

Morning Briefing

Daily | November 04, 2024

Today's Outlook:

MARKET SENTIMENT:

US Treasury yields initially fell after US NONFARM PAYROLL data for October showed the US economy barely added jobs in October with a figure of just 12k (much lower than the consensus of 106k and down sharply from the Sept figure which was already revised down to 223k), although the Oct labor data was understandably affected by hurricane disruptions and industrial strikes. However, the Unemployment Rate (Oct) in the US remained stable at 4.1%, as well as Average Hourly Earnings (Oct) which increased by 0.4% mom provided assurance that the labor market remains in a solid position.

- S&P GLOBAL US Manufacturing PMI (Oct) showed the manufacturing industry improved to 48.5 from 47.8 in the previous month, although it has not yet moved out of contraction territory.

- US ELECTION: Polls show Republican DONALD TRUMP and Democratic Vice President KAMALA HARRIS almost neck and neck in the final days leading up to the US ELECTION. Some strategists say the US fiscal trajectory is expected to worsen under either Trump or Harris.

FIXED INCOME & CURRENCY: The benchmark 10-year US TREASURY YIELD was last up 7.7 basis points at 4.361%, the highest since July 5. This followed a total increase of 48 basis points throughout October, which was the largest monthly increase since April.

- THE US DOLLAR strengthened against the Euro and recovered against most major currencies after traders digested US jobs data. The Euro was down 0.40% against the Dollar at USD 1.084. The DOLLAR INDEX (DXY), which tracks the greenback's strength against six other major currencies, was up 0.36% at 104.24. The dollar rose 0.60% against the yen to 152.94, ahead of the end of the three-day week in Japan. Early last week, the Yen got a boost from less dovish comments from Bank of Japan Governor Kazuo Ueda following the central bank's decision not to change policy.

EUROPE & ASIA MARKETS:

- **MANUFACTURING PMI:** CHINA said the Caixin Manufacturing PMI (Oct) managed to be brought back into expansionary territory at a reading of 50.3. The result was in contrast to the UK which reported the S&P Global UK Manufacturing PMI (Oct) which actually slipped below the 50 mark. Today it's the turn of GERMANY & EUROZONE to find out how their manufacturing activity developed in Oct via HCOB Manufacturing PMI data, while the US watches Factory Orders (Sept) growth.

COMMODITIES: OIL extended its recent rally amid reports that IRAN is preparing a retaliatory strike against ISRAEL from Iraqi territory in the coming days. BRENT crude oil futures rose 29 cents to USD 73.10/barrel, while US WTI crude oil gained 23 cents to USD 69.49. GOLD prices fell slightly, pressured by a stronger US Dollar.

Corporate News

Bank Mantap: Fitch Affirms Bank Mantap Rating at AA with Stable Outlook

Fitch Ratings Indonesia has affirmed the National Long-Term Rating of PT Bank Mandiri Taspen (Bank Mantap) at 'AA(idn)'. Outlook is Stable. Fitch has also affirmed the bank's rupiah-denominated senior bond rating at 'AA(idn)'. "The 'AA' National Rating indicates expectations of a very low level of default risk compared to other issuers or bonds in the same country or monetary union. The inherent default risk is only slightly different from the highest rated issuer or bond in the country," Fitch wrote in an official statement quoted on Friday, November 1, 2024. Bank Mantap's National Long-Term Rating is based on Fitch's expectation of exceptional support from its parent company, PT Bank Mandiri (Persero) Tbk (Mandiri, BBB/AAA(idn)/Stable/bbb-), which has a controlling stake of 51%. State-owned Mandiri is Indonesia's largest bank in terms of total assets, while PT Taspen, the state-owned pension fund management company that manages pension funds for Indonesian civil servants, holds about 48% of Mantap. (Media Asuransi)

