

Morning Briefing

Daily | January 16, 2025

Today's Outlook:

US MARKET: US Treasury yields fell after data showed US core inflation rose less than forecast in December, raising hopes that the Federal Reserve could cut interest rates further.

MARKET SENTIMENT: Earlier, US Bureau of Labor Statistics data showed that the consumer price index (CPI) rose in line with expectations at an annual rate of 2.9% in December, compared to 2.7% in November. However, core inflation, which excludes food and energy prices, rose by 3.2%, which was below the consensus of 3.3%. After the release of the data, investors estimated the chances that the Fed will cut interest rates twice this year, where the first rate cut will probably occur in June. However, the threat of Inflation has not completely disappeared as the potential for higher tariffs from the incoming Donald Trump administration (plus changes to his immigration policy to become stricter) could potentially trigger inflation to heat up & have a negative impact on the economy this year, as reported by the Federal Reserve's Beige Book released last Wednesday.

- Other important economic indicators will still be released there today: Initial Jobless Claims, Philadelphia Fed Manufacturing Index (Jan), US Retail Sales (Dec).

CURRENCY & FIXED INCOME: The US DOLLAR trimmed earlier losses but still fell against a basket of currencies after CPI data emerged. The Japanese YEN was also boosted by traders estimating a 70% chance that the BANK OF JAPAN will raise interest rates in January after Governor Kazuo Ueda said policymakers will discuss the option next week. The DOLLAR INDEX, which measures the greenback's strength against a basket of currencies including the yen and euro, fell 0.08% to 109.11. After hearing of a peace deal in the Middle East region, the Dollar fell 0.47% against the Israeli SHEKEL in active trading.

- The EURO was down 0.16% at \$1.029 while against the Japanese Yen, the Dollar weakened 0.91% to 156.52. The POUNDSTERLING exchange rate strengthened 0.16% to \$1.2237.

- US TREASURY YIELD fell after inflation data implied that the option of raising interest rates this year (which was considered), may not be necessary for now. But when or how much the Fed will cut rates is still up for debate. The yield on the benchmark 10-year US Treasury note fell 13.5 basis points to 4.653%, from 4.788% late Tuesday. The yield on the 30-year bond fell to 4.8774% from 4.985%. The yield on the 2-year note, which typically tracks Federal Reserve interest rate expectations, fell 9.7 basis points to 4.268%, from 4.365% late Tuesday.

EUROPE & ASIA MARKETS: Inflation figures at the consumer level were also monitored by market participants in the UK as they managed to tame Dec CPI to 2.5% yoy, even lower than forecast and the previous month's position at 2.6%. From the same country, today they will monitor Industrial & Manufacturing Production for Nov. GERMANY will report CPI later in the day, but forecasts are preparing investors for the Dec Inflation figures which are likely to be hotter than Nov.

- The Biden administration has added more than two dozen CHINA companies to the US blacklist, leaving companies on the list unable to receive exports of goods or technology without a license, which the US government is generally bound to refuse. Included on the blacklist is Zhipu AI, whose investors include Alibaba and Tencent, which is allegedly advancing China's military modernization through advanced AI research. Another one is Huawei-linked Sophgo, which has been on the list since 2019 and is now at the center of China's AI development ambitions. The US Department of Commerce has strengthened controls on the flow of chips to China to prevent their products from falling into Huawei's hands.

INDONESIA: Bank Indonesia Governor, Perry Warjiyo yesterday Wednesday unexpectedly cut the benchmark interest rate by 25bps, bringing down the BI7DRR to 5.75%. This pre-emptive action was taken when the Rupiah exchange rate was still floundering around 16,355/USD and had even reached a high of 16,410/USD shortly after the rate cut. Market observers see the action taken before the US Inflation data comes out as translating that Indonesia's economic conditions are indeed slowing down, amidst the urgent need for domestic funds, especially in meeting the target of the Free Meal Program (MBG) which is proposed to be added another Rp 140 trillion this year, after the budget allocation of Rp 71 trillion that has been set, according to Coordinating Minister for Food Zulkifli Hasan.

