

Morning Briefing

Daily | September 30, 2024

Today's Outlook:

US TREASURY and US DOLLAR yields fell as a weak US inflation report maintained expectations of a large interest rate cut at the Federal Reserve's upcoming policy meeting in November. The Japanese yen strengthened against the US dollar after former Japanese Defense Minister Shigeru Ishiba appeared likely to become the next prime minister.

ECONOMIC INDICATORS: The PCE PRICE INDEX or personal consumption expenditures price index, a favorite inflation gauge of the Fed, rose 0.1% in August (as expected by economists) after an unrevised 0.2% increase in July. In the 12 months to August, the PCE price index rose 2.2% after 2.5% growth in July. With this expected downward trend in Inflation, the market fully expects a cut of at least 25 basis points at the November FOMC MEETING, with the odds of a larger 50 basis point cut now at 56.7%, according to the CME FedWatch Tool, from 49.9% previously. Other data showed US consumer spending increased slightly lower than expected in August.

FIXED INCOME & CURRENCIES: The ongoing conflict in the Middle East, with continued Israeli attacks in Lebanon, also pushed US TREASURY prices higher in a flight-to-quality effort, as well as pressuring their yields, analysts said. The 10-year US Treasury yield fell 3.5 basis points to 3.754%, from 3.789% at the end of Thursday. Against the JAPAN YEN, the dollar weakened 1.82% to 142.17. The DOLLAR INDEX, which measures the greenback's strength against a basket of currencies including the Yen and Euro, was down 0.17% at 100.43 after falling to 100.15, the lowest since July 20, 2023, with the Euro down 0.14% at USD 1.116.

ASIAN MARKETS: China's central bank cut interest rates and injected liquidity into the banking system, and more fiscal measures are expected to be announced before the long holiday in the PRC that starts on October 1. From neighboring Sakura, Ishiba won the leadership contest of JAPAN's ruling Democratic Liberal Party with a narrow victory. Ishiba has been a critic of monetary stimulus in the past and told Reuters the central bank was "on the right policy track" with interest rate hikes so far.

COMMODITIES: ALUMINIUM prices in London hit a 16-week high on buying spree triggered by the latest economic stimulus measures in the world's largest metal consuming country, China. The 3-month Aluminum contract on the London Metal Exchange rose 0.4% to USD 2,623 per metric ton in officially opened trading after hitting USD 2,659, the highest since June 6. In other commodities, OIL prices rose on Friday but fell over the past week as traders weighed expectations of higher global supply on the back of China's new stimulus. US WTI crude rose 51 cents to USD 68.18/barrel and BRENT edged up 38 cents to USD 71.98/barrel. GOLD spot price was down 1% at USD 2,643.88/ounce, heading for its best quarter in more than 8 years.

Corporate News

WOMF & MFIN: WOM Finance and MFIN Do Not Plan to Issue Bonds After Interest Rate Reduction

PT Wahana Ottomitra Multiartha Tbk (WOMF) and PT Mandala Multifinance Tbk or Mandala Finance (MFIN) have no plans to issue bonds for the rest of the year, including when the benchmark interest rate or BI Rate drops to 6%. Interest rate cuts have the potential to have a positive impact on the bond market. Mandala Finance Managing Director Christel Lesmana said, in the third and fourth quarters of this year, the company has no plans to issue bonds. "Regarding Mandala's funding sources, until now the majority comes from banks, internal cash funds, and through the issuance of securities," Christel told Kontan. Nevertheless, Mandala Finance will continue to monitor the effect of lower interest rates over the next few months until the beginning of 2025. In addition, Mandala Finance will also implement an optimized funding strategy in accordance with market conditions. Then, WOM Finance Finance Director Cincin Lisa Hadi explained, until the end of the year the company will still see and analyze market conditions in strengthening its funding strategy. "However, the realization of the WOMF bond issuance in early July was very good, with an oversubscribed bookbuilding," Cincin told Kontan on Friday. (Kontan)

Domestic Issue

Economist Supports Government to Withdraw Debt Early to Finance Prabowo's 2025 State Budget

