

Morning Briefing

Daily | January 22, 2025

Today's Outlook:

US MARKET: Dollar rallied after plummeting the day before, thanks to Donald Trump's return to the White House bringing mixed messages about accelerating economic growth, imposing tariffs, and also about trade policy. The Canadian Dollar and Mexican Peso bore the brunt of market fluctuations after Trump said he was considering imposing 25% tariffs on neighboring countries as soon as February 1. In fact, the market is still digesting the series of executive orders released by Trump, but it gave investors some relief that Trump is still refraining from immediately announcing more comprehensive tariffs at the beginning of his second term as president, which triggered the decline in the 10-year US Treasury yield. The global MSCI index rose 0.7%, and US stocks mostly moved higher. The S&P 500 index appreciated 0.9%, the Nasdaq gained 0.6%, and the Dow Jones Industrial Average jumped 1.2%.

MARKET SENTIMENT: A few hours after his inauguration, Trump immediately issued 42 executive orders (Presidential Decrees) and 115 personal actions, related to the legal sector, energy, health, and gender. Some that are considered controversial are as follows:

- leaving WHO because joining this world health organization is considered a burden on the US economy as 19% of WHO finances are supported by the US, and Trump considers WHO to fail to act independently of political influence.
- imposed a national emergency on the Mexican border, triggered by the large number of illegal immigrants from there; and designated criminal cartels as terrorists. Trump also plans to abolish birthright citizenship.
- granted clemency to about 1500 of his supporters who stormed the Capitol Building on January 6, 2021 in an attempt to besiege the US Parliament and prevent Biden's confirmation as US President at that time.
- withdrew from the Paris Climate Agreement on the grounds that he wanted to prioritize the interests of the US & its people, then intends to massively explore oil & gas energy including lifting the ban on oil drilling in the Arctic, in line with his "Drill, Baby, Drill" spirit.
- created the Department of Government Efficiency with Tesla CEO Elon Musk at the helm; aiming to drastically cut government budgets.
- declared a National Energy Emergency by promising to replenish the US strategic oil reserves and export US crude oil to the rest of the world. Trump also promised to end the electric vehicle mandate there.
- Trump revoked 78 of Biden's executive orders, including rules promoting diversity and gender equality. The new government will recognize only male and female genders, and transgender rights in the military and schools, and repeal protections for LGBTQ+ people and racial minorities.

CURRENCY & FIXED INCOME: The surge in the DOLLAR has caused the MEXICO PESO to slump more than 1% earlier, while the CANADA DOLLAR fell to a 5-year low of \$0.689, although the selloff later eased somewhat. The DOLLAR INDEX (DXY), which measures the strength of the US currency against 6 other major world currencies, was flat at 108.01 after briefly rising to 108.79, failing to reverse the 1.2% slump it lost on Monday in one of its biggest daily declines since November 2023. EURO ended the session flat at \$1.04200, having jumped 1.42% the day before.

- The US DOLLAR has indeed gained around 5% since Trump won the November 5th election, as investors brace for additional tariff levies that will likely hurt America's trading partners. As such, a more measured announcement from Trump on Monday automatically made the US Dollar retreat in order.

- The 10-year US TREASURY YIELD fell 4.7 basis points on Tuesday to 4.558%. The yield is still up about 1% since the Federal Reserve started cutting interest rates in mid-September, reflecting a strong economy and diminishing prospects of a Fed Fund Rate cut this year.

INDONESIA: amidst the threat of trade war 2.0 that is prone to start (again), the Ministry of Industry said that Indonesia has a great opportunity to become a relocation destination for Chinese factories if Trump decides to escalate his tariff war with China. Some of the business sectors that could potentially be relocated from China to the Batam Economic Zone include: electronics, textiles, footwear, and automotive. It is alleged that BYD, an electric car manufacturer from China, has dominated EV sales in Indonesia, with a 36% market share reaching more than 15,000 units.

Domestic News

Government Prepares National Strategic Program for Low-Income Housing

Minister of Housing and Settlement Areas (PKP) Maruarar Sirait (Ara) revealed that the government will create a national strategic program (PSN) in the field of housing specifically for low-income people. According to him, President Prabowo Subianto has approved the PSN that will be aimed at low-income people (MBR) or those with salaries below Rp8 million. This was conveyed by him after attending a limited meeting with President Prabowo Subianto with the main agenda of discussing the acceleration of IKN development at the Merdeka Palace, Jakarta, on Tuesday (21/1/2025). "Then, I also submitted a report, and he has agreed, we will make a PSN, a national strategic program, not a project, specifically for MBR," he told reporters. He continued that later this PSN will be under the coordination of Coordinating Minister for Infrastructure and Regional Development Agus Harimurti Yudhoyono (AHY) with Minister of Agrarian and Spatial Planning (ATR) Nusran Wahid who is eyeing development locations in several dozen places in Indonesia. Maruarar continued that the purpose of the declaration of PSN by the Head of State is to encourage the construction of MBR houses to be realized immediately. (Bisnis)

