

# Morning Briefing

Daily | August 13, 2024

## Today's Outlook:

**US MARKETS:** CPI data is expected to show inflation increased 0.2% in July, but remained unchanged at 3% on an annualized basis. Money markets are now pricing in the chance of a 25 or 50 bps cut in US interest rates in September, with a total easing of 100 bps by the end of 2024, according to the CME FedWatch survey. US Retail Sales figures for July due on Thursday are likely to show marginal growth. It is certain that these two data will play a serious role in driving market volatility. Morgan Stanley said that inflation data poses a two-way risk: a high reading could trigger fears of stagflation, while a low reading could give more room for a hard-landing narrative. Starting later tonight, US Inflation readings will be opened by PPI (Jul) which is predicted to ease on an annualized basis to 2.3% from 2.6% in June, as well as Core PPI (Jul) which excludes volatile food and energy prices, down to 2.7% yoy, from 3.0% in the previous month.

**ASIA & EUROPE MARKETS:** JAPAN has preceded the morning with its Inflation reading at the producer level, where PPI (Jul) came out in line with expectations at 3.0% yoy, 0.1% higher than June. From the UK, today market participants will look forward to data around employment such as the UK version of jobless claims: Claimant Count Change (Jul) and Unemployment Rate (Jun). In the afternoon, GERMANY & EUROZONE will publish the ZEW Economic Sentiment for Aug.

**COMMODITIES:** OIL prices jumped more than 3% on Monday, rising for the fifth consecutive session as the potential for widespread MIDDLE EAST CONFLICT could tighten global crude supplies. BRENT futures prices closed higher at USD 82.30/barrel, up 3.3%. While US WTI futures closed at USD 80.06/barrel, up 4.2%. Brent experienced its largest percentage gain for a trading session this year. The US Department of Defense said over the weekend that it would send guided-missile submarines to the Middle East as the region braces for a possible attack on Israel by Iran and its allies. The US is also preparing to impose an economic sanctions embargo on Iranian oil exports, potentially affecting global supply by 1.5 million barrels/day. From another commodity angle, with the Fed's rate cut projection increasingly feasible, the escalation of the Israeli-Iranian War will help spark the price of GOLD even more, as evidenced by the current Gold futures trying the crucial Resistance level of USD 2500 / ounce.

## Corporate News

### UOB Indonesia: UOB Bank Spends IDR 101.41 Billion to Pay Principal of Maturing Bonds

PT Bank UOB Indonesia said that the company has prepared funds for interest payments and principal repayments for the Bank UOB Sustainable Bonds III phase I in 2021. UOB Bank's Central Treasury Unit Head, Stanly Gunawan, said in a written statement on Friday (9/8) that the company has prepared funds of IDR101.41 billion for the payment of interest and principal repayment of bonds that will mature on September 2, 2024. Stanly added that payments will be made through the payment agent PT Kustodian Sentral Efek Indonesia (KSEI) according to a predetermined schedule. (Emiten News)

## Domestic Issue

### Corporate Bond Issuance Still Limited, Despite Interest Rate Cut Soon

Corporations are expected to hold back on issuing bonds amid strong news of a benchmark interest rate cut. Despite lower issuance costs, the demand for bonds is still considered to be limited. Head of the Research Division of PT Pemeringkat Efek Indonesia (Pefindo) Suhindarto views that the Fed's interest rate cut in September is a positive sentiment for the issuance of domestic corporate debt securities. This will encourage benchmark yields (government bonds) to move down, which in turn will help push up corporate bond yields. "The decline in yield also contributes positively to lower issuance costs," Darto told Kontan.co.id, Monday (12/8). However, Darto explained, the positive impact of interest rate cuts may not be significant because the cut is the first time and the news that the Fed will soon cut interest rates has only been spread in the past week. In addition, the current high interest rates also limit the prospects for economic growth, which in turn limits the need for funding for companies to expand their business. Some issuers need time to reformulate their funding needs and decide whether to start issuing debt securities in the next few months. Thus, it is likely that in the next two to three weeks, the effect of the strong interest rate cut signal on bond issuance activity will be reduced. (Kontan)

## Recommendation

**US10YT**, which is actually in the middle of a downtrend, seemed to have difficulty passing the first Resistance: **MA10** at **3.92% yield**. ADVISE: anticipate further weakening of bond prices if the yield is able to break the yield of 3.922% up to 4.0%, to go to **TARGET: 4.07% - 4.12%**.

