

# Morning Briefing

Daily | November 01, 2024

## Today's Outlook:

**MARKET SENTIMENT:** besides the lackluster outlook from the Tech sector majors, there were still many performance reports for investors to digest; as they received the PCE PRICE INDEX report, the Federal Reserve's closely monitored Inflation benchmark slowed on an annualized basis to 2.1% during Sept, cooling from August's figure which was revised up to 2.3%. On the other hand, CORE PCE which excludes volatile items such as food and fuel, reached 2.7% yoy - faster than expectations of 2.6% and matching August's pace. Separately, INITIAL JOBLESS CLAIMS for first-time unemployment benefits fell to 216,000 from 228,000 in the last week of data. And to top it all off, PERSONAL SPENDING (Sept) also increased to 0.5%, higher than forecast and the previous month. The figures, which indicate the strength of the US economy and the persistence of inflationary pressures, come as the Federal Reserve considers its next policy decision after cutting borrowing costs by 50 basis points in September. Speculation is rife that although next week's Nov 17-18 FOMC MEETING will still result in a 25bps rate cut decision, it is now possible that the Fed will hold rates in place at the December meeting. This Friday will see the release of peak NONFARM PAYROLL data, along with the Oct UNEMPLOYMENT RATE as well as MANUFACTURING PMI (Oct) & CONSTRUCTION SPENDING (Sept) data which could provide further guidance for US central bank officials when they meet next week.

- **MIDDLE EAST CONFLICT:** ISRAEL'S intelligence detects IRAN is preparing to attack Israel from the IRAK region (to avoid retaliatory strikes on Iran's vital infrastructure) in the coming days, possibly before the US ELECTION on November 5. The attack is expected to be carried out from Iraq using a large number of drones and ballistic missiles.

- **Oil prices were also supported by expectations that OPEC+ may delay its planned December oil production increase by a month or more, citing sluggish global demand and rising supply.**

**ASIA & EUROPE MARKETS:** Market sentiment in Asia will be fragile this Friday as bond yields remain elevated suppressing interest in riskier assets; as well as concerns about rising AI costs seem to be hampering the rally of large-cap Tech companies. There are several events that have the potential to move markets in Asia today, namely PMI reports from several countries including CHINA, then INDONESIA inflation release, and financial reports of major JAPAN companies such as Mitsui, Nomura, Mitsubishi, and others.

**FIXED INCOME & CURRENCY:** The "Bond Vigilante" again showed their strength, raising yields across the developed world - except Canada - in an attempt to discipline fiscally weak governments. The bearish narrative around three main aspects: fiscal deterioration, lack of creditor supply, and strong inflation due to higher spending - dominates the current bond market sentiment. Yields are on the rise, with UK bonds feeling the most pressure in the past 24 hours following Finance Minister Rachel Reeves' maiden budget plan on Wednesday. And on Thursday, the BANK OF JAPAN kept rates at 0.25% but left the door open for a near-term hike. For markets in ASIA, US bonds are the main focus; implied volatility and the 'long-term premium' are the highest in a year, and 10-year yields have climbed higher after the Fed's first rate cut than they have since 1989.

- **CHINA PMI:** the Bureau of Statistics' PMI report on Thursday showed manufacturing activity crawled back into expansion territory in October for the first time since April.

- **EUROZONE:** record preliminary estimate of Inflation (Oct) heating up to 2.0% yoy. Unemployment Rate (Sept) was also flat at 6.3%. No wonder Inflation is heating up GERMANY Retail Sales (Sept) strong at 1.2% mom, not contracting as expected.

## Corporate News

### BBTN: Bank Tabungan Negara Rating Confirmed AA+ Stable Outlook

Fitch Ratings Indonesia has affirmed the National Long-Term Rating of PT Bank Tabungan Negara (Persero) Tbk (BTN) at 'AA+(idn)'. The National Long-Term Rating Outlook is stable. The National Short-Term Rating is also affirmed at 'F1+(idn)'. BTN's National Ratings are underpinned by support, reflecting Fitch's view of the high probability that exceptional support from the government will be forthcoming if required. Fitch's assessment is based on the state's majority ownership of BTN, its quasi-policy role, and its moderate systemic importance as the fifth largest commercial bank in Indonesia. (Media Asuransi)

