

Morning Briefing

Daily | September 23, 2024

Today's Outlook:

MARKET SENTIMENT:

- Two Fed governors expressed opposing views on the outlook for Inflation, arguing for steps taken by Fed Chairman Jerome Powell as protection for a resilient economy, rather than as an emergency response to weak jobs data. The market fully expects a cut of at least 25 bps in November, with expectations for a 50 bps cut given a probability of 48.9%, according to CME's FedWatch Tool. The aggressive rate cut of 50 bps is also thought to have made participants more wary about the latent dangers of the economy.

ASIA & EUROPE MARKETS: Ending a busy week for monetary policy, the **BANK OF JAPAN** kept interest rates unchanged. Markets had expected rates to remain steady, but Governor Kazuo Ueda dampened expectations of an imminent rate hike by citing US economic uncertainty and market volatility that could affect their policy stance. **EUROPEAN** stocks fell from a 2-week high, led by a drop in auto stocks after Mercedes-Benz cut its profit margin target, citing weakness in China. In **CHINA** itself, their central bank kept the benchmark lending rate unchanged, contrary to expectations of a cut. Chinese blue chips rose 0.2% but remained close to the 7-month low reached early last week. Dismal data in recent days has raised hopes for aggressive stimulus to prop up the world's second largest economy.

CURRENCY: The **JAPANESE YEN** weakened after the **BOJ** meeting and was last seen **0.94% weaker** against the **US DOLLAR** to **143.97/ Dollar**. The **Dollar** rose to a 2-week high against the **Yen** after **Ueda's** statement. The **Dollar** strengthened after suffering early losses last week. The **DOLLAR INDEX (DXY)** which measures the **Dollar's** strength against a basket of other world currencies rose 0.12% to 100.79. The **Pound sterling** initially weakened after the **Bank of England** held interest rates steady on Thursday before reversing to strengthen 0.23% to **USD 1.3314**. Data on Friday showed **ENGLAND RETAIL SALES** rose more than expected in August.

COMMODITIES: **GOLD** touched a record high at **USD 2,614/ounce**. Meanwhile, **black gold**, aka **CURRENT OIL**, ended last week appreciating by more than 4%. **BRENT** closed down 0.52%, at **USD 74.49/barrel**. **US WTI** closed down 0.4%, to **USD 71.92**.

Corporate News

SMRA: Summarecon Prepares IDR 200M to Pay Bonds, Here Are the Sources of Funds

PT Summarecon Agung Tbk (SMRA) has prepared IDR 200 billion to pay off its Sustainable Bonds III Phase II Year 2019 Series B, which will mature on October 15, 2024. The bonds have an interest rate of 9.5%. Lydia Tjio, Corporate Secretary of SMRA, said in a written statement on Thursday (19/9) that the company has ensured the readiness of funds to fulfill the payment obligation. The funds used for the principal repayment will be sourced from the proceeds from the issuance of Sustainable Bond IV Phase II Year 2024. Hariyono, in his statement, emphasized that this repayment is part of Summarecon Agung's commitment to maintain the company's financial stability and ensure smoothness in meeting long-term obligations. (Emiten News)

Domestic Issue

Government Bond (SUN) Prices Will Move Sideways, Here Are the Indicators

The Indonesian Government Bond (SUN) market has again recorded positive performance along with the strong inflow of foreign capital. This was driven by the Fed's interest rate cut policy. However, this week, SUN prices are predicted to move sideways, what are the indicators? Fixed Income Analyst at PT Pemeringkat Efek Indonesia (Pefindo) Ahmad Nasrudin said that the Fed's interest rate cut provided a breath of fresh air for the global bond market, including Indonesia. The yield on 10-year SUN has also experienced a significant decline, now moving in the range of 6.3-6.7%. However, this week the yield movement will tend to stagnate after a sharp decline in "I estimate that the yield will tend to move sideways after a drastic decline. With the large inflow of foreign capital, SUN prices have been discounted quite significantly, providing limited room for further declines," Ahmad explained to Investor Daily, Sunday (22/9/2024). For information, based on transaction data from 17-19 September 2024, foreign investors recorded a net purchase of IDR 19.76 trillion, indicating high interest in SUN, especially after the Fed cut interest rates by 50 basis points (bps). As a result, the 10-year SUN yield fell to 6.438%. Now, Ahmad continued, market attention is focused on the release of the latest economic data such as Personal Consumption Expenditures (PCE) inflation data, both headline and core, which will be released next week, becoming one of the indicators closely watched by market players. In addition, the market is also waiting for the speech by Fed Chairman Jerome Powell who will provide insight into the direction of future interest rate policy. "For that, the yield will move in the range of 6.3%-6.7%, with a tendency to close at 6.5% this week," he explained. Ahmad is also optimistic that investor interest in this week's SUN auction will remain high. (Investor Daily)

