

Morning Brief

Daily | July 26, 2024

Today's Outlook:

ECONOMIC INDICATORS: Data showed that the US economy grew stronger than expected in the second quarter, helped by solid growth in consumer spending and business investment, while inflationary pressures eased, so expectations of a Federal Reserve rate cut in September remain intact. US GDP grew 2.8% yoy in the second quarter, stronger than the 2.0% forecast, and also from the previous quarter's 1.4% growth. However, the GDP PRICE component, which is a measure of inflation, in the report fell to 2.3%, from 3.1% in the first quarter. Further signs of slowing inflation have supported the prospect of more feasible interest rate cuts by the Federal Reserve this year starting September, by at least 2x totaling 66bps. Meanwhile, a separate report showed Durable Goods Orders contracted 6.6% in June, compared to expectations of a 0.3% increase. The Fed is scheduled to hold its next policy meeting in late July. Markets see little chance of a rate cut of at least 25 basis points (bps) at the meeting, but fully expect a cut in September, according to CME's FedWatch tool.

ASIA & EUROPEAN MARKETS: Investors are looking forward to next week's Bank of Japan meeting which may see an interest rate hike. The DOLLAR INDEX, which measures the strength of the US Dollar against a basket of other major world currencies including the Yen and Euro, rose 0.01% to 104.39. Against the Japanese Yen, the Dollar was close to flat at 153.91. The Japanese Yen this week surged sharply as market participants ended their long-term bets against the currency. In addition, the global stock sell-off has also pushed investors towards the Yen.

FIXED INCOME: Long-dated US TREASURY YIELD fell as the latest weakness in the stock market helped fuel demand for safe-haven bonds, while solid readings on US economic growth failed to alter Fed Fund Rate expectations. The 10-year US Treasury yield fell 2.8 basis points to 4.258%.

COMMODITIES: OIL prices rose after strong US economic data boosted demand expectations in general. US crude oil (US WTI) rose 69 cents to settle at USD 78.28/barrel and BRENT rose 66 cents to settle at USD 82.37. While spot GOLD fell 1.61% to USD 2,358.99 / ounce; triggered by the surprise of China's central bank cutting long-term interest rates, sparking further concerns about a slowdown in the world's second largest economy which is the world's number one gold buyer.

Corporate News

PT KAI to Issue IDR 1 trillion Bonds Next Month

PT Kereta Api Indonesia (KAI) Persero plans to issue bonds worth IDR 1 trillion on August 6-7, 2024. Based on information disclosure on the Indonesia Stock Exchange (IDX) website, Thursday (25/7), PT KAI management said that these bonds are part of the public offering of KAI Sustainable Bonds I worth a total of IDR 2.2 trillion and Sukuk Ijarah I KAI worth a total of IDR 800 billion. The amount of debt securities planned to be offered to investors consists of KAI Sustainable Bonds I phase II Year 2024 worth IDR 700 billion, and Sukuk Ijarah I phase II Year 2024 amounting to IDR 300 billion. These bonds consist of 3 series. First, Series A worth IDR 67 billion has a 3-year tenor with a fixed interest rate of 6.90% per year. Second, series B amounting to IDR 295.5 billion has a 5-year tenor with a fixed interest rate of 7.20% per annum. Finally, series C worth IDR 337.5 billion with a tenor of 7 years and a fixed interest rate of 7.30% per annum. Also Read: KAI Bond and Sukuk Offerings Oversubscribed Up to 2.3 Times "The proceeds from the Sukuk Ijarah public offering after deducting issuance costs, will be used entirely by the Company for the procurement of infrastructure and other facilities in the context of developing freight transportation in Southern Sumatra," said management in a public statement. (Kontan)

