

# Morning Briefing

Daily | October 08, 2024

## Today's Outlook:

**US MARKET:** Yields on 10-year Treasuries hit 4%, as investors readjusted their views on the Federal Reserve's interest rate direction. The 10-year US Treasury rose to 4.033%, the highest level since August 1 and the first time above 4% since August 8 after a stronger-than-expected US Nonfarm Payroll report released on Friday boosted expectations that the Fed will reduce its aggressiveness in lowering interest rates. Expectations for a Fed rate cut of 25 basis points (bps) at the central bank's November meeting stood at 84.6%, with the market pricing in a 15.4% probability that the central bank will keep rates in place, according to the CME FedWatch Tool. Whereas a week ago, the market was actually expecting a cut of at least 25 basis points, with a 34.7% chance of a 50 basis point cut after the Fed started cutting rates at its September meeting with a 50 basis point cut.

**COMMODITIES:** Hezbollah rockets on Monday hit Haifa, Israel's third largest city, which appears poised to expand its ground offensive into southern Lebanon on the first "anniversary" of the Palestinian war. US crude oil closed up 3.71% to USD 77.14/barrel and BRENT rose to USD 80.93/barrel, to close up 3.69% yesterday.

**CURRENCY & FIXED INCOME:** 10-year and 2-year US TREASURY yields extended gains to their highest levels since late July and mid-August, as Fed Fund Rate futures readjusted with an 85% chance of a 25bps cut at the November FOMC MEETING and a 15% chance only that the Fed will again set an aggressive 50bps cut. The 10-year Treasury yield ended above 4% for the first time since exactly 2 months ago on August 08.

- While this did not help the US DOLLAR much, along with the two other safe haven currencies: Japanese Yen & Swiss Franc, the Dollar retained bargaining power as acute Middle East tensions threatened to spill over into a more escalated conflict on the anniversary of the Hamas attack on Israel that sparked the war in Gaza. The Dollar fell about 0.5% against the Japanese YEN after rallying above 149 overnight to a 7-week high since August 15. BANK OF JAPAN said widespread wage hikes underpinned consumption and encouraged more companies in the region to pass on rising labor costs, signaling that the Japanese economy is making progress meeting the prerequisites for an interest rate hike; thereby boosting the Yen's exchange rate position. In overall, the DOLLAR INDEX (DXY), which measures the greenback's strength against a basket of currencies, slipped 0.05% to 102.48; with the Euro down 0.03% at USD 1.0973. POUNDSTERLING fell 0.22% to USD 1.3083.

**ASIA & EUROPEAN MARKETS:** Yen weakness helped Japan's NIKKEI rally nearly 2% on Monday, leading a broader rally across the region. MSCI's index of Asia-Pacific shares rose nearly 1% and the Asia ex-Japan index gained nearly half a percent. CHINA markets will reopen this Tuesday after the Golden Week holiday, with investors preparing to consider a stock market rescue thanks to a flood of stimulus from the Chinese government, even the most aggressive stimulus since the COVID-19 pandemic. Today will be monitored: Japan Tankan manufacturing and services index (Oct), JAPAN Household Spending (Aug), GERMAN Industrial Production (Aug).

- From Continental Europe, GERMAN Factory Orders (Aug) fell unexpectedly deep, while Retail Sales from EUROZONE increased drastically in Aug.

**INDONESIA:** released a Foreign Exchange Reserves figure of IDR 149.90bn, a safe figure reflecting about 6.6 months of import cover.

## Corporate News

### MEDC: Medco Energi Announces Tender Results of Bonds

PT Medco Energi Internasional Tbk (MedcoEnergi) announced the initial tender results for the repurchase of senior notes issued by its subsidiaries, Medco Oak Tree Pte. Ltd. and Medco Bell Pte. Ltd. Medco Oak Tree Pte. Ltd. and Medco Bell Pte. Ltd. are indirect wholly-owned subsidiaries of the Company. The 2026 Notes and 2027 Notes are unconditionally and irrevocably guaranteed by the Company and certain of its subsidiaries. MedcoEnergi in its official announcement on Monday (7/10) explained that the tender aims to repurchase up to USD100 million for the 7.375% Notes due 2026, and up to USD50 million for the 6.375% Notes due 2027 (medc4). The notes are guaranteed by MedcoEnergi and several of its subsidiaries. The announcement of the tender results reported that the notes maturing in 2027 have been validly sold for a total amount of USD 68.837 million, exceeding the maximum limit of USD 50 million. (Emiten News)

## Domestic Issue

### OJK Records Issuance of Green Bonds and Sukuk Reaching IDR 36.4 Trillion

The Financial Services Authority (OJK) noted that the value of bond and sukuk issuance based on sustainability has reached IDR 36.4 trillion. Inarno Djajadi, Chief Executive of the Capital Market Supervisor, Derivative Finance and Carbon Exchange (PMDK) of the Financial Services Authority (OJK), explained that OJK is synergizing with stakeholders to continue to encourage the issuance of bonds and sukuk based on sustainability in Indonesia. Furthermore, in 2024, OJK has published the Indonesian Sustainable Finance Taxonomy or TKBI. This taxonomy is a reference for financial service players in implementing sustainable finance. TKBI classifies business activities into green and transition categories by integrating environmental and social aspects. In addition, this year OJK is making various preparations for the implementation of IFRS S1 and IFRS S2 standards and from various sustainable finance initiatives that have been carried out by OJK and Indonesian stakeholders, it is considered quite advanced and fast in implementing sustainable finance. Inarno also encourages business people to integrate sustainability principles into the company's business processes and report them transparently in the annual report. This is a form of commitment from business actors to contribute in overcoming the impacts of climate change and social problems. (Liputan 6)

## Recommendation

US10YT finally reached the 4.0% yield level again, the highest point exactly 2 months ago (Aug 08). Considering the market sentiment, this rise is likely to continue towards the target yield of 4.30%. Investors are asked to consider reducing their bond positions gradually as the price drops.

