

Morning Briefing

Today's Outlook:

MARKET SENTIMENT: 3Q24 Japanese GDP (QoQ), Australia RBA December Interest Rate Decision, Germany November CPI, Canada BoC Interest Rate Decision, US Crude Oil Inventories, US 10-Year Note Auction, Switzerland 4Q24 SNB Interest Rate Decision, Europe December Deposit Facility Rate, ECB December Interest Rate Decision, US Initial Jobless Claims, US November PPI, UK October GDP.

ASIA MARKETS: Attention turns to China on Monday and the release of November inflation data. The toppling of Syrian President Bashar al-Assad and the uncertainty that unleashes on an already volatile Middle East and criminal charges against South Korean President Yoon Suk Yeol.

CURRENCY & FIXED INCOME: The U.S. dollar ticked up Friday after data showed the unemployment rate in the world's largest economy edged higher in November, while gains in nonfarm payrolls were generally in line with expectations, keeping the Federal Reserve on track to cut interest rates later this month. Nonfarm payrolls expanded by 227,000 jobs last month after rising an upwardly revised 36,000 in October, from 12,000. Treasury yields traded lower on Friday as investors digested key payroll data that kept the door open for another rate cut from the Federal Reserve later this month. The yield on the 10-year Treasury fell less than 3 basis points to 4.153%. Meanwhile, the 2-year Treasury yield declined less than 5 basis points to 4.098%. One basis point is equal to 0.01% and yields and prices move in opposite directions.

- In Asia, the dollar rose versus South Korea's won after local media reported the nation's main opposition Democratic Party said lawmakers were on standby after receiving reports of another martial law declaration. The won weakened, leaving the dollar up 0.6% at 1,423.56. The political upheaval has kept Korean markets on tenterhooks even as authorities pledged to provide "unlimited liquidity" to stabilize conditions.

- The November labor report, released Friday morning, revealed that nonfarm payrolls increased by 227,000 last month, above the Dow Jones estimate of 214,000 and marking a huge hike from October's upwardly revised gain of 36,000. The unemployment rate nudged up to 4.2%, as expected.

COMMODITIES: Oil prices fell on Friday as analysts continued to forecast a supply surplus in 2025 despite the OPEC+ decision to postpone planned supply increases and extend deep output cuts to the end of 2026. Brent crude futures lost 97 cents, or 1.35%, to close at \$71.12 per barrel. U.S. West Texas Intermediate crude futures shed \$1.10, or 1.61%, to settle at \$67.20 per barrel. The Organization of the Petroleum Exporting Countries and its allies on Thursday pushed back the start of oil output rises by three months until April and extended the full unwinding of cuts by a year until the end of 2026.

- Gold prices were inched higher on Friday after the November U.S. job growth report suggested the labor market continues to ease gradually, leaving room for the Federal Reserve to cut interest rates again. U.S. gold futures rose 0.2% to \$2,654.50. Meanwhile, spot gold was marginally higher at \$2,632.53 per ounce. U.S. job growth surged in November, but this probably does not signal a material shift in labor market conditions that continue to ease steadily and allows the Fed to cut interest rates again this month.

Domestic News

Prabowo Confirms VAT Increase to 12% per January 2025 for Certain Products

President Prabowo Subianto has confirmed that he will increase the Value Added Tax (VAT) rate to 12% from the current 11% for goods/services categorized as luxury. This decision, Prabowo said, was made after he received an audience from the House of Representatives leadership. Parliament asked Prabowo to impose a 12% VAT on luxury goods/services only. "VAT is a law, yes we will implement it, but selectively. Only for luxury goods," Prabowo said during a press conference at the Presidential Palace, Jakarta, Friday (6/12/2024). He said the poor were protected from the VAT increase. This has also been done by the government since 2023. "The government does not collect what should be collected. To defend helping the little people. Even if it rises, it is only for luxury goods," Prabowo concluded. With this exception, the details of the goods that will be subject to 12% VAT free will refer to the Government Regulation as a legal umbrella. With reference to the statement that the government has applied VAT exemptions to the poor since 2023, most goods and services subject to VAT are currently likely to experience an increase. Previously, Deputy Speaker of the House Sufmi Dasco Ahmad explained that the parliament asked the government to be more selective in imposing a 12% VAT rate so that not all goods/services are taxed. He admitted that the House of Representatives also specifically asked Prabowo to lower taxes for basic necessities. (Bisnis)

