

Morning Briefing

Daily | December 06, 2024

Today's Outlook:

MARKET SENTIMENT: November Average Hourly Earnings (MoM), November NonFarm Payrolls, November Unemployment Rate

ASIA & EUROPE MARKETS: Investors are continuing to monitor the political situation in South Korea and France. Less than a day after he declared martial law, lawmakers in South Korea filed a motion to impeach President Yoon Suk Yeol.

CURRENCY & FIXED INCOME: The Dollar Index traded 0.1% lower to 106.180 on Thursday. The dollar has handed back some of its recent gains in the wake of monthly private payrolls growing more slowly than expected while services sector activity slackened in November after posting gains in recent months. The benchmark U.S. 10-year Treasury ticked higher on Tuesday as investors mulled over recent job openings data. The 10-year Treasury yield added 4 basis points to 4.232%, while the yield on the 2-year Treasury dipped 2 basis points to trade at 4.177%. Yields and prices move in opposite directions, and one basis point equals 0.01%.

- The euro climbed 0.2% to 1.0532, climbing away from the two-year low of 1.0331 hit at the end of November even with French Prime Minister Michel Barnier set to resign after losing a no-confidence vote on Wednesday. This could result in the delaying of fiscal restraint in the eurozone's second largest economy, but the country's massive budget deficit will have to be tackled at some point.

- Data released earlier Thursday showed that German factory orders fell 1.5% in October, while French industrial production also slipped on a monthly basis, suggesting weak growth ahead. The European Central Bank is widely expected to cut rates next week, and the market is pricing in over 150 basis points of easings by the end of 2025.

COMMODITIES: Oil prices settled lower Thursday, as concerns about growing supply of crude persisted, offsetting early gains following OPEC+'s decision to delay the restart of its oil production increases by three months. Brent oil futures fell 0.3% to USD72.09 a barrel, while West Texas Intermediate crude futures fell 0.4% to USD68.30 a barrel. The Organization of Petroleum Exporting Countries and allies (OPEC+) has decided to delay the restart of its oil production increases by three months, representing the third postponement as crude prices remain under pressure. The additional production of 180,000 barrels per day was expected to start in January, but will instead start in April, and be implemented at a slower pace than previously outlined.

- Gold prices fell Thursday despite weakness in the dollar ahead of key jobs report due Friday that is likely to sway the Federal Reserve's rate decision slated for next week. Spot gold fell 0.7% to USD2,630.53 an ounce, while gold futures expiring in February fell 0.1% to USD2,653.64 an ounce. Gold sees limited safe haven demand as risk assets surge.

Domestic News

Prabowo Gives Green Light to 12% VAT Rate Starting January 1, 2025

President Prabowo Subianto reportedly agreed to raise the value-added tax (VAT) rate to 12% on January 1, 2025 from the previous 11%. Chairman of Commission XI of the House of Representatives Mukhamad Misbakhun explained that the increase in VAT to 12% will be applied to several classes of goods only. He conveyed this after a joint meeting with representatives of House Commission 11 with President Prabowo Subianto at the State Palace, Thursday (5/12/2024). "As a result of our discussion with President Prabowo, we will continue to follow the law that the [12%] VAT will continue to run according to the time schedule mandated in the law, namely January 1, 2025," he told reporters at the Presidential Office. Furthermore, Misbakhun detailed that the application of VAT will be selective to several classes of goods, both domestic and imported related to luxury goods. "The government only gives the burden to consumers who buy luxury goods. The small community remains at the current VAT rate [11%]," he said. He continued that the results of the discussion also showed that Prabowo will conduct a more in-depth study so that the application of 12% VAT does not apply in one rate. Misbakhun pointed out that groups of goods such as basic goods, education services, health services, banking services, health services, banking services, and things that are public services, and government services are exempt from VAT. Moreover, he said that Prabowo is currently trying to curb many affairs related to illegal matters, so it is expected to increase state revenues that have not been detected. (Bisnis)

Corporate News

SGRO: Pefindo Affirms SGRO idA Rating

Pemeringkat Efek Indonesia (Pefindo) affirmed Sampoerna Agro's (SGRO) idA rating with a stable outlook. The rating also applies to the sustainable bonds I, and Sukuk Ijarah I issued by the company. The rating reflects the company's good plantation profile, integrated upstream operations, and stable domestic demand for palm oil (CPO). The rating is limited by the company's capital structure, moderate level of cash flow protection, exposure to fluctuations in global commodity prices, and unfavorable weather. The rating can be upgraded if the company is able to increase sustainable productivity growth or expand plantation area, and improve business integration. It should also be accompanied by a more conservative capital structure, and stronger cash flow protection. The rating could be downgraded if the company increases debt significantly more than projected or if a significant drop in CPO prices weakens the company's financial profile. (Emiten News)