Domestic Issue

Government Prepares Sukuk Auction to Meet State Budget Financing

The government will conduct an auction of State Sharia Securities (SBSN) or State Sukuk on Tuesday, July 30, 2024 while the SBSN series to be auctioned are the SPN-S series (State Treasury Securities - Sharia) and PBS (Project Based Sukuk) to meet part of the financing target in the 2024 State Budget. In a press release from the Directorate of Sharia Financing of the Ministry of Finance of the Republic of Indonesia on Tuesday (23/7), it was stated that there are 7 series that will be auctioned with an indicative target of IDR 8 trillion and a settlement date of August 1, 2024. The following is a list of series that will be auctioned: SPNS 02022025 (reopening) maturity date February 2, 2025, SPNS 29052025 (new issuance) maturity date May 29, 2025, PBS032 (reopening) maturity date July 15, 2026, PBS030 (reopening) maturity date July 15, 2028, PB5G001 (reopening) maturity date September 15, 2029, PBS004 (reopening) maturity date February 15, 2037 and PBS038 (reopening) maturity date December 15, 2049. Non-competitive Purchase Allocation for SPNS 02022025 and SPNS 29052025 series amounted to 75% of the amount won while the other series were 30% of the amount won. (Issuer News)

Recommendation

US10YT formed a long-leg Hammer-like candle in the Support area, a sign of technical rebound in sight, immediately after successfully breaking out MA20 Resistance / yield 4.271%; which will pave the way to the next Resistance / TARGET: yield 4.33% / 4.43%. ADVISE: anticipate weakening bond prices when yields do move up.

ID10YT still has not made a unanimous decision to break MA20 Resistance / yield 7.0% or psychological level; which breakout will be able to make the yield continue towards TARGET: 7.06% / 7.16%. ADVISE: HOLD; WAIT & SEE.

PRICE OF BENCHMARK SERIES

FR0090 : 96.18 (+0.12%)
FR0091 : 96.78 (+0.14%)
FR0094 : 96.23 (+0.00%)
FR0092 : 100.30 (+0.02%)

FR0086 : 98.09 (+0.03%)
FR0087 : 98.23 (+0.17%)
FR0083 : 104.04 (-0.05%)
FR0088 : 94.76 (+0.15%)

CDS of Indonesia Bonds

CDS 2yr: +1.89% to 35.35

CDS 5yr: +3.03% to 76.73

CDS 10yr: +1.47% to 128.52

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.99%	-0.02%
USDIDR	16,250	0.22%
KRWIDR	11.75	-0.00%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,935.07	81.20	0.20%
S&P 500	5,399.22	(27.91)	-0.51%
FTSE 100	8,186.35	32.66	0.40%
DAX	18,298.72	(88.74)	-0.48%
Nikkei	37,869.51	(1285.34)	-3.28%
Hang Seng	17,004.97	(306.08)	-1.77%
Shanghai	2,886.74	(15.21)	-0.52%
Kospi	2,710.65	(48.06)	-1.74%
EIDO	19.94	(0.08)	-0.40%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,364.6	(33.1)	-1.38%
Crude Oil (\$/bbl)	78.28	0.69	0.89%
Coal (\$/ton)	134.75	0.00	0.00%
Nickel LME (\$/MT)	15,769	(58.0)	-0.37%
Tin LME (\$/MT)	29,416	(374.0)	-1.26%
CPO (MYR/Ton)	3,918	(7.0)	-0.18%

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

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday							
22 – July							
Tuesday	US	21.00	Existing Home Sales	3.89m	Jun	4.00 m	4.11 m
23 – July							
Wednesday	JP	07..30	Jibun Bank Japan PMI Manufacturing	49.2	July P	-	50.0
24 - July	GE	14.30	HCOB Germany Manufacturing PMI	42.6	July P	44.5	43.5
	US	18.00	MBA Mortgage Applications	-2.2%	July 19	-	3.9%
	US	19.30	S&P Global US Manufacturing PMI	49.5	Jun	-	51.6
	US	21.00	New Home Sales	617k	Jun	640k	619k
Thursday	GE	15.00	IFO Business Climate	87.0	July	89.0	88.6
25 – July	US	19.30	Initial Jobless Claims	235k	July 20	-	243k
	US	19.30	Durable Goods Order	-6.6%	June P	0.5%	0.1%
	US	19.30	GDP Annualized QoQ	2.8%	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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