

Morning Briefing

Daily | October 17, 2024

Today's Outlook:

MARKET SENTIMENT:

- Several ECONOMIC INDICATORS will be released tonight, including: Retail Sales (Sept), weekly Initial Jobless Claims, Industrial & Manufacturing Production (Sept), and Philadelphia Fed Manufacturing Index (Oct).

EUROPEAN & ASIAN MARKETS: Investors were cautious ahead of the European Central Bank (ECB) policy decision on Thursday evening. UK reported their Sept Inflation rate came in at 1.7%, managing to come in lower than the 1.9% forecast and also from the previous period's 2.2%. Weakness in goods & services prices was also seen at the producer level as Input & Output PPI fell even lower than expected. Another CPI figure today will come from EUROZONE where they expect Inflation (Sept) to come in at 1.8% yoy, also expecting it to be lower than the previous period's 2.2%. This result plays an important role as Thursday night around 7.15pm GMT will be directly followed by EUROPEAN CENTRAL BANK's decision on interest rate where consensus is preparing for a cut to 3.40% from ECB's current benchmark rate position at 3.65%.

- As for this morning, JAPAN has released Trade Balance figures and more importantly the Sept Export - Import growth which turned out to fall deeper than expected especially the Export part.

FIXED INCOME & CURRENCIES: US TREASURY bond yields fell as financial markets reinforced bets for a smaller interest rate cut from the Federal Reserve at the end of next month's policy meeting. The benchmark 10-year US TREASURY YIELD fell 2.2 basis points to 4.014%, from 4.038% late Tuesday. The 30-year US Treasury yield fell 3 basis points to 4.2983% from 4.328% late Tuesday. The 2-year US Treasury yield, which usually moves in line with interest rate expectations, fell 2.1 basis points to 3.936%, from 3.956% late Tuesday.

- The US DOLLAR hit a 10-week high as traders ruled out a big interest rate cut at the next FOMC Meeting, and started to consider the possibility that Republican Donald Trump could win the presidential election on November 5. The DOLLAR INDEX (DXY), which measures the greenback's strength against a basket of currencies including YEN and EURO, gained 0.28% to 103.55, with the Euro down 0.29% at USD 1.0858. Against the Japanese Yen, the USD strengthened 0.34% to 149.69.

COMMODITIES: OIL prices are slightly lower, after dropping around 7% over the past 3 days. Concerns about a potentially supply-disrupting MIDDLE EAST CONFLICT have eased, after a calming statement from Israeli PM Benjamin Netanyahu that they will not attack Iran's oil & nuclear infrastructure. While sluggish 2025 demand forecasts from the IEA & OPEC+ when they released their monthly report last Tuesday, disappointed oil traders/speculators. The oil market faces a dilemma between the planned increase in supply and weak demand, especially from China. US WTI crude oil contracted 0.27% to USD 70.39/barrel and BRENT fell to USD 74.22/barrel, or -0.04%. GOLD prices extended their recent gains, driven by falling US bond yields. Gold spot price rose 0.49% to USD 2,674.10/ounce.

INDONESIA: BANK INDONESIA (BI) maintained its benchmark interest rate at 6%, deposit facility rate at 5.25%, and lending facility rate at 6.75% at its RDG BI on October 15-16, 2024. RUPIAH stabilized around 15505/USD. NHKSI RESEARCH assesses that this move by BI Governor Perry Warjiyo has shifted the focus from local issues, more to maintaining the stability of our Rupiah currency. This shift is significant as it contrasts with previous priorities under President Jokowi's administration. This may be a preparation for BI's increased role in safeguarding and strengthening the currency under the incoming new President Prabowo's administration, which signals a more prominent goal to attract more FDI to Indonesia.

Corporate News

PSAB: Pefindo Reveals J Resources Rating, Examine the Details

PT Pemeringkat Efek Indonesia (PEFINDO) affirmed the idBBB+ rating for PT J Resources Asia Pasifik Tbk (PSAB) as well as the Shelf Registration Bond I and MTN I issued. The outlook on the Company's rating is stable. The ratings reflect the Company's sizable mining resources and reserves, moderate financial flexibility, and stable gold demand. The rating is limited by the Company's aggressive capital structure, exposure to fluctuations in gold prices, and risks related to the development of new mines. Pefindo wrote in a release on Tuesday (16/10). The rating can be upgraded if PSAB has fully operated the Doup project as projected which can improve the Company's financial profile on an ongoing basis. The rating could be under pressure if the company is unable to obtain the required funding in a timely manner which could delay the construction of the Doup project. This delay could result in a significant reduction in production volumes compared to those projected in the near term and negatively impact PSAB's revenue which could worsen the Company's financial profile. A significant decline in gold prices could also trigger a downgrade, as this could worsen the Company's financial profile. (Emiten News)

