

Morning Briefing

Daily | October 10, 2024

Today's Outlook:

US MARKETS: Investors continue to digest clues on interest rates from the Federal Reserve, a day ahead of the latest US inflation data for Sept.

MARKET SENTIMENT:

- The FED's Sept meeting minutes showed the majority of members were in favor of a jumbo cut, although there were signs that some members preferred to keep the rate cut cycle at a more modest magnitude, anticipating concerns about the strength of the US economy. As for the minutes, they have become somewhat stale as since the Sept FOMC Meeting economic indicators have shown stronger economic growth, and in turn dimmed investors' hopes for another jumbo rate cut. Last week's strong US Payroll data fueled doubts over how much impetus the Fed has to continue cutting rates quickly. Traders are seen pricing in an 81.1% chance of a 25 basis point reduction in November, and an 18.9% chance rates will remain unchanged, according to CME Fedwatch.
- US CPI for September will be released later on Thursday night at around 1930WIB and will give investors fresh clues on the direction of monetary policy. There are growing concerns that the final move to get inflation to 2% is likely to be more challenging than previously thought after a stronger labor market. US INFLATION for Sept is expected to come in at 2.3% yoy, easing from 2.5% in Aug; while CORE CPI is likely to remain stuck at 3.2% yoy, the same as the previous month.
- Investors questioned whether CHINA would announce new stimulus measures. The Straits Times reported that the Chinese government plans to hold a briefing on fiscal policy on October 12, as announced by the State Council Information Office on October 9. Finance Minister Lan Fo'an will introduce measures to strengthen fiscal policy to support growth and answer questions from reporters. The 30-year government bond erased 0.8 percent of its gains on speculation that the country may announce fiscal stimulus at the briefing. The CHINESE YUAN currency exchange rate extended gains 0.2 percent stronger. Banks including Morgan Stanley and HSBC Holdings expect the stimulus to amount to two trillion Yuan, while Citigroup estimates the amount to be three trillion Yuan. Economists have speculated on the stimulus measures to be taken, such as support for local government financing, infrastructure investment, increased consumption, and bank recapitalization. As is known, just before the Golden Week holiday, the government issued a series of stimulus packages including interest rate cuts, more liquidity to boost bank lending, and a commitment of USD 340 billion to support the stock market. **ASIA & EUROPEAN MARKETS:**
- In the Land of Sakura, JAPAN misestimated their producer-level inflationary pressures in September; in fact the JAPAN PPI came in at 2.8% yoy, higher than expected easing to 2.3% from 2.6% in Aug. On a monthly basis, deflation vanished with price growth flat at 0% in Sept
- Not so much economic data from this part of the world, Later in the day, the EUROPEAN continent will monitor the GERMAN Retail Sales figures.

Corporate News

IIF: Offering IDR 1T Bonds, Interest 6.30-7.05 Percent

PT Indonesia Infrastructure Finance (IIF), an infrastructure financing company, is targeting fresh funds of IDR 1 trillion through the issuance of Sustainable Bonds II Phase II/2024. This issuance is part of the Sustainable Public Offering (PUB) II program which targets a total fundraising of IDR 3 trillion. Previously, IIF had issued Phase I/2023 bonds with a principal amount of IDR 500 billion. In the Phase II/2024 bond issuance, IIF offers four series of bonds with interest ranging from 6.30% to 7.05% per year. The bond tenors offered vary, ranging from 370 calendar days to 10 years. The bonds issued have received an "idAAA" rating from Pemeringkat Efek Indonesia (Pefindo), signifying the highest credit quality. According to the prospectus, IDR 600 billion of the proceeds will be used to repay part of the company's debt. The rest will be allocated for IIF's working capital needs. (EmitenNews)

Domestic Issue

Ahead of his Inauguration, Prabowo Inherits Foreign Debt by Jokowi Reaching IDR 6,468 Trillion