## Domestic News

### BI: Limited Underlying is the Cause of Low Sukuk Issuance

Bank Indonesia (BI) revealed various challenges faced by BI in issuing sharia-based monetary instruments. BI Governor Perry Warjiyo said that the reason for the limited issuance of sukuk instruments is because the issuance of sukuk in Indonesia has not been varied. From the government there are only sharia state securities (SBSN), while BI only issues Bank Indonesia foreign exchange sukuk (SUVBI). Now because of the limited issuance of these types of sukuk, BI has difficulty choosing the existing underlying. Currently, the underlying SUVBI is BI's global sukuk. Perry said, currently BI is only creating more sukuk for retailers, by introducing digitalization of financial services. Meanwhile, the availability of sukuk issuance is still not enough to meet market demand. (Kontan)

## Recommendation

**US10YT** seems to be still circling around the 4.305% Target area. Despite being in the Resistance region, the yield did not immediately drop perhaps due to speculation that the Fed could not cut interest rates again at the December meeting, due to the latest economic indicator figures still indicating the strength of the US economy and the vulnerability of inflation to heat up again. Uncertainty surrounding the US Election is also still keeping yields high as investors seem reluctant to buy US debt securities before a new US President is officially elected. ADVISE: Investors can use MA10 Support as a Trailing Stop, which is currently at 4.247%; if the yield closes below MA10 for the first time then it is a sign that bond prices will start to strengthen.

On the other hand, **ID10YT** has started to move first towards the nearest Support, MA10 at a yield of 6.767% after being stuck around Resistance 6.87% did not result in further strengthening. But actually this uptrend is still intact, the target towards 7.0% is still open, unless the yield falls below the second Support: MA20 / yield 6.73%. But for the short term, investors can anticipate signs of strengthening bond prices to appear soon.

## 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

## PRICE OF BENCHMARK SERIES

FR0090 : 96.99 (-0.02%)  
FR0091 : 97.77 (+0.06%)  
FR0092 : 101.34 (+0.13%)  
FR0094 : 97.01 (+0.00%)

FR0086 : 98.73 (+0.04%)  
FR0087 : 98.87 (+0.15%)  
FR0083 : 104.91 (+0.20%)  
FR0088 : 95.99 (-0.02%)

## CDS of Indonesia Bonds

CDS 2yr: +1.56% to 32.17  
CDS 5yr: +1.68% to 69.94  
CDS 10yr: +1.13% to 119.87

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.79%	-0.05%
USDIDR	15,697	-0.02%
KRWIDR	11.40	0.11%

## Global Indices

Index	Last	Chg.	%
Dow Jones	41,763.46	(378.08)	-0.90%
S&P 500	5,705.45	(108.22)	-1.86%
FTSE 100	8,110.10	(49.53)	-0.61%
DAX	19,077.54	(179.80)	-0.93%
Nikkei	39,081.25	(196.14)	-0.50%
Hang Seng	20,317.33	(63.31)	-0.31%
Shanghai	3,279.82	13.59	0.42%
Kospi	2,556.15	(37.64)	-1.45%
EIDO	21.46	(0.09)	-0.42%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,744.0	(43.6)	-1.57%
Crude Oil (\$/bbl)	69.26	0.65	0.95%
Coal (\$/ton)	144.05	(0.95)	-0.66%
Nickel LME (\$/MT)	15,718	(98.0)	-0.62%
Tin LME (\$/MT)	31,213	263.0	0.85%
CPO (MYR/Ton)	4,696	0.0	0.00%

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
<b>Monday</b>							
28 – October							
<b>Tuesday</b>	JP	06.30	Jobless Rate	2.4%	Sep	2.5%	2.5%
29 – October	US	21.00	Conf Board Consumer Confidence	108.7	Oct	98.8	98.7
<b>Wednesday</b>	US	18.00	MBA Mortgage Applications	-0.1%	Oct 25	-	-6.7%
30 – October	US	18.00	ADP Employment Change	233k	Oct	111k	143k
	US	18.00	GDP Annualized QoQ	2.8%	3Q A	2.9%	3.0%
<b>Thursday</b>	US	19.30	Initial Jobless Claims	216k	Oct 26	230k	227k
31 – October	US	20.45	MNI Chicago PMI	41.6	Oct P	47.0	46.6
	US	20.45	Personal Income	0.3%	Oct P	0.4%	0.2%
	US	21.00	Personal Spending	0.5%	Sep	0.4%	0.2%
<b>Friday</b>	US	19.30	Change in Nonfarm Payrolls	-	Oct	120k	254k
01 – November	US	19.30	Unemployment Rate	-	Oct	4.1%	4.1%
	US	20.45	S&P Global US Manufacturing PMI	-	Oct F	-	47.8
	US	21.00	ISM Manufacturing	-	Oct	47.6	47.2

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury



## Indonesia 10 Years Treasury



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