Domestic News

Government Withdraws IDR 25 Trillion from Auction of 7 Series of SUN, Tuesday (15/10)

The government on Tuesday, October 15, 2024 yesterday conducted an auction of seven series of Government Securities (SUN) to meet part of the financing of the state revenue and expenditure budget (APBN). The auction was held through the Bank Indonesia auction system. Of the seven series of SUNs auctioned, the total incoming bids reached IDR 44,265,700,000,000. The details are for the SPN12250116 series, the incoming bid amounted to IDR 2.105 trillion, SPN12251002 series IDR 5.018 trillion, FR0104 series IDR 12.0836 trillion, FR0103 series IDR 15.2123 trillion, FR0098 series IDR 3.4185 trillion, FR0097 series IDR 2.8309 trillion and FR0102 series IDR 3.5974 trillion. In accordance with the authority granted by Law Number 24 of 2002 concerning Government Securities, the Minister of Finance determined the results of the auction as follows: SPN12251002 series nominal value absorbed amounted to IDR 2.0 trillion, FR0104 series nominal value absorbed amounted to IDR 7.35 trillion, FR0103 series nominal value absorbed amounted to IDR 11.2 trillion, FR0098 series nominal value absorbed amounted to IDR 2.1 trillion, FR0097 series nominal value absorbed amounted to IDR 0.80 trillion, and FR0102 series nominal value absorbed amounted to IDR 1.55 trillion. Thus the total nominal value won from the seven series offered is IDR 25 trillion. (Emiten News)

Recommendation

US10YT seems quite strong so far despite it tested MA10 / yield 4.0% as the first Support, with the round number itself also being a psychological Support. As long as the Uptrend is still intact, it must be assumed that the yield still has a chance to continue this bullish swing (short term) towards TARGET 4.30%, unless the yield closes below 3.990% then it will only lead to the following cushion around 3.874% - 3.833%. ADVISE: anticipate bond price weakness to continue as yields rise.

ID10YT needs to prove if yield can stay above the first support: MA10 / 6.678% to keep this short term up swing can make it reach TARGET 6.80%. ADVISE: anticipation of weakening bond prices still continues along with the potential rebound in yield in the Support area as follows: 6.62% / 6.57%.

PRICE OF BENCHMARK SERIES

FR0090 : 97.34 (+0.01%)
FR0091 : 99.23 (+0.30%)
FR0092 : 102.31 (+0.02%)
FR0094 : 97.01 (+0.00%)

FR0086 : 98.88 (-0.04%)
FR0087 : 99.89 (+0.09%)
FR0083 : 105.55 (+0.05%)
FR0088 : 96.69 (+0.01%)

CDS of Indonesia Bonds

CDS 2yr: +0.72% to 31.47
CDS 5yr: +0.63% to 68.53
CDS 10yr: +0.66% to 118.55

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.68%	-0.02%
USDIDR	15,513	-0.43%
KRWIDR	11.37	-0.38%

Global Indices

Index	Last	Chg.	%
Dow Jones	43,077.70	337.28	0.79%
S&P 500	5,842.47	27.21	0.47%
FTSE 100	8,329.07	79.79	0.97%
DAX	19,432.81	(53.38)	-0.27%
Nikkei	39,180.30	(730.25)	-1.83%
Hang Seng	20,286.85	(31.94)	-0.16%
Shanghai	3,202.95	1.66	0.05%
Kospi	2,610.36	(23.09)	-0.88%
EIDO	22.20	0.09	0.41%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,673.8	11.3	0.42%
Crude Oil (\$/bbl)	70.39	(0.19)	-0.27%
Coal (\$/ton)	145.95	(0.10)	-0.07%
Nickel LME (\$/MT)	17,279	(145.0)	-0.83%
Tin LME (\$/MT)	32,150	(246.0)	-0.76%
CPO (MYR/Ton)	4,311	72.0	1.70%

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.00%	6.00%	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	6.00%	Oct 16	6.00%	6.00%
16 – October							
	US	18.00	MBA Mortgage Applications	-17.0%	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



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