

Morning Briefing

Daily | November 18, 2024

Today's Outlook:

MARKET SENTIMENT: President-elect Donald Trump said on Thursday that he planned to nominate vaccine skeptic Robert F. Kennedy Jr. to lead the U.S. Department of Health and Human Services. He noted that the economy's strong growth will permit policymakers to take their time as they decide the extent to which they reduce rates. Boston Fed President Susan Collins took the cautious sentiment further, telling The Wall Street Journal that a rate cut next month is not a certainty. October retail sales data on Friday showed a 0.4% increase, slightly better than the 0.3% forecast from economists polled by Dow Jones. That finding follows an October consumer inflation report that was in line with economists' projections.

ASIA MARKETS: U.S. Federal Reserve Chair Jerome Powell indicated the central bank was in no rush to cut rates, with investors also assessing China and Japan economic data. Speaking in Dallas, Powell pointed out that strong U.S. economic growth will allow policymakers to take their time in deciding how far and how fast they should lower interest rates. In Asia, investors assessed key economic data from China on Friday, which included October numbers for retail sales, industrial production and urban unemployment. China's retail sales rose more than expected in October, while industrial production and investment data missed forecasts. The unemployment rate in cities fell to 5% in October, down from 5.1% in September.

- **Crude oil futures on Friday posted a loss for the week, as a looming supply glut and a strong dollar depresses the market.** U.S. crude oil lost nearly 5% this week, while Brent has declined nearly 4%. Brent January contract: USD 71.04 per barrel, down USD 1.52, or 2.09%. Year to date, the global benchmark has lost nearly 8%. The International Energy Agency has forecast a surplus of more than 1 million barrels per day in 2025 on robust production in the U.S. OPEC revised down its demand forecast for the fourth consecutive month as demand in China remains soft. A strong dollar also hangs over the market, as the greenback has surged in the wake of President-elect Donald Trump's election victory.

FIXED INCOME & CURRENCY: The 10-year Treasury yield was marginally higher on Friday, capping an eventful week of inflation data and comments from Federal Reserve Chair Jerome Powell suggesting the central bank may not be as aggressive on its rate-cutting campaign going forward. The yield on the 10-year Treasury note was higher by about two basis points at 4.439%. The 2-year Treasury note yield last traded at about 4.307%, a rise of roughly 1 basis point. Last week, the yields on the 10-year and 2-year ended at 4.31% and roughly 4.25%, respectively. One basis point equals 0.01%. Bond yields and prices have an inverse relationship. Fed Chair Powell spoke in Dallas on Thursday, noting that strong U.S. economic growth means the central bank won't need to rush to cut interest rates. Policymakers dialed back rates by a quarter point last week. Fed funds futures trading now implies a roughly 62% probability that the Fed will lower interest rates by a quarter point at its December meeting, according to the CME FedWatch Tool. They also reflect a nearly 38% likelihood of central bank policymakers keeping rates steady. The Fed's current target rate range sits at 4.5%-4.75%.

INDONESIA: There is no significant catalyst for Indonesia in terms of data publication. However, much of the pent-up sentiment on Monday will be based on Prabowo and his cohorts' APEC summit meeting progress. Aside from that, BI's Decision which is expected to be dovish cut as much as 25 bps for Nov-2024 from consensus will also hinder trading to a wait-and-see mentality.

Domestic News

In front of UN Secretary General, Prabowo Hopes Indonesia's Energy Transition Can Reach 100% in 10 Years

President Prabowo Subianto said that Indonesia is expected to fully utilize renewable and environmentally friendly energy within the next 10 years. This was conveyed by him at a meeting with UN Secretary General Antonio Guterres in Rio de Janeiro, Brazil, Sunday (17/11/2024). During the bilateral meeting before the G20 Summit, Prabowo talked with Antonio about the Palestinian issue and energy transition. On the energy transition side, the eighth President of Indonesia targets his government to use renewable and environmentally friendly energy. "And we hope to achieve it within 10 years. But on some issues, we can do it faster," he said at the Hilton Rio de Janeiro Copacabana Hotel, Brazil. Prabowo said Indonesia could be faster in encouraging the transition to non-fossil energy, especially with biofuels. For example, the use of palm oil. However, he admitted that it has not been looked at much because the economic cost is still not attractive. "But we hope that maybe in two, three years we can get the economic attractiveness to get gasoline from plants. And renewable energy, we have a lot of geothermal. I think Indonesia is very blessed," he explained. Apart from biofuels, Prabowo explained, Indonesia also has other potential in the energy sector such as the world's largest geothermal energy reserves. He said that around 60% of geothermal energy is in Indonesia. "I think photovoltaic panels and electricity from solar energy are very interesting. Because we are very spread out. We have many islands, 17,000 islands," he added. On the same occasion, UN Secretary-General Antonio Guterres viewed Indonesia as an important international partner from among emerging countries. (Bisnis)

