

Morning Briefing

Daily | August 16, 2024

Today's Outlook:

US MARKETS: US Treasury yields surged after surprisingly stronger-than-expected US Retail Sales data eased concerns about an economic slowdown, dampening investor speculation about aggressive interest rate cuts in the near future. US RETAIL SALES increased 1.0% last month, well above market forecasts for a 0.3% rise, the US Commerce Department's Census Bureau said; indicating that consumers were able to maintain spending power by hunting for bargains. On an annualized basis, retail sales rose 2.7%, after increasing by a revised lower 2.0% in June. Some investors believe that these strong economic data should not change the prediction that the Federal Reserve could start lowering interest rates in September, but slightly dim the chances that the central bank will start easing policy with a 50 basis points rate cut. The fact that this would alleviate concerns over an imminent recession is good news for equity markets, but may not be good news for bond markets, which is directly reflected by the rebound in US Treasury yields.

ECONOMIC INDICATORS: On the labor market side, the number of Americans filing jobless claims fell to 227k last week (lower than forecast & previous week). So far it can be concluded that soft-landing is almost within grasp as Inflation data has clearly cooled, but on the one hand Retail Sales & Initial Jobless Claims could be stronger than expected.

FIXED INCOME & CURRENCIES: Pressured by speculation that the Fed is likely to cut interest rates at a more moderate pace, sent the 10-year US TREASURY yield surging to 3.9188%, while the 2-year US Treasury yield rose to 4.1034%. The jump in US Treasury yields provided some respite to the US DOLLAR INDEX (DXY), which rose 0.45% against its major peers, halting a slide that took it to its lowest level per Euro on Wednesday since late 2023. The Dollar is also down nearly 15% against the Japanese Yen since the start of July.

ASIA & EUROPE MARKETS: Elsewhere, the Pound sterling rose 0.2% to USD 1.2854 after data showed the UK economy grew 0.6% in the second quarter of 2024, which was in line with economists' expectations. Today it's their Retail Sales (Jul) figures that will be highlighted. Strong Retail Sales also emerged in CHINA for July data, although this good news was accompanied by the reality of a downtrend in Chinese Industrial Production and again the Unemployment Rate rose 0.2% in July, from 5.0% in June.

INDONESIA: reported a Trade Balance surplus well below expectations of USD 2.45bn, to only USD 470mn, due to a significant percentage increase in Imports (11.07%), well above Export growth (6.46%).

COMMODITIES: GOLD spot prices rose 0.3% to USD 2,455.29/ounce, close to the July 17 record high, on the back of market speculation that soon-to-be lower US interest rates could potentially lift the precious metal. The OIL market also rallied on Thursday, where BRENT crude, the international benchmark from the London market, ended 1.4% higher at USD 80.90/barrel as the US retail report was deemed to boost the global demand outlook.

Corporate News

PPRO: Pefindo Affirms idBB- Rating for PPRO and Sustainable Bonds (PUB) II

Pemeringkat Efek Indonesia (Pefindo) affirmed the idBB- rating for PT PP Properti Tbk (PPRO) and its Sustainable Bonds (PUB) II. PPRO is currently in the process of obtaining approval from bondholders to extend the maturity of PUB II phase III which will mature on September 2, 2024, which is expected to be completed in the near future. The outlook for the company's rating remains negative reflecting heavy liquidity pressure amidst weak business performance. The rating reflects the relatively diversified property locations. The ratings are constrained by a high leverage profile, weak cash flow protection and liquidity indicators, and sensitivity to changes in macroeconomic conditions. PPRO's inability to address its liquidity issues including failure to obtain bondholder approval for bond maturity extension may result in a further downgrade. (Kontan)

