

Morning Briefing

Daily | January 09, 2025

Today's Outlook:

A major sell-off in some of the world's largest government bond markets and a continued rise in the US Dollar sent shockwaves through financial markets, supported by the main theme of growing uncertainty over the policies of US President-elect Donald Trump. On Wednesday (08/01/25), the benchmark 10-year US TREASURY YIELD, which supports trillions of dollars in daily global transactions, surged above 4.7%, the highest since April, and the yield on its UK counterpart rose 11bps to 4.82%, the highest since 2008. The 10-year GERMAN BUND auction yield also rose to a 6-month high of 2.510%, compared to 2.07% a month ago; amidst their German Factory Orders & Retail Sales which contracted further in November. The accelerating trend of EUROZONE inflation and increasing bond supply caused the yield on the EUROZONE benchmark bond, last slightly changed to 2.521%, after reaching a high of 2.534%, the highest since July last year. This triggered a wave of sell-offs in European currencies against the greenback, including the Pound, which fell more than 1% before finally recovering slightly; and the Euro which approached the USD 1 mark. Trump, in a press conference at Mar-a-Lago on Tuesday, criticized high US interest rates even though the Federal Reserve is in the middle of an easing cycle and inflation is suspected of continuing to rage. It is known that Trump has the potential to implement higher trade tariffs, tax cuts, and deregulation, all of which threaten to increase inflation and burden government finances, thus limiting the scope of the Federal Reserve to cut interest rates. Market players see that it reflects the increasing uncertainty of fiscal policy ahead of the inauguration of the new administration, with 85% of the increase in yields since mid-September being caused by the term premium. The term premium refers to the higher return investors expect to receive by holding longer-dated US Treasury bonds than by rolling over T-bills. The current term premium for the 10-year bond is 54 basis points (bps), up from minus 29 bps in mid-September. This means that the 10-year bond yield is 54bps higher than the Fed's policy expectations.

SUPPLY WAVE: Other governments have been busy fixing their own finances and shoring up their economies, while increasing bond sales. Long-term yields, which tend to be less vulnerable to short-term changes in monetary policy expectations, have hit multi-year highs globally, in part due to a massive wave of new bond supply this year. EUROPEAN bond markets have had to absorb a major issuance to start the year, with GERMANY selling €5 billion worth of 10-year Bunds, and ITALY selling new 10-year and 20-year green bonds through syndication. UK 30-year bond yields have hit their highest since 1998 at around 5.4%, adding to concerns about the impact of higher borrowing costs on the UK government's already shaky finances. There is an estimated \$14.6 trillion of US Treasury debt maturing over the next two years, meaning much of it will have to be rolled over for more than a year. Traders say the incoming Trump administration will need to shift its focus to rely more on short-term debt. The 30-year US Treasury yield has risen 60 basis points in a month – its biggest gain since October 2023. It is now nearing 5%, a level rarely seen in the past two decades. This has pushed the 30-year yield premium over the 2-year yield to its highest in almost three years – a dynamic known as “curve steepening”. As more bonds need to be sold, the curve becomes steeper and the maturity premium becomes higher on longer-dated bonds.

MARKET SENTIMENT : Strong US economic data has weighed on US Treasury bonds in recent weeks, leading investors to scale back expectations for further Federal Reserve interest rate cuts. The market is only expecting one rate cut in 2025 of 25bps, while only seeing a 60% chance of a second cut this year. ADP Nonfarm Employment Change reported an additional 122,000 new jobs in the private sector in December, lower than both forecasts and November. However, Initial Jobless Claims reported that jobless claims actually came in at only 201,000 in the last week, lower than the consensus of 214,000 and the previous week's 211,000.

ASIA MARKET : CHINA inflation (Dec) will be in the spotlight today, where consensus says CPI will remain positive at 0.1% yoy, although down from the previous month's 0.2%; however, PPI is still detected to continue deflation of 2.4%, compared to 2.5% in November.

BANK INDONESIA reported that the Foreign Exchange Reserves position at the end of December 2024 reached USD 155.7 billion. This amount was observed to have increased by USD 5.05 billion from November 2024 which was worth USD 150.2 billion. This achievement is not only the most significant throughout 2024, but also broke the record for the highest foreign exchange reserves after October 2024 which was worth USD 151.2 billion. Revenue comes from taxes & services, government foreign loan withdrawals, and oil and gas foreign exchange receipts. Thus, the current foreign exchange position is equivalent to financing 6.5 months of imports and government foreign debt payments, and is safe above the international adequacy standard of around 3 months of imports. Today, data will be awaited: Consumer Confidence (Dec) and motorcycle sales figures (Dec).