**ID10YT**: detected technical rebound movement on Support trendline around yield **6.76%**, as expected. First challenge: **cross MA10 Resistance / yield 6.83%** (ADVISE: if break out of that level, just start to reduce position gradually due to potential further consolidation). Short term yield target: **6.90% - 6.92%**.

## PRICE OF BENCHMARK SERIES

FR0090 : **96.37 (-0.03%)**  
FR0091 : **97.87 (+0.02%)**  
FR0094 : **96.80 (+0.00%)**  
FR0092 : **101.91 (-0.12%)**

FR0086 : **98.41 (-0.01%)**  
FR0087 : **98.92 (-0.06%)**  
FR0083 : **105.59 (+0.13%)**  
FR0088 : **95.35 (-0.25%)**

## CDS of Indonesia Bonds

CDS 2yr: **+0.63% to 34.58**

CDS 5yr: **+0.08% to 77.99**

CDS 10yr: **+0.50% to 130.61**

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.80%	0.03%
USDIDR	15,955	0.19%
KRWIDR	11.65	-0.18%

## Global Indices

Index	Last	Chg.	%
Dow Jones	39,357.01	(140.53)	-0.36%
S&P 500	5,344.39	0.23	0.00%
FTSE 100	8,210.25	42.15	0.52%
DAX	17,726.47	3.59	0.02%
Nikkei	35,025.00	0.00	0.00%
Hang Seng	17,111.65	21.42	0.13%
Shanghai	2,858.21	(3.99)	-0.14%
Kospi	2,618.30	29.87	1.15%
EIDO	20.56	0.08	0.39%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,472.9	41.6	1.71%
Crude Oil (\$/bbl)	80.06	3.22	4.19%
Coal (\$/ton)	146.75	0.75	0.51%
Nickel LME (\$/MT)	16,355	205.0	1.27%
Tin LME (\$/MT)	31,568	264.0	0.84%
CPO (MYR/Ton)	3,708	(39.0)	-1.04%

## Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.25%	6.25%	Real GDP	5.05%	5.11%
FX Reserve (USD bn)	145.41	140.20	Current Acc (USD bn)	-2.16	-1.29
Trd Balance (USD bn)	2.39	2.93	Govt. Spending Yoy	1.42%	19.90%
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	2.13%	2.51%	Cons. Confidence*	123.40	123.30

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
<b>Monday</b>							
12 – August							
<b>Tuesday</b>	US	19.30	PPI Final Demand MoM	-	Jul	0.2%	0.2%
13 – August							
<b>Wednesday</b>	US	18.00	MBA Mortgage Applications	-	Aug 9	-	6.9%
14 – August	US	19.30	CPI YoY	-	Aug 9	-	6.9%
	US	19.30	CPI MoM	-	Aug 9	-	6.9%
<b>Thursday</b>	US	19.30	Empire Manufacturing	-	Aug	-6.0	-6.6
15 – August	US	19.30	Retail Sales Advance MoM	-	Jul	0.3%	0.0%
	US	19.30	Industrial Production MoM	-	Jul	0.0%	0.6%
	US	19.30	Initial Jobless Claims	-	Aug 10	-	233k
<b>Friday</b>	US	21.00	University of Michigan Sentiment	-	Aug P	67.2	66.4
16 – August							

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury



## Indonesia 10 Years Treasury



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