

Morning Briefing

Daily | October 16, 2024

Today's Outlook:

US MARKETS: In addition to earnings reports, Retail Sales and Industrial Production are also highlighted as key economic data. Regarding the prospect of a FED FUND RATE cut, on Tuesday afternoon, San Francisco Fed President Mary Daly said that even after the rate cut in September, policymakers are still working to bring down inflation. Market participants estimate a roughly 98% chance that the Fed will cut rates by 25 basis points in November, according to CME FedWatch.

ASIA & EUROPE MARKETS: UK CPI figures will be in the spotlight today where it is expected that UK Inflation (Sept) could still be kept below 2% which is the ECB Target number. In continental ASIA, SOUTH KOREA Unemployment Rate (Sept) unexpectedly rose 0.1% to 2.5%. The data came ahead of their Trade Balance and Import - Export (Sept) announcement. Meanwhile in neighboring Japan, JAPAN reported weak Core Machinery Orders in Aug, surprisingly contracting -3.4% yoy, from 8.7% in the previous month, and failed to meet expectations of positive growth despite narrowing to 3.6%. Meanwhile, investors continued to digest the latest information from CHINA on its stimulus measures, where the government announced that it will hold a press conference on Thursday to discuss promoting the development of a "stable and healthy" property sector.

COMMODITIES: OIL prices plunged more than 4% to a 2-week low on Tuesday as global demand outlook weakened and after media reports said ISRAEL will not attack IRAN's nuclear and oil sites, easing supply disruption concerns. BRENT crude slipped 4.14%, to USD 74.25/barrel, while US WTI closed melting 4.4%, at USD 70.58/barrel. Both benchmark prices had reached their lowest levels since early October, after closing down around 2% on Monday. Brent and US WTI are down around USD 5 so far this week, almost erasing the cumulative gains made after traders feared Israel would strike Iranian oil facilities in retaliation for Tehran's missile attack on October 1. Meanwhile both OPEC+ and the International Energy Agency (US IEA) this week cut their projections for global oil demand growth by 2024, with China being the biggest contributor to the decline.

INDONESIA:

- **TRADE BALANCE (Sept)** recorded another surplus although this time narrowed to USD 3.26bn from USD 3.40bn in the previous month, as Export growth slowed to 6.44%, while Imports increased by 8.55%, despite lower than expected market forecasts and government plans to impose import duties. In the first nine months of 2024, the Trade Balance recorded a surplus of USD 27.72 billion, with Exports and Imports increasing by 0.32% and 3.86% respectively. On the other hand, FOREIGN DIRECT INVESTMENT into Indonesia increased by 18.55% yoy in the third quarter, reaching IDR 232.65 trillion (USD 14.94 billion), according to the Ministry of Investment. This marks an acceleration from the 16.6% annualized growth recorded in the second quarter, although the data excludes investments in the Financial and Oil & Gas sectors.

- **Today, BANK INDONESIA'S BOARD OF GOVERNORS MEETING** is expected to leave interest rates unchanged at 6.0% despite Inflation falling to its lowest level since 2021, in consideration of maintaining the stability of the RUPIAH exchange rate. Inflation fell to 1.84% and has been within BI's target of 1.5% to 3.5% throughout the year, but the Rupiah has fallen more than 3% from its peak in September.

Corporate News

BBKP: Plans to Issue Notes Worth USD300 Million

KB Bank Tbk (BBKP) plans to issue Senior Unsecured Notes with a maximum value of USD300 million. The notes will not be issued through a public offering and will not be offered to investors in Indonesia. Based on information disclosure released by KB Bank on Monday (14/10/2024), the bank, which is under the control of Kookmin Bank Co Ltd, announced a roadshow plan related to the US dollar-denominated debt securities. The roadshow is scheduled to take place on October 16-18, 2024 or at another time to be determined later. However, the exact terms regarding the principal amount, interest rate, and other terms will only be determined after the roadshow period is completed. Pricing of the notes is scheduled for October 21, 2024, subject to market conditions. The notes will be issued pursuant to Regulation S under the US Securities Act of 1993 and will be listed on the Singapore Exchange Securities Trading Limited (SGX-ST). "The bonds will be issued without a public offering outside Indonesia and will not be offered to Indonesian investors, either individuals or legal entities," KB Bank's management explained. (Emiten News)

Domestic News

Prabowo Ask for 3 Deputy Finance Ministers, State Revenue Agency Canceled?

President-elect Prabowo Subianto plans to increase the number of deputy finance ministers from two to three. After two were added in mid-July by his nephew, Thomas Djiwandono, Anggito Abimanyu has now emerged as an additional deputy finance minister. Long ago, Prabowo intended to separate the Directorate General of Taxes and the Directorate General of Customs and Excise from the Ministry of Finance and become the State Revenue Agency (BPN). Anggito Abimanyu, who completes the three deputy finance ministers after Suahasil Nazara and Thomas Djiwandono, was previously predicted to be the head of the revenue agency. However, the existence of the three deputy finance ministers has raised questions about the continuation of the formation of the BPN. In fact, Prabowo-Gibran have echoed the formation of BPN since the 2024 presidential election campaign. Responding to this question, Coordinating Minister for Economic Affairs Airlangga Hartarto said that structurally it is clear that there are three deputy finance ministers. (Bisnis)

Recommendation

MA10 support / yield of 4.037% will be a test for US10YT; will bond prices continue to accelerate upwards as yields fall, or will a rebound at this point be imminent? The next yield support lies at MA20 / 4.02% currently up to the round number of 4.0% as a psychological level.

