

Today's Outlook:

US MARKET: Investors digested US President Joe Biden's decision at the weekend to end his re-nomination, while a surprise interest rate cut by China's central bank moved Asian markets. On Sunday, Biden announced that he would withdraw from the US presidential race in favor of Vice President Kamala Harris as his Democratic successor to challenge former president Donald Trump, the Republican nominee. Market strategists see the current higher-electability Trump administration as supporting more risk-on, driving small-cap stocks, boosting oil and gas prices, and bringing Bitcoin back into the market. The US DOLLAR moved marginally higher against a basket of currencies, intercepting safe-haven fund flows; while BITCOIN - which is likely to benefit from a higher chance of Trump returning to the White House - stabilized after falling on Sunday following Biden's announcement. The DOLLAR INDEX rose 0.1% to 104.32, with the Euro up 0.07% to USD 1.0885. Bitcoin, which hit a 6-week high last week in its strongest weekly rally since February, traded more steadily on Monday, up 1.76% to USD 68,158. US TREASURY was little changed as markets digested the uncertainty surrounding the US Election, with the yield on the 10-year rising 1.7 basis points to 4.256%. MACROECONOMICALLY, the preliminary estimate of 2Q US GDP will be released on Thursday and the PCE PRICE INDEX on Friday, both are seen as important as the basis for the Fed's decision. As for the market, it is now almost fully price-in the prospect of a rate cut by the Federal Reserve in September, which helps support risk appetite.

ASIA & EUROPE MARKETS: PEOPLE'S BANK OF CHINA unexpectedly cut short-term and long-term interest rates by 10 basis points each, to 3.35% and 3.85% (5Y). The move follows the release of a Chinese government policy document at last Sunday's plenary meeting outlining its ambitions to strengthen the economy. EUROPE's largest banks also reported their results this week, with attention focused on whether the benefits of higher interest rates are behind them, and whether recent political drama is affecting sentiment. This morning SOUTH KOREA released PPI data (June) which came in at 2.5% yoy (up from the previous month's 2.3%), although on a monthly basis PPI contracted 0.1% (versus 0.1% in May). Speaking of Foreign Direct Investment, there will be two countries today releasing their FDI growth, namely INDONESIA & CHINA. For your information, China's last FDI fell 28.2% in May, and Indonesia's was at 15.5%.

COMMODITIES: OIL prices continued their decline after closing last week with significant weakness, on fears of sluggish demand from China (as the world's largest crude oil importer). BRENT futures fell 0.3% to settle at USD 82.40/barrel, the lowest position since June 11. US WTI futures for August delivery ended down 35 cents to USD 79.78/barrel, also the lowest level in 1 month. Morgan Stanley forecasts that oil production from OPEC and non-OPEC countries will reach 2.5 million barrels/day by 2025, outpacing demand growth (= an indication of potential oversupply) which threatens to send Brent prices into the USD 70s/barrel. In terms of other commodities, GOLD prices edged down to a more than 1-week low. Spot Gold fell 0.07% to USD 2,398.32/ounce. US gold futures rose 0.28% to USD 2,402.10 per ounce.

Corporate News

PJAA Confirms Fund Readiness for the 14th Interest Payment of 2021 Bonds

PT Pembangunan Jaya Ancol Tbk (IDX: PJAA) confirmed the readiness of funds for the 14th Interest Payment of Shelf Registration Bonds II Jaya Ancol Phase II Year 2021 Series C. In a written statement, Friday (7/19), Daniel Nainggolan as Director of PJAA said that the Company has prepared funds of IDR 1,569,600,000 for the 14th interest payment of the Bonds. He added, "The 14th interest payment will be made according to the date stated in the letter from PT Kustodian Sentral Efek Indonesia and a copy of the proof of transfer for the delivery of funds will be made after the interest payment." (Pasardana)

