

Morning Briefing

Daily | January 06, 2025

Today's Outlook:

US MARKET SENTIMENT: German December CPI, US December S&P Global Services PMI

ASIA MARKET: Investors awaiting business activity figures from several key economies in the region. China's Caixin services purchasing managers' index from S&P Global is due later in the day. Market reaction in China will also be in focus after the country's central bank said over the weekend it would implement a "moderately loose" monetary policy in 2025. December PMI figures for India and Hong Kong will also be released Monday. Political uncertainty continues to grip South Korea, with the country's head of presidential security service reportedly saying over the weekend he could not comply with efforts to arrest impeached president Yoon Suk Yeol. A bid to arrest Yoon on grounds of insurrection last Friday failed after investigators were locked in a stand-off with presidential security officials.

FIXED INCOME & CURRENCIES: U.S. Treasury yields moved higher on Friday as investors considered the economic outlook for the new year amid a quiet trading week. The 10-year Treasury yield rose by more than 2 basis points to 4.6%, while the 2-year Treasury gained 3 basis points to trade at 4.281%. Both yields were still down for the week. Yields and prices move in opposite directions and one basis point is equal to 0.01%. The US dollar slipped back Friday, but remained on track for a strong weekly performance, boosted by expectations of a US economic outperformance and thus fewer Federal Reserve rate cuts this year. The Dollar Index, which tracks the greenback against a basket of six other currencies, was last down 0.3% lower to 108.900, retreating after reaching a more than two-year high on Thursday.

The Euro edged 0.4% higher to 0.0042, rebounding somewhat after having tumbled almost 1% in the previous session to a more than two-year low. The single currency was helped by the number of people out of work in Germany rising less than expected in December, according to data released Friday. However, the euro was still headed for a weekly decline of around 1.5%, its worst since November after data released earlier Thursday showed that manufacturing activity in the eurozone declined at a faster rate at the end of 2024. Traders expected more interest rate cuts from the European Central Bank in 2025, with markets pricing in at least 100 basis points of easing.

COMMODITIES: Oil prices rose on Friday, heading for a second consecutive weekly gain as optimism around China's economic growth lifted market sentiment. The Brent Oil Futures were last up 0.8% to \$76.6 a barrel, and Crude Oil WTI Futures expiring in February was up 1.1% to \$73.3 a barrel. Oil had gained sharply in the previous session after data showed growth in Chinese factory activity. Both contracts were on course for second consecutive weekly gains, with WTI 1.3% and Brent 0.9% higher. China's factory activity grew in December, a Caixin/S&P Global survey showed on Thursday, but at a slower pace than expected. An official survey released on Tuesday also showed that China's manufacturing activity barely grew in December. However, services and construction fared better, with the data suggesting that policy stimulus is trickling into some sectors. Beijing has signaled looser monetary policy for 2025 and has doled out a raft of major stimulus measures since late September, in order to boost its sluggish economy. China's central bank has indicated that it plans to lower interest rates from the current 1.5% "at an appropriate time" in 2025, the Financial Times reported on Friday.

Domestic News

Free Nutritious Meal Program Starts Today, Supplied by 190 Kitchens

The National Nutrition Agency (BGN) revealed that 190 Nutrition Fulfillment Service Units (SPPG) aka kitchens are ready to operate to support the Free Nutritious Meal Program (MBG) starting today, Monday (6/1/2025). SPPG is the MBG program implementation unit in charge of supplying food for program beneficiaries. Citing data shared by BGN, as many as 190 SPPGs are spread across various regions of Indonesia. Meanwhile, West Java is the province with the largest number of SPPGs, namely 57 locations. Then followed by Central Java with 36 points and East Java with 31 points. Apart from West Java, Central Java and East Java, SPPGs are also spread in Aceh, Bali, Banten, DI Yogyakarta, Jakarta, Gorontalo and South Kalimantan. Then, South Kalimantan, East Kalimantan, North Kalimantan, Riau Islands, Lampung, Maluku, North Maluku, East Nusa Tenggara, West Papua, and South Papua. Furthermore, the Free Nutritious Meal supply kitchens are also spread across Riau, West Sulawesi, South Sulawesi, Southeast Sulawesi, North Sulawesi, West Sumatra, and North Sumatra. The Free Nutritious Meal Program will indeed be launched starting Monday (6/1/2025). Meanwhile, the 190 kitchens prepared are actually fewer than the initial plan. Head of the Legal and Public Relations Bureau of BGN Lalu Muhammad Iwan Mahardan said that his party will encourage the existence of kitchens in every district and sub-district in the country. He emphasized that the distribution of kitchens to support the MBG program is not only concentrated in Java. Later, the existence of 937 kitchens will dominate outside Java. Furthermore, he also explained, for the initial stage, each kitchen is targeted to be able to produce as many as 3,000-3,500 portions of nutritious meal packages. Meanwhile, the target of fulfilling this nutrition is targeted at 3 million people in the early stages. (Bisnis)