Domestic Issue

Foreign Debt Reached IDR 6,415.9 Trillion as of Q2/2024

Bank Indonesia (BI) recorded the position of foreign debt (ULN) of USD408.6 billion or equivalent to IDR 6,415.9 trillion as of the second quarter of 2024. BI Assistant Governor Erwin Haryono explained that this figure showed an increase of 2.7% (year-on-year / YoY) and was higher than the growth of 0.2% (YoY) in the first quarter of 2024. "The increase came from public and private sector external debt," Erwin explained in his statement, Thursday (15/8/2024). He detailed, the position of government external debt amounted to USD 191 billion in the second quarter of 2024 or recorded a contraction in growth of 0.8% (YoY), continuing from the contraction in the previous quarter of 0.9% (YoY). This development was said to be influenced by adjustments in the placement of non-resident investor funds in domestic Government Securities (SBN) in line with the high uncertainty of global financial markets. Based on economic sector, Erwin explained that government external debt mainly covers the Health Services and Social Activities sector (20.9% of total government external debt); Government Administration, Defense, and Compulsory Social Security (18.8%); Education Services (16.8%); Construction (13.6%); and Financial and Insurance Services (9.5%) "The position of government external debt remains under control considering that almost all external debt has long-term tenors with a share of 99.99% of total government external debt," he said. Furthermore, Erwin also stated that private external debt was maintained. In the second quarter of 2024, the position of private external debt was recorded at 196.5 billion US dollars, or grew 0.3% (YoY), after contracting growth of 1.2% (YoY) in the first quarter of 2024. (Bisnis)

Recommendation

US10YT rebounded exactly from the 3.82% - 3.78% yield support area and now appears to be trying to break back above the first Resistance: **MA10 / yield 3.91%**. Based on this movement, **US10YT** appears to be trying to return to the psychological level of 4.0%, or maybe up to 4.07% but be aware that the yield is moving in a downtrend pattern. **ADVISE:** anticipate limited downside potential on the price.

ID10YT one last tolerance of the last condition of the yield that continues to go down the downtrend channel is at the yield support of **6.70%** (especially when the **RSI** indicator is getting **Oversold**); which if it should break also then it will certainly bring the yield to the next support at 6.60% - 6.50%.

PRICE OF BENCHMARK SERIES

FR0090 : 96.73 (+0.32%)
FR0091 : 98.19 (+0.20%)
FR0094 : 96.80 (+0.00%)
FR0092 : 102.33 (+0.66%)

FR0086 : 98.53 (+0.07%)
FR0087 : 99.29 (+0.21%)
FR0083 : 106.08 (+0.20%)
FR0088 : 95.61 (+0.34%)

CDS of Indonesia Bonds

CDS 2yr: -4.78% to 32.17

CDS 5yr: -2.45% to 74.98

CDS 10yr: -3.74% to 123.58

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.73%	-0.02%
USDIDR	15,695	0.11%
KRWIDR	11.49	-0.39%

Global Indices

Index	Last	Chg.	%
Dow Jones	40,563.06	554.67	1.39%
S&P 500	5,543.22	88.01	1.61%
FTSE 100	8,347.35	66.30	0.80%
DAX	18,183.24	297.64	1.66%
Nikkei	36,726.64	284.21	0.78%
Hang Seng	17,109.14	(4.22)	-0.02%
Shanghai	2,877.36	26.70	0.94%
Kospi	2,644.50	0.00	0.00%
EIDO	21.16	(0.14)	-0.66%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,456.8	8.9	0.37%
Crude Oil (\$/bbl)	78.16	1.18	1.53%
Coal (\$/ton)	150.00	4.25	2.92%
Nickel LME (\$/MT)	16,319	43.0	0.26%
Tin LME (\$/MT)	31,968	538.0	1.71%
CPO (MYR/Ton)	3,754	31.0	0.83%

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)	0.47	2.39	Govt. Spending Yoy	1.42%	19.90%
Exports Yoy	6.46%	1.17%	FDI (USD bn)	6.03	4.82
Imports Yoy	11.07%	7.58%	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	16.8%	Aug 9	-	6.9%
14 – August	US	19.30	CPI YoY	2.9%	Aug 9	-	6.9%
	US	19.30	CPI MoM	0.2%	Aug 9	-	6.9%
Thursday	US	19.30	Empire Manufacturing	-4.7	Aug	-6.0	-6.6
15 – August	US	19.30	Retail Sales Advance MoM	1.0%	Jul	0.3%	0.0%
	US	19.30	Industrial Production MoM	-0.6%	Jul	0.0%	0.6%
	US	19.30	Initial Jobless Claims	227k	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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