Domestic Issue

Many Issuers Choose Funding Through Bonds

The issuance of debt securities or bonds by issuers this year is brisk. This is due to the tight liquidity of banks in lending due to the accumulation of funds in monetary instruments. This has made many issuers prefer to seek funding through the issuance of bonds. The Indonesia Stock Exchange (IDX) recorded bond issuances reaching IDR 78.4 trillion as of July 19, 2024. Most recently, PT Solusi Sinerji Digital Tbk (WIFI) or Surge through its subsidiary, PT Integrasi Jaringan Ekosistem managed to pocket IDR 600 billion from the issuance of the I Integrasi Jaringan Ekosistem (IJE) Bonds 2024. Another example, PT Steel Pipe Industry of Indonesia Tbk (ISSP) aka Spindo issued Sustainability-Linked Bond I Spindo Year 2024 (Sustainability-Linked Bond I Spindo) worth IDR 1 trillion. Infovesta Utama Director Edbert Suryajaya assessed that the issuance of bonds has advantages in terms of the interest burden that must be borne can be smaller when compared to bank loans. On the other hand, continued Edbert, with the outlook for interest rates expected to fall, investors, especially institutions, will certainly be interested because they have locked in one level of interest. (Kontan)

Recommendation

US10YT is slowly breaking resistance after resistance, with MA20 at 4.276% yield will be the next challenge. The strengthening yield which is in line with the DOLLAR INDEX even though the market is almost fully price-in the prospect of a rate cut in Sept, will be entirely dependent on important preliminary numbers of US GDP 2Q and PCE PRICE INDEX which are both planned to be released this week.

ID10YT appears to have broken through the psychological resistance of 7.0% and immediately settled at a yield of 7.10%. It is likely that the yield will trace back to close the GAP at 6.95%, but the price seems impatient to continue consolidation as the yield looks more serious to strengthen.

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 : 96.12 (-0.02%)
FR0091 : 96.65 (-0.14%)
FR0094 : 96.18 (-0.05%)
FR0092 : 100.44 (-0.09%)

FR0086 : 98.03 (-0.03%)
FR0087 : 97.86 (-0.24%)
FR0083 : 104.09 (-0.12%)
FR0088 : 94.51 (+0.00%)

CDS of Indonesia Bonds

CDS 2yr: -2.81% to 34.71
CDS 5yr: -1.85% to 75.48
CDS 10yr: -2.32% to 126.72

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.00%	0.05%
USDIDR	16,220	0.19%
KRWIDR	11.69	0.37%

Global Indices

Index	Last	Chg.	%
Dow Jones	40,415.44	127.91	0.32%
S&P 500	5,564.41	59.41	1.08%
FTSE 100	8,198.78	43.06	0.53%
DAX	18,407.07	235.14	1.29%
Nikkei	39,599.00	(464.79)	-1.16%
Hang Seng	17,635.88	218.20	1.25%
Shanghai	2,964.22	(18.09)	-0.61%
Kospi	2,763.51	(31.95)	-1.14%
EIDO	20.34	0.15	0.74%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,396.6	(4.2)	-0.18%
Crude Oil (\$/bbl)	78.40	(0.24)	-0.31%
Coal (\$/ton)	135.00	(0.10)	-0.07%
Nickel LME (\$/MT)	16,190	(66.0)	-0.41%
Tin LME (\$/MT)	29,888	(1162.0)	-3.74%
CPO (MYR/Ton)	3,985	24.0	0.61%

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday							
22 – July							
Tuesday	US	21.00	Existing Home Sales	-	Jun	4.00 m	4.11 m
23 – July							
Wednesday	JP	07..30	Jibun Bank Japan PMI Manufacturing	-	July P	-	50.0
24 - July	GE	14.30	HCOB Germany Manufacturing PMI	-	July P	44.5	43.5
	US	18.00	MBA Mortgage Applications	-	July 19	-	3.9%
	US	19.30	S&P Global US Manufacturing PMI	-	Jun	-	51.6
	US	21.00	New Home Sales	-	Jun	640k	619k
Thursday	GE	15.00	IFO Business Climate	-	July	89.0	88.6
25 – July	US	19.30	Initial Jobless Claims	-	July 20	-	243k
	US	19.30	Durable Goods Order	-	June P	0.5%	0.1%
	US	19.30	GDP Annualized QoQ	-	2Q A	1.8%	1.4%
Friday	US	19.30	Personal Spending	-	June	0.2%	0.2%
26 - July	US	19.30	Personal Income	-	June	0.4%	0.5%
	US	21.00	US Of Michigan Sentiment	-	July F	-	66.0

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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