Corporate News

INCO: S&P Global Raises Vale Indonesia's Rating to BB+

Rating agency S&P Global Ratings has raised PT Vale Indonesia Tbk.'s (INCO) credit rating to BB+ with a stable outlook, from BB. The decision was taken by S&P Global Ratings after observing the role of the state-owned mining holding company MIND ID after controlling 34% of the shares coded INCO. Recently, MIND ID has also provided strong supervision and capital support for the company's strategic initiatives. "Increased trust from investors and lenders will allow us to access larger funding at more competitive interest rates," said INCO Finance Director Rizky Putra through an information disclosure, Saturday (7/12/2024). Rizky said this would accelerate a number of INCO's strategic projects to drive long-term growth and provide added value for all stakeholders. The new designation from S&P Global Ratings also acknowledges INCO's financial management, where the company has managed to maintain a strong cash position and a debt to EBITDA ratio that is expected to remain below the development phase threshold. Despite challenges in the global nickel market, INCO has shown resilience by postponing non-urgent capital expenditures while remaining focused on strategic investments. (Bisnis)

Recommendation

US10YT broke down from its support of 4.183% after a minor sideways trend preceded by a downward trend following a negative divergence in RSI near the trendline resistance area of 4.469-4.501%. MA10 and MA50 will potentially form a death cross in the coming days. Thus, NHKSI still sees that US10YT yield is projected to reach 4.13-4.116%.

ID10YT rose slightly to 6.917% after flatlining in 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 : 96.364 (-0.06%)

FRO091 : 97.087 (-0.09%)

FRO092 : 100.411 (-0.08%)

FRO094 : 96.653 (-0.09%)

FRO086 : 98.316 (-0.02%)

FRO087 : 97.946 (-0.11%)

FRO083 : 103.926 (-0.07%)

FRO088 : 94.604 (-0.08%)

CDS of Indonesia Bonds

CDS 2yr: -0.10% to 34.075

CDS 5yr: +0.38% to 71.108

CDS 10yr: -0.18% to 120.820

Government Bond Yields & FX

| | Last | Chg. |
|----------------|--------|--------|
| Tenor: 10 year | 6.92% | 0.01% |
| USDIDR | 15,850 | -0.06% |
| KRWIDR | 11.14 | -0.60% |

Global Indices

| Index | Last | Chg. | % |
|-----------|-----------|----------|--------|
| Dow Jones | 44,642.52 | (123.19) | -0.28% |
| S&P 500 | 6,090.27 | 15.16 | 0.25% |
| FTSE 100 | 8,308.61 | (40.77) | -0.49% |
| DAX | 20,384.61 | 25.81 | 0.13% |
| Nikkei | 39,091.17 | (304.43) | -0.77% |
| Hang Seng | 19,865.85 | 305.41 | 1.56% |
| Shanghai | 3,404.08 | 35.22 | 1.05% |
| Kospi | 2,428.16 | (13.69) | -0.56% |
| EIDO | 20.40 | 0.01 | 0.05% |

Commodities

| Commodity | Last | Chg. | % |
|--------------------|---------|--------|--------|
| Gold (\$/troy oz.) | 2,633.4 | 1.7 | 0.06% |
| Crude Oil (\$/bbl) | 67.20 | (1.10) | -1.61% |
| Coal (\$/ton) | 133.25 | 0.00 | 0.00% |
| Nickel LME (\$/MT) | 16,047 | 73.0 | 0.46% |
| Tin LME (\$/MT) | 29,151 | (14.0) | -0.05% |
| CPO (MYR/Ton) | 5,128 | (7.0) | -0.14% |

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) | 150.24 | 151.20 | 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 | JP | 06.50 | GDP SA QoQ | - | 3Q F | 0.3% | 0.2% |
| 09 – December | JP | 06.50 | GDP Annualized SA QoQ | - | 3Q F | 1.0% | 0.9% |
| | JP | 06.50 | GDP Deflator YoY | - | 3Q F | 2.5% | 2.5% |
| | JP | 06.50 | BoP Current Account Balance | - | Oct | 2347.1B | 1717.1B |
| Tuesday | - | - | - | - | - | - | - |
| 10 – December | | | | | | | |
| Wednesday | JP | 06.50 | PPI YoY | - | Nov | 3.4% | 3.5% |
| 11 – December | US | 19.00 | MBA Mortgage Applications | - | Dec 6 | - | 2.8% |
| | US | 20.30 | CPI MoM | - | Nov | 0.3% | 0.2% |
| | US | 20.30 | CPI MoM | - | Nov | 2.7% | 2.6% |
| Thursday | US | 20.30 | Initial Jobless Claims | - | Dec 7 | - | 224k |
| 12 – December | US | 20.30 | PPI Final Demand MoM | - | Nov | 0.3% | 0.2% |
| Friday | US | 20.30 | Unemployment Rate | - | Nov | 4.1% | 4.1% |
| 13 – 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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