

Today's Outlook:

US MARKETS: Fed officials last month leaned heavily toward cutting interest rates at their September policy meeting, according to the minutes of the July 30-31 FOMC Meeting. Fed Chairman Jerome Powell is expected to further entrench the view that the central bank will begin easing monetary policy after taming the worst pace of inflation in 40 years, when he speaks on Friday at the Federal Reserve's annual conference in Jackson Hole, Wyoming. Interest rate futures have fully priced in a Fed Funds Rate cut of 25 basis points next month, with a one-third chance the rate cut will occur by 50 bps. Nearly 100 bps of cuts are expected to materialize this year, and another 100 bps next year. Strategists think the market will move limited until after the US Election in November, amid high levels of uncertainty in the last 4 months of the year.

ECONOMIC INDICATORS: The US Bureau of Labor Statistics revised down jobs created in March 2023 - March 2024 by 818,000, as part of the agency's annual benchmark payroll data review. Although lower than the predicted 1 million job losses, this revision brings the average number of jobs created in the 12 months to March to 174,000, further down from the previous pace of 242,000. Today a wave of PMI data will come out across the globe, including in the US, Europe and Asia.

ASIA & EUROPE MARKETS: A few things will take center stage in Asia this Thursday: PMI data will come from: JAPAN, AUSTRALIA, & INDIA; plus Inflation figures from MALAYSIA. After the Bank of Thailand, BANK OF INDONESIA, and People's Bank of China all kept their benchmark interest rates unchanged this week, attention turns to the BANK OF KOREA's decision today, which is expected to keep its interest rate unchanged at 3.50%, where it has been since January last year. More or less in line with Indonesia's view, analysts expect the Bank of Korea to wait until the Fed starts cutting interest rates before easing policy in the fourth quarter. With inflation rising 2.6% in July from an 11-month low of 2.4% in June, which is further away from the central bank's 2% target, the Bank of Korea may need to see prices stabilize before it starts easing policy.

FIXED INCOME & CURRENCY: The 10-year US TREASURY yield fell 2.3 basis points to 3.795%, from 3.818% at the end of Tuesday. The 2-year yield, which usually moves in line with interest rate expectations, fell 6.9 bps to 3.9305%, from 4% at the end of Tuesday. The falling US DOLLAR has returned the YEN to 145.135/USD aka a two-week high from last month's 38-year lows; while the Chinese YUAN is set at a one-month high. The EURO is also up around 3% in August and at around USD 1.115 it is at its highest level since early December.

COMMODITIES: OIL prices fell, while Dollar weakness due to increasingly solid US rate cut prospects kept GOLD near record highs on Tuesday. Gold prices fluctuated around USD 2,510/ounce. Oil prices fell again on Wednesday, with US WTI melting 1.69% to USD 71.93/barrel and BRENT dropping to USD 76.05/barrel, a 1.49% drop. Oil prices fell again on concerns about the US economy after a sharp revision in the employment numbers sparked fresh concerns about global demand in general, masking the reality of a larger-than-expected decline in US crude stocks. Data from the US Energy Information Administration showed that US crude inventories fell by 4.7 million barrels in the week ended August 16, twice as high as expectations of a decline of only 2 million barrels. Indeed, crude oil prices have suffered heavy losses in recent sessions due to ongoing concerns over slowing demand from the largest importer, China. Since peaking above USD 82 on Monday last week, Brent has slumped 6.2% by Tuesday's close, while the Nymex contract is down 7.5% at the same time. The price slump may make OPEC+ rethink its plan to phase out voluntary production cuts from October to 2025.

MIDDLE EAST CONFLICT: Israel has allegedly agreed to a temporary ceasefire deal initiated by the US, although the details of the deal remain to be negotiated, with Hamas reportedly criticizing the new deal as reflecting American bias against Israel. Hamas also issued a statement criticizing US President Joe Biden, as US Secretary of State Antony Blinken was seen actively traveling around Egypt, Qatar, and Israel earlier this week to broker a ceasefire. Israel meanwhile continued its offensive against Gaza, further complicating the prospects of a ceasefire.

INDONESIA: On Wednesday, Bank Indonesia Governor Perry Warjiyo said that a support for the RUPIAH is needed to help lower import costs, especially food prices.

