

Morning Briefing

Daily | October 01, 2024

Today's Outlook:

BYE SEPTEMBER, HELLO OCTOBER! MSCI global equity indices fell on Monday and the US DOLLAR rose after Federal Reserve Chairman JEROME POWELL dampened hopes for the next big interest rate cut, while OIL futures ended flat after a volatile session on concerns about the escalation of CENTRAL EAST CONFLICT. Stock trading was immediately volatile after Powell signaled that the US central bank is in no hurry to lower interest rates. While some investors are betting on more significant easing, Powell indicated that the Fed will make two rate cuts of 25 basis points this year if the economy develops as expected. Investors now see a 36.7% probability of a 50 basis point rate cut at the November FOMC MEETING, down from 53.3% on Friday, according to the latest reading on CME FedWatch.

US MARKET SENTIMENT: In addition to the PMI figures that will emerge from S&P GLOBAL and ISM, JOLTS Job Openings (Aug) will certainly open the week of US employment data for the September report. 7.64 million job openings are expected in Sept, roughly on par with the previous month's figure.

ASIA & EUROPE MARKETS:

- Speaking of PMI data, CHINA started off by fighting tooth and nail to stay in expansion territory at 50.4 for the Chinese Composite PMI (Sept), on the back of an improving Manufacturing sector, supporting a Services sector that was desperately holding on to the expansion border (50). According to Caixin data, even both fronts are seen declining and struggling to maintain the position of the previous month.

- UK reported 2Q GDP at 0.5% qoq and 0.7% yoy, both lower than expected.

- GERMANY has released preliminary CPI (Sept) estimate figures where Inflation looks like it could be safely contained at below forecast 1.7% yoy and 0.1% mom.

- JAPAN:CITI GROUP believes that the recent slump in Japanese stocks due to the ascension of Shigeru Ishiba to the position of Prime Minister of Japan is a bad sentiment for the stock market, considered as an opportunity to buy when prices are down; historically, stock market turmoil caused by political issues will not last long.

CURRENCY & FIXED INCOME: THE US DOLLAR rose after Powell's more hawkish tone led traders to reduce bets for a big rate cut in November. The DOLLAR INDEX (DXY), which measures the greenback's strength against a basket of currencies including the Yen and Euro, rose 0.32% to 100.76. The Euro was down 0.27% at USD 1.1133, while against the Japanese Yen, the Dollar strengthened 1% to 143.61. In the US TREASURY market, the 10-year US benchmark bond yield rose 3.6 basis points to 3.785%, from 3.749% at the end of Friday. The yield on the 2-year bond, which typically moves in tandem with interest rate expectations, rose 7.4 basis points to 3.637%, from 3.563% at the end of Friday. And the closely watched part of the US Treasury yield curve, which measures the gap between 2- and 10-year bond yields as an indicator of economic expectations, was at a positive level of 14.6 basis points.

INDONESIA: The focus of market participants today will be dominated by INFLATION (Sept) data, compared to Aug's figure of 2.12%. This morning Indonesia's Manufacturing PMI data was released, improving for Sept at 49.2, compared to August's figure of 48.9.

Corporate News

SMF: Plans to Issue Bonds Once More in the Remainder of 2024

PT Sarana Multigriya Finansial (Persero) or SMF plans to issue bonds once more in the remainder of 2024. In 2024, up to the first semester, SMF has issued bonds 6 times with a total value of IDR 7.68 trillion, including social bonds of IDR 3.5 trillion for FLPP mortgage funding. "We will most likely issue one more time because there is a need for funding. But of course, there are many considerations in the decision to issue these bonds. The market liquidity situation and so on," said SMF Finance & Operations Director Bonai Subiakto when met on the sidelines of the PT SMF Semester I/2024 Performance press conference in Lampung, Sunday (29/9/2024). However, Bonai emphasized that the plan to issue the bonds is still a big possibility because there is a need for it, not a certainty that has been set. Meanwhile, SMF's Director of Securitization & Financing, Helianto explained that one of SMF's funding sources is through the issuance of bonds which can be done 3-4 times a year depending on the target set by the Company. (Bisnis)

Domestic Issue

Government Targets IDR 33 Trillion Funds at SUN Auction, Tuesday (1/10)

The government will hold an auction of rupiah-denominated Government Securities (SUN) on Tuesday (1/10). At the SUN auction this time, the government set an indicative target of IDR 22 trillion - IDR 33 trillion. Based on information from the Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance, there are seven (7) SUN series that will be auctioned starting at 09.00 WIB until 11.00 WIB. The auction aims to fulfill part of the financing target in the 2024 State Budget. The following are details of the seven SUN series that will be offered at the auction on Tuesday (1/10): SPN03250101 (New Issuance) will mature on January 1, 2025 with a discounted interest rate, SPN12251002 (New Issuance) will mature on October 2, 2025 with a discounted interest rate, FR0104 will mature on July 15, 2030 with an interest rate of 6.50%, FR0103 will mature on July 15, 2035 with a coupon rate of 6.75%, FR0098 will mature on June 15, 2038 with a coupon rate of 7.12%, FR0097 will mature on June 15, 2043 with a coupon rate of 7.12% and FR0102 will mature on July 15, 2054 with a coupon rate of 6.87%. (Kontan)

Recommendation

US10YT appears to be solidifying above the MA10 which has goldencrossed with MA20, thus meaning that the current yield support is in the range: 3.753% - 3.717%. POTENTIAL: set to break MA50 Resistance at 3.84% yield which will free the way towards TARGET: 4.0% / 4.30%. ADVISE: SELL US TREASURY on yield breaks upward.

On the contrary, ID10YT has not yet finished its bottoming process, where it is still pressured below the first Resistance: MA10 at a yield of 6.473%. ADVISE: Although there is limited downside potential on yield with more anticipation on technical rebound, investors should wait for yield to break out MA10 & MA20 above 6.54% first before starting to reduce ID10YT position.

PRICE OF BENCHMARK SERIES

FRO090 : 97.56 (-0.01%)
FRO091 : 99.96 (+0.26%)
FRO094 : 97.28 (+0.00%)
FRO092 : 104.01 (-0.09%)

FRO086 : 98.96 (-0.04%)
FRO087 : 100.90 (+0.06%)
FRO083 : 107.29 (+0.04%)
FRO088 : 97.78 (+0.28%)

CDS of Indonesia Bonds

CDS 2yr: +0.62% to 34.15

CDS 5yr: +0.29% to 68.73

CDS 10yr: +0.43% to 109.75

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.45%	-0.02%
USDIDR	15,140	0.10%
KRWIDR	11.53	-0.21%

Global Indices

Index	Last	Chg.	%
Dow Jones	42,330.15	17.15	0.04%
S&P 500	5,762.48	24.31	0.42%
FTSE 100	8,236.95	(83.81)	-1.01%
DAX	19,324.93	(148.70)	-0.76%
Nikkei	37,919.55	(1910.01)	-4.80%
Hang Seng	21,133.68	501.38	2.43%
Shanghai	3,336.50	248.97	8.06%
Kospi	2,593.27	(56.51)	-2.13%
EIDO	22.50	(0.51)	-2.22%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,634.6	(23.7)	-0.89%
Crude Oil (\$/bbl)	68.17	(0.01)	-0.01%
Coal (\$/ton)	145.10	5.35	3.83%
Nickel LME (\$/MT)	17,514	518.0	3.05%
Tin LME (\$/MT)	33,458	545.0	1.66%
CPO (MYR/Ton)	3,995	(56.0)	-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	MNI Chicago PMI	46.6	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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