

Morning Briefing

Daily | August 26, 2024

Today's Outlook:

US MARKETS: Investors digested the possibility of US interest rates being cut soon, although oil prices surged amid rising tensions in the Middle East. Markets will be digesting a lot of news this week after rallying on Friday following increasingly dovish comments from Fed Chairman Jerome Powell as well as the release of good Durable Goods Order data. On the other hand, market watchers are of the opinion that (historically) a rate cut will be followed by stock market weakness as the real reason for the rate cut is to boost the slowing economy.

ECONOMIC INDICATORS: New orders for US-made durable goods, aka Durable Goods Orders, from toasters to airplanes, jumped 9.9% last July, a strong rebound from a decline in June that surpassed analysts' expectations, according to Commerce Department data. PCE PRICE INDEX and Core Inflation data will be released on Friday, along with a preliminary reading on EURO ZONE Inflation. Most analysts expect the data to further support a September rate cut. San Francisco Fed President Mary Daly on Monday reinforced expectations for a rate cut next month, even suggesting that a larger magnitude of rate cut could be warranted if the labor market (Aug) weakens further. Market participants will be looking forward to the CB Consumer Confidence (Aug) later tonight at around 21.00 Western Indonesian Time.

MIDDLE EAST CONFLICT: Israel and Hezbollah fired rockets and conducted airstrikes on Sunday, raising concerns about possible OIL supply disruptions if the conflict escalates. Also supporting crude oil prices was the Libyan government's announcement to close all oil fields, halting both production and exports. BRENT futures closed up 3.05% to USD 81.43/barrel, while US WTI futures shot up 3.5% to USD 77.42/barrel. GOLD prices rallied, nearing recent record highs on the back of safe-haven asset demand. Gold spot price rose 0.31% to USD 2,518.27/ounce.

ASIA & EUROPE MARKETS: EUROPEAN CENTRAL BANK chief economist Philip Lane took a more cautious tone in his speech at Jackson Hole, saying the central bank has made good progress in bringing EUROZONE inflation back down to the 2% target, but success is not yet assured. As noted, the ECB has already initiated a rate cut in July of 25bps, with two further @25bps cuts expected by the end of the year. Today will see the following economic data: BOJ Core CPI from JAPAN, GERMANY 2Q GDP which still seems to be in recession territory, complemented by GdK German Consumer Climate (Sep).

FIXED INCOME & CURRENCY: The 10-year US Treasury yield rose 1.3 basis points to 3.82%. The 2-year bond yield, which typically moves in line with interest rate expectations, rose 2.7 basis points to 3.94%. Fed Fund Rate futures fully priced in a 25bps cut at the September 17 FOMC MEETING, and showed a 39.5% chance of a 50 bps move. The market is also factoring in 103 bps of easing this year and an additional 122 bps in 2025. JAPANESE YEN rose to a 3-week high against the US DOLLAR, with the Dollar falling to 143.45 Yen after reaching a high of 144.56. The DOLLAR INDEX (DXY), which measures the Dollar's strength over a basket of currencies including the Yen and Euro, rose 0.24% to 100.84, where the Euro fell 0.28% to USD 1.1159.

Corporate News

BTPN: Bank BTPN Pays 19th Bond Interest

PT Bank BTPN Tbk (BTPN) has made the 19th bond interest payment for Sustainable Bonds IV Phase I 2019. Where, the bond interest paid was IDR 3.89 billion. In the disclosure of information (26/8), BTPN Corporate Secretary, Eneng Yulie Andriani, detailed that the principal debt owned by BTPN for the bonds was IDR 201 billion. The interest rate set for the bonds is 7.75%. Meanwhile, BTPN's debt instrument has a 60-month tenor and will mature on November 26, 2024. The bonds were first attributed on November 26, 2019. Eneng also confirmed that the impact of the event, information or material facts on the operational activities, legal, financial condition, or business continuity of the Issuer or Public Company. (Kontan)

Domestic Issue

State Sukuk Auction August 27, 2024: Here are the Details of 7 SBSN Series Offered

