

Today's Outlook:

US ECONOMIC INDICATORS: At his press conference, Fed Chairman Jerome Powell said policymakers discussed the reasons for the rate cut, but a large majority agreed that now is not the right time; and the market assessed these central bank officials as more prepared for a rate cut in September. US ADP Nonfarm Employment Change data released before the Fed's decision moment showed that the number of new jobs in the US private sector in July grew by less than expected (actual: 122k versus forecast 147k), suggesting the labor market is starting to loosen, especially when compared to the previous month's figure of 155k. On the property front, Pending Home Sales grew a very strong 4.8% mom in June, much higher than the 1.4% forecast and more so than the 1.9% contraction in the previous month. Today it's the weekly Initial Jobless Claims and the Manufacturing PMI (Jul) and Construction Spending (Jun) figures that will be in the spotlight for market participants.

ASIA & EUROPE MARKETS: BANK OF JAPAN kicked off this week's central bank parade on Wednesday, after they unexpectedly raised the benchmark interest rate 15bps to 0.25% and set a multi-stage reduction in monthly bond purchases to around 3 trillion Yen, half of the current target of 6 trillion Yen, to be implemented by early 2026. This plan indicates the end of quantitative easing aka massive monetary stimulus that has been running for a decade. The JAPAN interest rate hike comes amid improving Japanese inflation over the past 2 months, mainly due to improved consumer spending driven by higher wages. This trend further strengthens the central bank's forecast that inflation will rise to the 2% annual target on a sustainable basis, and therefore monetary conditions should start tightening. This morning Japan has released the au Jibun Bank Japan Manufacturing PMI (Jul) which slipped into contractionary territory, in line with the INDONESIA Nikkei Manufacturing PMI for July falling to 49.3, compared to June's 50.7. Weakening PMIs also occurred in neighboring SOUTH KOREA & CHINA although they still remained in expansionary territory. From EUROPE, GERMANY reported Unemployment Rate (Jul) still unchanged at 6.0%, after yesterday's release of Inflation which is still on an upward trend while economic growth is falling. EUROZONE inflation will still stutter towards the ECB's 2% target as preliminary estimate of CPI (Jul) came in at 2.6% yoy, 0.1% higher than forecast and previous month's 2.5%. Speaking of Inflation, today of course INDONESIA investors will monitor July Inflation which is expected to cool to 2.4% yoy, from 2.51% in the previous month. Monitoring of Manufacturing PMI figures will also occur in the European region in the countries of: GERMANY, EUROZONE, UK. BANK OF ENGLAND is highlighted later this afternoon for their interest rate decision which is likely to be reduced by 25bps to 5.0%; all these sentiments will move the overall European market.

COMMODITIES: OIL prices rose sharply on Wednesday on the back of escalating tensions in the MIDDLE EAST and a record larger drop in US crude inventory stocks. BRENT futures jumped 3.7% to USD 80.92/barrel and US WTI rocketed 4.4% to USD 78.00/barrel, up from nearly 2-month lows. Ismail Haniyeh, the leader of the Palestinian military group Hamas, was killed in a missile attack in Tehran. The assassination is believed to be Israel's retaliation for Hezbollah's deadly attack on the Israeli-occupied Golan Heights; potentially a major setback for the chances of a ceasefire agreement on the 10-month-old war. On the other hand, the US Energy Information Agency reported on Wednesday that US crude oil inventories fell by nearly 3.4 million barrels in the week ended July 26, more than the expected 1.6 million barrel drop. The figure marks the 5th consecutive week of drop in US crude oil inventories, due to high demand for fuel in the travel-heavy summer season.

Corporate News

TPIA: Prajogo's Issuer Says It Has USD2.2B Liquidity in Second Quarter

Issuer owned by Prajogo Pangestu PT Chandra Asri Pacific Tbk (Chandra Asri Group), (TPIA) until the end of Semester I-2024, recorded strong liquidity of up to USD2, 2 billion, especially in cash and cash equivalents accounts of USD1, 1 billion on the Company's balance sheet. In addition to liquidity in the form of cash and cash equivalents for the period ending June 30, 2024, TPJA's liquidity is also found in securities instruments amounting to USD0.9 billion and USD0.2 billion in revolving credit facilities. According to Chandra Asri Group Director, Suryandi, in the first half of this year the Company managed to maintain a positive EBITDA of USD18 million. TPJA's results in H1-2024 were affected by challenging global market conditions, as well as scheduled operational facility maintenance or Turn Around Maintenance (TAM). TPJA's strong liquidity and positive business prospects are also reflected in PT Pemeringkat Efek Indonesia's (PEFINDO) decision to reaffirm Chandra Asri Group's AA- rating for its outstanding bonds. The Company's outlook is at Stable level, due to the company's strong position in the Indonesian chemical industry. (Emiten News)