Bank Syariah Indonesia (BSI) Chief of Economist Banjaran Surya supports the government's discourse on early debt withdrawal (prefunding) to finance the 2025 State Budget or the first year budget of President-elect Prabowo Subianto's administration. Banjaran encourages the prefunding to be done through foreign exchange (forex) government securities (SBN), not rupiah SBN. According to him, foreign liquidity will greatly help close the gap, aka the gap in long-term investment needs. "Now the US dollar denominated securities market has high interest but limited goods, so market absorption is predicted to be good," Banjaran explained to Bisnis, Sunday (29/9/2024). Banjaran believes that deposit funds in the US will flow out and have the potential to flow into emerging markets such as Indonesia. However, he reminded the government to choose the right time when issuing SBN for prefunding the 2025 State Budget. Previously, the government's discourse on prefunding the 2025 State Budget was revealed by the Director of Financing Strategy and Portfolio, Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance, Riko Amir. He explained, according to applicable regulations, prefunding can only be done before the current fiscal year or in the fourth quarter. For example, prefunding for 2025 was carried out in the fourth quarter of 2024 or from October to December 2024. Another reason, he said, the government chose to do prefunding was because it saw positive financial market conditions in line with interest rates that had begun to fall. (Bisnis)

Recommendation

US10YT: judging from the condition of MA10 & MA20 which has now goldencrossed and become Support, yield will continue its bullish wave by immediately trying to break MA50 Resistance at 3.85% yield, to then head towards TARGET: 4.0% before heading to the TARGET pattern around 4.30%. **ADVISE :** anticipate weakening bond prices.

In contrast, **ID10YT** is still grappling with MA10 & MA20 Resistance which is currently the closest Resistance in the 6.50% - 6.55% yield range. However, looking at the positive divergence of the RSI indicator, anticipate a rebound in yield soon and thus, a fall in bond prices.

PRICE OF BENCHMARK SERIES

FR0090 : 97.57 (-0.02%)
FR0091 : 99.70 (+0.05%)
FR0094 : 97.28 (+0.00%)
FR0092 : 104.10 (-0.01%)

FR0086 : 99.00 (+0.01%)
FR0087 : 100.84 (+0.07%)
FR0083 : 107.25 (+0.02%)
FR0088 : 97.51 (+0.33%)

CDS of Indonesia Bonds

CDS 2yr: +0.19% to 33.94

CDS 5yr: -0.40% to 68.53

CDS 10yr: +0.10% to 109.28

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.47%	0.01%
USDIDR	15,125	-0.27%
KRWIDR	11.55	0.35%

Global Indices

Index	Last	Chg.	%
Dow Jones	42,313.00	137.89	0.33%
S&P 500	5,738.17	(7.20)	-0.13%
FTSE 100	8,320.76	35.85	0.43%
DAX	19,473.63	235.27	1.22%
Nikkei	39,829.56	903.93	2.32%
Hang Seng	20,632.30	707.72	3.55%
Shanghai	3,087.53	86.58	2.89%
Kospi	2,649.78	(21.79)	-0.82%
EIDO	23.01	(0.19)	-0.82%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,658.2	(14.1)	-0.53%
Crude Oil (\$/bbl)	68.18	0.51	0.75%
Coal (\$/ton)	139.75	0.15	0.11%
Nickel LME (\$/MT)	16,996	251.0	1.50%
Tin LME (\$/MT)	32,913	478.0	1.47%
CPO (MYR/Ton)	4,051	(101.0)	-2.43%

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	MNI Chicago PMI	-	Sep	46.8	46.1
30 – September							
Tuesday	US	20.45	S&P Global US Manufacturing PMI	-	Sep F	47.0	47.0
01 – October	US	21.00	ISM Manufacturing	-	Sep	47.6	47.2
Wednesday	US	18.00	MBA Mortgage Applications	-	Sep 27	-	11.0%
02 – October	US	19.15	ADP Employment Change	-	Sep	123k	99k
Thursday	US	19.30	Initial Jobless Claims	-	Sep 28	-	218k
03 – October	US	21.30	Factory Orders	-	Aug	0.2%	5.0%
	US	21.00	Durable Goods Orders	-	Aug F	-	0.0%
	US	21.00	ISM Services Index	-	Sep	51.5	51.5
Friday	US	19.30	Change in Nonfarm Payrolls	-	Sep	140k	142k
04 – October	US	19.30	Unemployment Rate	-	Sep	4.2%	4.2%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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