

# Morning Briefing

Daily | September 9, 2024

## Today's Outlook:

**US MARKETS:** The US economy added fewer jobs than expected in August, but improved from July's sharply revised figure, according to Labor Department data; where this data could influence the next policy decision by the Federal Reserve. NONFARM PAYROLLS totaled 142,000 last month, up from a sharply revised figure of 89,000 in July. Economists had expected a figure of 164,000, up from July's preliminary figure of 114,000. Friday's data release also showed the US Unemployment Rate came in at 4.2%, compared to July's figure of 4.3%. This rate was in line with forecasts. On a monthly basis, average hourly wage growth also accelerated to 0.4% after contracting by 0.1% in July. Economists think this labor market weakness gives the Fed enough room to ease monetary policy, but perhaps not by a significant amount; thus making the percentages favor a 25 bps rate cut. Fed Governor, Christopher Waller, on Friday called for dovish comments for the US central bank to start cutting interest rates later this month, adding that upcoming economic data (Inflation) will determine the size and pace of the rate cut.

**MARKET SENTIMENT:** Barclays economists stated that they anticipate a 25bps rate cut at this month's FOMC Meeting, followed by two more cuts of similar magnitude at the remaining two FOMC Meetings this year; and forecast a total of 75bps rate cut for next year.

**FIXED INCOME & CURRENCY:** The prospect of global monetary policy easing drove bonds higher, with 10-year US TREASURY yields hitting a 15-month low and 2-year yields hitting their lowest level since March 2023. The 10-year yield was last at 3.734% and the two-year at 3.661%, bringing the curve close to its steepest level since mid-2022. Falling yields prompted further easing, from the liquidation of Yen carry-trade positions causing the US DOLLAR to slide as deep as 141.75 Yen on Friday. The Euro after briefly hitting a high of USD 1.1155 on Friday.

**EUROPE & ASIA MARKETS** were both hit by a massive sell-off at the close of last week. It is expected that a tsunami wave will hit global stock markets today, digesting the weak US labor data final released last Friday. Consumer price data (CPI) from CHINA due on Monday is expected to show that the Asian giant is still struggling with deflation, with producer prices forecast to fall 1.4% annually in August.

## Corporate News

### INKP: Intent to Pay, Here's the Rating of Sinarmas Group's Issuer

PEFINDO announced that the debt securities issued by PT Indah Kiat Pulp and Paper Tbk (INKP) will mature in December 2024. The bonds include Sustainable Bonds IV Phase III Year 2023 Series A worth IDR 16.89 billion with an idA+ rating which will mature on December 1, 2024, and Sustainable Sukuk Mudharabah III Phase III Year 2023 Series A worth IDR 87.21 billion with an idA+ (sy) rating which also matures on December 1, 2024. In addition, Sustainable USD Bonds I Phase II Year 2023 Series A worth USD251 thousand with an idA+ rating will mature on December 2, 2024. Sustainable Sukuk Mudharabah I Phase II Year 2021 Series B worth IDR 304.53 billion with an idA+ (sy) rating and Sustainable Bonds II Phase II Year 2021 Series B worth IDR 876.81 billion with an idA+ rating will mature on December 8, 2024. To pay off the bonds and sukuk, INKP plans to use internal funds. At the end of June 2024, the company had USD1.5 billion in cash and cash equivalents. (Emiten News)

## Domestic Issue

### Indonesia's Global Bond Offer is Attractive at the Momentum of Interest Rate Cut

Foreign investors' interest in Indonesia's global bonds is believed to remain high. The sentiment of cutting global central bank benchmark interest rates can encourage investment inflows into the country's capital market. As is known, the government has just issued state bonds (SUN) denominated in two foreign currencies (dual currency), namely in US dollars (USD) and euros (EUR) on Wednesday (4/9). This transaction marks the government's success in issuing global bonds in the SEC format for the 15th time. DJPPR revealed that the transaction of US dollar-denominated SUN amounted to USD 1.8 billion and euro-denominated Sustainable Development Goals (SDG) SUN amounted to € 750 million. Meanwhile, the total order book reached USD 8.5 billion and € 3 billion. Bank Negara Indonesia (BNI) Chief Dealer Fixed Income & Derivatives Fudji Rahardjo said the global bond issuance became attractive because the direction of future interest rates is projected to fall. This is in line with investors expecting a cut in United States (US) interest rates at the Fed meeting on September 18. Expectations of interest rate cuts trigger foreign investors to seek assets before the decline occurs. Therefore, global bonds are considered attractive to offer with the current momentum. "The enthusiasm of global investors for the bonds offered by the government can be seen from the total order book and issuance value. Investor interest in the global bond shows Indonesia's good economic fundamentals," Fudji told Kontan.co.id, Friday (7/6). Fudji added, Indonesia is also one of the countries with the highest yield compared to other emerging markets countries. Emerging markets are countries that are experiencing rapid economic growth, industrialization, and modernization such as Brazil, China, India and Indonesia. (Kontan)