Corporate News

TOBA: Pefindo Maintains TOBA Negative Outlook, Examine the Reasons

Pemerintah Efek Indonesia (Pefindo) affirmed TBS Energi Utama's (TOBA) idA rating with a negative outlook. Currently, TBS Energi is in the process of acquiring 100 percent of the shares of Sembcorp Environment Pte Ltd (SEPL), a Singapore-based waste management company. This is after divesting Minahasa Cahaya Lestari (MCL), and Gorontalo Listrik Perdana (GLP). The entire transaction is expected to be completed in the first semester of 2025. Pefindo maintains a negative outlook anticipating a weakening of the company's business, and financial profile after the divestment of MCL, and GLP. Meanwhile, complete information about SEPL is still not available because the acquisition process is still ongoing. At the same time, Pefindo assigned an idA rating to the company's 2023 Bonds I. Pefindo may downgrade TBS Energi's rating if the realization of the corporate action has an impact on weakening cash flow generation from subsidiaries without being adequately compensated by strengthening the company's business profile or capital structure. Pefindo can also revise the outlook back to stable without any rating changes, with a note that if Pefindo believes that the corporate action will result in a weakening of cash flow generation from subsidiaries without being adequately compensated by strengthening the company's business profile or capital structure. This is with a note if Pefindo believes that the corporate action taken has an impact on improving the business profile or leverage that can mitigate the potential decline in dividend contributions from subsidiaries. (Emiten News)

Recommendation

US10YT is still struggling in the long term Resistance area around 4.47% - 4.50% yield, while RSI is consistently negative divergence: indicating a pullback in yield could happen anytime. However, the Uptrend is still maintained as long as the yield moves inside the PARALLEL CHANNEL pattern and also above MA10 & MA20. Support: yield 4.38% - 4.32%; and if this support collapses then it is likely that the ID10YT bond price will strengthen as the yield drops towards 4.13%.

ID10YT finally started to pullback after a Shooting Star candle started to appear in the Resistance area (upper channel) around 6.93%. POTENTIAL: ID10YT will retrace back to the nearest Support yield: 6.80% - 6.79%, or should slope back to channel support around 6.735%; thus prepare for possible temporary price strengthening.

PRICE OF BENCHMARK SERIES

FRO090 : 96.946 (-0.06%)

FRO091 : 97.291 (+0.09%)

FRO092 : 100.942 (+0.07%)

FRO094 : 97.013 (+0.00%)

FRO086 : 98.547 (+0.03%)

FRO087 : 98.310 (+0.09%)

FRO083 : 104.341 (+0.21%)

FRO088 : 95.173 (-0.22%)

CDS of Indonesia Bonds

CDS 2yr: +3.41% to 34.100

CDS 5yr: +2.86% to 73.122

CDS 10yr: +2.69% to 124.990

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.92%	-0.04%
USDIDR	15,855	0.00%
KRWIDR	11.36	0.45%

Global Indices

Index	Last	Chg.	%
Dow Jones	43,444.99	(305.87)	-0.70%
S&P 500	5,870.62	(78.55)	-1.32%
FTSE 100	8,063.61	(7.58)	-0.09%
DAX	19,210.81	(52.89)	-0.27%
Nikkei	38,642.91	107.21	0.28%
Hang Seng	19,426.34	(9.47)	-0.05%
Shanghai	3,330.73	(49.11)	-1.45%
Kospi	2,416.86	(2.00)	-0.08%
EIDO	19.97	(0.03)	-0.15%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,563.3	(1.6)	-0.06%
Crude Oil (\$/bbl)	67.02	(1.68)	-2.45%
Coal (\$/ton)	141.75	0.25	0.18%
Nickel LME (\$/MT)	15,540	(79.0)	-0.51%
Tin LME (\$/MT)	28,742	(190.0)	-0.66%
CPO (MYR/Ton)	5,088	124.0	2.50%

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.00%	6.00%	Real GDP	4.95%	5.05%
FX Reserve (USD bn)	151.23	149.90	Current Acc (USD bn)	-3.02	-2.16
Trd Balance (USD bn)	2.48	3.26	Govt. Spending Yoy	4.62%	1.42%
Exports Yoy	10.25%	6.44%	FDI (USD bn)	4.89	6.03
Imports Yoy	17.49%	8.55%	Business Confidence	104.82	104.30
Inflation Yoy	1.71%	1.84%	Cons. Confidence*	121.10	123.50

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	JP	06.50	Core Machine Orders MoM	-0.7%	Sep	1.5%	-1.9%
18 – November							
Tuesday	US	20.30	Housing Starts	-	Oct	1337k	1354k
19 – November							
Wednesday	ID	14.20	BI Rate	-	Nov 20	6.0%	6.0%
20 – November	US	19.00	MBA Mortgage Applications	-	Nov 15	-	0.5%
Thursday	US	20.30	Initial Jobless Claims	-	Nov 16	220k	217k
21 – November	US	22.00	Leading Index	-	Oct	-0.3%	-0.5%
	US	22.00	Existing Home Sales	-	Oct	3.94m	3.84m
Friday	JP	06.30	National CPI YoY	-	Oct	2.3%	2.5%
22 – November	JP	07.30	Jibun Bank Japan PMI Composite	-	Nov P	-	49.6
	US	21.40	S&P Global US Manufacturing PMI	-	Nov P	48.8	48.5
	US	22.00	U. of Michigan Sentiment	-	Nov F	73.5	73.0

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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