

Morning Brief

Daily | August 5, 2024

Today's Outlook:

Disappointing US employment data on Friday fueled fears of a future recession, prompting investors to sell off heavily in the stock market and turn to safe-haven bonds. Bond prices surged, sending yields to multi-month lows. Oil prices fell more than 3%; while the Dollar Index fell more than 1% to its weakest position since March. US Tech companies took a significant hit, and the European bank stock index headed for its biggest weekly decline in 17 months on weak earnings reports. A measure of stock market volatility (VIX), dubbed Wall Street's "fear index", jumped more than 40%. All this panic-selling was caused by the release of the US NONFARM PAYROLL labor data on Friday which showed job growth in July (in the public sector) added only 114k, well below estimates of 176k and 179k in June. The Unemployment Rate also rose to 4.3%, indicating weakness in the labor market and the vulnerability of the economy in general to recession. Earlier the market was already reeling from disappointing performance reports from Amazon and Intel as well as a weaker-than-expected US factory activity survey on Thursday.

On the one hand, the data raised expectations of multiple interest rate cuts by the Federal Reserve this year, which only at this week's FOMC Meeting chose to keep the Fed Funds Rate unchanged. Analysts & economists are increasingly blaming the Federal Reserve for not cutting interest rates sooner, amid other central banks' more bold moves to cut rates. The Fed has kept its benchmark interest rate at a 23-year high of 5.25%-5.50% for a year, and some analysts believe the world's most influential central bank may have kept monetary policy tight for too long, risking a recession. Now money markets are immediately pricing in a 70% chance that the Fed, which is already 100% expected to cut rates in September, decides on a rate cut of 50 bps at next month's FOMC Meeting.

Safe-haven assets were buzzed as government bonds, gold, and currencies all rallied; they are valued as assets that have the ability to hold their value in periods of market turmoil. The benchmark 10-year US Treasury yield fell 18 bps to 3.798%. The 2-year yield, which usually moves in line with interest rate expectations, fell 28.5 basis points to 3.8798%. In the foreign exchange market, the yen appreciated nearly 2%, extending its rapid rise after the Bank of Japan raised interest rates to levels not seen in 15 years.

COMMODITIES: Nevertheless, spot GOLD is currently observed down 0.37% to USD 2,436.31/ounce and Gold futures closed 0.4% lower to USD 2,476.9/ounce. OIL prices also slipped more than 3% on global economic growth concerns, with benchmark BRENT futures in the European market closing down USD 2.71/3.41%, to USD 76.81/barrel. US WTI crude ended down USD 2.79/3.66%, at USD 73.52/barrel.

ECONOMIC INDICATORS: This day will be filled with Composite & Services PMI (Jul) data from around the world, especially from JAPAN, CHINA, GERMANY, EUROZONE, & UK; and not to forget the evening data from the US. Domestically, INDONESIA awaits the 2Q GDP data which will contribute to the overall market sentiment.

Corporate News

ISAT: Pefindo Gives idAAA Rating to Indosat Notes

PT Pemeringkat Efek Indonesia (Pefindo) said that the debt securities issued by PT Indosat Tbk (ISAT), namely Sustainable Bonds II Phase II Year 2017 Series D (idAAA rating) worth IDR 21 billion, and Sustainable Sukuk Ijarah II Phase II Year 2017 Series D (idAAA rating) worth IDR 13 billion will mature on November 9, 2024. Launching the Pefindo Rating Overview page, it is stated that ISAT plans to pay off the maturing debt securities using internal funds, with a cash position as of the end of June 2024, recorded at IDR 4.6 trillion. As reported by Pefindo, ISAT or Indosat Ooredoo Hutchison (IOH) is one of the top three telecommunications and information service providers in Indonesia, including cellular business services; multimedia, internet and data communications (MIDI); and fixed telephone networks. As of June 30, 2024, 65.64% of ISAT shares were owned by Ooredoo Hutchison Asia, Pte Ltd, which is jointly controlled by Ooredoo South East Asia Holding W.L.L and CK Hutchison Indonesia Telecom Holdings Limited. The next shareholders are PT Perusahaan Pengelola Aset (Persero) (9.63%), PT Tiga Telekomunikasi Indonesia (8.33%), and the public (16.40%). (Bareksa)

