

Morning Briefing

Daily | December 30, 2024

Today's Outlook:

US MARKET: FEDERAL RESERVE Chairman Jerome Powell said earlier this month that US central bank officials “will be cautious in deciding on further rate cuts” after the 25bps rate cut as expected. The US economy is also facing the impact of DONALD TRUMP, who has proposed deregulation, tax cuts, tariff hikes, and stricter immigration policies that are seen by economists as pro-growth and inflation.

CURRENCY: The DOLLAR INDEX, which measures the strength of the US DOLLAR against six other major world currencies, weakened 0.06%, marking a weekly gain of 0.2%, and suggesting a 6.6% rise through 2024. USD/JPY fell 0.06%, but was near a 5.5-month high on Tuesday. The greenback also shows a 5.4% gain this month against the Japanese YEN and a nearly 12% rise for 2024. EURO, on the other hand, is steady, not far from November's two-year low and showing a 5.6% loss this year.

- **BANK OF JAPAN refrained from raising interest rates this month, sending the yen into a slump.** Japan's central bank governor Kazuo Ueda said he prefers to wait for clarity on Trump's policies, underscoring growing anxiety among central banks around the world about US tariffs that have the potential to severely hit global trade. Furthermore, Tokyo Core CPI (Dec) proved to be still lower than expected despite having started to accelerate 0.2% from the previous month to an annualized level of 2.4%. Japan's Industrial Production which is still slumping at negative growth of 2.3% mom in Nov is likely to keep the BOJ on a loose monetary policy, while market participants expect the EUROPEAN CENTRAL BANK to deliver further rate cuts; both of which are not positive for their respective currencies. Investors expect a 37 basis point cut in US interest rates by 2025 in May, while the ECB is expected to have cut its deposit rate by a full 100 bps to 2% as the EUROZONE economy slows.

- **Expectations of higher US interest rates pulled up the 10-year US TREASURY YIELD, to its highest level since early May on Thursday morning, at 4.641%.** It was last up 4.6 basis points at 4.625%. Meanwhile, the 2-year US TREASURY yield, which tracks interest rate forecasts, fell 0.4 bps to 4.328%. The rising US debt trend also caused EUROZONE bond yields to rise, where the 10-year GERMAN bond yield rose 7.6 bp to 2.401% on Friday.

- **CATALYSTS FOR COMMODITIES: WORLD BANK on Thursday raised its forecast for CHINA's economic growth in 2024 and 2025.** Meanwhile, Chinese authorities have agreed to issue 3 trillion yuan (\$411 billion) of special bonds next year, Reuters sources said, in an effort by Beijing to revive its flagging economy. EUROPEAN CONFLICT (RUSSIA - UKRAINE), appears to be back at the forefront after events this week that could affect supply next year. NATO said on Friday that it would increase its presence in the Baltic Sea, a day after Finland seized a ship carrying Russian oil on suspicion of causing internet and power line outages. Meanwhile, Dutch and British wholesale natural gas prices rose amid fading hopes for a new deal to transit Russian gas through Ukraine.

Domestic News

Government Targets SBN Issuance to Increase 42% to IDR 642.6 Trillion in 2025

The government is targeting debt financing through Government Securities (SBN) to reach IDR 642.6 trillion in 2025. This figure jumps up to 42.2% when compared to the outlook for SBN issuance in 2024 which reached IDR 451.9 trillion. In implementing this policy, the government prioritizes the issuance of SBN in rupiah currency. This aims to maintain the stability of the domestic financial market amid global uncertainty. “Efforts to meet the debt financing target through the issuance of SBN in 2025 will be carried out by prioritizing SBN instruments denominated in rupiah,” the government wrote in Book II of the 2025 State Budget Financial Memorandum, quoted on Sunday (29/12). The selection of instruments and issuance tenors will consider factors including debt management policies, the cost of issuing SBN, domestic and global financial market risks, investor preferences and market absorption capacity. The issuance of SBN in 2025 will include various instruments, such as Government Securities (SUN) and State Sharia Securities (SBSN), with tenors ranging from 2 to 30 years and State Treasury Securities/Syariah (SPN/S). (Kontan)

