

# Morning Briefing

Daily | September 25, 2024

## Today's Outlook:

**Copper prices reached the strongest level in 10 weeks on Tuesday trading (24/09/24) after China announced stimulus measures to support its economy.** The Chinese Yuan hit a 16-month high against the US Dollar, and oil prices rose to a 3-week high after good news from China, the world's largest crude oil importer. US Consumer Confidence unexpectedly fell in September (to a 3-year low) to 98.7, from 105.6 in Aug; amid growing concerns over the health of the labor market there. In response to the data, US Federal Reserve officials said that the Fed will still be very cautious to continue the policy of cutting interest rates as the inflation component is still not comfortable at the 2% target level that the Fed wants. Other officials also called for the Fed not to be too aggressive in continuing the pace of FFR cuts.

## MARKET SENTIMENT:

- **CHINA'S central bank governor, Pan Gongsheng, announced plans to lower borrowing costs and inject more funds into the economy, as well as ease the burden of household mortgage payments.** The announcement included a planned 50 basis point cut in the bank reserve requirement ratio. This stimulus package, arguably the largest from China since the pandemic (to lift their economy out of the deflationary trap), inevitably gave a booster to the prices of mining commodities such as Copper & Lithium, as well as to Chinese stocks listed in the US, such as Alibaba which rose almost 8%. The Hong Kong Hang Seng and Shanghai Composite each rocketed 4% yesterday's close after the news came out.

**CURRENCY & FIXED INCOME: The Chinese YUAN strengthened 0.65% (highest point in 16 months) against the US DOLLAR to 7.017/USD after reaching 7.0156 in the trading session.** The DOLLAR INDEX (DXY) extended its decline after US Consumer Confidence data came out disappointing. The DXY fell 0.57% to 100.35, with the Euro rising 0.59% to USD 1.1178. Against the Japanese Yen, the Dollar weakened 0.31% to 143.15. US TREASURY yields fell in volatile trade as weak US economic data increased the likelihood that the Fed could make another large rate cut at the November policy meeting, although other Fed officials suggested no more cuts as aggressive as this Sept's FOMC Meeting of 50bps. However, Fed Fund Rate futures estimate a 62% chance of a 50 bps rate cut at the November meeting, up from 54% on Monday, according to LSEG data. Meanwhile, a standard easing of 25 bps showed a probability of 38% on Tuesday. In afternoon trade, the 10-year US TREASURY yield fell slightly to 3.733% after hitting a three-week high of 3.81%.

**ASIA & EUROPE MARKETS: JAPAN's preliminary PMI readings shed light on a manufacturing sector that seems to be weakening, but is still helped by an increasingly expansive services sector.** While in EUROPE, it can be expected that the business climate outlook in GERMANY in the next 6 months is still relatively pessimistic, seen from the German Ifo Business Climate index which fell to 85.4, lower than expectations & the previous period which was above 86 all. Declining consumer confidence also occurred in SOUTH KOREA, and it is important for market participants to pay attention to JAPAN Inflation figures: BOJ CORE CPI which is predicted to come in at 1.8%, still flat from the previous period.

## Corporate News

### ADMF: Adira Finance (ADMF) Offers IDR 2 Trillion Bonds, Here's the Schedule

Adira Dinamika Finance (ADMF) will offer bonds worth IDR 2 trillion. The phase IV bonds are part of the VI sustainable bonds with a target of IDR 9 trillion. Well, the debt securities will greet investors in three series. Series A amounting to IDR 785 billion with an interest rate of 6.45 percent per year with a duration of 370 days. Bond payments are made in full at maturity. Then, series B worth IDR 815 billion bears interest at 6.70 percent per year with a duration of 36 months. Furthermore, series C totals IDR 400 billion with an interest of 6.80 percent per year with a period of 60 months from the date of issuance. Bond interest is paid quarterly according to the bond interest payment date. The first payment of each series is made on January 10, 2025. While the last bond interest payment as well as maturity on October 20, 2025 for series A, October 10, 2027 for series B, and October 10, 2029 for series C which is also the date of repayment of each series of bond principal. The bond schedule is as follows. Public offering period on October 3-7, 2024. Allotment on October 8, 2024. Refund of subscription and electronic distribution of bonds on October 10, 2024. And, listing on the Indonesia Stock Exchange on October 11, 2024. "All proceeds from the ongoing public offering of bonds VI Phase IV, after deducting issuance costs, will be used for consumer financing activities in connection with the company's business activities," said Adira Finance Management. (Emiten News)

