

Morning Briefing

Daily | January 15, 2025

Today's Outlook:

MARKET SENTIMENT : US producer-level inflation rose 0.2% mom in December, below expectations of a 0.3% rise and down from 0.4% in November. The PPI report is unlikely to change the view that the Federal Reserve will not cut interest rates again before the second half of the year, as Investing.com's Fed Rate Monitor Tool still shows a 97.8% probability that the Fed Funds Rate will be held at 4.25%-4.50% at the upcoming Jan 28-29 FOMC Meeting. Wildfires in the Los Angeles area are likely to put minor pressure on the US national economy in the near term, but will not derail its strong forward momentum, economists there predict.

- US CPI data is expected to show inflation on a monthly basis holding at 0.3% in December while the annual figure heated up to 2.9%, from 2.7% in November. Investors are also gearing up for corporate earnings reports - Q4/2024, where results from some of the largest US banks will be released starting Wednesday. These lenders are expected to report stronger profits, driven by strong transactions and trading. It is understandable if investment managers take a wait & see attitude before they see a series of corporate results before maneuvering further in the market.

- Potential tariffs that could increase inflation after President-elect Donald Trump officially takes office on January 20 also cast a shadow over the market. Bloomberg reported that Trump's ministers are considering various ideas including raising tariffs (gradually) by 2% to 5% per month to increase US leverage and to try to avoid a spike in inflation.

FIXED INCOME & CURRENCIES: The benchmark 10-year US TREASURY YIELD eased, but remains near its highest level in 14 months. Yields last pulled back slightly at 4.788% after reaching 4.805% overnight, the highest level since November 2023. Higher yields have weighed on equities by making bonds relatively more attractive, while increasing borrowing costs for companies.

- The US DOLLAR weakened against the Euro but remained near its highest level in over 2 years. The DOLLAR INDEX, which measures the greenback's strength against a basket of currencies including the Yen and Euro, fell 0.21% to 109.19, with the Euro down 0.03% at \$1.0304.

ASIAN MARKETS: Most Asian markets rallied on Tuesday, with the MSCI Asia ex-Japan index bouncing from a five-month low and CHINA's leading shares jumping more than 2.5%, after regulators there promised more support for the market and local chip companies rallied after the US increased its technology restrictions. In contrast, JAPAN stocks moved in the opposite direction after Bank of Japan Deputy Governor Ryozi Himino signaled an interest rate hike next week. The Nikkei 225 index recorded its biggest drop in 2.5 months, plunging 1.8%. Japanese manufacturers' sentiment recovered in January after last month's decline thanks to a more conducive climate for materials industries, but their outlook remained flat due to uncertainty over Trump's policies, according to a Reuters Tankan poll.

- The threat of a global trade war and US tariff sanctions on many countries - especially China - continues to haunt market sentiment as US president-elect Donald Trump's inauguration approaches on January 20. While meeting with European Council President Antonio Costa on Tuesday, Chinese President Xi Jinping said China and the European Union have a strong "symbiotic" economic relationship and Beijing hopes the bloc can become a "trustworthy cooperative partner". Meanwhile, Trump said on Tuesday that he would create a new department called External Revenue Services that works to collect tariffs, duties and all revenue from foreign sources.

EUROPEAN MARKETS: Inflation report will also appear in the UK where their CPI (Dec) is forecasted to be flat at 2.6% yoy, still the same as Nov position; although on a monthly basis it may heat up 0.3% higher from the previous month's 0.1% position.

INDONESIA: The decision of Bank Indonesia's Board of Governors Meeting (RDG BI) will color today's market atmosphere. In the face of recent volatility in the Rupiah which has yet to budge from its 5-month low of IDR 16,288/USD, BI is widely expected to maintain its key interest rate at 6.00%. With inflation at the lower bound of the central bank's target range of 1.5%-3.5%, monetary policy is geared towards stabilizing the Rupiah, which is down about 7% versus the Dollar from its peak in September. Like most emerging economies, Indonesia has been hit hard by surging US bond yields and the US Dollar, tightening financial conditions that limit BI's ability to ease policy. According to Goldman Sachs, Indonesia's financial conditions have deteriorated sharply since late September, mainly due to rising long-term interest rates and falling equities. The conditions are now the tightest since October 2023, and close to the tightest since October 2022. MSCI Indonesia, or EIDO as we know it, slumped 1.21% to 18.0 which is a 52-week low.

