

Morning Brief

Today's Outlook:

US & GLOBAL MARKETS: The CBOE Volatility Index, known as Wall Street's fear gauge, recorded its highest intraday spike before ending the day at 38.57 points for its highest close since October 2020.

Before the US stock market opened, JAPAN's NIKKEI index closed down 12.40% which was the biggest daily decline since October 1987 as the Yen surged after the central bank again raised interest rates to levels not seen in 15 years. The yen rallied sharply against the US dollar on Monday on aggressive unwinding of the so-called carry-trade, in which investors borrow money from low-interest rate countries like Japan to fund investments in higher-yielding assets elsewhere. But now the Japanese Yen is turning stronger and the US Dollar is weakening, also forcing investors to take-profit on stocks of large Tech companies that have posted high profits. The weaker-than-expected US Nonfarm Payrolls (Jul) report had kick-started the sell-off on Wall Street on Friday as investors priced in the possibility of a 50bps rate cut. The labor data was released following disappointing earnings reports from several large US Tech companies, further adding to the negative sentiment in the market. Goldman Sachs urged a faster rate cut, and there was talk of an emergency meeting of the Fed to realize a rate cut even before the September FOMC Meeting.

ECONOMIC INDICATORS: The Institute for Supply Management (ISM) said that service sector activity in the US recovered from a 4-year low in July with rising orders and employment, slightly easing fears of a recession. The Non-Manufacturing PMI rose to 51.4 from 48.8 in June, exceeding economists' expectations for 51.0. A PMI reading above 50 indicates expansionary growth in the services sector, which accounts for more than two-thirds of the US economy.

CURRENCY & FIXED INCOME: THE US DOLLAR fell against the YEN to a 7-month low as nervous investors looked for signs of a recession in the United States. The DOLLAR INDEX (DXY), which measures the greenback against a basket of currencies including the yen and euro, fell 0.46% to 102.68. On the one hand, the US TREASURY YIELD rallied again after a solid US services sector activity report eased recession fears, after falling to its lowest level in more than a year earlier in the session. Chicago Federal Reserve President Austan Goolsbee also boosted sentiment when he said Friday's weak July labor report did not necessarily signal a recession. The yield on the 10-year US Treasury note fell 1.1 basis points to 3.785%, from 3.796% on Friday, while the yield on the 30-year note fell 3.5 basis points to 4.0763%. The yield on the 2-year bond, which usually moves in line with interest rate expectations, rose 3 basis points to 3.9017%, from 3.872% at the end of Friday. The market's reluctance to take risks was also seen in tighter spreads on US interest rate swaps, futures contracts on the Secured Overnight Financing Rate (SOFR) and the Federal funds rate as US bond spreads surged.

COMMODITIES: In terms of commodities, Oil prices still closed lower on Monday, as recession fears led to concerns about overall demand, but these declines were tempered by the potential that an escalation of Middle East conflict could disrupt crude oil supply. US WTI closed down 0.79% at USD 72.94/barrel and BRENT closed at USD 76.30/barrel, or 0.66% lower yesterday. In precious metals, the funny thing is that GOLD seems to be losing its appeal as a safe haven asset. Gold spot price fell 1.52% to USD 2,406.16/ounce. US Gold futures also slipped down 0.74% to USD 2,407.70/ounce.

ASIA & EUROPE MARKETS: a string of PMI data emerged yesterday, starting with JAPAN & CHINA recording Services sector growth remaining in expansionary territory for July; and most European countries such as GERMANY, EUROZONE, and UK also showed positive growth in both overall PMI and Non-manufacturing sectors. This morning Japan has released its latest economic data, Household Spending which appears to have fallen more than expected, although on the one hand employee Wage growth in June more than doubled the previous month.

INDONESIA: reported Q2 GDP at 5.05% yoy, beating expectations of 5.0%, although slightly down from 5.11% in the previous quarter. On quarterly basis, the economy grew by 3.79%, better than expectation of 3.71% which was also higher than the previous quarter which was minus 0.83%; driven by mobility and consumption during religious festivities, increased public activities, and smooth election.

