Morning Briefing

NH KORINDO SEKURITAS INDONESIA

Daily | August 29, 2024

Today's Outlook:

US MARKET SITUATION: Investors in general expect the US Federal Reserve to cut interest rates at its September meeting after Fed Chairman Jerome Powell's support expressed readiness to adjust monetary policy going forward. The CME FedWatch Tool currently sees a 64% chance of a 25 basis point cut and a 37% chance of a 50 basis point cut. The US PCE PRICE INDEX for July, due for release on Friday, may provide further insight into the central bank's likely rate cut path.

MACQUARIE: Without a Federal Reserve interest rate cut, the US is more likely to go into recession, Macquarie analysts noted after signs of a weakening labor market became apparent in the latest US Consumer Confidence report. Respondents reported that job supply fell to 32.8% from 33.4%, while those reporting jobs were hard to come by rose to 16.4%. This spread, which follows the unemployment rate, is now at its widest since March 2021, when unemployment stood at 6.1%, Macquarie observed.

MARKET SENTIMENT: Tonight market participants will monitor the preliminary estimate of 2Q US GDP with an expected 2.8% qoq which is double the economic growth from the previous quarter's 1.4%; don't forget also the weekly Initial Jobless Claims every Thursday will shape the market's view on labor market conditions.

EUROPEAN MARKETS: will be fixated on the preliminary GERMAN CPI (Aug) figure which is expected to ease further to 2.1% yoy (from 2.3% in the previous month), on track towards the 2% target of the ECB.

COMMODITIES: Oil prices fell 1% on Wednesday after a smaller-than-expected drop in US crude stockpiles and concerns over Chinese demand persisted, although losses were limited by supply risks in the Middle East and Libya. Brent crude oil closed down 90 cents, or 1.13%, at USD 78.65 per barrel. US West Texas Intermediate crude fell USD 1.01, or 1.34%, to USD 74.52. Chinese demand concerns also continued to weigh on prices as recent data showed a struggling economy and slowing oil demand from refiners. The potential loss of Libyan oil production and the possibility of the Israel-Gaza conflict spilling over to include Iranian-backed militants from Hezbollah in Lebanon remain the biggest risks to the oil market, which limited price declines on Wednesday.

Corporate News

Indonesia Infrastructure Finance (IIF) Will Pay Matured Bonds IDR 163 Billion

PT Indonesia Infrastructure Finance (IIF) is cleaning up its debt. The company is preparing funds to pay for sustainable bonds I phase I 2019 series C worth IDR 163 billion. The 2019 sustainable bonds will mature on December 18, 2024. IIF, as quoted from a Pefindo release on Wednesday (28/8), plans to pay off the maturing bonds using internal funds. As of July 31, 2024, the company has cash and cash equivalents and securities of IDR 1.5 trillion, plus unused bank facilities worth IDR 4 trillion. At the same time, IIF is conducting a tender offer for its 2026 bonds. The notes are senior unsecured notes with a principal value of USD 150 million and a fixed interest rate of 1.5% per annum. Director of Indonesia Infrastructure Finance (IIF) Rizki Pribadi Hasan explained in a stock exchange filing on Wednesday (28/8) that the notes will mature in 2026. "We have started a cash tender offer to buy back the 2026 bonds with an amount of up to USD 50 million," he explained. (Kontan)

Domestic Issue

South Sumatra Potentially Issues Regional Bonds

South Sumatra Province (South Sumatra) is considered to have the potential to issue regional bonds to ease the burden on the budget for infrastructure development implementation in the APBN and APBD in the region. This was revealed by the Head of the Economic and Development Funding Division of the South Sumatra Regional Development Planning Agency (Bappeda), Hari Wibawa, Wednesday (28/8/2024). "Yes, it is possible," he told Bisnis. According to Hari, infrastructure development through bond schemes in South Sumatra has not been realized until now. This includes mapping the challenges that may arise in implementing the model. However, he admitted, South Sumatra is in the process of exploring projects that have the opportunity to use the bond scheme. "Now we are still in the process of exploring which (projects) can be done through the bond scheme with the assistance of the Coordinating Ministry for Economic Affairs," he added. One of the existing opportunities for bond issuance is the development of Siti Fatimah Hospital (RS) located in Palembang City. He added, apart from being an alternative in reducing the burden on the APBN and APBD budgets. He assessed that the issuance of bonds for infrastructure development also has advantages such as a longer repayment period. "And the interest may also be lower," he said. Hari emphasized that the exploration of project funding through bonds had also received direction from the Acting Governor of South Sumatra. (Bisnis)

Recommendation

US10YT has not been far from the Support yield region in the phase of waiting for US PCE PRICE INDEX data which will be released this Friday. A break of MA10 & MA20 Resistance above 3.86% yield will only create a little room for strengthening towards 3.97% - 4.0%. ADVISE: anticipate a limited downside potential in the price anytime soon.