Ahead of the inauguration of President-elect Prabowo Subianto on October 20, 2024, Indonesia's External Debt (ULN) in July 2024 was recorded at USD 414.33 billion or equivalent to IDR 6,468 trillion (rupiah exchange rate IDR 15,655). As for foreign exchange reserves sometimes used to pay government external debt, Bank Indonesia (BI) noted that Indonesia's foreign exchange reserves at the end of September 2024 amounted to USD 149.9 billion or lower when compared to the position at the end of August 2024 of USD 150.2 billion. Based on the September 2024 edition of the Indonesian External Debt Statistics (SULNI) book, Indonesia's external debt position in July 2024 was recorded at USD 414.33 billion or an annual growth of 4.1 percent. Meanwhile, based on instruments, the composition of government debt is dominated by Government Securities (SBN) instruments whose contribution amounted to 88.07 percent. Until the end of August 2024, the issuance of SBN was recorded at IDR 7,452.56 trillion, divided into domestic SBN and foreign currency SBN. Domestic SBN was recorded at IDR 6,063.41 trillion, which was divided into Government Securities (SUN) of IDR 4,845.68 trillion and State Sharia Securities (SBSN) of IDR 1,217.73 trillion. While the remaining foreign currency SBN (forex) amounted to IDR 1,389.14 trillion, divided into Government Securities worth IDR 1,025.14 trillion and Government Sharia Securities amounting to IDR 364 trillion. Meanwhile, loans until the end of August 2024 were recorded at IDR 1,009.37 trillion, divided into domestic loans and foreign loans. (VOI)

Recommendation

US10YT yield continues to climb above the psychological level of 4.0%, more likely towards the TARGET at 4.30%. POTENTIAL: anticipate bond price weakness to continue, but also pay attention to the development of US INFLATION data which will be released later tonight local time.

On the contrary, ID10YT still hasn't found a solid Support to hold the yield decline, more likely to touch 6.635% up to 6.57% level before expecting a bounce point that serves to catapult the yield back bullish. POTENTIAL: note MA10 & MA20 have already goldencrossed, which should provide a foundation for a short term uptrend in ID10YT yield.

PRICE OF BENCHMARK SERIES

FR0090 : 97.42 (+0.03%)
FR0091 : 98.80 (+0.21%)
FR0092 : 102.03 (+0.30%)
FR0094 : 97.01 (+0.00%)

FR0086 : 98.84 (+0.01%)
FR0087 : 100.02 (+0.03%)
FR0083 : 105.45 (+0.18%)
FR0088 : 96.34 (+0.46%)

CDS of Indonesia Bonds

CDS 2yr: +0.26% to 34.40

CDS 5yr: +0.32% to 68.88

CDS 10yr: +0.20% to 109.95

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.68%	-0.06%
USDIDR	15,620	-0.16%
KRWIDR	11.60	-0.25%

Global Indices

Index	Last	Chg.	%
Dow Jones	42,512.00	431.63	1.03%
S&P 500	5,792.04	40.91	0.71%
FTSE 100	8,243.74	53.13	0.65%
DAX	19,254.93	188.46	0.99%
Nikkei	39,277.96	340.42	0.87%
Hang Seng	20,637.24	(289.55)	-1.38%
Shanghai	3,258.86	(230.92)	-6.62%
Kospi	2,594.36	0.00	0.00%
EIDO	21.76	(0.07)	-0.32%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,607.8	(14.1)	-0.54%
Crude Oil (\$/bbl)	73.24	(0.33)	-0.45%
Coal (\$/ton)	145.45	(2.35)	-1.59%
Nickel LME (\$/MT)	17,371	(405.0)	-2.28%
Tin LME (\$/MT)	32,485	(382.0)	-1.16%
CPO (MYR/Ton)	4,252	(19.0)	-0.44%

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)	149.92	150.20	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	1.84%	2.12%	Cons. Confidence*	123.50	124.40

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	GE	13.00	Factory Orders MoM	-5.8%	Aug	-2.0%	2.9%
07 – October							
Tuesday	GE	13.00	Industrial Production SA MoM	2.9%	Aug	0.8%	-2.4%
08 – October	US	19.30	Trade Balance	-USD 70.4B	Aug	-USD 70.5B	-USD 78.8B
Wednesday	US	18.00	MBA Mortgage Applications	-5.1%	Oct 04	-	-1.3%
09 – October							
Thursday	JP	06.50	PPI YoY	-	Sep	2.3%	2.5%
10 – October	US	19.30	Initial Jobless Claims	-	Oct 5	230k	225k
	US	19.30	CPI MoM	-	Sep	0.1%	0.2%
	US	19.30	CPI YoY	-	Sep	2.3%	2.5%
Friday	GE	13.00	CPI EU Harmonized YoY	-	Sep F	1.8%	1.8%
11 – October	US	19.30	PPI Final Demand MoM	-	Sep	0.1%	0.2%
	US	21.00	University of Michigan Sentiment	-	Oct P	70.5	70.1

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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