Domestic News

Government Prepares New Incentives for Natural Resource Exporters Bringing Home Dollars

The government is preparing additional incentives for exporters as part of the latest policy that regulates the storage period for export proceeds (DHE) from natural resources of at least one year. Coordinating Minister for the Economy Airlangga Hartarto said that the incentives are being designed together with Bank Indonesia (BI) and banks. "We are preparing with BI and banks. The incentives [will be] attractive," he said at the Coordinating Ministry for the Economy Office, Wednesday (8/1/2025). Airlangga said that currently he, together with the relevant ministries and agencies, is still finalizing the incentives. He hopes that the incentives that will be provided will attract foreign exchange to return from other countries, especially Singapore, to Indonesia. Previously, Airlangga had followed up on President Prabowo Subianto's directive regarding DHE by extending the storage period provisions from the original minimum of 3 months to at least 1 year. (Bisnis)

Corporate News

PPRO: PPRO Bondholders Reject Discourse on Conversion to Shares, Here's Why

Bondholders of the State-Owned Enterprise (BUMN) construction issuer, PT PP Properti Tbk (PPRO) have rejected the discourse on converting their debts into shares. They hope that the company can still accommodate the payment of interest and principal on their debts in cash. "We provide loans (debts) in the form of money (cash), we hope that it will be paid back in cash, not shares. We are open to negotiations as long as our rights can still be fulfilled," said one of the PPRO bondholders, when met by CNBC Indonesia, Tuesday (7/1/2025). As is known, PT PP Properti Tbk (PPRO) postponed the payment of the 11th interest on PP Properti's Continuous Bonds II Phase IV Year 2022 Series B which was supposed to fall on October 14, 2024. This bond itself has a principal value of IDR 163.5 billion and an interest rate of 10.60% per year, and was originally due to mature on January 14, 2025. This postponement was made because the Panel of Judges of the Commercial Court at the Central Jakarta District Court had determined that PPRO was in a temporary Suspension of Debt Payment Obligations (PKPU) for 45 days since October 7, 2024. The discourse on converting the payment of bond obligations with shares has been known to the bondholders through the initial draft of the plan to settle obligations to creditors which is divided into several tranches or payment methods, based on the number of verified bills in the PKPU process.

Recommendation

US10YT is currently still stubbornly holding on to the highest area of April-May 2024, despite the Doji candle in the resistance area that has appeared, accompanied by negative RSI divergence that is also lurking. In the midst of symptoms like this, the 10-year US TREASURY YIELD should be ready to pull back, at least to the nearest support cushion of around 4.615% - 4.537%. Even if the yield has to decline towards 4.40% up to 4.36%, US10YT is still safe on its uptrend channel.

ID10YT is also still pushing up penetrating 7.188%, a little closer to reaching the highest points of April-June 2024 at 7.243%. RSI is also detected with negative divergence, implying that this uptrend may soon meet its end at the previous High Resistance. Prepare for the possibility of a momentary yield pullback (as low as possible) towards: 7.05% - 7.0% as Support for this rising channel pattern.

PRICE OF BENCHMARK SERIES

FR0090 : 96.287 (+0.04%)
FR0091 : 95.915 (-0.12%)
FR0092 : 99.417 (-0.31%)
FR0094 : 96.593 (+0.00%)

FR0086 : 98.271 (-0.02%)
FR0087 : 96.973 (-0.20%)
FR0083 : 103.114 (-0.19%)
FR0088 : 93.369 (-0.26%)

CDS of Indonesia Bonds

CDS 2yr: -0.04% to 37.055
CDS 5yr: +1.42% to 78.174
CDS 10yr: -0.07% to 126.775

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.18%	0.04%
USDIDR	16.195	0.40%
KRWIDR	11.10	-0.08%

Global Indices

Index	Last	Chg.	%
Dow Jones	42.635.20	106.84	0.25%
S&P 500	5.918.25	9.22	0.16%
FTSE 100	8.251.03	5.75	0.07%
DAX	20.329.94	(10.63)	-0.05%
Nikkei	39.981.06	(102.24)	-0.26%
Hang Seng	19.279.84	(167.74)	-0.86%
Shanghai	3.230.17	0.52	0.02%
Kospi	2.521.05	28.95	1.16%
EIDO	18.36	(0.02)	-0.11%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2.661.9	13.4	0.50%
Crude Oil (\$/bbl)	73.32	(0.93)	-1.25%
Coal (\$/ton)	117.45	(0.85)	-0.72%
Nickel LME (\$/MT)	15.451	53.0	0.34%
Tin LME (\$/MT)	30.079	135.0	0.45%
CPO (MYR/Ton)	4.354	(11.0)	-0.25%

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	1.57%	1.55%	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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