ID10YT has not been able to "move on" from MA10 / yield 6.65% which is currently the closest Resistance, in order to avoid further consolidation towards the bottom target around 6.53%. POTENTIAL: downtrend down yield is still intact, price may still rally limited.

PRICE OF BENCHMARK SERIES

FR0090 : 96.99 (+0.08%)
FR0091 : 98.56 (+0.01%)
FR0094 : 96.80 (+0.00%)
FR0092 : 103.08 (-0.02%)

FR0086 : 98.56 (+0.00%)
FR0087 : 99.65 (-0.02%)
FR0083 : 106.63 (+0.00%)
FR0088 : 96.55 (-0.14%)

CDS of Indonesia Bonds

CDS 2yr: +1.86% to 29.90

CDS 5yr: +1.61% to 67.59

CDS 10yr: +1.36% to 116.37

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.63%	-0.00%
USDIDR	15,425	-0.45%
KRWIDR	11.54	-0.87%

Global Indices

Index	Last	Chg.	%
Dow Jones	41,091.42	(159.08)	-0.39%
S&P 500	5,592.18	(33.62)	-0.60%
FTSE 100	8,343.85	(1.61)	-0.02%
DAX	18,782.29	100.48	0.54%
Nikkei	38,371.76	83.14	0.22%
Hang Seng	17,692.45	(182.22)	-1.02%
Shanghai	2,837.43	(11.30)	-0.40%
Kospi	2,689.83	0.58	0.02%
EIDO	22.06	0.17	0.78%

Commodities

Commodity	Last	Chg.	%
Gold ($/troy oz.)	2,504.6	(20.0)	-0.79%
Crude Oil ($/bbl)	74.52	(1.01)	-1.34%
Coal ($/ton)	145.00	(1.00)	-0.68%
Nickel LME ($/MT)	17,019	(117.0)	-0.68%
Tin LME ($/MT)	32,605	(639.0)	-1.92%
CPO (MYR/Ton)	3,920	(3.0)	-0.08%

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)	4.89	6.03
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	103.3	Aug	100.0	100.3
27 – August							
Wednesday	US	18.00	MBA Mortgage Applications	0.5%	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

Research Division

Head of Research
Liza Camelia Suryanata
Equity Strategy, Macroeconomics, Technical
T +62 21 5088 ext 9134

Analyst
Ezaridho Ibnutama
Consumer Goods, Poultry, Healthcare
T +62 21 5088 ext 9126
E ezaridho.ibnutama@nhsec.co.id

Analyst
Leonardo Lijuwardi
Banking, Infrastructure
T +62 21 5088 ext 9127
E leonardo.lijuwardi@nhsec.co.id

Analyst
Axell Ebenhaezer
Mining, Property
T +62 21 5088 ext 9133
E Axell.Ebenhaezer@nhsec.co.id

Analyst
Richard Jonathan Halim
Technology, Transportation
T +62 21 5088 ext 9128
E Richard.jonathan@nhsec.co.id

Research Support
Amalia Huda Nurfalah
Editor & Translator
T +62 21 5088 ext 9132
E amalia.huda@nhsec.co.id

NH KORINDO SEKURITAS

PT. NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

JAKARTA (HEADQUARTER):

District 8 Treasury Tower 51st Fl. Unit A, SCBD Lot.28

Jl. Jendral Sudirman Kav. 52-53
Jakarta Selatan 12190

Telp : +62 21 5088 9102

Branch Office BSD:

ITC BSD Blok R No.48

Jl. Pahlawan Seribu Serpong

Tangerang Selatan 15311

Indonesia

Telp : +62 21 509 20230

Branch Office Medan :

Jl. Asia No. 548 S

Medan – Sumatera Utara 20214

Indonesia

Telp : +62 614 156500

Branch Office Bandung:

Paskal Hypersquare Blok A1

Jl. Pasirkaliki No 25-27

Bandung 40181

Indonesia

Branch Office Bandengan (Jakarta Utara):

Jl. Bandengan Utara Kav. 81

Blok A No.02, Lt 1

Jakarta Utara 14440

Indonesia

Telp : +62 21 6667 4959

Branch Office Kamal Muara (Jakarta Utara):

Rukan Exclusive Mediterania Blok F No.2

Jakarta Utara 14470

Indonesia

Telp : +62 24 844 6878

Branch Office Pekanbaru:

Sudirman City Square

Jl. Jend. Sudirman Blok A No.7

Pekanbaru

Indonesia

Telp : +62 761 801 1330

Branch Office Makassar:

Jl. Gunung Latimojong No.120A

Makassar

Indonesia

Branch Office Denpasar:

Jl. Cok Agung Tresna

Ruko Griya Alamanda No. 9

Renon Denpasar, Bali 80226

Indonesia

Telp : +62 361 209 4230

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Seoul | New York | Hong Kong | Singapore | Shanghai | Beijing | Hanoi | Jakarta