

Morning Brief

Daily | October 13, 2023

Today's Outlook:

US MARKETS: US Treasury yields surged, in following US Inflation data (Sept) that was released stronger than expected. Surging shelter costs pushed US consumer price index higher last month, to 3/7% yoy, slightly higher than the 3/6% forecast; while the Core Inflation, excluding prices of volatile goods such as food and energy, was able to ease to 4.1% yoy, which was the lowest in two years. The benchmark 10-year US Treasury yield climbed further to its highest point after the auction ended, as high as 4.728% yield, which is the highest-level since Friday after falling for the last two days. Meanwhile, the 2-year US Treasury yield was pushed above 5%. The rising yields put selling pressure on the interest rate sensitive sectors of Utilities and Real Estate. Boston Fed President Susan Collins commented that while the odds of the economy escaping a recession have grown, it is possible the central bank is not done with interest rate hikes aimed at bringing inflation back to its target. The labor market, meanwhile, continued to surprise to upside as the initial jobless claims were short of the expectations (actual: 209k, vs. forecast: 210k). Although the above economic data shows that the US economy is still proving resilient, the odds for interest rate hike next month remain low at 12%, according to Investing.com's Fed Rate Monitor Tool. Investors were also carefully monitoring developments in the Middle East. Gaza moved closer to a humanitarian catastrophe as the death toll rose and vital supplies ran low, while Israel massed tanks on the enclave's border ahead of an anticipated ground invasion amid international calls for restraint.

EUROPE MARKETS: UK GDP for August rose as expected to 0.5% yoy from 0.3% in July, on a monthly basis they also dodged -0.6% deflation in the previous month to 0.2% mom. Unfortunately, UK Industrial & Manufacturing Production is still immersed in negative growth territory, worse than expected; although the decline has started to slow from the previous month. No wonder the UK Trade Balance for August posted a larger deficit (than expected and the previous month) at GBP15.95 billion. In the afternoon, the world will monitor Eurozone Industrial Production for August, which this time the annual decline is predicted to worsen.

ASIA MARKETS: This morning, South Korea reported Unemployment Rate (Sept.) which increased again to 2.6%. Meanwhile, foreign investment in Japanese stocks is suspected to have increased significantly to JPY1436.1 billion, up 20x from the previous period. As for this morning, we immediately look forward to China's CPI figures (Sept.) which will again be highlighted whether the Chinese economy is able to be more vibrant since the Zero-Covid policy was ended. Therefore, it is important to pay attention to China's Trade Balance (Sept.) figures which will explain the movement map of the world's second largest economy's Exports & Imports that are crucial for global economic growth.

Corporate News

Medco Energi (MEDC) Buyback 4 Bonds, Maximum Value IDR 1.09 Trillion Petroleum issuer owned by the Panigoro Group, PT Medco Energi Internasional Tbk (MEDC) plans to buyback as many as four bonds or debt securities. The maximum value of the bond purchase is USD 70 million or around IDR 1.09 trillion (jisdor exchange rate IDR 15,710 per USD). MEDC Corporate Secretary Siendy K. Wisandana said the company intends to finance the cash tender offer for the repurchase of four bonds with maturity periods from 2025 to 2028. The first repurchase is 6.75% Senior Notes due 2025 issued by Medco Platinum Road Pte. Ltd. (2025 Notes). The second bond is a maximum of USD 60 million or approximately IDR 942.46 billion of 7.37% Senior Notes due 2026 issued by Medco Oak Tree Pte. Ltd. (2026 Notes). Furthermore, MEDC will buyback as much as USD 60 million or IDR 942.46 billion of 7.37% Senior Notes due 2027 issued by Medco Bell Pte. Ltd. (2027 Notes). Fourth, bond buyback with the highest nominal amount of USD 70 million or equivalent to IDR 1.09 trillion for 6.95% Senior Notes due 2028 issued by Medco Laurel Tree Pte. Ltd (2028 Notes). (Bisnis)

Domestic Issue

Offer for ORI024 Coupon up to 6.35% Closed November 2, 2023 Investment offers for retail Government Securities (SBN) of the ORI024 series have been open since October 9, 2023. The offer will continue until November 2, 2023. Head of Sub-Directorate of SUN PPA of DJPPR (Directorate General of Financing and Risk Management) Singgih Gunarsa explained that ORI024 has specific features such as a fixed coupon rate and tax on the coupon is only 10%. Singgih said, just like the previous ORI series, there are two tenors offered. First, a three-year tenor or ORI024 T3 and a six-year tenor or ORI024 T6. For the maximum order limit, ORI024 T3 is IDR 5 billion while ORI024 T6 is IDR 10 billion. As for the minimum order limit, both have the same value of IDR 1 million. (IDX Channel)

Recommendation

US10YT finally managed to rebound at Support lower channel (pink), lifting yield back above MA20 (= 4.611% so Support now). The current effort is to break the MA10 Resistance / 4.70% yield for US10YT back towards the previous High level of 4.884% as the nearest TARGET. ADVISE: AVERAGE UP accordingly.

