

Morning Briefing

Daily | October 02, 2024

Today's Outlook:

Investors are abandoning risky assets as concerns grow about an escalation of **CENTRAL EAST CONFLICT** after Iran launched several missiles into Israel in retaliation for Israel's campaign against Iran's ally Hezbollah in Lebanon. Israel itself said that such a serious attack would inevitably have consequences (retaliation). The escalating tensions in the Middle East began to shake investor confidence, especially regarding the stability of the US stock market, which was already highly valued. The plunge in stocks was followed by the movement of investors to safe-haven assets such as government bonds and the US Dollar.

ECONOMIC INDICATORS:

- **JOLTS JOB OPENINGS (Aug)** stated that **8.04 million jobs** were created in Aug, higher than forecast & previous period which only ranged from **7.64 - 7.71 million**. The release of this figure more or less alleviated fears of the US economy falling into recession, but is still overshadowed by the sluggish US Manufacturing sector in Sept where figures from S&P Global and ISM both show the US MANUFACTURING PMI is still far from expansionary levels.

- Tonight the **ADP NONFARM EMPLOYMENT CHANGE (Sept)** data will be monitored to record labor growth in the private sector with an estimate of **124k jobs** created, up from **99k** in Aug.

COMMODITIES: The escalation of the Middle East conflict boosted OIL prices which jumped **3%** on Tuesday; after rising **5%** in one session, triggered by concerns of supply disruption in the region. Traders anticipated that crude supply disruption from the Gulf region would push prices sharply higher, a flashback to the previous Russia - Ukraine war.

MARKET SENTIMENT:

- The **CBOE VOLATILITY INDEX**, an indicator of market "fear" levels, rose to a 3-week high of **20.73**, before trimming its gains to stay at **19.25** (still below **20** which does not take into account a massive military scenario). Further market volatility is expected as we approach the November US presidential election.

- **ATLANTA FED'S GDP** estimate for third quarter US GDP growth was cut to **2.5%** from **3.1%** last week. This is the largest decline since **Q3** tracking estimates were launched in late July.

ASIA & EUROPE MARKETS:

- **CHINA** markets were closed due to the Golden Week holiday, and the main economic data releases were Inflation and Manufacturing PMI data from **SOUTH KOREA**, as well as Consumer Confidence from **JAPAN**. Figures from Seoul confirmed South Korea's CPI fell to **1.6%** in September from **2.0%** in August. It was the lowest figure, and also the first time below the **2%** threshold, since March 2021. This was followed by the S&P Global South Korea Manufacturing PMI figure falling to **48.3**, the lowest in over a year (since Aug 2023).

- From the **EUROPEAN** continent, the Manufacturing PMIs from **GERMANY & EUROZONE** are still struggling in contraction territory, albeit strengthening slightly above expectations; but clearly losing out against the UK which has been steady at **51.5** (Sept) as predicted. Speaking of Inflation, **EUROZONE CPI** (Sept) came in at **1.8%** yoy (as preliminary estimate) which is in line with forecast and lower than Aug's **2.2%**, thus exceeding the ECB's Inflation Target of **2%**.

INDONESIA : released **Nikkei Manufacturing PMI (Sept)** figure strengthened to **49.2** from last month's **48.9**, but has not moved into expansion territory. **Sept INFLATION** was recorded safely contained at **1.84%** yoy, down from **2.12%** in Aug.

Corporate News

DOID: DOID's Subsidiary, Bukit Makmur Mandiri Utama Issues Bonds with Interest of up to 9.75%

A subsidiary of PT Delta Dunia Makmur Tbk. (DOID) is eyeing fresh funds from the issuance of bonds worth IDR 1 trillion in the second half of this year by offering an interest rate of **7.25%** to **9.75%**. In a brief prospectus published on Bisnis Indonesia daily, Tuesday (1/10/2024), PT Bukit Makmur Mandiri Utama (BUMA) conveyed the ongoing public offering of BUMA Bonds II Year 2024 with a maximum principal value of IDR 1 trillion. The bonds will be issued in three series and received an **idA+** (Single A Plus) rating from Pefindo. In more detail, Series A is offered with a principal amount of IDR 251.03 billion, a fixed interest rate of **7.25%** per annum, and a tenor of **370** days. Series B is offered with a principal amount of IDR 332.71 billion, a fixed interest rate of **9.25%** per annum, and a tenor of **3** years. Meanwhile, Series C is offered with a principal amount of IDR 416.25 billion, a fixed interest rate of **9.75%** per year, and a **5-year** tenor. The funds obtained by BUMA from the bond issuance will be used for refinancing and capital expenditures of the DOID subsidiary. (Bisnis)