Corporate News

BFIN: BFI Finance Prepares Internal Funds for Bond Repayment

PT BFI Finance Indonesia Tbk (BFIN) conveyed its readiness to pay off the maturity of BFI Finance Indonesia Sustainable Bonds V Phase III Year 2023 Series B, which amounted to IDR 227 billion. According to a stock exchange filing on Friday (27/12), the bonds will mature on January 27, 2025. Director of BFI Finance Sudjono emphasized that funds for the repayment of principal and interest on bonds have been prepared entirely from the company's internal funds. The funds are currently placed in the form of current accounts and deposits in several banks. “We are confident that we will be able to pay off our obligations to bondholders on time, both for interest coupons and bond principal,” he wrote in an information disclosure on Friday (27/12). For information, Series B bonds are part of BFI Finance Indonesia Sustainable Bonds V Phase III Year 2023 with a target value of IDR 1.1 trillion. (Kontan)

Recommendation

US10YT YIELD posted an increase of almost 20% during 2024, even though the Fed has cut the Fed Fund Rate by 3 x 25bps throughout this year to 4.25% - 4.5% (while the BI RDG was only able to reduce the BI7DRR 1 x 25bps in September until the end of the year was stuck at 6.0%). The yield on the 10-year US government bond is one step away from touching its highest point in 2024 at 4.74%, and could be on a stable upward track towards the psychological level of 5.0%. With the current rough estimate that 2025 will only result in a 50bps rate cut and Washington's need to cover the fiscal budget deficit by pouring out a number of more US bonds, it is indeed appropriate that the US10YT yield will have difficulty falling from 4.4% - 4.2%.

ID10YT moved sideways throughout 2024 with a YTD performance of +8.11%. In line with the US10YT trend, the ID10YT yield has not budged from around 7.0%, on the way to 7.2% in the near future. Although the RSI is almost entering the Oversold area, it seems that the uptrend is quite intact, it is not impossible that the yield will touch the all-time-high level again around 7.33%.

PRICE OF BENCHMARK SERIES

FR0090 : 96.075 (+0.01%)
FR0091 : 96.203 (+0.03%)
FR0092 : 99.851 (+0.12%)
FR0094 : 96.716 (+0.01%)

FR0086 : 98.155 (+0.00%)
FR0087 : 97.304 (+0.01%)
FR0083 : 103.528 (+0.06%)
FR0088 : 94.141 (+0.36%)

CDS of Indonesia Bonds

CDS 2yr: -0.60% to 36.615

CDS 5yr: -1.18% to 76.570

CDS 10yr: -0.53% to 126.530

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.04%	-0.01%
USDIDR	16,235	0.25%
KRWIDR	11.04	0.09%

Global Indices

Index	Last	Chg.	%
Dow Jones	42,992.21	(333.59)	-0.77%
S&P 500	5,970.84	(66.75)	-1.11%
FTSE 100	8,149.78	12.79	0.16%
DAX	19,984.32	135.55	0.68%
Nikkei	40,281.16	713.10	1.80%
Hang Seng	20,090.46	(7.83)	-0.04%
Shanghai	3,400.14	2.07	0.06%
Kospi	2,404.77	(24.90)	-1.02%
EIDO	18.60	(0.06)	-0.32%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,621.4	(12.2)	-0.46%
Crude Oil (\$/bbl)	70.60	0.98	1.41%
Coal (\$/ton)	126.75	0.00	0.00%
Nickel LME (\$/MT)	15,311	(166.0)	-1.07%
Tin LME (\$/MT)	28,810	(8.0)	-0.03%
CPO (MYR/Ton)	4,624	81.0	1.78%

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)	4.42	2.48	Govt. Spending Yoy	4.62%	1.42%
Exports Yoy	9.14%	10.25%	FDI (USD bn)	7.45	4.89
Imports Yoy	0.01%	17.49%	Business Confidence	104.82	104.30
Inflation Yoy	1.55%	1.71%	Cons. Confidence*	125.90	121.10

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	US	21.45	MNI Chicago PMI	-	Dec	42.8	40.2
30 – December							
Tuesday	-	-	-	-	-	-	-
31 – December							
Wednesday	-	-	-	-	-	-	-
01 – January							
Thursday	ID	07.30	S&P Global Indonesia PMI Manufacturing	-	Dec	-	49.6
02 – January	US	19.00	MBA Mortgage Applications	-	Dec 20	-	-0.7%
	US	19.00	MBA Mortgage Applications	-	Dec 27	-	-
	US	20.30	Initial Jobless Claims	-	Dec 28	-	219k
	US	21.45	S&P Global US Manufacturing PMI	-	Dec F	48.3	48.3
Friday	US	22.00	ISM Manufacturing	-	Dec	48.3	48.4
03 – January							

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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