Corporate News

ADHI: IDR 473.5B Bond Maturity This Month

PT Adhi Karya (Persero) Tbk. (ADHI) has announced the preparation of funds amounting to IDR 473.5 billion for the payment of the Adhi Karya Phase II Year 2021 Shelf Registration Bond III Series B. The bonds will mature on August 24, 2024. Bani Iqbal, Finance Director of ADHI, in a written statement on Monday (5/8) stated that the funds for the bond payment will come from the proceeds of the issuance of Shelf Registration Bond IV Year 2024 and the company's internal cash. "The preparation of these funds shows our commitment to fulfill our financial obligations in a timely manner and ensure the continuity of the company's healthy operations," Mr Bani said. This step was taken as part of ADHI's strategy to manage the company's finances efficiently, as well as to maintain the trust of investors and bondholders. (Emiten News)

Domestic Issue

Foreign Investors Invade Indonesian Shares and Government Securities as of July 2024, OJK Discloses the Facts

The Financial Services Authority (OJK) noted that the stock market and government securities (SBN) were busy being hunted by foreigners at the beginning of the second half of this year or as of July 2024. OJK Board of Commissioners member for capital market supervision Inarno Djajadi said the SBN market was also busy being hunted by foreigners. "The SBN market recorded a net buy of IDR 4.9 trillion on a mtd basis, and ytd is still a net sell of IDR 29.05 trillion," he explained. Meanwhile, in the bond market, OJK noted that the benchmark index for Indonesian bonds or the Indonesia Composite Bond Index (ICBI) recorded a gain of 1.09% mtd and rose 2.66% ytd to 384.57 as of July 31, 2024. Corporate bonds alone recorded a net sell from non-resident investors of IDR 0.58 trillion mtd. Meanwhile, the net sell on a ytd basis reached IDR 2.2 trillion. In investment management institutions, the value of assets under management (AUM) in the market reached IDR 830.25 trillion, growing 0.51% mtd and 0.67% ytd. Recorded, net subscription of IDR 2.75 trillion mtd, although there is still a net redemption of IDR 12.53 trillion. (Bisnis)

Recommendation

US10YT showed symptoms of a technical rebound when it touched the Support area from the previous Low level around 3.81% - 3.72% yield. The candle took the shape of a long-leg Hammer when the RSI has matured in the Oversold region. ADVISE: anticipate technical rebound to the nearest Resistance: 4.0% psychological level.

ID10YT is still holding within medium and long term Support, finally not closing lower than 6.80% yield. In fact, there seems to be a resistance attempt to break the Resistance 3 layer Moving Average to the top of yield 6.923% - 6.982%. ADVISE: anticipate limited upside potential in the price and be ready to consolidate again if the yield turns higher.

PRICE OF BENCHMARK SERIES

FR0090 : 96.39 (+0.02%)
FR0091 : 97.59 (+0.14%)
FR0094 : 96.23 (+0.00%)
FR0092 : 101.21 (+0.02%)

FR0086 : 98.41 (+0.04%)
FR0087 : 98.87 (+0.09%)
FR0083 : 104.80 (+0.09%)
FR0088 : 95.27 (+0.04%)

CDS of Indonesia Bonds

CDS 2yr: -0.03% to 35.45

CDS 5yr: +4.17% to 81.87

CDS 10yr: +0.10% to 133.62

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.81%	-0.04%
USDIDR	16,185	-0.09%
KRWIDR	11.82	-0.76%

Global Indices

Index	Last	Chg.	%
Dow Jones	38,703.27	(1033.99)	-2.60%
S&P 500	5,186.33	(160.23)	-3.00%
FTSE 100	8,008.23	(166.48)	-2.04%
DAX	17,339.00	(322.22)	-1.82%
Nikkei	31,458.42	(4451.28)	-12.40%
Hang Seng	16,698.36	(247.15)	-1.46%
Shanghai	2,860.70	(44.64)	-1.54%
Kospi	2,441.55	(234.64)	-8.77%
EIDO	19.56	(0.74)	-3.65%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,410.8	(32.5)	-1.33%
Crude Oil (\$/bbl)	72.94	(0.58)	-0.79%
Coal (\$/ton)	143.70	(0.40)	-0.28%
Nickel LME (\$/MT)	16,276	3.0	0.02%
Tin LME (\$/MT)	29,484	(704.0)	-2.33%
CPO (MYR/Ton)	3,787	(130.0)	-3.32%

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

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



Indonesia 10 Years Treasury



Research Division

Head of Research

Liza Camelia Suryanata

Equity Strategy, Macroeconomics,
Technical
T +62 21 5088 ext 9134

Analyst

Axell Ebenhaezer

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

Analyst

Ezaridho Ibnutama

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

Analyst

Richard Jonathan Halim

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

Analyst

Leonardo Lijuwardi

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

Research Support

Amalia Huda Nurfalih

Editor & Translator
T +62 21 5088 ext 9132
E amalia.huda@nhsec.co.id

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PT. NH Korindo Sekuritas Indonesia

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

Telp : +62 22 860 22122

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

Telp : +62 411 360 4650

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