

Morning Briefing

Daily | September 26, 2024

Today's Outlook:

US Treasury yields rose as investors held on to the view that the Federal Reserve would be able to create a soft landing for the US economy.

MARKET SENTIMENT: In the US, data on Wednesday showed new home sales fell in August, following Tuesday's data that showed US consumer confidence fell by the most in 3 years in September, adding to concerns about the difficulty of finding jobs at the moment (similar to the conditions in Sept 2001, when the US economy was in recession). As the month draws to a close, Citi Group analysts expect only 70k new jobs to be added in this month's Payroll data, down considerably from the previous figure. The Unemployment Rate will also hover around 4.3%, possibly even touching 4.4%. Thus, they expect the Fed to be even more dovish with a 50bps rate cut in November as well. In the Fed Fund Rate survey, traders now expect a 59% chance of a 50 basis points cut at the November 7th FOMC MEETING, up from 37% a week ago, and a 41% chance of a 25 basis points cut, according to CME FedWatch.

WHAT TO EXPECT: Today investors will be watching the Durable Goods Orders (Aug) figure, the final US GDP 2Q reading which is expected to come in around 3.0% qoq, as well as the weekly Initial Jobless Claims. The important economic indicator PCE PRICE index will follow on Friday.

CURRENCY & FIXED INCOME:

- **CHINA'S YUAN** wiped out earlier gains a day after China's central bank rolled out the biggest stimulus since the pandemic to pull the economy out of deflation and back towards the government's growth targets. The US Dollar was last up 0.33% at 7.033 Yuan in overseas trade; having earlier briefly hit 6.9952, its strongest since May 2023. The US DOLLAR recovered from 14-month lows against the Euro in volatile trade. EURO was last down 0.41% at USD 1.1134 after previously reaching USD 1.1214, the highest since July 2023. The DOLLAR INDEX (DXY) rose 0.68% to 100.91 after earlier dropping to 100.21, matching the lowest since September 18, the weakest since July 2023. As a result, the US DOLLAR strengthened 1.03% to 144.68 JAPAN YEN and reached 144.75, the highest since September 3.

- In the **BOND** market, the latest 10-year US TREASURY YIELD traded up 4.9 basis points to 3.784%. Since the rate cut on September 18, the 10-year yield has risen about 3 basis points.

COMMODITIES: OIL prices fell as fears of supply disruptions in LIBYA eased, overriding the fact of a big drop in US Crude Oil Inventories. The number of commercial oil barrels stored by US oil companies disappeared by 4.471 million barrels over the past week, much more than the expected loss of 1.3 million barrels. Still, US WTI prices fell USD 1.87 to close at USD 69.69/barrel and BRENT fell to USD 73.46/barrel, down USD 1.71 on the day. In other commodities, GOLD rose to record highs as expectations of further large rate cuts by the Fed supported the bullion rally. Gold spot price rose 0.2% to USD 2,662.00/ounce, after hitting a record high of USD 2,670.43.

Corporate News

MFIN: BI Rate Drops, Mandala Finance Has No Plans to Release Bonds in the Second Half

Multifinance company PT Mandala Multifinance Tbk. or Mandala Finance (MFIN) has no plans to raise funds through bond issuance in the second half of this year. This includes when the Bank Indonesia (BI) benchmark interest rate or BI Rate drops 25 basis points (bps) to 6%. In the midst of lower interest rates, bonds have the potential to generate higher returns, so many investors are interested in these instruments. "In the third and fourth quarters of 2024, Mandala does not plan to issue bonds," Mandala Finance Managing Director Christel Lesmana told Bisnis on Wednesday (25/9/2024). Christel said that her party will actively monitor the effect of the interest rate reduction over the next few months until early 2025. It will also carefully monitor market conditions to carry out the most optimal funding strategy according to the company's needs. Until now, the majority of Mandala Finance's funding sources have come from banks, internal cash funds, and through the issuance of securities. (Bisnis)

Domestic Issue

Foreign Investors Hunt for Government Securities After The Fed Aggressively Cut Interest Rates

