

Morning Briefing

Daily | August 20, 2024

Today's Outlook:

US MARKET: The US DOLLAR weakened in trading on Monday (19/08/24), following a surge in the equity market last week driven by expectations that the US economy would be able to achieve a soft landing, namely: avoiding a recession while at the same time inflation is declining, which will smooth the way for interest rate cuts.

MARKET SENTIMENT: US Federal Reserve members Mary Daly and Austan Goolsbee at the weekend signaled possible easing in September, while the FOMC Meeting Minutes for the July meeting due this week are expected to underscore the dovish view. Fed Chair Jerome Powell is scheduled to speak at the Jackson Hole annual meeting on Friday and investors assume that his comments will further confident the possibility of a rate cut. The market is calculating for itself how much rates will be moved, where a 25bps rate cut seems to be almost fully priced-in, and there is a 25% chance of a 50bps cut. US government bond yields continued to fall on Monday; where the 10-year US TREASURY yield fell 1.9 bps to 3.873%, from 3.892% at the end of Friday. However, the prospect of lower borrowing costs couldn't keep Gold prices from hitting record highs; leaving the Dollar weaker against the Euro, while the Yen moved higher. The US Dollar fell to a 7-month low and the Japanese Yen hit its highest point in over a week as traders awaited the Fed's decision on an interest rate cut.

GOLDMAN SACHS: lowered their calculated US recession odds to 20% (from 25% previously) and may reduce it further if the August US labor report due in September is seen as expected.

ASIA & EUROPE MARKETS: Japanese Government planning to raise its estimate of the long-term interest rate used to construct the country's budget to 2.1% for the next fiscal year from 1.9% for the current year, the Nikkei business daily reported on Monday night. The plan reflects rising government bond yields as the BANK OF JAPAN raises interest rates in a shift away from a decade-long stimulus program. Meanwhile, from neighboring Bamboo Curtain Country, CHINA blue chip stocks closed around 0.3% higher; crawling up for a third day on Monday, moving away from last Thursday's 6-month low, as investors turned their attention to the People's Bank of China's latest interest rate decision this Tuesday. Although CHINA'S economy may still need more stimulus, the PBOC is not expected to surprise with another rate cut as it did last July and opted to keep borrowing costs in place. Investors are looking forward to the Purchasing Managers' Index (PMI) data for the UK, FRANCE, GERMANY, & EUROZONE to be released this week.

COMMODITIES: OIL prices fell as concerns about demand from China continued to weigh on sentiment. US WTI crude fell 2.9% to USD 74.42/barrel and BRENT fell to USD 77.79/barrel, a loss of 2.37%.

Corporate News

Pefindo Gives Sarana Mitra Luas (SMIL) idA- Rating, Here's Why

PT Pemeringkat Efek Indonesia (PEFINDO) has assigned an idA- rating with a stable outlook to PT Sarana Mitra Luas Tbk (SMIL). Pefindo said in a release on Monday (19/8) that the rating reflects SMIL's strong market position in the forklift rental business, strong profit margins, and strong financial profile. The company's rating is limited by exposure to long collection periods and intense competition in the industry. The rating could be upgraded if SMIL significantly strengthens its business position, evidenced by strong revenue and EBITDA growth, while maintaining a strong financial profile. On the other hand, the rating could be lowered if operating performance weakens or if the company increases debt higher than expected to finance capital expenditures without being compensated by stronger business prospects. (Emiten News)