Domestic Issue

S&P Maintains Indonesia's Credit Rating at BBB with Stable Outlook

Rating agency S&P has maintained Indonesia's sovereign credit rating (SCR) at BBB or one notch above investment grade with a stable outlook on July 30, 2024. S&P believes that Indonesia's economic growth prospects will remain solid, external resilience and government debt burden are maintained, supported by a credible monetary and fiscal policy framework. "The stable rating outlook reflects our expectation that the government deficit will generally remain close to 3% of GDP over the next two to three years," S&P wrote in its latest report, quoted Wednesday (31/7/2024). S&P previously maintained Indonesia's Sovereign Credit Rating at BBB with a stable outlook on July 4, 2023. Going forward, S&P sees the continued development of commodity-related industries in Indonesia. The institution considers this will help maintain stable external metrics. Meanwhile, Bank Indonesia Governor Perry Warjiyo responded to S&P's decision by stating that the affirmation of Indonesia's credit rating strengthens the confidence of major rating agencies such as Fitch and Moody's, which had previously given similar affirmations. (Bisnis)

Recommendation

US10YT continues to consolidate towards the Support bottom below the psychological level of 4.0%, most likely towards a yield of 3.92% thanks to the Fed's comments at the recently concluded FOMC Meeting. Considering that RSI is almost entering Oversold territory, anticipate limited upside potential on the price.

ID10YT yield also weakened below the Support from the previous Low level of 6.90% and has the potential to continue consolidation towards a yield of 6.83% - 6.80%; unless the yield turns strong to break the thick Resistance of 3 layer Moving Average (above the yield of 6.98% up to the psychological level of 7.0%). ADVISE: anticipate limited upside potential on bond prices.

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 : 96.27 (-0.01%)
FR0091 : 97.23 (+0.16%)
FR0094 : 96.23 (+0.00%)
FR0092 : 100.54 (+0.13%)

FR0086 : 98.40 (+0.05%)
FR0087 : 98.59 (+0.19%)
FR0083 : 104.11 (+0.15%)
FR0088 : 94.76 (-0.02%)

CDS of Indonesia Bonds

CDS 2yr: -7.04% to 32.50
CDS 5yr: -1.30% to 74.36
CDS 10yr: -2.41% to 124.43

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.90%	-0.03%
USDIDR	16,260	-0.25%
KRWIDR	11.86	0.72%

Global Indices

Index	Last	Chg.	%
Dow Jones	40,842.79	99.46	0.24%
S&P 500	5,522.30	85.86	1.58%
FTSE 100	8,367.98	93.57	1.13%
DAX	18,508.65	97.47	0.53%
Nikkei	39,101.82	575.87	1.49%
Hang Seng	17,344.60	341.69	2.01%
Shanghai	2,938.75	59.45	2.07%
Kospi	2,770.69	32.50	1.19%
EIDO	20.14	0.25	1.26%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,447.6	36.8	1.53%
Crude Oil (\$/bbl)	77.91	3.18	4.26%
Coal (\$/ton)	140.10	0.85	0.61%
Nickel LME (\$/MT)	16,604	533.0	3.32%
Tin LME (\$/MT)	30,056	1277.0	4.44%
CPO (MYR/Ton)	3,908	(7.0)	-0.18%

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday							
29 – July							
Tuesday	JP	06.30	Jobless Rate	2.5%	Jun	2.6%	2.6%
30 – July	US	21.00	Conf. Board Consumer Confidence	100.3	Jul	99.7	100.4
Wednesday	US	18.00	MBA Mortgage Applications	-3.9%	July 26	-	-2.2%
31 - July	US	19.15	ADP Employment Change	122k	Jul	168k	150k
	US	20.45	MNI Chicago PMI	45.3	Jul	44.0	47.4
Thursday	JP	07..30	Jibun Bank Japan PMI Manufacturing	-	July F	-	49.2
01 – August	ID	07.30	S&P Global Indonesia PMI Mfg	-	July	-	50.7
	ID	11.00	CPI YoY	-	July	2.40%	2.51%
	US	01.00	FOMC Rate Decision (Upper Bound)	-	July 31	5.50%	5.50%
	US	19.30	Initial Jobless Claims	-	July 27	-	235k
	US	20.45	S&P Global US Manufacturing PMI	-	July F	-	49.5
	US	21.00	ISM Manufacturing	-	July	49.0	48.5
Friday	US	19.30	Change In Nonfarm Payrolls	-	July	175k	206k
02 – August	US	19.30	Unemployment Rate	-	July	4.1%	4.1%
	US	21.00	Factory Orders	-	June	0.5%	-0.5%
	US	21.00	Durable Goods Order	-	June F	-	-6.6%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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