Domestic News

Airlangga Talks about Debt Write-off Rules for Farmers & Fishermen

Coordinating Minister for Economic Affairs Airlangga Hartarto stated that the government is currently drafting a Government Regulation (RPP) related to the policy of writing off and collecting debts of farmers and fishermen. He said that the policy of writing off and collecting the debts of farmers and fishermen aims to help the community to receive credit or loans again. Airlangga revealed that people who experience problems paying their receivables or bad credit are recorded in the Ministry of Finance's database, so they cannot apply for loans again or enjoy other banking facilities. "Therefore, this is a kind of 'moratorium' for those who have had problems, so that with this write-off and write-off, it is hoped that credit for the community can roll back," he said. Airlangga said that the policy was implemented limited to state-owned banks or the Association of State-Owned Banks (Himbara) because the amount of receivables recorded from the two groups was already too large. In addition, these banks cannot write-off, although they can do so, unlike private banks. "So, this (policy) is purely to support Himbara because the amount (related to the credit debts of farmers and fishermen) is already quite large. They can write-off but not write-off," he said. (Bisnis)

Recommendation

US10YT YIELD is just about to reach its next **TARGET/resistance** around **4.410%**, as the **US ELECTION** is also approaching. **RSI** which has been in **OVERBOUGHT** territory indicates **limited upside potential for the yield**. **ADVISE:** HOLD; WAIT & SEE. The yield uptrend is still intact as long as it moves above **MA10** (= 4.253% current closest support).

ID10YT is still moving uptrend with **RISING WEDGE** pattern, as long as the yield does not close below the wedge **Support** around **6.775%** which is also in line with **MA20** position. **POTENTIAL:** anticipate a rebound in yield, thus a pullback in price soon. **Resistance:** 6.905%

PRICE OF BENCHMARK SERIES

FR0090 : 97.02 (+0.03%)

FR0091 : 97.77 (+0.00%)

FR0092 : **101.19 (-0.15%)**

FR0094 : 97.01 (+0.00%)

FR0086 : **98.69 (-0.04%)**

FR0087 : **98.77 (-0.10%)**

FR0083 : **104.84 (-0.07%)**

FR0088 : **95.87 (-0.12%)**

CDS of Indonesia Bonds

CDS 2yr: +4.21% to 33.53

CDS 5yr: +2.87% to 71.95

CDS 10yr: +3.30% to 123.82

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.79%	-0.01%
USDIDR	15,720	0.15%
KRWIDR	11.41	0.14%

Global Indices

Index	Last	Chg.	%
Dow Jones	42,052.19	288.73	0.69%
S&P 500	5,728.80	23.35	0.41%
FTSE 100	8,177.15	67.05	0.83%
DAX	19,254.97	177.43	0.93%
Nikkei	38,053.67	(1027.58)	-2.63%
Hang Seng	20,506.43	189.10	0.93%
Shanghai	3,272.01	(7.81)	-0.24%
Kospi	2,542.36	(13.79)	-0.54%
EIDO	21.10	(0.36)	-1.68%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,736.5	(7.4)	-0.27%
Crude Oil (\$/bbl)	69.49	0.23	0.33%
Coal (\$/ton)	143.95	(0.10)	-0.07%
Nickel LME (\$/MT)	15,944	226.0	1.44%
Tin LME (\$/MT)	31,724	511.0	1.64%
CPO (MYR/Ton)	4,868	172.0	3.66%

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	1.71%	1.84%	Cons. Confidence*	123.50	124.40

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	US	22.00	Factory Orders	-	Sep	-0.5%	-0.2%
04 – November	US	21.00	Durable Goods Orders	-	Sep F	-0.8%	-0.8%
Tuesday	US	20.30	Trade Balance	-	Oct	-USD 84.1B	-USD 70.4B
05 – November	US	22.00	ISM Services Index	-	Oct	53.8	54.9
Wednesday	US	18.00	MBA Mortgage Applications	-	Nov 1	-	-0.1%
06 – November							
Thursday	US	19.30	Initial Jobless Claims	-	Nov 2	223k	216k
07 – November							
Friday	US	02.00	FOMC Rate Decision (Upper Bound)	-	Nov 7	4.75%	5.00%
08 – November	US	22.00	University of Michigan Sentiment	-	Nov P	71.0	70.5

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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