Domestic Issue

Debt Financing in 2025 Reaches IDR 775.9 T, Up 40.27%

Debt financing in the first year of President-elect Prabowo Subianto, namely 2025, is set by the government at IDR 775.9 trillion. This amount was recorded to increase by IDR 222.8 trillion or 40.27% when compared to the 2024 debt financing outlook of IDR 553.1 trillion. Next year's debt financing is listed in Book II of the Financial Note and the Draft State Budget (RAPBN) 2025. "In the RAPBN for fiscal year 2025, debt financing is planned at IDR 775.9 trillion, which will be met through loan withdrawals and issuance of SBN," wrote the Ministry of Finance in the document, quoted Monday (19/8/2024). Debt financing originating from SBN is planned at IDR 642.5 trillion which will be met through the issuance of Government Bonds (SUN) and State Sharia Securities (SBSN) / State Sukuk. This figure is recorded to have increased by 42.2% when compared to the 2024 State Budget outlook of IDR 451.8 trillion. The Ministry of Finance explained, in 2025 the issuance of SBN will be carried out by prioritizing SBN in rupiah currency. Meanwhile, the selection of instruments and tenors of issuance is said to consider factors such as debt management policies, SBN issuance costs, domestic and global financial market risks, investor preferences, and market absorption capacity. (Bloomberg Technoz)

Recommendation

US10YT is still in the Sideways category with a tendency to bottoming, after previously having an attempt to break the first Resistance (MA10), but now the yield ends below the 3.906% level. If this consolidation continues, it is very likely that US10YT will again encounter the Support level of 3.82% - 3.78%. ADVISE: HOLD; WAIT & SEE.

ID10YT is still continuing yield weakness (= price strengthening) even though RSI has sunk deeper in Oversold territory. POTENTIAL: as long as the yield is still moving below MA10, the downtrend will still be intact and it is not impossible to head lower to the yield area of 6.62% - 6.54%; especially during the waiting period for Fed Chairman Jerome Powell's speech at this week's important event. First resistance: yield 6.76%. ADVISE: HOLD; WAIT & SEE.

PRICE OF BENCHMARK SERIES

FR0090	: 96.76 (+0.02%)
FR0091	: 98.43 (+0.02%)
FR0094	: 96.80 (+0.00%)
FR0092	: 102.70 (+0.21%)
FR0086	: 98.53 (-0.03%)
FR0087	: 99.49 (+0.27%)
FR0083	: 106.23 (+0.18%)
FR0088	: 95.28 (-0.36%)

CDS of Indonesia Bonds

CDS 2yr	: -0.61% to 31.07
CDS 5yr	: -3.15% to 70.76
CDS 10yr	: -0.50% to 120.70

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.69%	-0.03%
USDIDR	15,553	-0.87%
KRWIDR	11.66	0.35%

Global Indices

Index	Last	Chg.	%
Dow Jones	40,896.53	236.77	0.58%
S&P 500	5,608.25	54.00	0.97%
FTSE 100	8,356.94	45.53	0.55%
DAX	18,421.69	99.29	0.54%
Nikkei	37,388.62	(674.05)	-1.77%
Hang Seng	17,569.57	139.41	0.80%
Shanghai	2,893.67	14.24	0.50%
Kospi	2,674.36	(22.87)	-0.85%
EIDO	21.51	0.20	0.94%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,504.3	(3.7)	-0.15%
Crude Oil (\$/bbl)	74.37	(2.28)	-2.97%
Coal (\$/ton)	146.50	(0.25)	-0.17%
Nickel LME (\$/MT)	16,666	293.0	1.79%
Tin LME (\$/MT)	32,575	672.0	2.11%
CPO (MYR/Ton)	3,721	40.0	1.09%

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	JP	06.50	Core Machine Orders MoM	2.1%	Jun	0.9%	-3.2%
19 – August	US-	21.00	Leading Index	-0.6%	Jul	-0.3%	-0.2%
Tuesday	-	-	-	-	-	-	-
20 – August							
Wednesday	ID	14.20	BI - Rate	-	Aug 21	6.25%	6.25%
21 – August	US	18.00	MBA Mortgage Applications	-	Aug 16	-	16.8%
Thursday	US	19.30	Initial Jobless Claims	-	Aug 17	-	227k
22 – August	US	19.30	S&P Global US Manufacturing PMI	-	Aug P	-	49.6
	US	21.00	Existing Home Sales	-	Jul	3.90m	3.89m
Friday	JP	06.30	National CPI YoY	-	Jul	2.7%	2.8
23 – August	US	21.00	New Home Sales	-	Jul	631k	617k

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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