Recommendation

US10YT flatlined on Thursday and continues to be in a minor sideways trend after correcting around MA50 dynamic support area at 4.199-4.180%; this was preceded by a bearish from a negative divergence in RSI near the trendline resistance area of 4.469-4.501%. MA10 and MA20 has formed a death cross. Thus, NHKSI still sees that US10YT yield is projected to reach 4.13-4.116%.

ID10YT flatlined after rebounding from the potential falling wedge pattern support of 6.895-6.865%. MA10 support of 6.898% was broken down. NHKSI anticipates ID10YT to have a slight rebound to falling wedge pattern resistance at 6.98-7% before an eventual bearish momentum ensues.

PRICE OF BENCHMARK SERIES

FRO090 : 96.424 (-0.01%)

FRO091 : 97.178 (+0.04%)

FRO092 : 100.488 (+0.06%)

FRO094 : 96.739 (+0.09%)

FRO086 : 98.339 (-0.02%)

FRO087 : 98.058 (-0.14%)

FRO083 : 104.000 (+0.02%)

FRO088 : 94.684 (-0.17%)

CDS of Indonesia Bonds

CDS 2yr: -1.04% to 34.110

CDS 5yr: -1.30% to 71.832

CDS 10yr: -0.74% to 121.035

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.92%	0.02%
USDIDR	15,860	-0.44%
KRWIDR	11.20	-0.71%

Global Indices

Index	Last	Chg.	%
Dow Jones	44,765.71	(248.33)	-0.55%
S&P 500	6,075.11	(11.38)	-0.19%
FTSE 100	8,349.38	13.57	0.16%
DAX	20,358.80	126.66	0.63%
Nikkei	39,395.60	119.21	0.30%
Hang Seng	19,560.44	(182.02)	-0.92%
Shanghai	3,368.86	4.21	0.13%
Kospi	2,441.85	(22.15)	-0.90%
EIDO	20.39	0.04	0.20%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,631.7	(18.2)	-0.69%
Crude Oil (\$/bbl)	68.30	(0.24)	-0.35%
Coal (\$/ton)	133.25	(0.15)	-0.11%
Nickel LME (\$/MT)	15,974	(133.0)	-0.83%
Tin LME (\$/MT)	29,165	131.0	0.45%
CPO (MYR/Ton)	5,135	103.0	2.05%

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)	-2.15	-3.02
Trd Balance (USD bn)	2.48	3.26	Govt. Spending Yoy	4.62%	1.42%
Exports Yoy	10.25%	6.44%	FDI (USD bn)	7.45	4.89
Imports Yoy	17.49%	8.55%	Business Confidence	104.82	104.30
Inflation Yoy	1.55%	1.71%	Cons. Confidence*	121.10	123.50

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	ID	07.30	S&P Global Indonesia PMI Manufacturing	49.6	Nov	-	49.2
02 – December	ID	11.00	CPI YoY	1.55%	Nov	1.50%	1.71%
	US	22.00	S&P Global US PMI Manufacturing	49.7	Nov F	49.0	48.8
	US	22.00	ISM Manufacturing	48.4	Nov	47.6	46.5
Tuesday	-	-	-	-	-	-	-
03 – December							
Wednesday	US	19.00	MBA Mortgage Applications	2.8%	Nov 29	-	6.3%
04 – December	US	20.15	ADP Employment Change	146k	Nov	150k	233k
	US	22.00	Factory Orders	0.2%	Oct	0.4%	-0.5%
	US	22.00	ISM Services Index	52.1	Nov	55.5	56.0
	US	22.00	Durable Goods Orders	0.3%	Oct F	0.2%	0.2%
Thursday	US	20.30	Initial Jobless Claims	224k	Nov 30	215k	213k
05 – December	US	20.30	Trade Balance	-\$73.8B	Oct	-\$74.9B	-\$84.4B
Friday	US	20.30	Unemployment Rate	-	Nov	4.1%	4.1%
06 – December	US	22.00	University of Michigan Sentiment	-	Nov	73.3	71.8

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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