Domestic News

Government Receives IDR 10 Trillion from the Auction of Seven SBSN Series

The government through the Ministry of Finance (MoF) managed to pocket IDR 10 trillion from the auction of State Sharia Securities (SBSN) held on Tuesday, January 14, 2025. In a statement from the Directorate General of Financing and Risk (DJPPR) of the Ministry of Finance, the total incoming bids in this auction reached IDR 14.06 trillion. This SBSN auction includes seven series, namely SPNS07072025 (reopening), SPNS13102025 (new issuance), PBS003 (reopening), PBS030 (reopening), PBS034 (reopening), PBS039 (reopening), and PBS038 (reopening), which are conducted through the Bank Indonesia auction system. In this auction, the government absorbed IDR 1 trillion in funds from the SPN207072025 series which received incoming bids of IDR 1.095 trillion. The weighted average yield won by this series is 6.50000%. Then, the government also managed to absorb IDR 1.750 trillion in funds from the SPNS13102025 series which received an incoming bid of IDR 2.565 trillion. The weighted average yield won by this series is 6.60000%. From the PBS003 series, the government absorbed IDR 3.850 trillion in funds from an incoming bid of IDR 4.860 trillion. The weighted average yield won by this series is 7.12911%. Furthermore, the government won a nominal IDR 0.600 trillion from the PBS030 series. This series received an incoming bid of IDR 1.7787 trillion with a weighted average yield won of 7.12911%. The government also managed to absorb IDR 2.800 trillion of funds from the PBS038 series with an incoming bid of IDR 3.040 trillion. The weighted average yield won was 7.28677%. (Kontan)

Corporate News

PT Pos Indonesia: IDR 1 T Sukuk Release

PT Pos Indonesia (Persero) officially held a ceremony for the initial listing of sustainable sukuk ijarah worth IDR 1 trillion phase I in 2024 on Friday, (10/1/2025). President Director of Pos Indonesia Faizal Rochmad Djemadi said that his party had received an effective permit from the Financial Services Authority (OJK) officially on December 27, 2024. This listing reflects the company's ability and commitment in managing the company's finances. The Sukuk Ijarah issuance aims to obtain funds that will be used for various corporate purposes, including infrastructure development, to carry out the company's work program. In addition, this Sukuk Ijarah will be used to increase the Company's working capital to fulfill the Company's business activities. "So first, we will use around IDR 100 billion to repay the principal debt, around 10% of the principal debt to Bank Neo Commerce. Then IDR 325 billion is what we need for capital expenditure," said Faizal in a press conference at the IDX Building, Jakarta. Of this IDR 325 billion, more than 85% will be used for IT and digitalization. While the rest will be used for operational costs. (CNBC Indonesia)

Recommendation

US10YT has surpassed the 2024 yield high of 4.74% and is faithfully on an uptrend trajectory towards the 5.0% psychological level. Ahead of the US CPI (Dec) announcement, this yield should be in a rather vulnerable Overbought position, as seen from the current RSI. ADVISE: WAIT & SEE pending US macro data.

D10YT on the weekly chart is also behaving equally strong, currently it has broken Resistance previous High in 2024 yield 7.33%. Despite the Hanging Man candle which indicates limited upside potential or trend reversal soon (especially when RSI is also in the Overbought area), ID10YT should be assumed to still have the potential to continue rising towards the 2022 high at 7.676% yield. ADVISE: WAIT & SEE if US CPI is tame then yields will reverse direction down, thus bond prices start picking up.

PRICE OF BENCHMARK SERIES

FR0090 : 96.173 (-0.01%)

FR0091 : 95.213 (-0.13%)

FR0092 : 99.020 (+0.71%)

FR0094 : 96.607 (+0.00%)

FR0086 : 98.235 (-0.01%)

FR0087 : 96.432 (-0.07%)

FR0083 : 101.623 (-0.04%)

FR0088 : 92.799 (-0.01%)

CDS of Indonesia Bonds

CDS 2yr: +0.07% to 37.110

CDS 5yr: +2.10% to 82.482

CDS 10yr: +0.02% to 126.830

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.28%	0.00%
USDIDR	16.265	-0.06%
KRWIDR	11.15	0.44%

