

Morning Briefing

Daily | October 04, 2024

Today's Outlook:

Oil prices surged, driven by escalating geopolitical tensions due to the Middle East conflict. Economic data released on Thursday indicated rising unemployment claims in the US, suggesting a weak labor market; another report noted that US services sector activity remained strong. The closely watched NONFARM PAYROLL (September) will be released this Friday.

ECONOMIC INDICATORS :

-INITIAL JOBLESS CLAIMS for the week ending September 28 rose to 225,000, up from a revised figure of 219,000 the previous week, as reported by the US Department of Labor on Thursday. This number was also higher than economists' expectations of 222,000.

-The Institute for Supply Management (ISM) reported that the US SERVICES PMI soared to a 1.5-year high in September, further evidence that the economy remains strong in the third quarter. While the manufacturing sector continues to struggle, the services sector is helping sustain economic momentum.

- Besides the NONFARM PAYROLL (September) forecasted to be 148,000 (up from 142,000 in August), the Average Hourly Earnings (September) is also expected to be lower than the previous month; ultimately, the Unemployment Rate (September) is still predicted to remain at 4.2%.

COMMODITIES : Brent crude oil futures closed up 5.03% at USD 77.62 per barrel, while US WTI surged 5.15% to USD 73.71. Gold prices remained flat as the US dollar strengthened against major currencies. Spot gold fell 0.01% to USD 2,657.24 per ounce, while futures closed 0.4% higher at USD 2,679.2. Strikes by workers on the East Coast and in the Gulf entered their third day. Economists at Morgan Stanley indicated that prolonged production stoppages could raise consumer prices, with food prices likely to react first.

CURRENCY & FIXED INCOME :

-The DOLLAR INDEX (DXY) rose to a six-week high of 102.09, the highest since August 19. The euro slightly declined to USD 1.1026, not far from Wednesday's low of USD 1.10325, a level last seen on September 12. The pound weakened by 1.1% to USD 1.3122 after Bank of England Governor Andrew Bailey told the Guardian that the central bank might be "a little more aggressive" in cutting rates if inflation continues to ease. Against the Japanese yen, the dollar strengthened by 0.1% to 146.61.

-US TREASURY YIELDS rose following the release of unemployment claims data and the services sector report. The yield on the 2-year US Treasury note increased to 3.7095% on Thursday, while the yield on the benchmark 10-year bond rose to 3.853%. The market implies a 35% chance that the Fed will cut rates by another 50 basis points in November, down from nearly 50% last week according to CME FedWatch, and has projected a total of about 70 basis points of easing by the end of the year. Portfolio managers assess that the market remains positive for the long term, though investors are likely to adopt a cautious stance in the short term due to various uncertainties related to the US presidential election and ongoing Middle East conflict.

Corporate News

MBMA: Issuing IDR 2 Trillion Bonds - Merdeka Battery Offers Interest of Up to 9%

Strengthening the capital structure to pay off maturing debt, PT Merdeka Battery Materials Tbk (MBMA) will offer sustainable bonds II in 2024 worth IDR 2 trillion on October 02-03, 2024. The information was conveyed by the company in a press release in Jakarta, yesterday. These bonds consist of series A worth IDR 216 billion with a tenor of 367 calendar days from the date of issuance with a fixed interest rate of 6.80% per annum, and series B worth IDR 1,784 trillion with a tenor of three years and a fixed interest rate of 9% per annum. Mentioned, the schedule for allotment and electronic distribution of bonds is on October 04 and 08, 2024, respectively. All proceeds from the bond public offering after deducting issuance costs will be used for three purposes. First, IDR 1.518 trillion (USD 100 million) for early payment to PT Merdeka Copper Gold Tbk (MDKA) for all outstanding principal arising under the MDKA-MBMA loan agreement of USD 175 million. Second, IDR 227.8 billion (USD 15 million) for early repayment to MDKA for all outstanding principal arising under the MDKA-MBMA loan agreement of USD 100 million. The rest is used for the company's working capital. (Neraca)