Corporate News

WIKA: Failed to Obtain Bondholder Approval, Pefindo Lowers WIKA's Rating

Pefindo lowered the rating of PT Wijaya Karya (Persero) Tbk (WIKA) to idBB- with a CreditWatch prospect with Negative Implications from previously idBBB-/stable. At the same time, we also lowered the ratings of WIKA's outstanding debt securities, namely Sustainable Bonds I, II, and III to idBB- and Sustainable Sukuk Mudharabah I, II, and III to idBB-(sy). This rating action follows WIKA's inability to obtain approval from the holders of Shelf Registration Bonds II Phase II/2022 Series A worth IDR593.9 billion and Shelf Registration Sukuk Mudharabah II Phase II/2022 Series A worth IDR412.9 billion which will mature on February 18, 2025. Previously, WIKA proposed to pay part of the debt and the remaining principal was extended, while still paying coupons with the same value and adding a call option for Series A, B, and C. "In our view, WIKA faces a high refinancing risk to be able to meet the principal payments of the Bonds and Sukuk in full and on time amidst the Company's weak financial performance and depressed liquidity," Pefindo said in a statement. The rating reflects the Company's established presence in the national construction industry. The rating is constrained by its weak financial and liquidity profile, risks from previous expansion, and a volatile business environment. WIKA's inability to pay off the maturing Bonds and Sukuk could lead to a downgrade. (Emiten News)

Recommendation

In the second week of 2025, US10YT formed a marubozu candle in last year's highs in the yield range of 4.533% - 4.643%. Now it may be prone for a consolidation as warned by the leading indicator RSI negative divergence. Advise: use MA10 as trailing stop; if the yield finally closes below 4.568% (up to 4.507%) then anticipate strengthening bond prices towards the following Support: 4.421% / 4.36% / 4.33%.

ID10YT is actually still undergoing an upward trend in the PARALLEL CHANNEL (pink) pattern where the current position has rebounded on the psychological Support level around 7.0% up to 6.96%. Thus, the bond price is anticipated to continue its medium-term weakening trend again.

PRICE OF BENCHMARK SERIES

FR0090 : 96.206 (+0.01%)

FR0091 : 96.416 (-0.05%)

FR0092 : 100.022 (-0.12%)

FR0094 : 96.593 (+0.00%)

FR0086 : 98.232 (+0.06%)

FR0087 : 97.553 (+0.02%)

FR0083 : 103.643 (-0.05%)

FR0088 : 94.113 (-0.11%)

CDS of Indonesia Bonds

CDS 2yr: -0.88% to 37.670

CDS 5yr: -0.47% to 78.118

CDS 10yr: -0.75 to 128.730

Government Bond Yields & FX

| | Last | Chg. |
|----------------|--------|--------|
| Tenor: 10 year | 7.02% | 0.02% |
| USDIDR | 16,190 | -0.03% |
| KRWIDR | 11.01 | 0.14% |

Global Indices

| Index | Last | Chg. | % |
|-----------|-----------|----------|--------|
| Dow Jones | 42,732.13 | 339.86 | 0.80% |
| S&P 500 | 5,942.47 | 73.92 | 1.26% |
| FTSE 100 | 8,223.98 | (36.11) | -0.44% |
| DAX | 19,906.08 | (118.58) | -0.59% |
| Nikkei | 39,894.54 | 0.00 | 0.00% |
| Hang Seng | 19,760.27 | 136.95 | 0.70% |
| Shanghai | 3,211.43 | (51.13) | -1.57% |
| Kospi | 2,441.92 | 42.98 | 1.79% |
| EIDO | 18.99 | 0.22 | 1.17% |

Commodities

| Commodity | Last | Chg. | % |
|--------------------|---------|--------|--------|
| Gold (\$/troy oz.) | 2,640.2 | (17.7) | -0.67% |
| Crude Oil (\$/bbl) | 73.96 | 0.83 | 1.13% |
| Coal (\$/ton) | 123.50 | (1.10) | -0.88% |
| Nickel LME (\$/MT) | 15,111 | 33.0 | 0.22% |
| Tin LME (\$/MT) | 29,108 | 551.0 | 1.93% |
| CPO (MYR/Ton) | 4,368 | 35.0 | 0.81% |

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 | 22.00 | Factory Orders | - | Dec | -0.4% | 0.2% |
| 06 – January | US | 22.00 | Durable Goods Order | - | Nov F | -0.4% | -1.1% |
| Tuesday | US | 20.30 | Trade Balance | - | Nov | -\$78.2B | -\$73.8B |
| 07 – January | US | 22.00 | ISM Services Index | - | Dec | 53.5 | 52.1 |
| Wednesday | US | 19.00 | MBA Mortgage Applications | - | Jan 3 | - | - |
| 08 – January | US | 20.30 | Initial Jobless Claims | - | Jan 4 | 216k | 211k |
| | US | 20.15 | ADP Employment Change | - | Dec | 133k | 146k |
| Thursday | US | 22.00 | Wholesale Inventories MoM | - | Nov F | -0.2% | -0.2% |
| 09 – January | | | | | | | |
| Friday | US | 20.30 | Change In Nonfarm Payrolls | - | Dec | 160k | 227k |
| 10 – January | US | 20.30 | Unemployment Rate | - | Dec | 4.2% | 4.2% |
| | US | 22.00 | University of Michigan Sentiment | - | Jan P | 73.9 | 74.0 |

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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