

# Morning Briefing

Daily | March 06, 2025

## Today's Outlook:

**US MARKET: Trump announced tariffs on key U.S. trading partners Mexico, Canada and China earlier this week, which have each since announced retaliation plans, fueling uneasy sentiment.** The White House said that it would grant a one-month delay for tariffs on automakers whose cars comply with the United States-Mexico-Canada Agreement. This fueled traders' hopes that Trump could provide further exemptions, lifting the major averages.

**MARKET SENTIMENT :** The European Central Bank (ECB) will be setting their March Interest Rate Decision and Deposit Facility Rate. In the US, initial jobless claims will be released. In Indonesia, Foreign Exchange Reserve numbers for February will be published.

**FIXED INCOME & CURRENCY :** The 10-year Treasury yield advanced n Wednesday as investors considered the effect of President Donald Trump's tariffs along with new data on U.S. private payrolls. The benchmark 10-year yield climbed about 7 basis points to 4.282%. The 2-year Treasury yield added almost 5 basis points to 4.003%. One basis point is equal to 0.01%, and yields and prices have an inverted relationship. The dollar index, with the euro as its largest component, fell 1.2% to 104.29 and hit its lowest since November 8. The greenback fell against most currencies, weighed down by an uncertain growth outlook driven by fears about the impact of tariffs on inflation and the economy. Investors are now starting to price in the potential for outright U.S. contraction, with traders on the prediction market Kalshi currently implying a 42% chance of a U.S. recession this year.

- The euro climbed 4% this week, on track for its best week since November 2022, taking another leg higher after a late Tuesday announcement from the parties hoping to form Germany's next government of the planned new fund and an overhaul of borrowing rules. The euro ascended to four-month highs on Wednesday against the U.S. dollar, as Europe's growth prospects improved after Germany's proposed 500 billion euro (\$531 billion) infrastructure fund, potentially offsetting global trade tensions.

- The dollar fell 0.6% against the yen to 148.87.

**ASIA :** Investors are also focused on China's "Two Sessions," an annual parliamentary gathering, with the meeting of its top legislature, the National People's Congress, kickstarting Wednesday. China on Wednesday set its GDP growth target for 2025 at around 5%. The country has also lowered its inflation expectations to "around 2%."

**COMMODITIES :** OIL prices declined for a third session on Wednesday, as investors worried about OPEC+ plans to proceed with output increases in April, and U.S. President Donald Trump's tariffs on Canada, China and Mexico escalated trade tensions. Brent futures fell \$1.80, or 2.53%, to \$69.24 a barrel. U.S. West Texas Intermediate (WTI) crude declined \$2.05, or 3%, to \$66.21 a barrel. Oil prices declined for a third session on Wednesday, as investors worried about OPEC+ plans to proceed with output increases in April, and U.S. President Donald Trump's tariffs on Canada, China and Mexico escalated trade tensions. Prices pared some losses after hitting multi-year lows earlier in the session - Brent sank to \$68.33, its lowest since December 2021, and U.S. crude futures touched \$65.22, its lowest since May 2023. They recovered slightly after the U.S. Commerce Department chief, Howard Lutnick, said Trump would make the final decision on whether to grant any relief to certain industries on Bloomberg TV. While Lutnick said the 25% tariff levied on Canada and Mexico would remain, the relief under consideration would eliminate the 10% tariff on Canadian energy imports, such as crude oil and gasoline, which comply with the rules of origin under the U.S.-Mexico-Canada Agreement, a source familiar with the discussions said. GOLD prices rose on Wednesday, supported by a weaker dollar, as investors awaited the release of the U.S. payrolls data later this week for additional insights into the Federal Reserve's monetary policy. U.S. gold futures rose 0.2% to \$2,927.50. Spot gold rose around 0.1% to \$2,919.5381 an ounce.

## Global News

### ECB Projected to Cut Interest Rates, Trade War Shadow European Economic Prospects

The European Central Bank (ECB) is expected to cut interest rates again at its policy meeting on Thursday (6/3/2025). According to Reuters, the ECB is expected to cut its deposit rate by 25 basis points to 2.5%. Over the past nine months, the ECB has cut interest rates aggressively in response to benign inflation and weakening growth. However, major changes in European economic policy, driven by trade tensions and a surge in defense spending, are now clouding the direction of monetary policy in the region. The acceleration of changes in the economic outlook has exceeded the capabilities of conventional economic models, while disagreements among policymakers have sharpened. Now, markets are waiting for the signals that the ECB will give regarding its next steps. However, beyond these cuts, the road ahead is winding. Interest rates are now approaching the threshold where they no longer impede growth, which under normal conditions could signal the end of the monetary easing cycle. Meanwhile, a trade war with the United States is looming, leading many companies to hold back on investment for fear that prolonged tensions will depress demand. On the other hand, Germany and the European Commission have announced a major shift in fiscal policy by increasing defense and infrastructure spending that is partly intended to offset reduced support from the US. This policy shift could have a major impact on the European economy for years to come. (Bisnis)

