

Morning Briefing

Daily | August 21, 2024

Today's Outlook:

MARKET SENTIMENT: With a relatively light economic data calendar this week, all eyes are on the release of the Fed's July meeting minutes on Wednesday and Fed Chairman Jerome Powell's speech at the Jackson Hole annual meeting event on Friday for clues on the outlook for US interest rates. Fed officials in recent days have signaled possible easing in September, preparing markets for a similar tone from Powell and other speakers at the annual meeting of global central bank chiefs in Jackson Hole, Wyoming. Evercore analysts say Powell will probably signal a possible 50 bps cut, although they don't expect the Fed chair to explicitly mention how much the Fed plans to start cutting rates. The market is of the opinion that once the Fed starts cutting rates, the central bank will implement a similar strategy at (almost) every FOMC Meeting over the next 12 months; which sounds like a fairly aggressive move and is expected to bring down the Fed Funds Rate to the 3.25% - 3.50% range by next year. It is this prospect of monetary policy easing that is supporting the recent stock market rally.

FIXED INCOME & CURRENCY: In line with expectations of lower interest rates, the 10-year Treasury yield fell to 3.818%. The market fully expects a 25 basis point rate cut from the Fed next month, with about a 25% chance of a 50 basis point cut. Expectations of a dovish outcome from the Fed this week saw the US DOLLAR sink to its lowest level in almost 8 months against the Euro, which peaked at USD 1.12775 on Tuesday. The POUNDSTERLING briefly touched its highest level in over a year and was last bought at USD 1.30540. The DOLLAR INDEX was last at 101.41, the lowest since January. Against the Yen, the Dollar was down 0.8% at 145.34, with traders looking forward to Bank of Japan Governor Kazuo Ueda's appearance in parliament on Friday, where he will discuss the central bank's decision last month to raise interest rates. As noted, the BOJ's hawkish stance had injected huge volatility into the market as investors aggressively unwound Yen-funded carry positions, consequently rattling stocks globally. The market turmoil has since subsided after BOJ Deputy Governor Shinichi Uchida earlier this month played down the possibility of further rate hikes in the near future.

US POLITICAL MAP: This week's focus is also on the Democratic National Convention, where US President Joe Biden will speak at the event. Vice President Kamala Harris was officially nominated as the party's presidential candidate in early August, and chose Minnesota governor Tim Walz as her running mate. Harris was endorsed by Biden in July, and is seen quickly catching up with Republican front-runner Donald Trump in recent polls, indicating a tight race in the 2024 presidential election. Robert F. Kennedy Jr. is considering dropping out of the race for the White House and may instead consider joining Republican presidential candidate Donald Trump.

COMMODITIES: GOLD spot prices touched another record high at USD 2531.60/ounce, supported by a broadly weaker US DOLLAR and expectations of an upcoming US interest rate cut. OIL prices extended earlier losses, with BRENT last down 0.6% to USD 77.21/barrel, while US WTI lost 0.7% to USD 74.04/barrel. Oil prices shrank after there was renewed uncertainty about the ceasefire deal in Gaza after Hamas said that the current agreement was changed from the more acceptable July 2 deal. The group also denied comments by US Secretary of State Antony Blinken that it had backed out of the deal. The statement from Hamas came after Blinken announced that Israeli Prime Minister Benjamin Netanyahu had accepted a peace proposal brokered by Washington to address disputes that have stalled a ceasefire deal in Gaza.

INDONESIA Today's BI RDG will be in the spotlight of domestic market players with the BI7DRR rate expected to remain on hold at 6.25%.

