

Morning Briefing

Daily | October 18, 2024

Today's Outlook:

US MARKETS: Stronger-than-expected monthly Retail Sales data suggests US consumers still have healthy purchasing power.

MARKET SENTIMENT:

- **US Retail Sales increased 0.4% in September, slightly higher than the expected 0.3%, while weekly jobless claims fell unexpectedly to 241k, from 260k in the previous week.** Although Industrial & Manufacturing Production (Sept) fell lower than expected, the above data still confirmed healthy growth in the world's largest economy, while the public retained 89.4% bet on a 25 basis points rate cut at the next Federal Reserve meeting, according to CME FedWatch.

- **WHAT TO EXPECT TODAY:** Building Permits & Housing Starts (Sept), as well as some comments from Fed officials such as Bostic, Kashkari, & Waller.

FIXED INCOME & CURRENCY: US TREASURY YIELD crept up, the 10-year bond yield increased by 7.5 basis points to 4.091%. US DOLLAR is at its strongest position in 2.5 months and climbed 12 days over the last 14 trading days.

ASIAN MARKETS: investors are bracing for a slew of top-tier economic data this Friday which includes: JAPAN INFLATION and the main highlight is CHINA GDP. Other Chinese economic indicators - September Retail Sales, house prices, Industrial Production, unemployment and investment - will also be released. But all eyes will be on third quarter economic growth and how close it is to the 5.0% mark which is Beijing's target for 2024, but which most analysts say is unachievable at present. The recently announced wave of fiscal stimulus came too late to boost growth this year but has prompted some economists to raise their forecasts for 2025. Overall, analysts remain quite pessimistic, their consensus in a Reuters poll being that GDP grew only 4.5% in the third quarter on an annualized basis, slowing from 4.7% in the previous quarter. For 2024 as a whole, they expect the economy to grow by 4.8%, below the government's target, and forecast a further slowdown next year to 4.5%. Investors have realized that fiscal, monetary, and liquidity support from the Chinese government, no matter how successful, will take time to bear fruit. This may have been reflected in the third consecutive decline in Chinese stocks on Thursday - the benchmark Shanghai stock index is down 15% from its peak on October 8, although still up around 18% since the first stimulus measures were launched last month.

- **JAPAN this morning released its September inflation figures, with the National Core CPI coming in at 2.4% yoy; although 0.1% higher than the 2.3% forecast, it was true to economists' estimates that they were expecting a marked slowdown from August's 2.8%.** That would be the biggest monthly decline since February last year. This would also support the thinking of the BANK OF JAPAN which favors a cautious approach to tightening monetary policy. The BOJ is expected to delay raising rates again this year, according to a minority of economists in a Reuters poll published this week, although nearly 90% still expect rates to rise by the end of March. The decision may also be based on the fact that Japan's Sept Export - Import growth plunged below forecasts, proving the economy needs more incentives than tightening.

EUROPEAN MARKETS: Speaking of Inflation, EUROZONE CPI (Sept) came out at 1.7% yoy, 0.1% lower than consensus 1.8%, and managed to ease from the previous month 2.2%. This data justified the ECB's move to immediately cut interest rates on the same day yesterday Thursday, from 3.65% to 3.40%.

Corporate News

PPRO: Pefindo Downgrades PP Properti (PPRO) Rating, Examine the Causes

PT Pemeringkat Efek Indonesia (PEFINDO) downgraded PT PP Properti Tbk (PPRO) to idSD and Sustainable Bonds II Phase IV to idD from idBB-. The downgrade follows a court decision that stipulates PPRO's status as being in a temporary postponement of debt payment obligations (PKPU) for a period of 45 days until November 21, 2024. Pefindo in a release on Wednesday (17/10) explained that with the temporary PKPU status, PPRO is in a state of debt standstill and is not allowed to make payments to all lenders, including the coupon payment for the Shelf Registration Bond II Phase IV which matures on October 14, 2024. PEFINDO also downgraded the Company's Shelf-Registered Bonds II Phase I and Phase III rating to idCCC from idBB-, reflecting the very high probability that PPRO will not fulfill its bond coupon payment obligations at maturity due to the Company's PKPU status. (Emiten News)

