

Morning Briefing

Daily | September 5, 2024

Today's Outlook:

The closing of the US market due to the Juneteenth holiday did not make investors lose their way. Today it is the turn of Asian market players who will initially focus on the central banks of CHINA & INDONESIA where both countries' central banks will decide on policies related to interest rates today. The PEOPLE'S BANK OF CHINA is likely to keep its benchmark interest rate unchanged, after keeping its benchmark borrowing cost or medium-term lending rate in place earlier this week. China is still faced with sluggish economic indicators and activity; the pressure to ease monetary policy going forward appears to be mounting. A survey of economists polled by Reuters expects BANK INDONESIA to also hold interest rates unchanged at the current 6.25% level, although the market is quietly preparing itself for a possible "surprise" rate hike of 25-50bps in the central bank's efforts to stabilize the Rupiah which has (briefly) been entrenched at IDR 16489/USD, a 4-year low exactly when the COVID-19 pandemic began in March 2020.

ASIAN MARKETS: Investors in Asia are bracing for a wave of top-tier economic data releases on Thursday, as they continue to digest this week's market turbulence triggered by fears that the expected 'soft landing' of the US economy could end in something much worse. The JOLTS JOB OPENINGS figure falling to a 3.5-year low was interpreted as another signal for investors to sell stocks, buy bonds and position themselves for a bigger US interest rate cut. BofA Securities stated that their clients became net sellers of US stocks in the last week of August, where an outflow of USD 8.0 billion was recorded with the most selling in the Technology sector, marking the largest weekly exodus since late 2020 amid economic uncertainty. This was the second consecutive week of net selling, with clients selling single stocks and exchange-traded funds (ETFs). The outflows affected large-, mid- and small-cap stocks, BofA noted on Wednesday. The Fed's total monetary policy easing is expected to reach 225 bps by the end of next year. That is the level of policy easing historically consistent with recessions. For Asian and emerging markets, falling US yields and a weakening dollar are often positive signals. But not so if they reflect a potential future recession. Signs of a slowdown are increasing. The 2-year US TREASURY yield hit its lowest point since May last year, BRENT crude oil hit its lowest point this year and fell 8% this week, and the 10-year CHINA bond yield is back near its latest record low. On the Asian currency front: MALAYSIA'S RINGGIT has in recent weeks been named the best performing Asian currency this year. This has helped control inflation, and with global volatility rising and the Fed set to cut US interest rates, the MYR could stay up for longer. The Malaysian central bank's interest rate decision, along with the release of South Korea's GDP (Q2, revised) will grab the attention of market participants today. Another Asian currency that gained was the JAPANESE YEN, on the back of the closing of Yen carry -trade positions and the currency fulfilling its traditional role as a safe haven for investors in difficult times. The Yen gained around 1% against the Dollar for a second day on Wednesday, and could enter a new stronger trading range, tonight, a day later than usual due to a US holiday.

RUPIAH : RUPIAH which is still comfortably below 15500/USD faithfully provides a positive buffer to the equity market. NHKSI RESEARCH reminds investors/traders that while trading opportunities are still available in the market, keep an eye on sector rotation and continue to apply Trailing Stop due to the uncertainty of regional market index position, especially in this week which contains many sensitive economic data.

Corporate News

Pefindo Affirms INPP's Stable Rating

PT Pemeringkat Efek Indonesia (Pefindo) affirmed the idA- rating with a stable outlook for PT Indonesian Paradise Property Tbk (INPP). This rating affirmation was conveyed on the Pefindo Rating Overview page on September 3, 2024. This rating reflects INPP's stable recurring income, good market position with solid asset quality, and the strength of the company's hotel chain brand. Pefindo explained that this rating is also influenced by the company's moderate financial profile, risks associated with future projects, and exposure to travel disruptions caused by unexpected events. (Emiten News)

Domestic Issue

Ministry of Finance: Regional governments need to issue bonds to accelerate development

The Ministry of Finance (Kemenkeu) said that local governments need to issue bonds as a way to accelerate infrastructure development in the regions. Director General of Fiscal Balance (Ditjen PK) of the Ministry of Finance Lucky Alfirman said that the issuance of regional bonds can be an effective financing alternative, especially amid the limitations of the Regional Budget (APBD). "So far, infrastructure development in particular often depends or is financed from traditional sources of financing. The regions are very dependent on support from the central government in the form of transfers to the regions. So that is the main source used to develop the region," Lucky said at a seminar on creative financing of regional infrastructure in Bandung on Wednesday. Lucky said the issuance of regional bonds can also reduce the dependence of local governments on the central government in developing infrastructure in the regions through the regional budget. The bond issuance, he said, is in line with the local government's efforts to catch up with the estimated large infrastructure budget gap. Meanwhile, if it only relies on APBD funds, it is difficult for local governments to achieve the required budget target. Furthermore, Lucky said the issuance of regional bonds is more intended for regions that have fiscal limitations. Meanwhile, regions with high fiscal capacity are expected to create regional endowment funds. (Antara News)