Domestic Issue

Auction of 7 Series of Debt Securities, Government Obtains IDR 24 Trillion in Fresh Funds

The Directorate General of Financing and Risk Management (DJPPR) of the Ministry of Finance has carried out an auction of Government Debt Securities (SUN) on Tuesday (1/10/2024). There were 7 debt securities being auctioned. In its official statement, DJPPR stated that the total bids entered in the auction reached IDR 46.649 trillion. Of the entry bids, the government won IDR 24 trillion. The debt securities with the highest bid value were **FR0103**, whose value reached IDR 14.955 trillion with a nominal amount won of IDR 7.350 trillion. The **FR1013** series recorded a weighted average yield won of **6.52975%** with the highest yield won being **6.54000%**. The coupon rate is **6.75%** and will mature on July 15 2035. Meanwhile, **FR1014** recorded the highest nominal amount won, namely IDR 8.600 trillion, even though the incoming bid value of IDR 14,130 trillion was still below the **FR1013** series. The **FR1014** series has a weighted average yield won of **6.23995%** with the highest yield won being **6.26000%**. The interest coupon is **6.5000%** and matures on July 15 2030. (Fund Market)

Recommendation

US10YT tests **MA10 & MA20 Support line and upper channel (broken downtrend) at yield range: 3.75% - 3.70%**. If this Support test is successful then the yield should rebound back with a TARGET of surpassing **MA50** / yield of **3.838%** (= a hint to sell more bonds) and accelerate towards a more advanced TARGET: yield **4.0%** / **4.30%**.

ID10YT has not yet managed to surpass the first Resistance: **MA10** / yield **6.463%**, however the potential for technical rebound is still lurking and bond price weakness should also be anticipated this week. TARGET / next resistance: **MA20** / yield **6.535%**, before heading to a higher TARGET: **MA50** / yield **6.674%**.

PRICE OF BENCHMARK SERIES

FRO090	: 97.59 (+0.03%)
FRO091	: 99.91 (-0.06%)
FRO094	: 97.28 (+0.00%)
FRO092	: 103.88 (-0.12%)
FRO086	: 98.94 (-0.02%)
FRO087	: 100.85 (-0.05%)
FRO083	: 107.14 (-0.14%)
FRO088	: 97.38 (-0.41%)

CDS of Indonesia Bonds

CDS 2yr:	+1.93% to 34.81
CDS 5yr:	+1.69% to 68.90
CDS 10yr:	+1.59% to 111.49

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.47%	0.01%
USDIDR	15,200	0.40%
KRWIDR	11.47	-0.44%

Global Indices

Index	Last	Chg.	%
Dow Jones	42,156.97	(173.18)	-0.41%
S&P 500	5,708.75	(53.73)	-0.93%
FTSE 100	8,276.65	39.70	0.48%
DAX	19,213.14	(111.79)	-0.58%
Nikkei	38,651.97	732.42	1.93%
Hang Seng	21,133.68	0.00	0.00%
Shanghai	3,336.50	0.00	0.00%
Kospi	2,593.27	0.00	0.00%
EIDO	22.66	0.16	0.71%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,663.2	28.7	1.09%
Crude Oil (\$/bbl)	69.83	1.66	2.44%
Coal (\$/ton)	141.65	(3.45)	-2.38%
Nickel LME (\$/MT)	17,711	197.0	1.12%
Tin LME (\$/MT)	33,879	421.0	1.26%
CPO (MYR/Ton)	4,006	11.0	0.28%

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	1.84%	2.12%	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	47.3	Sep F	47.0	47.0
01 – October	US	21.00	ISM Manufacturing	47.2	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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