Domestic Issue

The Government Will Hold Sukuk Auction Next Tuesday, Target IDR 8 Trillion

The government on Tuesday, October 8, 2024 will hold another auction of State Sharia Securities (SBSN) or State Sukuk to meet part of the financing target in the 2024 State Budget. There are 7 series of SBSN that will be auctioned, consisting of the SPN-S series (Surat Perbendaharaan Negara - Syariah) and PBS (Project Based Sukuk). The seven SBSN series are: SPNS 01042025 (reopening) maturity date April 1, 2025, SPNS 07072025 (new issuance) maturity date July 7, 2025, PBS032 (reopening) maturity date July 15, 2026, PBS030 (reopening) maturity date July 15, 2028, PBS004 (reopening) maturity date February 15, 2037, PBS039 (reopening) maturity date July 15, 2041, and PBS038 (reopening) maturity date December 15, 2049. In a press release from the Directorate of Sharia Financing of the Ministry of Finance of the Republic of Indonesia, it was stated that the indicative target of the auction of the seven sukuk series was IDR 8 trillion and the settlement date was October 10, 2024. (Emiten News)

Recommendation

- US10YT High point yield yesterday right touched MA50 Resistance at a yield of 3.83%, although the Closing position took a step back to 3.789% but well above MA10 & MA20. It looks like the yield is in a more stable position to try to break the Resistance again in the next few days, moreover it will be triggered by US labor data which is the justification. POTENTIAL: the price will drop faster if the yield Resistance of 3.83% is exceeded, get ready to reduce positions.

- ID10YT has surpassed the first Resistance / MA10 which reversed its role to become the current support at 6.46% yield. The second challenge will be MA20 / yield 6.53%; which if successfully broken will stop ID10YT from the upward price trend so far; at least until the yield reaches MA50 Resistance / 6.66%. .

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

PRICE OF BENCHMARK SERIES

FR0090 : 97.559 (-0.01%)

FR0091 : 99.321 (-0.38%)

FR0092 : 102.989 (-0.17%)

FR0086 : 98.971 (+0.04%)

FR0087 : 100.485 (-0.25%)

FR0083 : 106.227 (-0.45%)

FR0088 : 97.317 (-0.04%)

CDS of Indonesia Bonds

CDS 2yr: +0.54% to 34.32

CDS 5yr: +0.42% to 69.27

CDS 10yr: +0.37% to 110.17

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.54%	0.03%
USDIDR	15,420	1.02%
KRWIDR	11.55	0.16%

Global Indices

Index	Last	Chg.	%
Dow Jones	42,011.59	(184.93)	-0.44%
S&P 500	5,699.94	(9.60)	-0.17%
FTSE 100	8,282.52	(8.34)	-0.10%
DAX	19,015.41	(149.34)	-0.78%
Nikkei	38,552.06	743.30	1.97%
Hang Seng	22,113.51	(330.22)	-1.47%
Shanghai	3,336.50	0.00	0.00%
Kospi	2,561.69	0.00	0.00%
EIDO	22.06	(0.25)	-1.12%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,655.9	(2.8)	-0.11%
Crude Oil (\$/bbl)	73.71	3.61	5.15%
Coal (\$/ton)	140.80	0.55	0.39%
Nickel LME (\$/MT)	17,589	(564.0)	-3.11%
Tin LME (\$/MT)	33,709	(184.0)	-0.54%
CPO (MYR/Ton)	4,182	(14.0)	-0.33%

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	-1.3%	Sep 27	-	11.0%
02 – October	US	19.15	ADP Employment Change	143k	Sep	123k	99k
Thursday	US	19.30	Initial Jobless Claims	225k	Sep 28	221k	218k
03 – October	US	21.30	Factory Orders	-0.2%	Aug	0.1%	5.0%
	US	21.00	Durable Goods Orders	0%	Aug F	0%	0.0%
	US	21.00	ISM Services Index	54.9	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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