

Morning Briefing

Daily | August 26, 2024

Today's Outlook:

US MARKETS: In highly anticipated comments by market participants before the Jackson Hole Economic Symposium opens, Powell said that the time has come to lower the benchmark interest rate, on the basis that the upside risks to inflation have diminished considerably. Powell also added that they do not see any further weakening in labor market conditions. This crucial speech thus almost ensures a rate cut at next month's FOMC Meeting, which would be the first cut in over 4 years. The chief market strategists see this as the dovish turn that market participants have been waiting for.

FIXED INCOME & CURRENCY: While stocks rallied, US Treasury & US Dollar yields weakened. The yield on the benchmark 10-year US Treasury note fell 5.9 basis points to 3.803%, from 3.862% late Thursday. The 2-year Treasury yield, which typically moves in line with interest rate expectations, fell 9.7 basis points to 3.9132%, from 4.01% late Thursday. Its equivalent in Germany German Bund stabilized at a yield of 2.226%. The Dollar Index turned weaker and sank to a 52-week low of 100.6, whereas the Pound sterling rose to its highest level in over 2 years on Friday. The Euro rose to USD 1.1189/+0.7% on the day, reaching a 1-year high. The Japanese Yen strengthened against the Dollar +1.36% to 144.27 following the Fed news and Bank of Japan Governor Ueda's statement on interest rates. Data showed Japanese Core Inflation increased for the 3rd consecutive month, but a slowdown in demand-driven Inflation suggests there is no urgency for an immediate rate hike.

ECONOMIC INDICATORS: Next week, the data-dependent Fed will have a range of economic indicators to consider before its September rate decision, including second quarter GDP revisions from the Commerce Department and the broad Personal Consumption Expenditures (PCE) report, which includes the PCE price index, the Fed's preferred inflation benchmark. From the US today will be monitored the Durable Goods Orders (Jul) data which is forecast to have significant monthly growth, changing from negative to positive 4.0% mom.

ASIA & EUROPE MARKETS: Investors digested inflation data and remarks from Bank of Japan Governor Kazuo Ueda indicating readiness to raise interest rates if the economy and inflation match forecasts. This left MSCI's worldwide index up about 1.1%, now slightly above its all-time peak in mid-July. In Europe, GERMANY in particular will today look forward to the German Ifo Business Climate Index (Aug) which will assess business climate expectations for the next 6 months, which is predicted to not fully stabilize strengthening.

COMMODITIES: OIL prices jumped more than 2%, rebounding after earlier losses last week due to rising US crude stockpiles and again still about weakening demand prospects in China. GOLD prices rose about 1.1% to USD 2,510/ounce, close to the record high of USD 2,513 reached last Tuesday.

Corporate News

ZINC: Kapuas Prima Coal (ZINC) Finally Paid IDR 1.45M Bond Interest

PT Kapuas Prima Coal Tbk (ZINC) said that it had made the 22nd payment of Interest Funds, Amortization and Penalties for Kapuas Prima Coal Bonds I 2018 Series E. Harjanto Widjaja, President Director of ZINC, in a written statement on Thursday (22/8) said that the Company had made interest payments of IDR 954.52 million and Amortization of IDR 500 million and interest penalties of IDR 14.31 million and Amortization Penalties of IDR 7.5 million. Harjanto added that the payment was made to the account of PT Kustodian Sentral Efek Indonesia on August 22, 2024. Previously, PT Kapuas Prima Coal Tbk (ZINC) postponed the Payment of the 22nd Interest and Amortization Fund of Kapuas Prima Coal Bonds I 2018 Series E and postponed the 6th Amortization Payment and 22nd Interest of Kapuas Prima Coal Bonds I 2018 Series E (ZINC01E). (Emiten News)