Recommendation

US10YT : fell further with yields now in the area of the lowest points since early Aug, expected to head towards 3.725% up to 3.667% support. This is a reflection of the growing bets of a higher Fed rate cut of 50bps. ADVISE: HOLD; WAIT & SEE. in the meantime, it should be assumed that the price strengthening will continue to follow the downtrend of the yield.

ID10YT : is currently testing yield Resistance around MA20 / 6.678% which if cleared would be a feat not seen since early July, where yield started a decline and price started a consistent climb. ADVISE: anticipate a reversal in price, with a TARGET of rising yield towards 6.85% - 6.90%.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.25%	6.25%	Real GDP	5.05%	5.11%
FX Reserve (USD bn)	145.41	140.20	Current Acc (USD bn)	-3.02	-2.16
Trd Balance (USD bn)	0.47	2.39	Govt. Spending Yoy	1.42%	19.90%
Exports Yoy	6.46%	1.17%	FDI (USD bn)	4.89	6.03
Imports Yoy	11.07%	7.58%	Business Confidence	104.82	104.30
Inflation Yoy	2.12%	2.13%	Cons. Confidence*	123.40	123.30

PRICE OF BENCHMARK SERIES

FR0090 : 97.007 (-0.04%)
FR0091 : 98.30 (-0.21%)
FR0094 : 96.803 (+0.00%)
FR0092 : 102.874 (-0.11%)

FR0086 : 98.576 (-0.04%)
FR0087 : 99.373 (-0.08%)
FR0083 : 106.096 (-0.29%)
FR0088 : 96.570 (+0.07%)

CDS of Indonesia Bonds

CDS 2yr: +0.40% to 31.105
CDS 5yr: +1.07% to 69.651
CDS 10yr: +0.30% to 119.860

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.67%	-0.001%
USDIDR	15,475	-0.32%
KRWIDR	11.59	0.07%

Global Indices

Index	Last	Chg.	%
Dow Jones	40,974.97	38.04	0.09%
S&P 500	5,520.07	(8.86)	-0.16%
FTSE 100	8,269.60	(28.86)	-0.35%
DAX	18,591.85	(155.26)	-0.83%
Nikkei	37,047.61	(1638.70)	-4.24%
Hang Seng	17,457.34	(194.15)	-1.10%
Shanghai	2,784.28	(18.70)	-0.67%
Kospi	2,580.80	(83.83)	-3.15%
EIDO	21.85	0.26	1.20%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,495.7	2.8	0.11%
Crude Oil (\$/bbl)	69.20	(1.14)	-1.62%
Coal (\$/ton)	139.50	(2.50)	-1.76%
Nickel LME (\$/MT)	16,214	(248.0)	-1.51%
Tin LME (\$/MT)	30,499	(246.0)	-0.80%
CPO (MYR/Ton)	3,886	(45.0)	-1.14%

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	JP	07.30	Jibun Bank Japan PMI Mfg	49.8	Aug	-	49.5
02 – September	GE	14.55	HCOB Germany Manufacturing PMI	42.4	Aug F	42.1	42.1
Tuesday	US	20.45	S&P Global US Manufacturing PMI	47.9	Aug F	48.1	48.0
03 – September	US	21.00	ISM Manufacturing	47.2	Aug	47.5	46.8
Wednesday	US	18.00	MBA Mortgage Applications	1.6	Aug 30	-	-0.5%
04 – September	US	19.30	Trade Balance	-78.8B	July	-\$79.0B	-\$73.1
	US	21.00	Factory Orders	5.0%	July	4.6%	-3.3%
	US	21.00	Durable Goods Order	9.8%	Jul F	9.9%	9.9%
Thursday	US	19.15	ADP Employment Change	-	Aug	144k	122k
05 – September	US	19.30	Initial Jobless Claims	-	Aug 31	230k	231k
Friday	GE	13.00	Industrial Production SA MoM	-	Jul	-0.4%	1.4%
06 – September	US	20.45	Change In Nonfarm Payrolls	-	Aug	160k	114k
	US	21.00	Unemployment Rate	-	Aug	4.2%	4.3%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

Published on Investing.com, 5 Sep 2024 - 01:12:19 GMT. Powered by TradingView.
United States 10 Year, United States, NYSE:US10YT=4,D



Indonesia 10 Years Treasury

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