The government held an auction of State Sharia Securities (SBSN) or State Sukuk in rupiah currency on Tuesday (27/8). Based on the announcement of the Directorate General of Debt Management of the Ministry of Finance, the government set an indicative target of IDR 8 trillion. There will be seven series of SBSN auctioned on August 27, 2024, consisting of the SPN-S series (Surat Perbendaharaan Negara-Syariah) and PBS (Project Based Sukuk). The proceeds will be used to meet part of the financing target in the 2024 State Budget. The following are the details of the SBSN that will be auctioned on August 27, 2024: SPNS02022025 (reopening), SPNS29052025 (reopening), PBS032 (reopening), PBS030 (reopening), PBSG001 (reopening), PBS004 (reopening), PBS038 (reopening). On its official website, the finance ministry said that in this auction, the PBSG001 series was offered again, which is a green sukuk series offered through auction in the domestic primary market. The issuance of the Green Sukuk series through this auction complements the Green sukuk issuance program which has been carried out 7 times in the global market since 2018 and 7 times in the domestic market through retail green sukuk since 2019. The PBSG001 series can also be used to support the RPIM (Macropudential Inclusive Financing Ratio) program for Conventional Commercial Banks, Islamic Commercial Banks, and Sharia Business Units. (Data Indonesia)

Recommendation

US10YT is holding on to ground Support around yield 3.82% - 3.78%, as the Fed rate cut draws nearer at the FOMC Meeting on 17 September next week, and amidst increasingly dovish comments from one of the Fed officials who is even considering a rate cut of 50bps. **POTENTIAL:** In fact, this yield will reverse and strengthen if it has at least passed the MA10 Resistance / yield 3.84%, up to MA20 at yield 3.88%. **ADVISE:** If the technical rebound occurs, then even though the yield is in a medium-term downtrend, at least anticipate a price weakening until the yield reaches the TARGET 4.0%.

On the other hand, **ID10YT** actually appears to be in a more powerful yield weakening trend, even though it is currently testing Support at 6.60%; in a positive RSI divergence condition that holds the potential for a technical rebound. Even if that does not happen, it is indeed in line with the mid-term yield trend of ID10YT to continue consolidating towards the TARGET yield of 6.56% - 6.53%. **ADVISE:** anticipate limited upside potential in price.

PRICE OF BENCHMARK SERIES

FR0090 : 96.92 (-0.02%)
FR0091 : 98.57 (+0.14%)
FR0094 : 96.80 (+0.00%)
FR0092 : 103.12 (+0.31%)

FR0086 : 98.55 (+0.00%)
FR0087 : 99.72 (+0.13%)
FR0083 : 106.69 (+0.25%)
FR0088 : 96.60 (-0.03%)

CDS of Indonesia Bonds

CDS 2yr: -2.39% to 29.25

CDS 5yr: -2.66% to 66.63

CDS 10yr: -1.92% to 114.46

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.62%	-0.02%
USDIDR	15,430	-0.39%
KRWIDR	11.62	-0.44%

Global Indices

Index	Last	Chg.	%
Dow Jones	41,240.52	65.44	0.16%
S&P 500	5,616.84	(17.77)	-0.32%
FTSE 100	8,327.78	0.00	0.00%
DAX	18,617.02	(16.08)	-0.09%
Nikkei	38,110.22	(254.05)	-0.66%
Hang Seng	17,798.73	186.63	1.06%
Shanghai	2,855.52	1.15	0.04%
Kospi	2,698.01	(3.68)	-0.14%
EIDO	21.99	(0.03)	-0.14%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,518.0	5.4	0.22%
Crude Oil (\$/bbl)	77.42	2.59	3.46%
Coal (\$/ton)	145.70	0.50	0.34%
Nickel LME (\$/MT)	16,758	0.00	0.00%
Tin LME (\$/MT)	32,912	0.	0.00%
CPO (MYR/Ton)	3,924	57.0	1.47%

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	86.6	Aug	86.0	87.0
26 – August	US	21.00	Durable Goods Order	9.9%	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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