

# Morning Briefing

Daily | September 19, 2024

## Today's Outlook:

**US MARKETS:** As expected, the **US DOLLAR strengthened in volatile trading on Wednesday (18/09/24) after the US Federal Reserve opted for the first major cut in the FED FUND RATE in more than four years.** The US central bank cut its benchmark interest rate by 50 bps, greater than the 25 bps usually reserved for adjustments, citing greater confidence that inflation will continue to decline to its 2% annual target. The rate, which directs how much interest banks pay each other and affects interest rates for consumers, is now in the 4.75%-5.00% range, the lower end of the range the market expected. The **DOLLAR INDEX**, which measures the strength of the US dollar's value against a basket of currencies including the Yen and Euro, weakened after the announcement before eventually rising 0.07% to 100.98. In the US government debt market, the yield on the interest rate-sensitive 2-year US Treasury bond rose 3.8 basis points to 3.6297%, from 3.592% at the end of Tuesday. The 10-year Treasury yield rose 6.6 basis points to 3.708%, from 3.642% at the end of Tuesday. **FED CHAIRMAN Jerome Powell** said he sees no signs of recession, citing solid growth, lower inflation, and a labor market that remains at very strong levels. He justified the 50bps magnitude of the first rate cut after 4.5 years in favor of promoting maximum employment and a stable price trend. Market participants are now fully pricing in a cut of at least 25 bps at the central bank's next meeting in November, with a roughly 40% chance of a larger cut of 50 bps.

**ECONOMIC INDICATORS:** In addition to the Fed rate cut being the main highlight, the **US was faced with Aug's Building Permits & Housing Starts data which both posted quite aggressive monthly growth, reversing positively from a contractionary position in the previous month.** This at least supports the idea that the US is indeed far from recession. For today, as usual, the weekly Initial Jobless Claims figure will be awaited, as well as the Philadelphia Fed Manufacturing Index (Sept), plus Existing Home Sales for Aug.

## EUROPEAN & ASIAN MARKETS:

- **Next up on the busy policy calendar this week is the BANK OF ENGLAND meeting on Thursday, which financial markets expect to keep rates on hold.** This decision may be supported by the fact that UK Inflation in Aug stabilized at 2.2% yoy as expected, despite deflation in their PPI.

- **Similarly, EUROZONE Inflation rate also came in at 2.2% yoy as expected, thus UK & EUROZONE are on trajectory towards their respective central banks' 2% Inflation Target.**

- **BANK OF JAPAN is also expected to hold rates unchanged on Friday. On Wednesday afternoon local time after the Fed meeting, the JAPAN YEN strengthened 0.11% to 142.24/USD.** The pound sterling gained 0.28% to USD 1.3193.

**INDONESIA: BANK INDONESIA'S BOARD OF GOVERNORS' MEETING surprisingly cut the BI7DRR benchmark rate by 25bps to 6.0% in anticipation of the Fed rate cut which eventually materialized by 50bps to 4.75% - 5.0%.** The market expected BI to base the decision which some considered as a less prudent move despite the fact that Indonesia's Inflation is safely under control at 2.12% and RUPIAH has been comfortably below 15400/USD lately (even yesterday USD/IDR touched a low of 15164 before closing slightly stronger to 15321, and formed a bullish reversal candle similar to Dragonfly / long-leg Hammer, in the Support area with RSI positive divergence indication; suggesting technical rebound for USD on the horizon).

## Corporate News

**PTRO: Petrosea Receives idA+ Rating from Pefindo, Stable Outlook**

Prajogo Pangestu's company PT Petrosea Tbk (PTRO) announced that on September 17, 2024 the company obtained a corporate rating of idA+ (Single A Plus) with a stable outlook from PT Pemeringkat Efek Indonesia (Pefindo). PTRO Chief Investment Officer Kartika Hendrawan said the rating result is a reflection of stronger financial fundamentals, sustainable capital structure, and prudent capital expenditure on new contracts obtained by the Company. "Pefindo assigned an idA+ rating with a stable outlook to PT Petrosea Tbk. The rating reflects Petrosea's strong business position, integrated services, and strong financial profile," Kartika said in an official release, Wednesday (18/9/2024). Based on Pefindo's rating, obligors with idA ratings have a strong ability compared to other Indonesian obligors to fulfill their long-term financial commitments. However, the obligor's ability may be easily affected by adverse changes in economic conditions and circumstances compared to obligors with higher ratings. (Bisnis)