Corporate News

WIKA: Pay off Sukuk Next Month, Wijaya Karya (WIKA) Spends IDR 325.5 Billion in Cash

State-owned construction company PT Wijaya Karya (Persero) Tbk (WIKA) has prepared IDR 325.5 billion to pay off its sukuk debt due on September 8, 2024. Based on information disclosure, funds from internal cash will be used by the company to pay off the Sustainable Sukuk Mudharabah II Wijaya Karya Phase I Year 2021 Series A. "We convey that the company has provided funds for the repayment of securities," said WIKA Corporate Secretary Mahendra Vijaya on the official website of the Indonesia Stock Exchange (IDX) quoted on Tuesday (20/8/2024). Citing data from the Indonesian Central Securities Depository (KSEI), Sustainable Sukuk Mudharabah II Wijaya Karya Phase I Year 2021 Series A has a floating coupon with a frequency of interest payments every three months. (Bisnis)

Domestic Issue

DJPPR Says SBN Market Conditions are Good, Here are the Results of SUN Auction, Tuesday (8/20)

The government has just held an auction of Government Bonds (SUN) for several series at once on Tuesday (20/8). The auctioned series include SPN03241120 (new issuance), SPN12250807 (reopening), FR0104 (new issuance), FR0103 (reopening), FR0098 (reopening), FR0097 (reopening) and FR0102 (reopening). Director General of Financing and Risk Management (DJPPR) of the Ministry of Finance Suminto said that the current debt market conditions are good, as seen from the position of the last auction. "Now there is a lot of inflow. This auction is good, the income (incoming bids) is IDR 104.07 trillion," Suminto told Kontan, last Tuesday (20/8). According to him, the total incoming bids at the August 20, 2024 SUN auction amounted to IDR 104.07 trillion. Meanwhile, the nominal won (awarded bids) at the SUN auction this time amounted to IDR 27 trillion. The largest incoming bids were for SUN FR0104 (new issuance), which reached IDR 50.58 trillion with a yield of 6.7%. Meanwhile, the nominal amount won was IDR 11 trillion. (Kontan)

Recommendation

US10YT again tested the Support level of previous Low, around yield 3.80% for the umpteenth time, but this time RSI looks slightly positive divergence. ADVISE: anticipate a potential technical rebound, but the new movement will be somewhat meaningful when the yield is able to break out at least MA10 Resistance/yield 3.880%.

ID10YT is still sliding down in its strong downtrend as expected, approaching the yield Support level of 6.62% - 6.52% although RSI is getting Oversold. As long as the yield runs below the MA10 (current closest resistance = 6.74% yield), this downtrend is assumed to be intact. ADVISE: anticipate price strengthening going on for quite some time.

PRICE OF BENCHMARK SERIES

FR0090 : 96.86 (+0.11%)
FR0091 : 98.60 (+0.17%)
FR0094 : 96.80 (+0.00%)
FR0092 : 102.75 (+0.05%)

FR0086 : 98.57 (+0.04%)
FR0087 : 99.75 (+0.26%)
FR0083 : 106.36 (+0.11%)
FR0088 : 95.43 (+0.15%)

CDS of Indonesia Bonds

CDS 2yr: -0.97% to 30.77

CDS 5yr: -1.71% to 69.55

CDS 10yr: -0.71% to 119.21

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.64%	-0.05%
USDIDR	15,435	-0.76%
KRWIDR	11.60	-0.48%

Global Indices

Index	Last	Chg.	%
Dow Jones	40,834.97	(61.56)	-0.15%
S&P 500	5,597.12	(11.13)	-0.20%
FTSE 100	8,273.32	(83.62)	-1.00%
DAX	18,357.52	(64.17)	-0.35%
Nikkei	38,062.92	674.30	1.80%
Hang Seng	17,511.08	(58.49)	-0.33%
Shanghai	2,866.66	(27.01)	-0.93%
Kospi	2,696.63	22.27	0.83%
EIDO	21.89	0.38	1.77%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,514.0	9.7	0.39%
Crude Oil (\$/bbl)	73.17	(0.49)	-0.67%
Coal (\$/ton)	146.00	(0.50)	-0.34%
Nickel LME (\$/MT)	17,035	369.0	2.21%
Tin LME (\$/MT)	32,276	(299.0)	-0.92%
CPO (MYR/Ton)	3,715	(6.0)	-0.16%

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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