## Domestic Issue

### Pefindo: Multifinance Takes Advantage of BI Interest Rate Cut to Refinance Debt Securities

PT Pemeringkat Efek Indonesia (Pefindo) projects that finance companies or multifinance will take advantage of the Bank Indonesia (BI) interest rate cut to 6% to refinance their more expensive debt securities. This step is seen as an effort to improve the company's financial balance sheet. Ahmad Nasrudin, Pefindo's Fixed Income Analyst, said that the interest rate cut creates the right momentum for multifinance companies to refinance. "With lower interest rates, they can replace expensive debt securities with cheaper ones," Ahmad said when contacted, Tuesday (24/9/2024). According to him, the issuance of debt securities with lower interest rates will help multifinance companies improve their financial leverage. However, Ahmad noted that even though interest rates have fallen, multifinance companies are still not aggressive in issuing bonds in the near future. "Refinancing is still the main theme amid the transition to lower interest rates," Ahmad added. He assessed that multifinance companies would likely need time before issuing new bonds for working capital funding or expansion, because demand for multifinance services is still weak even though interest rates have been lowered. (Bisnis)

## Recommendation

**US10YT yield is still well below the upper channel resistance (downtrend) which prevents the yield from rising through this bearish pattern.** This means that the downtrend in yield is assumed to be intact; as well as the uptrend in bond prices, especially if the yield breaks the MA10 / 3.69% Support, it will almost certainly resort back to Support from the previous Low level of 3.605%. ADVISE: BUY ON WEAKNESS (bond price).

**ID10YT is still held by the long-term support line around the yield of 6.405%, with indications of RSI positive divergence that is still loyal to follow.** ADVISE: anticipate technical rebound on yield (= slight pullback on price) towards the nearest Resistance: MA10 / yield 6.53%; or MA20 / yield 6.58%.

## PRICE OF BENCHMARK SERIES

FR0090 : 97.43 (+0.05%)

FR0091 : **99.68 (-0.01%)**

FR0094 : 97.04 (+0.13%)

FR0092 : 104.25 (+0.01%)

FR0086 : 99.00 (+0.02%)

FR0087 : **100.82 (-0.07%)**

FR0083 : 107.40 (+0.09%)

FR0088 : **97.60 (-0.14%)**

## CDS of Indonesia Bonds

CDS 2yr: **-0.69% to 34.47**

CDS 5yr: **-0.33% to 69.66**

CDS 10yr: **-0.53% to 110.81**

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.45%	<b>-0.02%</b>
USDIDR	15,185	<b>-0.10%</b>
KRWIDR	11.42	0.27%

## Global Indices

Index	Last	Chg.	%
Dow Jones	42,208.22	83.57	0.20%
S&P 500	5,732.93	14.36	0.25%
FTSE 100	8,282.76	23.05	0.28%
DAX	18,996.63	149.84	0.80%
Nikkei	37,940.59	216.68	0.57%
Hang Seng	19,000.56	753.45	4.13%
Shanghai	2,863.13	114.21	4.16%
Kospi	2,631.68	29.67	1.14%
EIDO	23.57	0.16	0.68%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,657.1	28.4	1.08%
Crude Oil (\$/bbl)	71.56	1.19	1.69%
Coal (\$/ton)	139.50	0.00	0.00%
Nickel LME (\$/MT)	16,710	166.0	1.00%
Tin LME (\$/MT)	32,689	394.0	1.22%
CPO (MYR/Ton)	3,988	11.0	0.28%

## 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)	<b>-3.02</b>	<b>-2.16</b>
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	20.45	S&P Global US Manufacturing PMI	47.0	Sep P	48.6	47.9
23 – September							
<b>Tuesday</b>	JP	07.30	Jibun Bank Japan PMI Manufacturing	49.6	Sep P	-	49.8
24 – September	US	21.00	Conf. Board Consumer Confidence	98.7	Sep	102.9	103.3
<b>Wednesday</b>	US	18.00	MBA Mortgage Applications	-	Sep 20	-	14.2%
25 – September	US	19.30	New Home Sales	-	Aug	690k	739k
<b>Thursday</b>	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
<b>Friday</b>	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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