Domestic Issue

Government Debt Ratio Falls to 38.68% in July 2024

By the end of July 2024, the government debt ratio fell to 38.68% of gross domestic product (GDP). This position is still below the safe limit of 60% of GDP, as stipulated in Law No. 17/2003 on State Finance. Ferry Irawan, Deputy for Macroeconomic and Financial Coordination of the Coordinating Ministry for Economic Affairs, said that the government consistently manages debt in a careful and measured manner by maintaining optimal interest rate, currency, liquidity, and maturity risks so that the state budget can be kept healthy, credible, and sustainable. Efforts to manage Government debt that remains under control have supported national economic stability and growth so far. "Financing through debt is carried out by the Government to meet the financing needs of the State. Budget when state revenues are not fully able to finance all state expenditures or when investment financing is needed," he said in an official statement, Friday (23/8). As of the end of July 2024, the government debt ratio fell to 38.68% of GDP. Structurally, until the end of July 2024, the maturity profile of Government debt, weighted average maturity in eight years. The composition of government debt is mostly in the form of domestic government securities (SBN) at 70.49%, foreign currency SBN at 17.27% and loans at 12.24%. According to IMF, Government debt is projected to decline gradually to around 38.3% of GDP in the medium term, mainly driven by cumulative interest rate growth differentials. In addition, S&P Global Ratings also maintained Indonesia's credit rating at 'BBB' with a stable outlook, reflecting Indonesia's success in maintaining fiscal stability through prudent policies. (Kontan)

Recommendation

US10YT slid back to the Support yield range of 3.82% - 3.78% triggered by Powell's increasingly dovish comments explaining the current direction of the Federal Reserve's monetary policy. POTENTIAL: Going forward, it is estimated that the US Treasury yield will weaken further, especially if it breaks the Support range above, unless it is able to break MA10 / yield 3.842% as the nearest Resistance.

ID10YT seems unable to strengthen above the initial Resistance: lower channel & MA10, so the yield is stuck at 6.70%. Consolidation is predicted to continue down towards Support / target: yield 6.60% - 6.53%. ADVISE: Anticipate a rebound in price.

PRICE OF BENCHMARK SERIES

FR0090	: 96.97 (+0.04%)
FR0091	: 98.43 (+0.08%)
FR0094	: 96.80 (+0.00%)
FR0092	: 102.80 (+0.04%)
FR0086	: 98.55 (+0.00%)
FR0087	: 99.59 (-0.02%)
FR0083	: 106.43 (+0.02%)
FR0088	: 96.63 (+0.36%)

CDS of Indonesia Bonds

CDS 2yr	: -3.97% to 29.97
CDS 5yr	: -2.93% to 68.46
CDS 10yr	: -3.20% to 116.71

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.64%	-0.01%
USDIDR	15,490	-0.71%
KRWIDR	11.67	0.49%

Global Indices

Index	Last	Chg.	%
Dow Jones	41,175.08	462.30	1.14%
S&P 500	5,634.61	63.97	1.15%
FTSE 100	8,327.78	39.78	0.48%
DAX	18,633.10	139.71	0.76%
Nikkei	38,364.27	153.26	0.40%
Hang Seng	17,612.10	(28.90)	-0.16%
Shanghai	2,854.37	5.60	0.20%
Kospi	2,701.69	(5.98)	-0.22%
EIDO	22.02	0.73	3.43%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,512.6	27.8	1.12%
Crude Oil (\$/bbl)	74.83	1.82	2.49%
Coal (\$/ton)	145.20	(1.55)	-1.06%
Nickel LME (\$/MT)	16,758	155.0	0.93%
Tin LME (\$/MT)	32,912	596.0	1.84%
CPO (MYR/Ton)	3,867	41.0	1.07%

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)	-3.02	-2.16
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	GE	15.00	IFO Business Climate	-	Aug	86.0	87.0
26 – August	US	21.00	Durable Goods Order	-	Jul P	3.9%	-6.7%
Tuesday	US	21.00	Conf. Board Consumer Confidence	-	Aug	100.0	100.3
27 – August							
Wednesday	US	18.00	MBA Mortgage Applications	-	Aug 23	-	-10.1%
28 – August							
Thursday	GE	19.00	CPI EU Harmonized YoY	-	Aug P	2.3%	2.6%
29 – August							
	US	19.30	Initial Jobless Claims	-	Aug 24	-	232k
	US	19.30	GDP Annualized QoQ	-	2Q S	2.8%	2.8%
Friday	JP	06.30	Jobless Rate	-	Jul	2.5%	2.5%
30 – August	JP	06.30	Tokyo CPI Ex-Fresh Food YoY	-	Jul	1.23	1.23
	US	19.30	Personal Income	-	Jul	0.2%	0.2%
	US	19.30	Personal Spending	-	Jul	0.5%	0.3%
	US	20.45	MNI Chicago PMI	-	Aug	-	45.3
	US	21.00	University of Michigan Sentiment	-	Aug F	67.8	67.8

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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