Corporate News

OTMA: Needs Capital, Oto Multiartha Aims for Funds Through IDR 700 Billion Bond Public Offering

PT Oto Multiartha or OTMA, a finance company owned by PT Bank BTPN Tbk (BTPN) and PT Sinar Mas Multiartha Tbk (SMMA), plans to conduct a public offering of Shelf Registration Bonds I Phase II Year 2024 with a principal amount of IDR 700 billion. The bond public offering period will take place on August 28-30, 2024. Bond distribution will be carried out on September 4, 2024 and listing on the Indonesia Stock Exchange (IDX) on September 5, 2024. The bonds are part of Oto Multiartha's Sustainable Public Offering (PUB) I Sustainable Bonds, with a target fund to be raised of IDR 3 trillion. Previously, in the first phase of bond issuance, Oto Multiartha had issued bonds amounting to IDR 500 billion. Based on the prospectus, an addition to the bond public offering plan announced in Jakarta, Monday (19/8), OTMA sustainable bonds I phase II/2024 consists of series A with a principal amount of IDR 255.270 billion with a fixed interest rate of 6.55% per annum with a term of 370 days. Then, series B amounting to IDR 114.705 billion with a three-year tenor has a fixed interest rate of 6.90% per annum. Furthermore, there is a series C worth IDR 330,035 billion with a five-year term, with a fixed interest rate of 7.10% per annum. (Kontan)

Domestic Issue

Government to Auction SBSN Next Week with a Target

The government will conduct an auction of State Sharia Securities (SBSN) or State Sukuk on Tuesday, August 27, 2024. The SBSN series to be auctioned are the SPN-S (Surat Perbendaharaan Negara - Sharia) and PBS (Project Based Sukuk) series to meet part of the financing target in the 2024 State Budget. Quoting a statement from the Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance, the SBSN series to be auctioned include: SPNS 03032025, SPNS 29052025, PBS032, PBS030, PBSG001, PBS004, and PBS038. In more detail, SPNS 03032025 and SPNS 29052025 have discounted rewards. Then PBS032 at 4.875%, PBS030 at 5.875%. In addition, PBSG001 at 6.625%, PBS004 at 6.1%, and PBS038 at 6.875%. From the auction, the government set an indicative target of IDR 8 trillion. As for this auction, the PBSG001 series was offered again, which is a green sukuk series offered through auction in the domestic primary market. (Emiten News)

Recommendation

US10YT is planning a move after the appearance of DOJ candle in Support area, with indication of RSI positive divergence. ADVISE: anticipate technical rebound on yield (= potential pullback on price) to the nearest resistance: yield 3.86% - 3.92%.

ID10YT in downtrend towards TARGET: yield between 6.57% to 6.53% which was the lowest level last February. ADVISE : anticipate limited upside potential on price.

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

PRICE OF BENCHMARK SERIES

FR0090 : 96.89 (+0.03%)
FR0091 : 98.62 (+0.02%)
FR0094 : 96.80 (+0.00%)
FR0092 : 102.71 (-0.04%)

FR0086 : 98.56 (+0.00%)
FR0087 : 99.90 (+0.15%)
FR0083 : 106.48 (+0.12%)
FR0088 : 96.09 (+0.69%)

CDS of Indonesia Bonds

CDS 2yr: +1.61% to 31.26
CDS 5yr: +2.11% to 71.02
CDS 10yr: +1.28% to 120.74

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.61%	-0.03%
USDIDR	15,485	0.32%
KRWIDR	11.62	0.15%

Global Indices

Index	Last	Chg.	%
Dow Jones	40,890.49	55.52	0.14%
S&P 500	5,620.85	23.73	0.42%
FTSE 100	8,283.43	10.11	0.12%
DAX	18,448.95	91.43	0.50%
Nikkei	37,951.80	(111.12)	-0.29%
Hang Seng	17,391.01	(120.07)	-0.69%
Shanghai	2,856.58	(10.08)	-0.35%
Kospi	2,701.13	4.50	0.17%
EIDO	21.96	0.07	0.32%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,512.6	(1.4)	-0.06%
Crude Oil (\$/bbl)	71.93	(1.24)	-1.69%
Coal (\$/ton)	145.90	(0.10)	-0.07%
Nickel LME (\$/MT)	16,910	(125.0)	-0.73%
Tin LME (\$/MT)	32,695	419.0	1.30%
CPO (MYR/Ton)	3,754	39.0	1.05%

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	6.25%	Aug 21	6.25%	6.25%
21 – August	US	18.00	MBA Mortgage Applications	-10.1%	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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