## Recommendation

**US10YT** is at the Support of the previous Low level on yield around 3.72%, while **RSI** is showing positive divergence. **ADVISE:** anticipate a limited technical rebound in yield with the closest target being the MA10 & MA20 range around 3.82%, up to 3.87% which is the upper channel Resistance guiding the downtrend of US TREASURY yield since late June.

**ID10YT** is also showing similar symptoms with **US10YT** which is currently in the Support area from the previous Low around 6.59% yield, supported by **RSI** positive divergence. Potential technical rebound on yield is in sight, with the closest target is through MA10 & MA20 Resistance at the yield range of 6.63% - 6.66%, up to 6.684% which serves as a crucial NECKLINE of a (bullish reversal) DOUBLE BOTTOM pattern. If this neckline is able to be broken, it will open the way for further strengthening of yield (= weakness in price) towards more advanced targets: 6.77% - 6.80%.

## PRICE OF BENCHMARK SERIES

FR0090 : 97.02 (+0.05%)  
FR0091 : 98.58 (+0.11%)  
FR0094 : 96.80 (+0.00%)  
FR0092 : 103.08 (+0.12%)

FR0086 : 98.57 (-0.01%)  
FR0087 : 99.62 (+0.15%)  
FR0083 : 106.17 (+0.10%)  
FR0088 : 96.97 (+0.13%)

## CDS of Indonesia Bonds

CDS 2yr: +2.32% to 31.78

CDS 5yr: +1.77% to 71.43

CDS 10yr: +1.71% to 121.91

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.61%	-0.023%
USDIDR	15,365	-0.21%
KRWIDR	11.48	-0.54%

## Global Indices

Index	Last	Chg.	%
Dow Jones	40,345.41	(410.34)	-1.01%
S&P 500	5,408.42	(94.99)	-1.73%
FTSE 100	8,181.47	(60.24)	-0.73%
DAX	18,301.90	(274.60)	-1.48%
Nikkei	36,391.47	(265.62)	-0.72%
Hang Seng	17,444.30	0.00	0.00%
Shanghai	2,765.81	(22.51)	-0.81%
Kospi	2,544.28	(31.22)	-1.21%
EIDO	21.95	(0.07)	-0.32%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,497.4	(19.4)	-0.77%
Crude Oil (\$/bbl)	67.67	(1.48)	-2.14%
Coal (\$/ton)	141.50	0.50	0.35%
Nickel LME (\$/MT)	15,893	(185.0)	-1.15%
Tin LME (\$/MT)	31,024	253.0	0.82%
CPO (MYR/Ton)	3,898	(19.0)	-0.49%

## 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)	150.24	145.40	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

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
<b>Monday</b>	JP	06.50	GDP Annualized SA QoQ	-	2Q F	3.2%	3.1%
09 – September	JP	06.50	BoP Current Account Balance	-	2Q F	Y2496.0	Y1533.5
<b>Tuesday</b>	GE	13.00	CPI MoM	-	Aug F	-0.1%	-0.1%
10 – September	GE	13.00	CPI YoY	-	Aug F	1.9%	1.9%
<b>Wednesday</b>	US	18.00	MBA Mortgage Applications	-	Sep 6	-	1.6%
11 – September	US	19.30	CPI MoM	-	Aug	0.2%	0.2%
	US	19.30	CPI YoY	-	Aug	2.6%	2.9%
<b>Thursday</b>	US	19.30	PPI Final Demand MoM	-	Aug	0.2%	0.1%
12 – September	US	19.30	Initial Jobless Claims	-	Sep 7	-	227k
<b>Friday</b>	JP	11.30	Industrial Production MoM	-	Jul F	-	2.8%
13 – September	US	21.00	University of Michigan Sentiment	-	Sep P	69.0	67.9

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury



## Indonesia 10 Years Treasury



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