Domestic Issue

Banking Waits for Opportunity to Issue Bonds

In the midst of tight liquidity conditions, banks do not seem to be in a hurry to find other sources of funding. In this case, not many banks have sought funding from bond issuance. This is reflected in the bank's plan to issue bonds in the second half of this year, which is still less than the first semester of 2024. Pefindo noted that throughout the first semester of 2024, bond issuance from the banking sector was worth IDR 5.7 trillion. Pefindo Financial Services Rating Division Analyst Danan Dito revealed that in the second semester of 2024, the mandate that Pefindo had just received, bond issuance from the banking industry was only around IDR 4.9 trillion. Dito said that this condition was due to the need for banks to issue ordinary bonds. Where, credit growth was also not as high as expected at the beginning of the year even though it was quite good. On the other hand, he saw that banking liquidity was actually still quite well maintained. Where, banking liquidity in June 2024 is adequate with the Liquid Assets/Non-Core Deposit (AL/NCD) and Liquid Assets/TPF (AL/TPF) ratios recorded at 112.33% and 25.37%, respectively. Therefore, Dito said that currently banks are calculating the profit and loss of whether to issue bonds now or wait for interest rates to fall. He said it would be easier to sell if the bonds had high interest. (Kontan)

Recommendation

The US10YT has reached its lowest level of the year, which is the same point as the December 27th low around 3.78% yield; at a time when the RSI was very Oversold. However, this morning the yield was detected to have slipped further to 3.73% as the US economic recession looms after the release of US NONFARM PAYROLL employment data which fell below expectations. Tonight's PMI data is expected to bring some fresh air, especially when yields are already at this bottom area. Please understand that the expectation of limited downside potential is entirely dependent on economic data sentiment.

ID10YT is entering the medium and long term support region around 6.83% - 6.78% yield in short term downtrend following the weakening trend of US Treasury yields. Anticipate consolidation to continue due to negative regional market sentiment.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.25%	6.25%	Real GDP	5.11%	5.04%
FX Reserve (USD bn)	140.18	139.00	Current Acc (USD bn)	-2.16	-1.29
Trd Balance (USD bn)	2.39	2.93	Govt. Spending Yoy	19.90%	2.81%
Exports Yoy	1.17%	2.86%	FDI (USD bn)	6.03	4.82
Imports Yoy	7.58%	-8.83%	Business Confidence	104.82	104.30
Inflation Yoy	2.13%	2.51%	Cons. Confidence*	123.30	125.20

PRICE OF BENCHMARK SERIES

FR0090 : 96.37 (-0.01%)
FR0091 : 97.45 (+0.10%)
FR0094 : 96.23 (+0.00%)
FR0092 : 101.19 (+0.59%)

FR0086 : 98.37 (-0.01%)
FR0087 : 98.79 (-0.02%)
FR0083 : 104.70 (+0.07%)
FR0088 : 95.23 (-0.16%)

CDS of Indonesia Bonds

CDS 2yr: +4.65% to 35.46

CDS 5yr: +2.82% to 78.59

CDS 10yr: +3.60% to 133.47

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.85%	-0.04%
USDIDR	16,200	-0.22%
KRWIDR	11.91	0.43%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,737.26	(610.71)	-1.51%
S&P 500	5,346.56	(100.12)	-1.84%
FTSE 100	8,174.71	(108.65)	-1.31%
DAX	17,661.22	(421.83)	-2.33%
Nikkei	35,909.70	(2216.63)	-5.81%
Hang Seng	16,945.51	(359.45)	-2.08%
Shanghai	2,905.34	(27.05)	-0.92%
Kospi	2,676.19	(101.49)	-3.65%
EIDO	20.30	0.11	0.54%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,443.2	(3.0)	-0.12%
Crude Oil (\$/bbl)	73.52	(2.79)	-3.66%
Coal (\$/ton)	144.10	1.55	1.09%
Nickel LME (\$/MT)	16,273	(9.0)	-0.06%
Tin LME (\$/MT)	30,188	294.0	0.98%
CPO (MYR/Ton)	3,917	47.0	1.21%

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	ID	11.00	GDP YoY	-	2Q	5.00%	5.11%
05 – August	US	20.45	S&P Global US Manufacturing PMI	-	Jul F	56	56
	US	21.00	ISM Services Index	-	Jul	51	48.8
Tuesday	US	19.30	Trade Balance	-	Jun	-\$ 72.5B	-\$75.1B
06 – August							
Wednesday	US	18.00	MBA Mortgage Applications	-	Aug 2	-	-3.9%
07 – August							
Thursday	JP	06.50	BoP Current Account Balance	-	Jun	¥1864B	¥2849.9B
08 – August	US	19.30	Initial Jobless Claims	-	Aug 3	243k	249k
Friday	GE	13.00	CPI YoY	-	Jul F	2.3%	2.3%
09 – August	GE	13.00	CPI MoM	-	Jul F	0.3%	0.3%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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