ID10YT began to break the second support, MA20, making the yield level of 6.884% - 6.975% the nearest resistance range at this time. Thus, the ID10YT yield uptrend that has been going on since July is threatened to end. ADVISE: sell more. The following support: 6.748% - 6.692%.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	5.75%	5.75%	Real GDP	5.17%	5.03%
FX Reserve (USD bn)	134.90	137.10	Current Acc (USD bn)	-1.90	3.00
Trd Balance (USD bn)	3.12	1.31	Govt. Spending Yoy	10.62%	3.99%
Exports Yoy	-21.21%	-18.03%	FDI (USD bn)	4.86	5.14
Imports Yoy	-14.77%	-8.32%	Business Confidence	104.82	105.33
Inflation Yoy	2.28%	3.27%	Cons. Confidence*	121.70	125.20

PRICE OF BENCHMARK SERIES

FR0090 : 95.58 (+0.09%)
FR0091 : 96.96 (+0.05%)
FR0094 : 95.90 (0.00%)
FR0092 : 99.55 (+0.20%)

FR0086 : 97.83 (+0.05%)
FR0087 : 97.71 (-0.07%)
FR0083 : 103.40 (+0.18%)
FR0088 : 94.08 (+0.13%)

CDS of Indonesia Bonds

CDS 2yr: +0.30% to 43.88

CDS 5yr: -0.47% to 93.85

CDS 10yr: +0.48% to 162.29

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.79%	-0.01%
USDIDR	15,690	-0.02%
KRWIDR	11.73	0.04%

Global Indices

Index	Last	Chg.	%
Dow Jones	33,631.14	(173.73)	-0.51%
S&P 500	4,349.61	(27.34)	-0.62%
FTSE 100	7,644.78	24.75	0.32%
DAX	15,425.03	(34.98)	-0.23%
Nikkei	32,494.66	558.15	1.75%
Hang Seng	18,238.21	345.11	1.93%
Shanghai	3,107.90	28.95	0.94%
Kospi	2,479.82	29.74	1.21%
EIDO	21.72	(0.19)	-0.87%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	1,868.9	(5.5)	-0.29%
Crude Oil (\$/bbl)	82.91	(0.58)	-0.69%
Coal (\$/ton)	142.65	2.15	1.53%
Nickel LME (\$/MT)	18,728	357.0	1.94%
Tin LME (\$/MT)	24,812	(107.0)	-0.43%
CPO (MYR/Ton)	3,638	87.0	2.45%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 9 – Oct.	CH	—	Money Supply M2 YoY	Sep	—	10.6%	10.6%
	ID	—	Consumer Confidence Index	Sep	121.7	—	125.2
	GE	13:00	Industrial Production SA MoM	Aug	-0.2%	—	-0.8%
Tuesday 10 – Oct.	JP	06:50	BoP Current Account Balance	Aug	¥ 2,279.7 B	¥ 3,090.9 B	¥ 2,771.7 B
	US	21:00	Wholesale Inventories MoM	Aug F	-0.1%	—	-0.1%
Wednesday 11 – Oct.	US	18:00	MBA Mortgage Applications	Oct 6	0.6%	—	-6.0%
	US	19:30	PPI Final Demand MoM	Sep	0.5%	0.3%	0.7%
	GE	13:00	CPI MoM	Sep F	0.3%	0.3%	0.3%
	GE	13:00	CPI YoY	Sep F	4.5%	4.5%	4.5%
Thursday 12 – Oct.	US	19:30	CPI MoM	Sep	0.4%	0.3%	0.6%
	US	19:30	CPI YoY	Sep	3.7%	3.6%	3.7%
	US	19:30	Initial Jobless Claims	Oct 7	209K	—	207K
	JP	06:50	PPI YoY	Sep	2.0%	2.4%	3.2%
	JP	06:50	Core Machine Orders MoM	Aug	-0.5%	0.4%	-1.1%
Friday 13 – Oct.	US	21:00	U. of Mich. Sentiment	Oct P	—	67.5	68.1
	CH	08:30	CPI YoY	Sep	—	0.2%	0.1%
	CH	08:30	PPI YoY	Sep	—	-2.4%	-3.0%
	CH	—	Trade Balance	Sep	—	\$73.7 B	\$68.2 B
	KR	06:00	Unemployment Rate SA	Sep	—	2.6%	2.4%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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