Indonesian Government Bonds (SUN) are back in the hunt after the benchmark interest rate was cut. Moreover, the Fed's interest rate cut which is more aggressive than Bank Indonesia (BI) makes the yield difference on debt securities more attractive. Chief Dealer Fixed Income & Derivatives PT Bank Negara Indonesia (BNI) Fudji Rahardjo assessed that foreign funds flowed heavily into the country's debt securities market recently driven by Bank Indonesia's (BI) interest rate decision. In addition, foreign investors are busy buying SUN because they see the control of Indonesia's inflation, which even in the last few months has experienced deflation. This factor also boosted expectations of further domestic interest rate cuts. Fudji sees that Indonesia's yield is still one of the highest compared to other Asian peers. Thus, the combination of solid domestic economic data and yields that are still quite high amid the downward trend in interest rates, still has the potential to attract more foreign funds. Bank Indonesia revealed that during the September 17-19 transaction, non-residents (foreigners) recorded a net purchase of IDR 25.60 trillion. In detail, foreign investors net bought IDR 4.19 trillion in the stock market, net bought IDR 19.76 trillion in the SBN market, and IDR 1.66 trillion in SRBI. The Directorate General of Financing and Risk Management (DJPPR) also noted a surge in foreign ownership in domestic debt securities after the interest rate cut. As of September 24, 2024, foreign funds in SBN and SBSN were IDR 873.65 trillion compared to IDR 850.28 trillion on September 17, 2024. Historically, Fudji explained that the portion of foreign ownership in SBN tends to increase, if the fiscal and economic conditions in the country are good enough and offer high yields. So, if this condition can be maintained by the government, then foreign ownership in SBN in the future will have the potential to increase. (Kontan)

Recommendation

US10YT breaking out downtrend channel this time for real? Need to wait for the US10YT yield cap to stay above 3.75%, in order to solidify this breakout and pave the way towards TARGET / next Resistance: MA50 / yield 3.88%, up to the psychological level of 4.0% again. Need to pay attention to fundamental developments related to interest rate policy in order to anticipate where the yield will move next.

ID10YT appeared Doji-like candle in the Support area, accompanied by RSI positive divergence. ADVISE: anticipate a technical rebound in yield soon, where the nearest Resistance is: MA10 / 6.51%, followed by MA20 / yield 6.57%. FYI, those two MAs served as important Resistance that guided yields down since early July, so breaking out of them would supposedly be a breakthrough.

PRICE OF BENCHMARK SERIES

FR0090 : 97.52 (+0.10%)
FR0091 : 99.79 (+0.12%)
FR0094 : 97.28 (+0.25%)
FR0092 : 104.27 (+0.01%)

FR0086 : 99.06 (+0.06%)
FR0087 : 100.87 (+0.05%)
FR0083 : 107.42 (+0.02%)
FR0088 : 97.56 (-0.05%)

CDS of Indonesia Bonds

CDS 2yr: -1.00% to 34.12

CDS 5yr: +0.09% to 69.72

CDS 10yr: -0.86% to 109.86

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.44%	-0.01%
USDIDR	15,100	-0.56%
KRWIDR	11.30	-1.09%

Global Indices

Index	Last	Chg.	%
Dow Jones	41,914.75	(293.47)	-0.70%
S&P 500	5,722.26	(10.67)	-0.19%
FTSE 100	8,268.70	(14.06)	-0.17%
DAX	18,918.50	(78.13)	-0.41%
Nikkei	37,870.26	(70.33)	-0.19%
Hang Seng	19,129.10	128.54	0.68%
Shanghai	2,896.31	33.18	1.16%
Kospi	2,596.32	(35.36)	-1.34%
EIDO	23.19	(0.38)	-1.61%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,656.9	(0.2)	-0.01%
Crude Oil (\$/bbl)	69.69	(1.87)	-2.61%
Coal (\$/ton)	139.75	0.25	0.18%
Nickel LME (\$/MT)	16,796	86.0	0.51%
Tin LME (\$/MT)	32,102	(587.0)	-1.80%
CPO (MYR/Ton)	4,043	55.0	1.38%

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	47.0	Sep P	48.6	47.9
23 – September							
Tuesday	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
Wednesday	US	18.00	MBA Mortgage Applications	11.0%	Sep 20	-	14.2%
25 – September	US	19.30	New Home Sales	716k	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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