ID10YT finally broke MA50 Resistance, paving the way for this yield to rise towards the next Target/Resistance in the range of 6.78% - 6.80% currently. Given the sentiment surrounding the US10YT, it also looks like the rise in the yield of this 10-year sovereign bond will continue for some time (thus, the continued price weakness). The most common Fibonacci retracement is 50%, soon to be reached at a yield of 6.83% but it is possible to go to FR61.8 at a yield of 6.93% up to 7.0% psychological level.

## PRICE OF BENCHMARK SERIES

FR0090 : 97.47 (-0.09%)  
FR0091 : 98.29 (-0.77%)  
FR0092 : 101.49 (-1.12%)  
FR0094 : 97.25 (-0.03%)

FR0086 : 98.89 (-0.10%)  
FR0087 : 99.86 (-0.41%)  
FR0083 : 105.72 (-0.41%)  
FR0088 : 96.18 (-0.88%)

## CDS of Indonesia Bonds

CDS 2yr: +0.44% to 34.11

CDS 5yr: -0.07% to 68.37

CDS 10yr: +0.17% to 109.27

## 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
<b>Monday</b>	GE	13.00	Factory Orders MoM	-5.8%	Aug	-2.0%	2.9%
07 – October							
<b>Tuesday</b>	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
<b>Wednesday</b>	US	18.00	MBA Mortgage Applications	-	Oct 04	-	-1.3%
09 – October							
<b>Thursday</b>	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%
<b>Friday</b>	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

Published on Investing.com, 11 Oct 2024 - 23:22:44 GMT. Powered by TradingView.  
United States 10 Year, United States, NYSE:US10YT=X, D



## Indonesia 10 Years Treasury

Published on Investing.com, 11 Oct 2024 - 23:24:12 GMT. Powered by TradingView.  
Indonesia 10 Year, Indonesia, Jakarta:ID10YT=RR, D



## Research Division

### Head of Research

**Liza Camelia Suryanata**

Equity Strategy, Macroeconomics,  
Technical  
T +62 21 5088 ext 9134

### Analyst

**Axell Ebenhaezer**

Mining, Property  
T +62 21 5088 ext 9133  
E Axell.Ebenhaezer@nhsec.co.id

### Analyst

**Ezaridho Ibnutama**

Consumer Goods, Poultry, Healthcare  
T +62 21 5088 ext 9126  
E ezaridho.ibnutama@nhsec.co.id

### Analyst

**Richard Jonathan Halim**

Technology, Transportation  
T +62 21 5088 ext 9128  
E Richard.jonathan@nhsec.co.id

### Analyst

**Leonardo Lijuwardi**

Banking, Infrastructure  
T +62 21 5088 ext 9127  
E leonardo.lijuwardi@nhsec.co.id

### Research Support

**Amalia Huda Nurfalah**

Editor & Translator  
T +62 21 5088 ext 9132  
E amalia.huda@nhsec.co.id

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## PT. NH Korindo Sekuritas Indonesia

### JAKARTA (HEADQUARTER):

District 8 Treasury Tower 51<sup>st</sup> Fl. Unit A, SCBD Lot.28

Jl. Jendral Sudirman Kav. 52-53

Jakarta Selatan 12190

Telp : +62 21 5088 9102

### Branch Office BSD:

ITC BSD Blok R No.48

Jl. Pahlawan Seribu Serpong

Tangerang Selatan 15311

Indonesia

Telp : +62 21 509 20230

### Branch Office Makassar:

Jl. Gunung Latimojong No.120A

Makassar

Indonesia

Telp : +62 411 360 4650

### Branch Office Bandung:

Paskal Hypersquare Blok A1

Jl. Pasirkaliki No 25-27

Bandung 40181

Indonesia

### Branch Office Bandengan (Jakarta Utara):

Jl. Bandengan Utara Kav. 81

Blok A No.02, Lt 1

Jakarta Utara 14440

Indonesia

Telp : +62 21 6667 4959

### Branch Office Kamal Muara (Jakarta Utara):

Rukan Exclusive Mediterania

Blok F No.2

Jakarta Utara 14470

Indonesia

Telp : +62 24 844 6878

### Branch Office Pekanbaru:

Sudirman City Square

Jl. Jend. Sudirman Blok A No.7

Pekanbaru

Indonesia

Telp : +62 761 801 1330

### Branch Office Denpasar:

Jl. Cok Agung Tresna

Ruko Griya Alamanda No. 9

Renon Denpasar, Bali 80226

Indonesia

Telp : +62 361 209 4230

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