Domestic News

Economist on Prabowo's Plan to Place 3 Deputy Ministers to Accompany Sri Mulyani: Win-win Solution

President-elect Prabowo Subianto plans to place three deputies to accompany his finance minister candidate, Sri Mulyani Indrawati. The three are incumbents Suahasil Nazara and Thomas Djiwandono, as well as Anggito Abimanyu. Executive Director of the Institute for Development of Economics and Finance (Indef), Esther Sri Astuti, said the number was too many. She suspects that this is an alternative option to the plan to establish a state revenue agency. "Maybe this is a win-win solution, because I heard that Mr Anggito Abimanyu is a candidate for the head of the state revenue agency," she told Tempo on Thursday, October 17, 2024. The addition of a deputy minister is also considered not necessarily effective. In the past, he said, there was only one finance minister but the Indonesian economy could grow by 7 percent. Now there is a deputy finance minister, the Indonesian economy is still stagnant at 5 percent. The same thing was presented by a researcher at the Paramadina Public Policy Institute, Septa Dinata. He said there was a possibility that functions related to state revenue would become the domain of one of the deputy finance ministers (wamenkeu). According to him, this could be a middle way after the future of the State Revenue Agency or the Ministry of State Revenue which has reached a dead end. "Maybe the middle way is that there is a deputy minister of finance who specifically talks about or focuses on this state revenue," he said in a discussion. (Tempo)

Recommendation

US10YT rebounded at MA10 support / yield 4.03% as expected, maintaining this short term up swing. POTENTIAL: as soon as US10YT breaks Resistance from previous High level of 4.12% then yield will immediately go to TARGET 4.30%. Anticipate bond price weakness along with yield strengthening.

On the contrary, ID10YT broke its first Support which is MA10, and the yield slipped down to below 6.693% which has now changed its role to the nearest Resistance that must be conquered again if ID10YT wants to maintain its yield uptrend. The next support is at MA50 / yield 6.62% then MA20 at current yield 6.58%.

PRICE OF BENCHMARK SERIES

FR0090 : 97.34 (+0.01%)
FR0091 : 99.25 (+0.02%)
FR0092 : 102.32 (+0.01%)
FR0094 : 97.01 (+0.00%)

FR0086 : 98.87 (-0.01%)
FR0087 : 99.90 (+0.01%)
FR0083 : 105.55 (+0.01%)
FR0088 : 96.67 (-0.02%)

CDS of Indonesia Bonds

CDS 2yr: -0.76% to 31.23
CDS 5yr: +0.53% to 68.51
CDS 10yr: -0.60% to 117.84

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.66%	-0.01%
USDIDR	15,495	-0.12%
KRWIDR	11.30	-0.60%

Global Indices

Index	Last	Chg.	%
Dow Jones	43,239.05	161.35	0.37%
S&P 500	5,841.47	(1.00)	-0.02%
FTSE 100	8,385.13	56.06	0.67%
DAX	19,583.39	150.58	0.77%
Nikkei	38,911.19	(269.11)	-0.69%
Hang Seng	20,079.10	(207.75)	-1.02%
Shanghai	3,169.38	(33.56)	-1.05%
Kospi	2,609.30	(1.06)	-0.04%
EIDO	22.48	0.28	1.26%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,692.7	18.9	0.71%
Crude Oil (\$/bbl)	70.67	0.28	0.40%
Coal (\$/ton)	145.75	(0.20)	-0.14%
Nickel LME (\$/MT)	17,005	(274.0)	-1.59%
Tin LME (\$/MT)	31,218	(932.0)	-2.90%
CPO (MYR/Ton)	4,278	(33.0)	-0.77%

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	241k	Oct 12	-	258k
17 – October							
	US	19.30	Industrial Production MoM	-0.3%	Sep	-0.1%	0.8%
	US	19.30	Retail Sales Advance MoM	0.4%	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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