Corporate News

TPIA: Chandra Asri Talks about Repayment of IDR1.4 Trillion Maturing Bonds This Year

PT Chandra Asri Pacific Tbk (TPIA) emphasized the adequacy of the company's liquidity to make principal payments on bonds that will mature this year totaling IDR 1.4 trillion. Director of Chandra Asri Pacific Suryandi said the company has good financial capabilities to pay off the principal of bonds and maturing debts this year. The Barito Pacific Group issuer is claimed to have a strong balance sheet accompanied by a liquidity pool of around US\$2 billion at the beginning of this year. "We have a liquidity pool reserve of more than 20 times to meet maturity payments," Suryandi said when confirmed by Bisnis, Tuesday (21/1/2025). In addition, Suryandi hopes that TPJA's financial performance this year can grow significantly along with the completion of the Shell Energy and Chemicals Park Singapore (SECP) oil refinery acquisition process. (Bisnis)

Recommendation

US10Y has continued its downtrend and may reach the uptrend channel support 4.45-4.42% following Trump's inauguration. NHKSI Research is of the opinion inauguration euphoria may last until the end of the week as Trump signals for aggressive growth of US economy spurring investor confidence.

ID10Y has declined from the peak at resistance 7.330% and neared its 7.08-7.06% uptrend channel pattern support. While ID10Y and US10Y have a high fluctuation correlation, NHKSI is of the view that ID10Y may rebound soon as there is little-to-no catalysts for Indonesia in the face of Trump euphoria in the US Bond Market. The previous rally that led ID10Y to its last peak at 7.33% is speculated to be foreign investors dumping ID10 Year bonds to reallocate to US bonds as Trump's inauguration neared. Local investors and funds have absorbed most the sell-off, and stabilized the yield back down.

PRICE OF BENCHMARK SERIES

FR0090 : 96.626 (+0.17%)

FR0091 : 96.174 (+0.23%)

FR0092 : 98.689 (+0.10%)

FR0094 : 96.603 (+0.00%)

FR0086 : 98.483 (+0.01%)

FR0087 : 97.535 (+0.12%)

FR0083 : 102.247 (+0.15%)

FR0088 : 93.345 (-0.08%)

CDS of Indonesia Bonds

CDS 2yr: -2.52% to 35.540

CDS 5yr: -2.47% to 74.617

CDS 10yr: -1.93% to 122.715

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	7.13%	-0.04%
USDIDR	16.335	-0.15%
KRWIDR	11.38	0.11%

Global Indices

Index	Last	Chg.	%
Dow Jones	44.025.81	537.98	1.24%
S&P 500	6.049.24	52.58	0.88%
FTSE 100	8.548.29	27.75	0.33%
DAX	21.042.00	51.69	0.25%
Nikkei	39.027.98	125.48	0.32%
Hang Seng	20.106.55	180.74	0.91%
Shanghai	3.242.62	(1.76)	-0.05%
Kospi	2.518.03	(2.02)	-0.08%
EIDO	18.69	0.19	1.03%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2.744.8	36.6	1.35%
Crude Oil (\$/bbl)	75.83	(1.56)	-2.02%
Coal (\$/ton)	117.75	(0.40)	-0.34%
Nickel LME (\$/MT)	16.078	(24.0)	-0.15%
Tin LME (\$/MT)	30.233	(157.0)	-0.52%
CPO (MYR/Ton)	4.260	54.0	1.28%

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)	155.72	150.20	Current Acc (USD bn)	(2.15)	-3.02
Trd Balance (USD bn)	4.37	2.48	Govt. Spending Yoy	4.62%	1.42%
Exports Yoy	9.10%	10.25%	FDI (USD bn)	7.45	4.89
Imports Yoy	0.23%	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							
20 – January							
Tuesday							
21 – January							
Wednesday	ID	14.20	BI-Rate	-	Jan 15	6.00%	6.00%
22 – January	US	19.00	MBA Mortgage Applications	-	Jan 17	-	33.3%
	US	20.30	Leading Index	-	Dec	-0.1%	0.3%
Thursday	US	20.30	Initial Jobless Claims	-	Jan 18	220k	217k
23 – January							
Friday	US	20.30	S&P Global US Manufacturing PMI	-	Dec	49.9	49.4
24 – January	US	21.15	University of Michigan Sentiment	-	Dec	73.2	73.2
	US	21.15	Existing Home Sales	-	Dec	4.20m	4.15m

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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