

# Morning Briefing

Daily | September 20, 2024

## Today's Outlook:

**US MARKETS:** US TREASURY yields increased on Thursday (19/09/24), as the start of the first interest rate cut cycle by the Federal Reserve in more than four years boosted investors' risk appetite. The thought that the US economy is moving in a soft-landing scenario (= Inflation is safely contained while the economy is kept from falling into recession), supported a sharp rally in risky assets such as stocks.

## ECONOMIC INDICATORS:

- **INITIAL JOBLESS CLAIMS** for the week ending September 14 came in lower than the market expected, with data showing the number of Americans filing jobless claims fell to the lowest level in 4 months. (Actual: 219k versus forecast & previous data around 230k).

- **US RATE CUT:** The Fed expects 2 more cuts of 25 bps each this year, but markets expect more. CITI GROUP expects the Federal Reserve to cut rates by another 50 bps at the November meeting, but others believe that the Fed is more likely to deliver a 25 bps cut if labor market data continues to show a moderate slowdown.

**FIXED INCOME & CURRENCY:** This contributed to a sell-off in US government bonds that pushed up yields. The benchmark 10-year US TREASURY YIELD hit its highest level in about 2 weeks at 3.768% and was last up 3.2 basis points to 3.719%, from 3.687% late Wednesday. Short-term bond yields were pressured after a separate data release showed Existing Home Sales in Aug fell to the lowest level since 2023. The 2-year US TREASURY fell 1.5 basis points to 3.5876%, from 3.603% late Wednesday. In the currency market, the US DOLLAR weakened in volatile trading. The DOLLAR INDEX, which measures the strength of the US Dollar against a basket of currencies including the Yen and Euro, fell 0.41% to 100.61.

## EUROPEAN & ASIAN MARKETS:

- **THE BANK OF ENGLAND'S** decision to keep interest rates at 5.0% did not dampen market spirits in Europe, with the STOXX 600 index last up more than 1%. POUNDSTERLING strengthened 0.5% to USD 1.3278.

- A busy week with interest rate decisions continues this Friday where the BANK OF JAPAN is in the spotlight. The BOJ may buck the global rate cut trend and instead prepare another rate hike as soon as October. The JAPAN YEN weakened 0.21% against the US dollar to 142.57 per dollar. However, prior to the Japanese central bank announcement, National CPI (Aug) data was released which showed an increase in Inflation to 3.0% yoy and 0.5% mom, from 2.8% & 0.2% in the previous month.

- Complementing today's central bank moves, the PEOPLE'S BANK OF CHINA this morning will also shortly release their short & long term benchmark interest rate decisions which are expected to be held steady at 3.35% and 3.85% respectively.

**COMMODITIES:** GOLD prices rose 1.15% to USD 2,588.34/ounce. OIL prices also jumped above 1%, supported by the view that lower interest rates will support stronger demand. BRENT crude oil futures climbed back above USD 74/barrel for the first time in over a week, and closed at USD 74.88, up 1.67% on the day. US WTI crude oil closed up 1.47%, at USD 71.95/barrel.

## Corporate News

### BFIN: BFI Finance (BFIN) Offers IDR 600M Bonds, Interest Rates 6.6-6.9 Percent

PT BFI Finance Indonesia Tbk (BFIN) announced its plan to issue Sustainable Bonds VI Phase I Year 2024 with a value of IDR 600 billion. This issuance is part of the Sustainable Public Offering of Sustainable Bonds VI with a target fund of IDR 6 trillion. The bonds consist of three series: Series A with a value of IDR 100 billion, a fixed interest rate of 6.60% per annum, and a tenor of 370 days; Series B worth IDR 200 billion with an interest rate of 6.80% per annum and a two-year tenor; and Series C which is offered at IDR 300 billion with an interest rate of 6.90% per annum and a three-year tenor. BFIN's management stated that the proceeds from the bond issuance, after deducting issuance costs, will be used entirely for working capital in investment, working capital and multipurpose financing, except for sharia-based financing. Fitch Ratings Indonesia assigned an AA-(Idn) rating to the bonds, indicating a good level of security for investors. (Emiten News)