As predicted, ID10YT could continue the upward swing of yield back towards the 6.80% - 6.83% level, even if this level is broken then the next TARGET: 6.93% up to 7.0% psychological level. Meanwhile, MA10 will be the closest support for yield around 6.66%. ADVISE: anticipate bond price weakness as long as the yield rises.

PRICE OF BENCHMARK SERIES

FR0090 : 97.33 (-0.03%)
FR0091 : 98.93 (-0.03%)
FR0092 : 102.29 (+0.03%)
FR0094 : 97.01 (+0.00%)

FR0086 : 98.92 (-0.01%)
FR0087 : 99.79 (-0.09%)
FR0083 : 105.49 (+0.02%)
FR0088 : 96.68 (+0.00%)

CDS of Indonesia Bonds

CDS 2yr: -1.30% to 31.25
CDS 5yr: -1.18% to 68.10
CDS 10yr: -0.96% to 117.77

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.70%	0.02%
USDIDR	15,580	0.13%
KRWIDR	11.41	-0.43%

Global Indices

Index	Last	Chg.	%
Dow Jones	42,740.42	(324.80)	-0.75%
S&P 500	5,815.26	(44.59)	-0.76%
FTSE 100	8,249.28	(43.38)	-0.52%
DAX	19,486.19	(22.10)	-0.11%
Nikkei	39,910.55	304.75	0.77%
Hang Seng	20,318.79	(774.08)	-3.67%
Shanghai	3,201.29	(83.03)	-2.53%
Kospi	2,633.45	10.16	0.39%
EIDO	22.11	0.15	0.68%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,662.6	14.0	0.53%
Crude Oil (\$/bbl)	70.58	(3.25)	-4.40%
Coal (\$/ton)	146.05	(2.15)	-1.45%
Nickel LME (\$/MT)	17,424	(246.0)	-1.39%
Tin LME (\$/MT)	32,396	(49.0)	-0.15%
CPO (MYR/Ton)	4,272	(41.0)	-0.95%

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)	3.26	2.90	Govt. Spending Yoy	1.42%	19.90%
Exports Yoy	6.44%	7.13%	FDI (USD bn)	4.89	6.03
Imports Yoy	8.55%	9.46%	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							
14 – October							
Tuesday	JP	11.30	Industrial Production MoM	-3.3%	Aug F	-	-3.3%
15 – October							
	GE	16.00	ZEW Survey Expectations	13.1	Oct	10.0	3.6
	GE	16.00	ZEW Survey Current Situation	-86.9	Oct	-84.0	-84.5
	US	19.30	Empire Manufacturing	-11.9	Oct	0.0	11.5
Wednesday	ID	14.20	BI Rate	-	Oct 16	6.00%	6.00%
16 – October							
	US	18.00	MBA Mortgage Applications	-	Oct 11	-	-5.1%
Thursday	US	19.30	Initial Jobless Claims	-	Oct 12	-	258k
17 – October							
	US	19.30	Industrial Production MoM	-	Sep	-0.1%	0.8%
	US	19.30	Retail Sales Advance MoM	-	Sep	0.2%	0.1%
Friday	US	19.30	Housing Starts	-	Sep	1350k	1356k
18 – October							

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



Research Division

Head of Research

Liza Camelia Suryanata

Equity Strategy, Macroeconomics,
Technical
T +62 21 5088 ext 9134

Analyst

Axell Ebenhaezer

Mining, Property
T +62 21 5088 ext 9133
E Axell.Ebenhaezer@nhsec.co.id

Analyst

Ezaridho Ibnutama

Consumer Goods, Poultry, Healthcare
T +62 21 5088 ext 9126
E ezaridho.ibnutama@nhsec.co.id

Analyst

Richard Jonathan Halim

Technology, Transportation
T +62 21 5088 ext 9128
E Richard.jonathan@nhsec.co.id

Analyst

Leonardo Lijuwardi

Banking, Infrastructure
T +62 21 5088 ext 9127
E leonardo.lijuwardi@nhsec.co.id

Research Support

Amalia Huda Nurfalah

Editor & Translator
T +62 21 5088 ext 9132
E amalia.huda@nhsec.co.id

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PT. NH Korindo Sekuritas Indonesia

Member of Indonesia Stock Exchange

JAKARTA (HEADQUARTER):

District 8 Treasury Tower 51st Fl. Unit A, SCBD Lot.28

Jl. Jendral Sudirman Kav. 52-53

Jakarta Selatan 12190

Telp : +62 21 5088 9102

Branch Office BSD:

ITC BSD Blok R No.48

Jl. Pahlawan Seribu Serpong

Tangerang Selatan 15311

Indonesia

Telp : +62 21 509 20230

Branch Office Makassar:

Jl. Gunung Latimojong No.120A

Makassar

Indonesia

Branch Office Bandung:

Paskal Hypersquare Blok A1

Jl. Pasirkaliki No 25-27

Bandung 40181

Indonesia

Telp : +62 22 860 22122

Branch Office Bandengan (Jakarta Utara):

Jl. Bandengan Utara Kav. 81

Blok A No.02, Lt 1

Jakarta Utara 14440

Indonesia

Telp : +62 21 6667 4959

Branch Office Kamal Muara (Jakarta Utara):

Rukan Exclusive Mediterania

Blok F No.2

Jakarta Utara 14470

Indonesia

Telp : +62 24 844 6878

Branch Office Pekanbaru:

Sudirman City Square

Jl. Jend. Sudirman Blok A No.7

Pekanbaru

Indonesia

Telp : +62 761 801 1330

Branch Office Denpasar:

Jl. Cok Agung Tresna

Ruko Griya Alamanda No. 9

Renon Denpasar, Bali 80226

Indonesia

Telp : +62 361 209 4230

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Jakarta