

Morning Briefing

Daily | November 20, 2024

Today's Outlook:

US MARKETS: The market awaits President-elect Donald Trump to appoint more officials in his new administration, while Oil prices rallied on rising tensions between Russia and Ukraine (US). Trump's nominees for Treasury Secretary expanded to include Apollo Global Management Chief Executive Marc Rowan and former Federal Reserve Governor Kevin Warsh. Trump said he would nominate Howard Lutnick, chief executive of Wall Street brokerage firm Cantor Fitzgerald, to lead his trade and tariff strategy as head of the Commerce Department. Market participants are currently anticipating the potential introduction of (import) tariffs and tax cuts that could lead to higher inflation and thus fewer interest rate cuts by the Federal Reserve.

FIXED INCOME & CURRENCY: The 10-year US Treasury yield fell 2 basis points to 4.394%. In the midst of a quiet week for sentiment, it looks like market participants are looking forward to what will happen with Congress and the White House.

- SWISS FRANC rose about 0.03% against EURO, while the DOLLAR INDEX (DXY) - which tracks the strength of the US currency over 6 other currencies - fell 0.04% to 106.18.

EUROPEAN & ASIAN MARKETS: RUSSIA'S President Vladimir Putin lowered the threshold for a nuclear strike in response to various conventional attacks. He agreed to the change after two US officials and a source familiar with the decision said President Joe Biden's administration allowed Ukraine to use US-made weapons for long-range attacks on Russia. Recently, UKRAINE'S armed forces carried out their first attack on Russia's inner border region, the first time using US-made ATACMS long-range missiles, RBC-Ukraine reported citing a military official. Suddenly major European stock indexes fell to a 3-month low, as investors shifted from risky to safe-haven assets following Russia's warning. The pan-European STOXX 600 index fell to 495.55, its lowest level since early August.

- On the other side of the EUROPEAN continent, a number of economic data are of interest today: UK consumer inflation and GERMAN producer inflation figures, both for Oct. Earlier yesterday EUROZONE CPI (Oct) was first released at 2.0% yoy as expected.

- ASIA markets could have started this morning with a note on Russia's nuclear doctrine changes. As for JAPAN, they released some economic data this morning, namely their Trade Balance (oct) deficit widened although the good news is that there was an above expected increase in Exports. CHINA'S central bank will soon contribute to market sentiment with an interest rate announcement which consensus says will remain at 3.10%. Later in the afternoon around 14.30WIB, it's the turn of Bank INDONESIA Board of Governors Meeting (RDG BI) which will determine whether BI7DRR will shift from its current position of 6.0% or not.

COMMODITIES: CURRENT OIL prices were relatively stable on Tuesday as signs of escalating RUSSIA - UKRAINE CONFLICT kept traders wary of supply disruptions, but the partial resumption of production at Norway's Johan Sverdrup oil field limited price gains, as did a surge in US stockpiles when the API released weekly figures at 4.753 million barrels, versus estimates of just under 1 million barrels. OIL prices bounced back from early session losses and closed slightly higher. BRENT crude oil prices rose 1 cent to USD 73.31/barrel, while US WTI crude oil prices gained 0.3% to USD 69.39/barrel.

- GOLD was last up 0.76% to USD 2,631.96/ounce after hitting a week high.

Domestic News

12% VAT Increase Next Year is Deemed to Create a Wave of Layoffs

Chairman of the Affiliation of Global Retail Indonesia (AGRA) Roy Nicholas Mandey believes that the increase in the value-added tax (VAT) rate to 12% in 2025 will create a wave of layoffs, including in the retail sector. Roy said the potential surge in layoffs was due to the decline in people's purchasing power, so retailers began to reduce orders for goods from producers. "If downstream sales are low, we [retailers] will definitely reduce orders to factories or food and beverage producers," Roy said when contacted by Bisnis, Tuesday (11/19/2024). Meanwhile, this reduction in orders is due to the presence of unsold stock, due to the lack of purchases of goods by consumers, so that retail traders will automatically reduce orders. "Well, if producers receive fewer orders because of less consumption [reduced productivity], it means they will reduce labor again," he explained. Furthermore, Roy said, individuals who are laid off will also lose their ability to spend because they do not have a fixed income. Therefore, he said, if the government does not maintain purchasing power, the wave of layoffs will continue to emerge. (Bisnis)

Corporate News

BRPT: Pefindo Maintains BRPT Rating at idA+ with Stable Outlook

PT Pemeringkat Efek Indonesia (Pefindo) has maintained the rating of PT Barito Pacific Tbk (BRPT) at idA+ (Single A Plus) level, with a stable outlook. Quoting the Rating Overview from Pefindo, which was analyzed directly by Ayuningtyas Nur Paramitasari and Kresna Piet Wiryawan, the idA+ rating with a Stable outlook affirms that Barito Pacific has a strong and solid long-term financial commitment. (Bloomberg Technoz)

Recommendation

US10YT is barely hanging on critical support after falling as low as 4.33% yield which is supported by MA20 support, the last bastion of defense of this uptrend pattern that has been going on since the bottom in early Oct. If the yield closes below 4.30%, it is certain that the yield will consolidate first towards 4.14% up to 4.05%. ADVISE: anticipate bond price strengthening soon. As a trigger, the market may look forward to US economic data or Fed comments that could indicate inflation is safely under control and the pace of Fed rate cuts is still intact.

ID10YT is floating uncertainly around the Resistance yield area of 6.90% - 7.0%, while waiting for BI's RDG decision this afternoon regarding interest rates. Although the yield trend seems to indicate downward pressure, there is still MA10 & MA20 support around 6.815% - 6.835%. However, ADVISE to prepare for further strengthening in bond prices would be more suitable in the near term.

PRICE OF BENCHMARK SERIES

FRO090 : 96.983 (+0.00%)

FRO091 : 97.339 (+0.07%)

FRO092 : 101.011 (+0.00%)

FRO094 : 97.013 (+0.00%)

FRO086 : 98.537 (+0.01%)

FRO087 : 98.337 (+0.07%)

FRO083 : 104.602 (+0.04%)

FRO088 : 95.408 (+0.05%)

CDS of Indonesia Bonds

CDS 2yr: -0.71% to 34.070

CDS 5yr: +0.15% to 73.769

CDS 10yr: -0.47% to 124.905

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.89%	-0.03%
USDIDR	15,830	-0.13%
KRWIDR	11.38	0.03%

Global Indices

Index	Last	Chg.	%
Dow Jones	43,268.94	(120.66)	-0.28%
S&P 500	5,916.98	23.36	0.40%
FTSE 100	8,099.02	(10.30)	-0.13%
DAX	19,060.31	(128.88)	-0.67%
Nikkei	38,414.43	193.58	0.51%
Hang Seng	19,663.67	87.06	0.44%
Shanghai	3,346.01	22.16	0.67%
Kospi	2,471.95	2.88	0.12%
EIDO	20.11	0.11	0.55%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,632.1	20.3	0.78%
Crude Oil (\$/bbl)	69.39	0.23	0.33%
Coal (\$/ton)	141.25	(0.50)	-0.35%
Nickel LME (\$/MT)	15,866	137.0	0.87%
Tin LME (\$/MT)	28,880	(143.0)	-0.49%
CPO (MYR/Ton)	4,924	25.0	0.51%

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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