## Domestic Issue

### Prabowo to Seek New Debt of IDR 775.87 Trillion in First Year of Administration

President-elect Prabowo Subianto will draw down IDR 775.87 trillion worth of new debt in the first year of his administration or in 2025. The House of Representatives (DPR) and the government have passed the 2025 State Budget Law in a plenary meeting on Thursday (19/9/2024) morning. Finance Minister Sri Mulyani Indrawati, who helped draft the 2025 State Budget, explained that there is a 2025 debt financing plan worth IDR 775.87 trillion. This means that the Prabowo administration must find the debt in the first year. Meanwhile, when compared to this year's debt financing plan of IDR 553.1 trillion, the figure jumped by 40.2%. There is an increase of up to IDR 222.8 trillion. For this year until July 31, 2024, the Ministry of Finance has carried out debt financing worth IDR 266.3 trillion from an outlook worth IDR 553.1 trillion. Consists of issuing SBN worth IDR 253 trillion and loans worth IDR 13.3 trillion. Meanwhile, debt financing in 2025 worth IDR 775.9 trillion will be fulfilled through the withdrawal of loans worth IDR 133.31 trillion and the issuance of state securities (SBN) worth IDR 642.56 trillion. For loans, the government is observed to rely on domestic loans which reached IDR 128.13 trillion. Meanwhile, foreign loans are planned at IDR 5.17 trillion. Meanwhile, debt financing originating from SBN will be fulfilled through the issuance of Government Securities (SUN) and State Sharia Securities (SBSN)/Sukuk. The need for debt is not just to finance the state budget, but debt management is also directed as a means to support the development of domestic financial markets. (Bisnis)

## Recommendation

US10YT encountered Resistance in the upper channel, right at the High yield point of 3.778% trading yesterday Thursday (20/09/24), before turning down to the current yield position of 3.709%. Suggesting that there has been limited downside potential at previously predicted prices, it might even be used as a momentum to BUY ON WEAKNESS related bonds, assuming that the yield will continue its downward trend in a PARALLEL CHANNEL pattern. Support yield now: 3.668% - 3.60%; if then broken it will lead to 3.37% - 3.25%.

On the contrary, ID10YT undoubtedly continued its yield decline through 6.53% Support after Bank Indonesia eased its monetary policy by 25bps (unexpectedly) 2 days ago. The current yield level of 6.482% is equivalent to the lowest point of early 2024, and when this happens when the RSI appears positive divergence, there is still potential for a technical rebound at the Support area. Resistance: 6.577% - 6.607%.

## PRICE OF BENCHMARK SERIES

FR0090 : 97.22 (+0.03%)  
FR0091 : 99.51 (+0.67%)  
FR0094 : 96.80 (+0.00%)  
FR0092 : 103.53 (-0.04%)

FR0086 : 98.80 (+0.16%)  
FR0087 : 100.44 (+0.55%)  
FR0083 : 107.00 (+0.22%)  
FR0088 : 97.57 (+0.90%)

## CDS of Indonesia Bonds

CDS 2yr: -3.06% to 28.67  
CDS 5yr: -2.70% to 65.22  
CDS 10yr: -2.34% to 112.36

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.55%	-0.00%
USDIDR	15,238	-0.66%
KRWIDR	11.46	-0.99%

## Global Indices

Index	Last	Chg.	%
Dow Jones	42,025.19	522.09	1.26%
S&P 500	5,713.64	95.38	1.70%
FTSE 100	8,328.72	75.04	0.91%
DAX	19,002.38	290.89	1.55%
Nikkei	37,155.33	775.16	2.13%
Hang Seng	18,013.16	353.14	2.00%
Shanghai	2,736.02	18.74	0.69%
Kospi	2,580.80	5.39	0.21%
EIDO	23.32	0.56	2.46%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,586.7	27.8	1.09%
Crude Oil (\$/bbl)	71.95	1.04	1.47%
Coal (\$/ton)	139.50	0.50	0.36%
Nickel LME (\$/MT)	16,333	100.0	0.62%
Tin LME (\$/MT)	31,823	229.0	0.72%
CPO (MYR/Ton)	3,876	31.0	0.81%

## 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	219k	Sep 14	230k	230k
	US	19.30	Existing Home Sales	3.86m	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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