

Morning Briefing

Daily | October 07, 2024

Today's Outlook:

US MARKETS: The stronger-than-expected NONFARM PAYROLL report reassured investors concerned that the US economy is still far from recession.

- **US NONFARM PAYROLL** stated that job creation in the US for the public sector increased by 254k in September which is the highest number in 6 months (much higher than the prediction of 147k), and the Unemployment Rate fell to 4.1%. While this was a good surprise, it could slow down the pace of Fed rate cuts. In response to the data, Morgan Stanley issued a statement that they expect rate cuts of 25bps each at the November and December FOMC meetings. Wells Fargo also believes that the US economy will undergo a soft-landing scenario rather than a recession. Chicago Fed's own President Austan Goolsbee appreciated the NONFARM PAYROLL report and said it is still appropriate for the Fed to cut rates a lot over the next 12 to 18 months. As such, market participants reduced bets on a 50 basis point reduction at the Federal Reserve's November 6-7 meeting. Investors now estimate a mere 8% chance of a 50 bps rate cut, slipping considerably from around 31% earlier on Friday, according to the CME FedWatch Tool. The Fed has started the monetary easing cycle last month with a 50 basis points cut in the Fed Funds Rate.

- **MIDDLE EAST CONFLICT:** The S&P Energy Index rose 1.1% on Friday as Oil prices rose. With the Middle East Conflict, the index jumped 7% during the week in the biggest weekly percentage gain since October 2022. This was triggered by comments from US President Joe Biden who said that if he were in Israel's shoes, he would think of alternatives to attacking Iran's oil fields, adding that he thought Israel had not concluded how to respond to Iran's missile barrage last week.

- **A US PORT WORKERS' STRIKE** appears to be over after their union and a group representing major ocean shipping companies reached an agreement, which is expected to result in wage increases of around 62% over 6 years.

COMMODITIES: CENTRAL OIL prices rallied on Friday and closed with their biggest weekly gain in over a year on the growing threat of WAR across the MIDDLE EAST, although the gains were limited as US President Joe Biden prevented Israel from targeting Iranian oil facilities. Oil prices briefly surged 2% but closed lower; with BRENT crude up 43 cents, or 0.6%, to USD 78.05/barrel, while US WTI lifted 67 cents, or 0.9%, to USD 74.38/barrel. ISRAEL has vowed to attack IRAN for launching a barrage of missiles into Israel on Tuesday, after Israel killed the leader of Iran-backed Hezbollah a week ago. The events led oil analysts to warn about the potential escalation of a wider war in the Middle East. On Thursday, benchmark oil prices jumped more than 5% after Biden confirmed that the US was conferring with Israel over whether it would support strikes on Iran's energy infrastructure. On a weekly basis, Brent crude jumped more than 8%, the highest in a week since January 2023. US hot WTI boiled 9.1% last week, the highest since March 2023.

- Meanwhile from another commodity angle, world GOLD prices slipped 0.3% at the close of trading on Friday, to USD 2647.52/ounce, as stronger-than-expected US jobs data boosted the US DOLLAR, dashing hopes of a more aggressive interest rate cut from the Fed next month. Whereas last week the price of Gold had touched a record high of USD 2685.42. The same reason for the strengthening of the USD also makes Oil prices shrink again because the high US DOLLAR can discourage non-US country buying interest.

Corporate News

INKP: Stable, Pefindo Affirms INKP Bond Rating idA+

Pemeringkat Efek Indonesia (Pefindo) assigned an idA+ rating to Indah Kiat Pulp and Paper's (INKP) Shelf Registration Bond V Year 2024 with a maximum IDR 14 trillion. The rating also applies to the USD II Year 2024 sustainable bonds with a maximum amount of USD100 million. In addition, Pefindo also assigned an idA+ (sy) rating to Indah Kiat's Sustainable Sukuk Mudharabah IV Year 2024 with a maximum amount of IDR 6 trillion. The company plans to use the proceeds from the issuance of Rupiah bonds and sukuk to finance working capital and refinancing. Meanwhile, the proceeds from the issuance of USD bonds will be used to finance capital expenditures. Pefindo also affirmed the idA+ rating for the bonds, and idA+ (sy) for the company's sukuk is still outstanding. (Emiten News)

Domestic Issue

Government Debt IDR 8,461 T as of August, Down IDR 40.76 T Ahead of Jokowi Stepping Down

