focus of Asian markets today; the figures will largely determine the Bank of Japan's action at its July 30-31 meeting: decide whether to keep rates on hold, or raise another 10 bps to 0.20%? Economists polled by Reuters expect Core Inflation to increase in June by 2.7% yoy from 2.5% in May. That means Inflation has been above the central bank's target of 2% for 27 consecutive months. Officials are concerned that this Inflation is driven more by external factors rather than domestic demand which is what policymakers are pushing for. The effects of strong wage increases are yet to be felt, but nearly 90% of Japanese households expect prices to rise within a year from now, which is the highest survey probability in 16 years. With so many volatile factors in Asian markets, it's no wonder the MSCI World, Asia ex-Japan, and emerging market indices are on track for their biggest weekly declines in 8 weeks, while Japan's benchmark Nikkei 225 index is expected to see its biggest weekly decline since April.

Corporate News

Reason RMKE Releases IDR 1.5 Trillion Bonds when Interest Rates are High

Coal logistics service provider, PT RMK Energy Tbk (RMKE) issued bonds worth IDR 1.5 trillion to fund expansion. The bond issuance was carried out by the company during a high interest rate climate. As is known, the Bank Indonesia Board of Governors Meeting (RDG BI) for the July 2024 period on Wednesday (17/7/2024) decided to hold the benchmark interest rate or BI rate at 6.25%. RMKE Head of Investor & Public Relations Julius Caesar Samosir explained that the bond funds will be used for expansion, namely the acquisition of foreign-owned mines and infrastructure development that will be carried out in the near future. "Although interest rates are high, we see opportunities and the right timing to acquire four foreign mines. So we cannot wait for interest rates to fall," Julius told Bisnis in Palembang, Wednesday (17/7/2024). Furthermore, he said that the bond issuance will be carried out for the long term, at least in the next three years. "Our bond issuance plan is IDR 1.5 trillion, in stages. The first phase of IDR 500 billion is estimated to be issued in August 2024," said Julius. (Bisnis)

Domestic Issue

Corporate Bonds Maturing in Semester II-2024 Reach IDR 83.5 Trillion

PT Pemeringkat Efek Indonesia (Pefindo) announced that the amount of debt securities that will mature in Semester II-2024 reached IDR 83.5 trillion. Private companies lead the number of maturing debt rather than state-owned groups in the second half of this year. Pefindo Head of Economic Research Division Suhindarto said, entering the second half of 2024, corporations are preparing to face a larger wave of corporate bond maturities compared to the previous year. Based on the division, Suhindarto said the value of maturing debt securities was greater in the Private (Non-SOE) group compared to the BUMN group. In terms of value, the total value of corporate debt securities from Non-SOEs that will mature in Semester II-2024 is IDR 43.15 trillion. Corporate Bonds Maturing in Semester II-2024 Reach IDR 83.5 Trillion. "Meanwhile, from the BUMN Group, the total value of maturing debt securities for the same period is IDR 40.37 trillion," he said. Head of Non-Financial Institution Yogie Surya Perdana emphasized the importance of risk mitigation by companies. Bond maturity readiness at the issuer level is a case-by-case basis. Companies that are able to manage currency and interest risks well will have a lower risk of default. Yogie also underlined that companies with low ratings need more attention. Issuers with a rating of BBB and below, especially those with bonds maturing in the near future, need to be considered. "Deteriorating macro conditions or exchange rate fluctuations can increase the risk of default," he concluded. (Investor Daily)

Recommendation

ID10YT bumped into MA10 & MA50 Resistance as the yield approached the psychological level of 7.0%, and seemed to pull back; still opening up opportunities for further consolidation towards Support: 6.84% / 6.76% - 6.74%. POTENTIAL: thus, anticipate further strengthening in bond prices.

US10YT got a green candle after Doji (in Support area) confirming the indication of technical rebound shown by RSI positive divergence. US10YT needs to break out MA10 as the nearest Resistance at 4.225% yield, before heading to the next TARGET: 4.283% / 4.346%. But of course, we need fundamental background underlying the rebound in yield while so far the Fed still looks quite dovish for a possible rate cut in Sept. Nevertheless, anticipate weakness in bond prices as there is potential for further upside in yields.

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)	2.39	2.93	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

PRICE OF BENCHMARK SERIES

FR0090 : 96.09 (+0.04%)
FR0091 : 96.86 (-0.06%)
FR0094 : 96.17 (-0.06%)
FR0092 : 100.64 (+0.17%)

FR0086 : 98.15 (+0.10%)
FR0087 : 98.06 (+0.01%)
FR0083 : 104.33 (+0.22%)
FR0088 : 94.80 (+0.23%)

CDS of Indonesia Bonds

CDS 2yr: +1.44% to 34.84

CDS 5yr: +1.39% to 74.27

CDS 10yr: +1.16% to 127.38

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.93%	0.00%
USDIDR	16,157	0.35%
KRWIDR	11.68	0.13%

Global Indices

Index	Last	Chg.	%
Dow Jones	40,665.02	(533.06)	-1.29%
S&P 500	5,544.59	(43.68)	-0.78%
FTSE 100	8,204.89	17.43	0.21%
DAX	18,354.76	(82.54)	-0.45%
Nikkei	40,126.35	(971.34)	-2.36%
Hang Seng	17,778.41	39.00	0.22%
Shanghai	2,977.13	14.28	0.48%
Kospi	2,824.35	(18.94)	-0.67%
EIDO	20.27	0.14	0.70%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,445.1	(13.7)	-0.56%
Crude Oil (\$/bbl)	82.82	(0.03)	-0.04%
Coal (\$/ton)	135.00	0.25	0.19%
Nickel LME (\$/MT)	16,423	(34.0)	-0.21%
Tin LME (\$/MT)	31,604	(1346.0)	-4.08%
CPO (MYR/Ton)	3,937	5.0	0.13%

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	US	19.30	Empire Manufacturing	-6.6	Jul	-7.6	-6
<i>15 – July</i>							
Tuesday	US	19.30	Retail Sales Advance MoM	0.0%	Jun	-0.2%	0.1%
<i>16 – July</i>	GE	16.00	ZEW Survey Expectations	41.8	Jul	41	47.5
Wednesday	US	18.00	MBA Mortgage Applications	3.9%	July 12	-	-0.2%
<i>17 - July</i>	US	19.30	Housing Starts	1353k	Jun	1300k	1277k
	US	20.15	Industrial Production MoM	0.6%	Jun	0.3%	0.9%
Thursday	US	19.30	Initial Jobless Claims	-	Jul 13	-	222k
<i>18- July</i>	US	19.30	Leading Index	-	Jun	-0.3%	-0.5%
Friday	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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