Recommendation

US10YT is right on the upper channel Resistance of its downtrend, causing the yield at the current position of **3.75%** to be threatened to pullback, weakening again below **3.73%** and then towards **3.70%** before crawling back in the range of the previous **Low Support of 3.60%**. ADVISE: get ready to Buy on Weakness (bond price) if the bond yield really breaks below 3.73%.

ID10YT weekly chart: in the long-term trend, a rebound reaction was detected around the Support which was near the lower channel yield of **6.406%**. The candle was formed like a long-leg Hammer. POTENTIAL: the rebound in yield (= weakening in price) continues to the first Resistance area of yield: **MA10 / 6.71%**; followed by other Moving Averages, namely: **6.78% - 6.84%**.

PRICE OF BENCHMARK SERIES

FR0090 : 97.37 (+0.16%)
FR0091 : 99.77 (+0.27%)
FR0094 : 96.95 (+0.00%)
FR0092 : 103.80 (+0.26%)

FR0086 : 99.02 (+0.21%)
FR0087 : 101.00 (+0.56%)
FR0083 : 107.15 (+0.14%)
FR0088 : 97.89 (+0.32%)

CDS of Indonesia Bonds

CDS 2yr: +18.16% to 33.87

CDS 5yr: +6.03% to 69.15

CDS 10yr: **-2.73% to 109.28**

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.44%	-0.12%
USDIDR	15,150	-0.58%
KRWIDR	11.37	-0.81%

Global Indices

Index	Last	Chg.	%
Dow Jones	42,063.36	38.17	0.09%
S&P 500	5,702.55	(11.09)	-0.19%
FTSE 100	8,229.99	(98.73)	-1.19%
DAX	18,720.01	(282.37)	-1.49%
Nikkei	37,723.91	568.58	1.53%
Hang Seng	18,258.57	245.41	1.36%
Shanghai	2,736.81	0.79	0.03%
Kospi	2,593.37	12.57	0.49%
EIDO	23.19	(0.13)	-0.56%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,621.9	35.1	1.36%
Crude Oil (\$/bbl)	71.00	(0.16)	-0.22%
Coal (\$/ton)	139.50	0.00	0.00%
Nickel LME (\$/MT)	16,510	177.0	1.08%
Tin LME (\$/MT)	32,127	304.0	0.96%
CPO (MYR/Ton)	3,947	71.0	1.83%

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
Monday	US	20.45	S&P Global US Manufacturing PMI	-	Sep P	48.6	47.9
23 – September							
Tuesday	JP	07.30	Jibun Bank Japan PMI Manufacturing	-	Sep P	-	52.9
24 – September	US	21.00	Conf. Board Consumer Confidence	-	Sep	102.9	103.3
Wednesday	US	18.00	MBA Mortgage Applications	-	Sep 20	-	14.2%
25 – September	US	19.30	New Home Sales	-	Aug	690k	739k
Thursday	US	19.30	GDP Annualized QoQ	-	2Q T	2.9%	3.0%
26 – September	US	19.30	Durable Goods Order	-	Aug P	-2.8%	9.8%
	US	19.30	Initial Jobless Claims	-	Sep 21	-	219k
Friday	GE	14.55	Unemployment Change (000's)	-	Sep	15.0k	2.0k
27 – September	US	19.30	Personal Income	-	Aug	0.4%	0.3%
	US	19.30	Personal Spending	-	Aug	0.3%	0.5%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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