Minister of Finance (Menkeu) Sri Mulyani revealed that the position of government debt was recorded at IDR 8,461.93 trillion as of August 2024 or towards the end of President Joko Widodo's term. This figure decreased by IDR 40.76 trillion or 0.47 percent compared to the debt position at the end of July 2024 which amounted to IDR 8,502.69 trillion. "Total government debt as of the end of August 2024 was recorded at ID 8,461.93 trillion," Sri Mulyani said in the September edition of the KiTa State Budget Book, quoted on Saturday (5/10). Sri Mulyani explained that the decline in government debt made the debt ratio fall from 38.68 percent to 38.49 percent of Gross Domestic Product (GDP) in June 2024. This figure is still below the safe limit of 60 percent of GDP according to Law Number 17 of 2023 concerning State Finance. "The government manages debt in a careful and measured manner to achieve an optimal debt portfolio and support the development of the domestic financial market," the Minister said. In detail, government debt is dominated by Government Securities (SBN) instruments whose contribution amounted to 88.07 percent. Until the end of August 2024, the issuance of SBN was recorded at IDR 7,452.56 trillion. This issuance is also divided into domestic SBN and foreign exchange SBN. Domestic SBN was recorded at IDR 6,063.41 trillion, which was divided into Government Securities (SUN) of IDR 4,845.68 trillion and State Sharia Securities (SBSN) of IDR 1,217.73 trillion. Meanwhile, foreign currency SBN recorded amounted to IDR 1,389.14 trillion with details, SUN amounting to IDR 1,025.14 trillion and SBSN worth IDR 364 trillion. (Kumparan)

Recommendation

US10YT is about to reach the crucial 4.0% level (= round numbers also act as psychological Resistance). ADVISE: WAIT & SEE whether this Resistance can be broken or not, the pattern actually holds a potential TARGET at a yield of 4.30%.

ID10YT is on its way to reach the Target at a yield of 6.68%; up to 6.70%, currently hindered by MA50 Resistance at a yield of 6.65%. ADVISE: WAIT & SEE whether this crucial Resistance can be passed or not.

PRICE OF BENCHMARK SERIES

FR0090 : 97.56 (+0.00%)

FR0091 : 99.05 (-0.28%)

FR0092 : 102.65 (-0.33%)

FR0094 : 97.28 (+0.00%)

FR0086 : 98.96 (-0.01%)

FR0087 : 100.27 (-0.22%)

FR0083 : 106.16 (-0.07%)

FR0088 : 97.03 (-0.03%)

CDS of Indonesia Bonds

CDS 2yr: -1.05% to 33.96

CDS 5yr: -1.23% to 68.42

CDS 10yr: -0.98% to 109.09

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.65%	0.11%
USDIDR	15,485	0.42%
KRWIDR	11.47	-0.71%

Global Indices

Index	Last	Chg.	%
Dow Jones	42,352.75	341.16	0.81%
S&P 500	5,751.07	51.13	0.90%
FTSE 100	8,280.63	(1.89)	-0.02%
DAX	19,120.93	105.52	0.55%
Nikkei	38,635.62	83.56	0.22%
Hang Seng	22,736.87	623.36	2.82%
Shanghai	3,336.50	0.00	0.00%
Kospi	2,569.71	8.02	0.31%
EIDO	21.58	(0.48)	-2.18%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,653.6	(2.3)	-0.09%
Crude Oil (\$/bbl)	74.38	0.67	0.91%
Coal (\$/ton)	148.20	7.40	5.26%
Nickel LME (\$/MT)	17,992	403.0	2.29%
Tin LME (\$/MT)	33,805	96.0	0.28%
CPO (MYR/Ton)	4,300	118.0	2.82%

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	GE	13.00	Factory Orders MoM	-	Aug	-2.0%	2.9%
07 – October	US	20.45	MNI Chicago PMI	-	Sep	46.8	46.1
Tuesday	GE	13.00	Industrial Production SA MoM	-	Aug	0.8%	-2.4%
08 – October	US	19.30	Trade Balance	-	Aug	-USD 70.5B	-USD 78.8B
Wednesday	US	18.00	MBA Mortgage Applications	-	Oct 04	-	-1.3%
09 – October							
Thursday	JP	06.50	PPI YoY	-	Sep	2.3%	2.5%
10 – October	US	19.30	Initial Jobless Claims	-	Oct 5	230k	225k
	US	19.30	CPI MoM	-	Sep	0.1%	0.2%
	US	19.30	CPI YoY	-	Sep	2.3%	2.5%
Friday	GE	13.00	CPI EU Harmonized YoY	-	Sep F	1.8%	1.8%
11 – October	US	19.30	PPI Final Demand MoM	-	Sep	0.1%	0.2%
	US	21.00	University of Michigan Sentiment	-	Oct P	70.5	70.1

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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