

Morning Briefing

Daily | August 14, 2024

Today's Outlook:

US MARKET: Bond yields fell in Tuesday's trading (13/08/24) after data showed US PPI rose below forecast in July, reinforcing market expectations that cooling inflation will allow the Federal Reserve to cut interest rates soon. The producer-level price index rose 0.1% last month after rising 0.2% in June, the Labor Department's Bureau of Labor Statistics said on Tuesday. Economists polled by Reuters had expected PPI to rise 0.2%. On an annualized basis, US PPI came in at 2.2% yoy, also lower than the 2.3% estimate and the previous month's climb to 2.7%. Expectations that an interest rate cut is imminent supported Wall Street's gains. In line with speculation of monetary policy easing, Treasury yields fell. The benchmark 10-year US TREASURY YIELD fell to 3.8484%, while the 2-year US Treasury yield fell to 3.9398%. In a week full of important economic indicators, later in the evening US consumer price index data for July will be released and is expected to show inflation rising to 0.2% on a monthly basis. Retail Sales data is scheduled to follow on Thursday. This week's data could sharpen views on the next move from the Federal Reserve, while at the same time testing market strength. The market is currently evenly split between a 25 bps or 50 bps cut at the FOMC Meeting in September. Traders expect a total of 100 bps rate cut this year.

ASIA & EUROPE MARKETS: The market is positive that this market turmoil is due more to the closing of Yen carry-trade positions, rather than any underlying concerns about global economic growth. EURO ZONE bond yields were little changed with the 10-year German bond yield, the Eurozone benchmark, falling to 2.188% last week, almost to its lowest level since January at 2.074%. Speaking of PPI, JAPAN was ahead of the game yesterday by releasing inflation growth at the producer level in line with expectations at 3.0% yoy in July. The UK announced a very loose labor market where the astonishing number of unemployed people in July was 135,000, almost 10x higher than the forecast of 14,500 and the previous period's 36,200. This fact has not been reflected in the Wage Growth and Unemployment Rate data in June, the latest data still shows Wages grew 5.4% (above expectation 4.6%) and Unemployment Rate 4.2% (lower than expected 4.5%). The sluggish UK employment data is in line with the GERMAN & EUROZONE ZEW Economic Sentiment (Aug) where current economic conditions and sentiment around it looks pessimistic even quite significantly to below-expected levels. The weak economic movement was also reflected by CHINA'S New Loan figures in July, which only reached 20% of the amount expected to be realized, and was the lowest number of New Loans in 16 years. This afternoon EUROPEAN investors will be closely monitoring EUROZONE's preliminary 2Q GDP estimate which is forecast to strengthen 0.2% to 0.6% yoy.

CURRENCY: The YEN strengthened against the USD at 146.77/USD, after hitting a 7-month high of 141.675 on Monday last week, well off the 38-year lows of 161.96 recorded in early July. The Bank of Japan's interest rate hike last month following intervention from Tokyo in early July saw many investors liquidate carry trade positions, where they borrow market money at low interest rates to fund higher return investments. The latest weekly data through August 6 showed that leveraged funds - typically hedge funds and various types of money managers - closed out their positions in the yen at the fastest pace since March 2011. The DOLLAR INDEX, which measures the strength of the US currency versus six other major currencies, fell 0.49% to 102.58. The EURO rose 0.6% to USD 1.09968, while the POUNDSTERLING gained 0.8% to USD 1.28670.

COMMODITIES: BRENT futures fell 1.9% to USD 80.78/barrel, while US WTI futures lost 2% to USD 78.46/barrel. Brent has gained more than 3% on Monday, while US WTI has gained more than 4%. Oil prices depreciated on the back of OPEC's move to cut its forecast for demand growth in 2024, while at the same time easing concerns about the risk of supply disruptions caused by the widening conflict in the Middle East. In terms of other commodities, GOLD which is starting to test critical resistance at prices above USD 2500/ounce seems hesitant to hold this high, especially since the price of this commodity will be heavily influenced by US inflation figures that will appear soon. However, the increasingly feasible Sept rate cut projection does provide support for Gold prices with projections towards the USD 2700/ounce Target.