## Corporate News

### ARKO: PEFINDO Raises ARKO's Environmentally-Friendly Bond I Year 2023 Rating to idA+(pg) from idA(pg)

PEFINDO has raised the rating of PT Arkora Hydro Tbk's (IDX: ARKO) Environmentally-Friendly Bond I Year 2023 to idA+(pg) from idA(pg). The Rating Period is valid from March 03, 2025 – March 01, 2026. "This rating action reflects ARKO's improving business profile by having three installed power plants with a capacity of 27.4 megawatts (MW) (Cikopo, Tomasa, Yaentu) operating stably, the construction of two power plants with a capacity of 15.4 MW (Kukusan-2 and Tomoni), winning a tender for a power plant project in the pipeline with a capacity of 20 MW (Nosu), and expanding the power plant with a capacity of 4.5 MW (Kukusan-1) while the Company can also strengthen its financial profile sustainably," said PEFINDO in a release on Tuesday (04/03). Furthermore, it was stated that the debt instrument is partially guaranteed by PT Indonesia Infrastructure Finance (IIF, rated idAAA/Stable) covering the principal value of the Bonds on a pro-rata basis of at least 75%, quarterly coupon payments of at least 200%. The instrument rating primarily reflects the partial guarantee by IIF which is unconditional and irrevocable, in addition to ARKO's credit profile reflecting good operational management, strong financial flexibility, benefits from the government's commitment to develop renewable energy supply, although constrained by ARKO's moderate position as an independent mini-hydro power producer, aggressive financial profile, and exposure to hydrological conditions. (Pasardana)

## Recommendation

**US10YT jumped by 0.63% to 4.309%.** America's benchmark bond yield reverted from its previous uptrend into a downtrend as DOGE makes more significant cuts to US Government bureaucracy, making waves of confidence from investors.Wait for developments from the US market regarding Trump's Tariff policy to determine where the yield will move.

**ID10YT has a measely correction of 0.42% to 6.850% after touching dynamic resistance MA50 @ 7.003% last week.** It has broken above the resistance of 6.898%, and the next resistance to be tested is 7.022%. It is believed most investors are worried of the implications from the launching for Indonesia's Sovereign Wealth Fund Danantara.

## PRICE OF BENCHMARK SERIES

FR0090 : 97.382 (+0.02%)

FR0091 : 98.012 (+0.07%)

FR0092 : 101.001 (+0.15%)

FR0094 : 97.061 (+0.01%)

FR0086 : 99.121 (+0.03%)

FR0087 : 99.135 (+0.01%)

FR0083 : 104.199 (+0.00%)

FR0088 : 94.889 (+0.03%)

## CDS of Indonesia Bonds

CDS 2yr: -1.20% to 36.785

CDS 5yr: -0.89% to 78.064

CDS 10yr: -1.23% to 125.850

## Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.86%	-0.01%
USDIDR	16.313	-0.80%
KRWIDR	11.29	0.12%

## Global Indices

Index	Last	Chg.	%
Dow Jones	43.006.59	485.60	1.14%
S&P 500	5.842.63	64.48	1.12%
FTSE 100	8.755.84	(3.16)	-0.04%
DAX	23.081.03	754.22	3.38%
Nikkei	37.418.24	87.06	0.23%
Hang Seng	23.594.21	652.44	2.84%
Shanghai	3.341.97	17.76	0.53%
Kospi	2.558.13	29.21	1.16%
EIDO	17.05	0.59	3.58%

## Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2.919.4	1.5	0.05%
Crude Oil (\$/bbl)	66.31	(1.95)	-2.86%
Coal (\$/ton)	104.10	2.60	2.56%
Nickel LME (\$/MT)	15.901	(82.0)	-0.51%
Tin LME (\$/MT)	31.706	127.0	0.40%
CPO (MYR/Ton)	4.417	68.0	1.56%

## Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	5.75%	5.75%	Real GDP	5.02%	4.95%
FX Reserve (USD bn)	156.08	155.70	Current Acc (USD bn)	-2.15	-3.02
Trd Balance (USD bn)	3.45	2.24	Govt. Spending Yoy	4.17%	1.42%
Exports Yoy	4.68%	4.78%	FDI (USD bn)	7.45	4.89
Imports Yoy	-2.67%	11.07%	Business Confidence	104.82	104.30
Inflation Yoy	0.76%	1.57%	Cons. Confidence*	127.20	127.70

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
<b>Monday</b>	US	21.45	S&P Global US Manufacturing PMI	-	Feb F	-	51.6
03 – March	US	22.00	ISM Manufacturing	-	Feb	50.5	50.9
<b>Tuesday</b>	-	-	-	-	-	-	-
04 – March							
<b>Wednesday</b>	US	19.00	MBA Mortgage Applications	-	Feb 28	-	-1.2%
05 – March	US	20.15	ADP Employment Change	-	Feb	148k	183k
	US	22.00	Factory Orders	-	Jan	1.4%	-0.9%
	US	22.00	Durable Goods Orders	-	Jan F	-	3.1%
	US	22.00	ISM Services Index	-	Feb	53.0	52.8
<b>Thursday</b>	US	20.30	Trade Balance	-	Jan	-\$91.3B	-\$98.4B
06 – March	US	20.30	Initial Jobless Claims	-	Mar 1	-	242k
	US	22.00	Wholesale Inventories MoM	-	Jan F	-	-
<b>Friday</b>	US	20.30	Change in Nonfarm Payrolls	-	Feb	158k	143k
07 – March	US	20.30	Unemployment Rate	-	Feb	4.0%	4.0%

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury



## Indonesia 10 Years Treasury



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