## Domestic Issue

**Rupiah Strengthens Supported by Significant Capital Inflows**

Economist at the Institute for Economic and Community Research, Faculty of Economics and Business, University of Indonesia (LPEM FEB UI) Teuku Riefky said the strengthening of the rupiah in mid-September 2024 was supported by significant capital inflows into the domestic financial market. "The rupiah strengthened to IDR 15,395 per US dollar in mid-September 2024, appreciating 2.75 percent over the past month due to significant capital inflows," Riefky said in Jakarta, Wednesday. He said the trend of strong capital flows from developed countries to developing countries since early August 2024 has continued. In the period from August 15 to September 11, 2024, Indonesia experienced an increase in capital inflows of around 3.37 billion US dollars. The abundance of foreign capital flows into the domestic financial market has driven the rupiah to strengthen. During that period, the rupiah strengthened by 2.75 percent and is currently at IDR 15,395 per US dollar. Furthermore, Riefky said the flow of foreign capital into Indonesian debt instruments has driven up the yield on government bonds. The yield on 10-year government bonds is currently at 6.65 percent, down more than ten basis points from 6.78 percent on August 15, 2024. (Antara News)

## Recommendation

**US10YT experienced a technical rebound through the first Resistance: MA10, to the top of 3.67% yield; right after Fed rate cut by 50bps in FOMC MEETING decision early this Thursday.** ADVISE: anticipate limited price weakness until the yield touches the mid-term Resistance of 3.785%, but after that the yield should return to follow the ongoing medium-term trend which is back downtrend.

**ID10YT is still not showing any symptoms of rebound, even when BI has taken pre-emptive steps by lowering interest rates by 25bps first yesterday afternoon before the Fed decision came out. ID10YT which is in the mid-term downtrend has entered the Support lower channel 6.54% region, supported by RSI positive divergence.** ADVISE: anticipate an immediate trend reversal, at least towards the nearest Resistance: MA10 & MA20 at yield 6.60% - 6.613%.

## PRICE OF BENCHMARK SERIES

FR0090 : 97.19 (+0.05%)  
FR0091 : 98.85 (+0.04%)  
FR0094 : 96.80 (+0.00%)  
FR0092 : 103.57 (+0.18%)

FR0086 : 98.64 (+0.04%)  
FR0087 : 99.89 (+0.08%)  
FR0083 : 106.76 (+0.04%)  
FR0088 : 96.70 (-0.47%)

## CDS of Indonesia Bonds

CDS 2yr: -0.81% to 29.57  
CDS 5yr: -0.58% to 67.02  
CDS 10yr: -0.78% to 115.05

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.56%	-0.01%
USDIDR	15,340	0.03%
KRWIDR	11.58	-0.03%

## Global Indices

Index	Last	Chg.	%
Dow Jones	41,503.10	(103.08)	-0.25%
S&P 500	5,618.26	(16.32)	-0.29%
FTSE 100	8,253.68	(56.18)	-0.68%
DAX	18,711.49	(14.59)	-0.08%
Nikkei	36,380.17	176.95	0.49%
Hang Seng	17,660.02	237.90	1.37%
Shanghai	2,717.28	13.19	0.49%
Kospi	2,575.41	3.32	0.13%
EIDO	22.76	0.11	0.49%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,558.9	(10.6)	-0.41%
Crude Oil (\$/bbl)	70.91	(0.28)	-0.39%
Coal (\$/ton)	139.00	(0.65)	-0.47%
Nickel LME (\$/MT)	16,233	45.0	0.28%
Tin LME (\$/MT)	31,594	(261.0)	-0.82%
CPO (MYR/Ton)	3,845	109.0	2.92%

## Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.00%	6.25%	Real GDP	5.05%	5.11%
FX Reserve (USD bn)	150.24	145.40	Current Acc (USD bn)	-3.02	-2.16
Trd Balance (USD bn)	2.90	0.47	Govt. Spending Yoy	1.42%	19.90%
Exports Yoy	7.13%	6.46%	FDI (USD bn)	4.89	6.03
Imports Yoy	9.46%	11.07%	Business Confidence	104.82	104.30
Inflation Yoy	2.12%	2.13%	Cons. Confidence*	124.40	123.40

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
<b>Monday</b>	US	19.30	Empire Manufacturing	11.5	Sep	-4.0	-4.7
16 – September							
<b>Tuesday</b>	US	13.00	Retail Sales Advance MoM	0.1%	Aug	-0.2%	1.0%
17 – September	US	13.00	Industrial Production MoM	0.8%	Aug	0.1%	-0.6%
<b>Wednesday</b>	US	18.00	MBA Mortgage Applications	14.2%	Sep 13	-	1.4%
18 – September	US	19.30	Housing Starts	1356k	Aug	1305k	1238k
<b>Thursday</b>	US	01.00	FOMC Rate Decision (Upper Bound)	5.00%	Sep 18	5.25%	5.50%
19 – September	US	19.30	Initial Jobless Claims	-	Sep 14	-	230k
	US	19.30	Existing Home Sales	-	Aug	3.90m	3.95m
<b>Friday</b>	JP	06.30	National CPI YoY	-	Aug	3.00%	2.80%
20 – September							

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury



## Indonesia 10 Years Treasury



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