

# Morning Briefing

## Today's Outlook:

**US MARKET SENTIMENT:** CB Consumer Confidence rose to a six-month high in August as fears of an economic recession eased despite Americans growing increasingly anxious about the labor market, according to data on Tuesday.

**EUROPEAN & ASIAN MARKETS:** Canada followed the lead of the United States and the European Union, to impose 100% tariffs on electric vehicle imports from CHINA and 25% tariffs on imported steel and aluminum from China. JAPAN reported BOJ Core CPI at 1.8% yoy, below expectations of 2.1%; likely to deter the central bank from raising interest rates sometime in the near future. While in GERMANY, they released a slightly better economic growth rate in Q2, as GDP no longer plunged into recessionary territory as expected & the previous quarter, although not sure if it was really saved to positive growth territory (= flat 0.0% yoy, quarterly still negative 0.1% qoq as expected). Thus, it is not surprising that there are predictions that the German consumer climate outlook in general for Sept will still be sluggish.

**COMMODITIES:** GOLD traded above USD 2,500/ounce on expectations of interest rate cuts and concerns regarding the escalation of MIDDLE EAST CONFLICT, which was exacerbated by Israel and Hezbollah attacking each other last Sunday. Tensions in the Middle East - along with concerns about the potential closure of Libyan oil fields - had led to a surge in OIL prices of more than 7% over the previous 3 sessions. However, the rally lost momentum on Tuesday, causing prices to retreat again. Oil prices fell, with BRENT ending down 2.3% to USD 79.55/barrel, while US WTI crude shed 2.4% to USD 75.53.

**CURRENCY & FIXED INCOME:** The DOLLAR INDEX (DXY), which measures the greenback's strength against a basket of currencies including the Yen and Euro, fell 0.3% to 100.55, with the Euro up 0.21% to USD 1.1184. The yield on the benchmark 10-year US Treasury note rose 1.5 basis points to 3.833%. Investors are betting on a rate cut of 25 basis points or 50 basis points in September, with the odds of a 25 bps cut around 71%, while the odds of a 50 bps cut are around 29%, according to the CME Fed Watch Tool.

**INDONESIA:** The government will extend the 100% value-added tax (VAT) exemption incentive policy for property purchases until December 2024.

## Corporate News

**PNM: Will Issue IDR 2T Sukuk, Check PNM Rating Details**

PEFINDO assigned PT Permodalan Nasional Madani an idAA+(sy) rating for the planned issuance of Medium-Term Mudharabah Sukuk VI with a maximum nominal issuance of IDR 2 trillion. At the same time, PEFINDO affirmed the idAA+ and idAA+(sy) ratings for PNM's outstanding bonds and sukuk. The outlook for the company's ratings is stable. The ratings reflect a very strong level of support from the Government of Indonesia as a major shareholder, a very strong business position, and very strong liquidity and financial flexibility. However, the ratings are constrained by moderate profitability indicators and a moderate asset quality profile. The rating may be upgraded if PEFINDO assesses further integration and synergy with the ultra micro (UMi) holding, as indicated by a significantly larger contribution to the holding. The rating may be downgraded if PEFINDO sees a significant decline in the level of support from the Parent, which can be reflected in a significantly lower level of control from the Parent, or if PNM experiences a significant decline in business and financial performance. (Emiten News)

## Domestic Issue

**Sukuk Auction Festive When Foreign Flows to RI Peaked**

The government held an auction of rupiah-denominated State Sharia Securities (SBSN) or State Sukuk on Tuesday (27/8). Based on the announcement of the Directorate General of Debt Management of the Ministry of Finance, the auction of state sukuk or State Sharia Securities (SBSN) held today recorded a considerable increase in investor interest amid today's market wind direction which turned to suppress bond prices in the domestic market. The large foreign capital sentiment still seems to be able to hoist the prestige of assets in the Indonesian financial market. The auction posted incoming bids of IDR 23.88 trillion, up 32% compared to the previous sukuk auction. However, the value of incoming requests is far below the incoming bids in last week's Government Securities auction which touched a three-year high of IDR 104 trillion. The moderate interest in the sukuk auction compared to the SUN auction may be due to two reasons. First, there is no new SBSN series offered in today's auction, as was the case in last week's SUN auction which released the inaugural FR0104 which will become the benchmark 10Y tenor. Last week's SUN auction was crowded because a new series was offered. Second, today's bond market sentiment tends to be more gloomy than before due to the narrowing yield gap with US debt following the increase in UST yield last night. As of yesterday's market close, the price of Government Securities (SBN) was under pressure so that the yield moved up led by the short tenor. Yield of SBN-1Y rose 5.6 bps to 6.409%. Meanwhile, the 5Y tenor crawled 1.7 bps to 6.501%. The 10Y tenor this afternoon rose 2.3 bps to 6.21%. (Bloomberg Technoz)

## Recommendation

**US10YT briefly attempted a breakout of MA10 & MA20 Resistance, touching a high yield of 3.870%, before finally closing depressed back down to a yield of 3.84%. This bottoming phase is waiting for a trigger to break out the Resistance above, before being able to return to the 4.0% yield level (although in overall moving in a mid-ter downtrend). It is likely that bond investors are at least waiting for the PCE PRICE INDEX data which will be released on Friday.**

**The same doubt also looms over ID10YT where the yield has not been able to break the nearest Resistance: MA10/6.66% which was tested yesterday. The movement of bond yields will indeed be heavily influenced by this week's economic data, especially from the US which will further drive the direction of their monetary policy. POTENTIAL: if the Resistance break out does not materialize, then it is possible that the yield will return to the Support area of 6.59%/6.56% - 6.53%.**

## PRICE OF BENCHMARK SERIES

FR0090	: 96.92 (-0.02%)
FR0091	: 98.55 (-0.02%)
FR0094	: 96.80 (+0.00%)
FR0092	: 103.09 (-0.03%)
FR0086	: 98.56 (+0.01%)
FR0087	: 99.66 (-0.06%)
FR0083	: 106.63 (-0.06%)
FR0088	: 96.69 (+0.09%)

## CDS of Indonesia Bonds

CDS 2yr	: +0.36% to 29.36
CDS 5yr	: -0.17% to 66.52
CDS 10yr	: +0.30% to 114.81

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.63%	0.01%
USDIDR	15,495	0.42%
KRWIDR	11.64	0.18%

## Global Indices

Index	Last	Chg.	%
Dow Jones	41,250.50	9.98	0.02%
S&P 500	5,625.80	8.96	0.16%
FTSE 100	8,345.46	17.68	0.21%
DAX	18,681.81	64.79	0.35%
Nikkei	38,288.62	178.40	0.47%
Hang Seng	17,874.67	75.94	0.43%
Shanghai	2,848.73	(6.79)	-0.24%
Kospi	2,689.25	(8.76)	-0.32%
EIDO	21.89	(0.10)	-0.45%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,524.6	6.6	0.26%
Crude Oil (\$/bbl)	75.53	(1.89)	-2.44%
Coal (\$/ton)	146.00	0.30	0.21%
Nickel LME (\$/MT)	17,136	378.0	2.26%
Tin LME (\$/MT)	33,244	332.0	1.01%
CPO (MYR/Ton)	3,923	(1.0)	-0.03%

## 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
<b>Monday</b>	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%
<b>Tuesday</b>	US	21.00	Conf. Board Consumer Confidence	-	Aug	100.0	100.3
27 – August							
<b>Wednesday</b>	US	18.00	MBA Mortgage Applications	-	Aug 23	-	-10.1%
28 – August							
<b>Thursday</b>	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%
<b>Friday</b>	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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