Domestic News

DHE Requires 1-Year Storage, BI Prepares 2 New Instruments for Export Proceeds Foreign Exchange

Bank Indonesia is participating in the reformulation of the rules on export proceeds from natural resources by preparing additional investment instruments for the placement of export proceeds in the country's financial system. Governor of Bank Indonesia (BI) Perry Warjiyo said that his party continues to work with the government regarding the improvement of the regulation on Natural Resources Export Proceeds (DHE). Where BI's task is to prepare instruments that will be used to store the export proceeds. "We are preparing two new instruments, namely SVBI and SUVBI which, God willing, we will explain in due time," Perry said at a press conference on Wednesday (15/1/2025). In short, the DHE SDA mechanism must be included in a special account (mutual) with various placement and utilization instruments in banks and BI. So far, BI has provided placement in Foreign Exchange Term Deposits (TD). SVBI is Bank Indonesia's Foreign Exchange Securities, and SUVBI is Bank Indonesia's Foreign Exchange Sukuk. Both instruments will be relied upon as an investment place for export proceeds. The government can also offer FX Swaps if exporters need to meet their capital requirements. Where banks can make forex swaps to Bank Indonesia. (Bisnis)

Corporate News

EXCL: Prepare to Pay Maturing Bonds IDR 2.33T

PT XL Axiata Tbk (EXCL) said that it will make interest payments on maturing bonds. If calculated, EXCL must prepare funds of around IDR 2,333,750,000 to pay bond coupons. EXCL Corporate Secretary, Ranty Astari Rachman detailed, the Company will pay the coupon for XL Axiata Sustainable Bonds I Phase I Year 2018 Series D. The interest rate on these bonds is 10.1% or IDR 479,750,000. Then, the Company will also pay a coupon of 10.3%, on XL Axiata Sustainable Bonds I Phase I Year 2018 Series E, amounting to IDR 1,854,000,000. "The bond coupon is planned to be paid on January 16, 2025," he said. (Emiten News)

Recommendation

As expected, US10YT retreated regularly after hitting the Resistance area of 4.806% especially after the US Core CPI showed a cooling trend. In overall, the US Treasury yield is actually still strong in the Uptrend, but the near future will prove whether the nearest Support of 4.66% will be able to withstand further consolidation or not. In terms of economic data, the Initial Jobless Claims and Retail Sales reports will also come, which will contribute opinions regarding the US monetary policy guidance going forward.

Similarly, ID10YT which at first glance appears to have broken the Resistance of the channel pattern in which it usually moves, implying the potential for higher yields towards 7.676%, unless the yield moves down at least below MA10 Support or below the psychological level of 7.0%. The projected bond yield that still seems difficult to go down gives complications to the bond prices that have not gone up.

PRICE OF BENCHMARK SERIES

FR0090 : 96.237 (+0.07%)

FR0091 : 95.381 (+0.18%)

FR0092 : 98.426 (-0.60%)

FR0094 : 96.607 (+0.00%)

FR0086 : 98.284 (+0.05%)

FR0087 : 96.697 (+0.27%)

FR0083 : 101.367 (-0.25%)

FR0088 : 92.440 (-0.39%)

CDS of Indonesia Bonds

CDS 2yr: -0.05% to 37.105

CDS 5yr: -2.00% to 77.634

CDS 10yr: -0.02% to 126.800

Government Bond Yields & FX

| | Last | Chg. |
|----------------|--------|--------|
| Tenor: 10 year | 7.27% | -0.01% |
| USDIDR | 16,320 | 0.34% |
| KRWIDR | 11.21 | 0.55% |

Global Indices

| Index | Last | Chg. | % |
|-----------|-----------|---------|--------|
| Dow Jones | 43,221.55 | 703.27 | 1.65% |
| S&P 500 | 5,949.91 | 107.00 | 1.83% |
| FTSE 100 | 8,301.13 | 99.59 | 1.21% |
| DAX | 20,574.68 | 303.35 | 1.50% |
| Nikkei | 38,444.58 | (29.72) | -0.08% |
| Hang Seng | 19,286.07 | 66.29 | 0.34% |
| Shanghai | 3,227.12 | (13.82) | -0.43% |
| Kospi | 2,496.81 | (0.59) | -0.02% |
| EIDO | 18.50 | 0.50 | 2.78% |

Commodities

| Commodity | Last | Chg. | % |
|--------------------|---------|---------|--------|
| Gold (\$/troy oz.) | 2,696.3 | 18.9 | 0.70% |
| Crude Oil (\$/bbl) | 80.04 | 2.54 | 3.28% |
| Coal (\$/ton) | 114.45 | (0.95) | -0.82% |
| Nickel LME (\$/MT) | 15,850 | (106.0) | -0.66% |
| Tin LME (\$/MT) | 29,592 | (179.0) | -0.60% |
| CPO (MYR/Ton) | 4,367 | (70.0) | -1.58% |

Indonesia Macroeconomic Data

| Monthly Indicators | Last | Prev. | Quarterly Indicators | Last | Prev. |
|------------------------|--------|--------|----------------------|--------|--------|
| BI 7 Day Rev Repo Rate | 5.75% | 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



Indonesia 10 Years Treasury



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