Global Indices

Index	Last	Chg.	%
Dow Jones	42,518.28	221.16	0.52%
S&P 500	5,842.91	6.69	0.11%
FTSE 100	8,201.54	(22.65)	-0.28%
DAX	20,271.33	138.48	0.69%
Nikkei	38,474.30	(716.10)	-1.83%
Hang Seng	19,219.78	345.64	1.83%
Shanghai	3,240.94	80.19	2.54%
Kospi	2,497.40	7.84	0.31%
EIDO	18.00	(0.22)	-1.21%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,677.5	14.3	0.54%
Crude Oil (\$/bbl)	77.50	(1.32)	-1.67%
Coal (\$/ton)	115.40	0.90	0.79%
Nickel LME (\$/MT)	15,956	55.0	0.35%
Tin LME (\$/MT)	29,771	(95.0)	-0.32%
CPO (MYR/Ton)	4,437	(63.0)	-1.40%

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*	127.70	125.90

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	-	-	-	-	-	-	-
13 – January							
Tuesday	US	20.30	PPI Final Demand MoM	-	Dec	0.4%	0.4%
14 – January							
Wednesday	ID	14.20	BI-Rate	-	Jan 15	6.00%	6.00%
15 – January	US	19.00	MBA Mortgage Applications	-	Jan 10	-	-3.7%
	US	20.30	Empire Manufacturing	-	Jan	3.0	0.2
	US	20.30	CPI MoM	-	Dec	0.3%	0.3%
	US	20.30	CPI YoY	-	Dec	2.9%	2.7%
Thursday	US	20.30	Retail Sales Advance MoM	-	Dec	0.6%	0.7%
16 – January	US	20.30	Initial Jobless Claims	-	Jan 11	210k	201k
Friday	US	20.30	Housing Starts	-	Dec	1325k	1289k
17 – January	US	21.15	Retail Sales Advance MoM	-	Dec	0.3%	-0.1%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Research Division

Head of Research

Liza Camelia Suryanata

Equity Strategy, Macroeconomics,
Technical
T +62 21 5088 ext 9134

Analyst

Axell Ebenhaezer

Mining, Property
T +62 21 5088 ext 9133
E Axell.Ebenhaezer@nhsec.co.id

Analyst

Ezaridho Ibnutama

Consumer Goods, Poultry, Healthcare
T +62 21 5088 ext 9126
E ezaridho.ibnutama@nhsec.co.id

Analyst

Richard Jonathan Halim

Technology, Transportation
T +62 21 5088 ext 9128
E Richard.jonathan@nhsec.co.id

Analyst

Leonardo Lijuwardi

Banking, Infrastructure
T +62 21 5088 ext 9127
E leonardo.lijuwardi@nhsec.co.id

Research Support

Amalia Huda Nurfalah

Editor & Translator
T +62 21 5088 ext 9132
E amalia.huda@nhsec.co.id

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PT. NH Korindo Sekuritas Indonesia

JAKARTA (HEADQUARTER):

District 8 Treasury Tower 51st Fl. Unit A, SCBD Lot.28

Jl. Jendral Sudirman Kav. 52-53

Jakarta Selatan 12190

Telp : +62 21 5088 9102

Branch Office BSD:

ITC BSD Blok R No.48

Jl. Pahlawan Seribu Serpong

Tangerang Selatan 15311

Indonesia

Telp : +62 21 509 20230

Branch Office Makassar:

Jl. Gunung Latimojong No.120A

Makassar

Indonesia

Telp : +62 411 360 4650

Branch Office Bandung:

Paskal Hypersquare Blok A1

Jl. Pasirkaliki No 25-27

Bandung 40181

Indonesia

Telp : +62 22 860 22122

Branch Office Bandengan (Jakarta Utara):

Jl. Bandengan Utara Kav. 81

Blok A No.02, Lt 1

Jakarta Utara 14440

Indonesia

Telp : +62 21 6667 4959

Branch Office Kamal Muara (Jakarta Utara):

Rukan Exclusive Mediterania

Blok F No.2

Jakarta Utara 14470

Indonesia

Telp : +62 24 844 6878

Branch Office Pekanbaru:

Sudirman City Square

Jl. Jend. Sudirman Blok A No.7

Pekanbaru

Indonesia

Telp : +62 761 801 1330

Branch Office Denpasar:

Jl. Cok Agung Tresna

Ruko Griya Alamanda No. 9

Renon Denpasar, Bali 80226

Indonesia

Telp : +62 361 209 4230

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Jakarta