Corporate News

ZINC: Delayed Bond Payment, IDX Suspends Kapuas Prima Coal Shares

The Indonesia Stock Exchange (IDX) announced that it has suspended the shares of PT Kapuas Prima Coal Tbk (ZINC) starting from August 13, 2024. Lidia M. Panjaitan, Head of Corporate Valuation Division 3 and Pande Made Kusuma Ari A., Head of Trading Operations and Regulations Division of the IDX, in a stock exchange announcement today Tuesday (13/8) said that the Indonesia Stock Exchange (IDX) decided to temporarily suspend the trading securities of PT Kapuas Prima Coal Tbk (ZINC) in all markets starting from the first trading session on August 13, 2024, until further Exchange announcements. The suspension is due to PT Kapuas Prima Coal Tbk (the Company) letter number 006/KPC-TBK/VIII/2024 dated August 12, 2024 regarding the postponement of payment of the 22nd Interest and Amortization Fund of Kapuas Prima Coal Bond I Year 2018 Series E; and PT Kustodian Sentral Efek Indonesia (KSEI) letter number KSEI-4209/DIR/0824 dated August 12, 2024 regarding the postponement of payment of the 6th Amortization and 22nd Interest of Kapuas Prima Coal Bond I Year 2018 Series E (ZINC01E). In addition, ZINC has postponed the payment of the 6th principal amortization and 22nd interest of the 2018 Kapuas Prima Coal Bonds I (ZINC01E) which should have been effectively paid on 13 August 2024. (Emiten News)

Domestic Issue

Regional Bonds Can Be an Alternative Funding for Government Capital Expenditure

Corporations are expected to hold back on issuing cheap debt securities due to the opportunity to cut interest rates, but businesses will not necessarily issue debt securities. Companies will see the prospect of demand for their debt securities because it is closely related to economic growth. (Kontan) The central government also encourages that funding sources for capital expenditures not only come from the APBN and APBD but can also come from regional bonds. Minister of National Development Planning (PPN)/Head of the National Development Planning Agency (Bappenas) Suharso Monoarfa said, in the future there must be a breakthrough so that the central and regional governments can use regional bonds as a funding instrument in the allocation of capital expenditures. Suharso advised regional heads not only to use funds from the state revenue and expenditure budget (APBN) and regional revenue and expenditure budget (APBD), but also to use a number of other funding instruments. Especially to finance spending related to economic growth. "Regional bonds will grow and deepen the financial market structure," explained Suharso. Previously, Director General of Fiscal Balance of the Ministry of Finance Luky Alfirman said that in 2024 there were two regional governments that had submitted plans to issue regional bonds and regional sukuk in 2025, namely the West Java Provincial Government and the West Sumatra Provincial Government. (Investor Daily)

Recommendation

With PPI cooling down, US10YT yield seems to be turning back towards Support again in the range of 3.816% - 3.783% yield; especially when MA10 Resistance (current yield 3.90%) has not been crossed. POTENTIAL: While still waiting for one more inflation data from the consumer side, the yield will stay in the Support region while waiting for further movement. ADVISE: WAIT & SEE.

ID10YT does not seem to be moving far from the Support area of 6.76% yield as the first Resistance is blocking at MA10/yield 6.812%. POTENTIAL: looking at the conditions that occurred in US10YT as well, it seems that it will take some time for ID10YT yield to be able to break out of that level to be able to advance towards MA20/yield 6.88% - 6.90%.

PRICE OF BENCHMARK SERIES

FR0090 : 96.39 (+0.02%)
FR0091 : 97.91 (+0.04%)
FR0094 : 96.80 (+0.00%)
FR0092 : 101.96 (+0.05%)

FR0086 : 98.47 (+0.06%)
FR0087 : 98.93 (+0.01%)
FR0083 : 105.69 (+0.10%)
FR0088 : 95.28 (-0.07%)

CDS of Indonesia Bonds

CDS 2yr: -1.78% to 33.96
CDS 5yr: -1.40% to 77.51
CDS 10yr: -1.33% to 128.88

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.78%	-0.02%
USDIDR	15,833	-0.76%
KRWIDR	11.59	-0.54%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,765.64	408.63	1.04%
S&P 500	5,434.43	90.04	1.68%
FTSE 100	8,235.23	24.98	0.30%
DAX	17,812.05	85.58	0.48%
Nikkei	36,232.51	1207.51	3.45%
Hang Seng	17,174.06	62.41	0.36%
Shanghai	2,867.95	9.74	0.34%
Kospi	2,621.50	3.20	0.12%
EIDO	21.00	0.44	2.14%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,465.2	(7.7)	-0.31%
Crude Oil (\$/bbl)	78.35	(1.71)	-2.14%
Coal (\$/ton)	146.90	0.15	0.10%
Nickel LME (\$/MT)	16,321	(34.0)	-0.21%
Tin LME (\$/MT)	31,199	(369.0)	-1.17%
CPO (MYR/Ton)	3,690	(18.0)	-0.49%

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
Monday							
12 – August							
Tuesday	US	19.30	PPI Final Demand MoM	0.1%	Jul	0.2%	0.2%
13 – August							
Wednesday	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%
Thursday	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
Friday	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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