

Morning Brief

Daily | March 20, 2024

Today's Outlook:

US MARKETS: Investors await the Federal Reserve's decision later today (around 01.00 AM on Thursday). Considering the latest US Inflation rate is still above the Fed's 2% target, the latest US economic projections suggest that there may not be as many as 3x Fed rate cuts as previously thought. However, US Treasury yields still slipped, with the 2-year yield falling 4bps to 4.69%. In terms of economic data, the property sector activity improved as evidenced by the Housing Starts & Building Permits figures which improved further in February.

ASIA MARKETS: BANK OF JAPAN took a historical step by ending the negative interest rate trend after 8 years, and finally raised interest rates for the first time in 17 years, where now BOJ interest rates appreciated to 0.1% from -0.1% previously. The Japanese central bank also abolished its yield curve control policy. The purpose of this action was to increase bank liquidity and encourage banks to lend more eagerly, in order to increase public spending and combat deflation. Japan's major corporations have just approved the highest wage increases in 33 years. Higher wages allow people to spend more. In addition to income, the Japanese government also hopes that investment will grow to support their economy, as Industrial Production (Jan) contracted 6.7% in Jan, into negative growth territory from 1.2% in the previous period; and of course not forgetting that Japan was plunged into a technical recession for two quarters in 2023. Today it's the PEOPLE'S BANK OF CHINA's turn to set their interest rates which are predicted to be held at 3.95% for the 5Y China Loan Prime Rate, and 3.45% for short-term rates. Later in the afternoon, the BI RDG will follow with the same interest rate decision, where market participants have expected the BI7DRR to be held at 6.0%.

EUROPEAN MARKETS: the ZEW Economic Sentiment indicator showed significant optimism towards the economic situation in the next 6 months in Germany and the Eurozone. A myriad of more buzzing economic data will come from the UK which will primarily release Inflation figures (Feb) which are forecast to flatten to 3.5% yoy, from 4.0% previously. Then following the German PPI which was previously wallowing in deflationary territory of -4.4% in Jan, is forecast to remain unchanged in February as well.

COMMODITIES: OIL prices climbed to a 4-month high on a second consecutive day of gains after the release of US weekly crude oil stock data by the American Petroleum Institute showed that US crude oil inventories fell by 1.52 million barrels (following a drop of 5.5 million barrels in the previous week), missing forecasts of a 77k barrel build. Later tonight will follow the government's oil inventory report which forecasts a reduction of 25,000 barrels, following a shrinkage of 1.5 million barrels earlier. Traders are also weighing the impact of Ukraine's attack on a Russian refinery that may disrupt global fuel supplies. So far Ukraine has intensified their attacks on Russia's oil infrastructure, with at least 7 Russian refineries attacked by drones this month alone. The attacks have caused plant capacity to drop 7% or around 350k bpd, according to Reuters calculations. Analysts estimate that the scarcity of Russian oil in the global market provides an opportunity for US oil prices to rise by 3%. Previously, oil prices have received support from Saudi Arabia & Iraq's oil export cuts, as well as signs of economic improvement in China & the US.

Corporate News

AP I Achieves AAA Credit Rating for Bonds and Sukuk from Pefindo PT Angkasa Pura I (AP I) obtained the AAA credit rating with a stable outlook for bonds and sukuk from the national credit rating agency, PT Pemeringkat Efek Indonesia (Pefindo). With the credit rating upgrade to AAA, AP I received the highest rating given by Pefindo. The credit rating shows the ability of long-term financial obligations on debt securities compared to other companies is superior. "The credit rating increase from AA+ to AAA is proof of AP I's commitment to improving the company's performance, both operationally and financially. This increase is a trigger for us to develop even better in providing services to airport service users," AP I MMA President Director Indah Preastuty said in her statement in Jakarta on Tuesday. Indah explained that the credit rating increase from Pefindo was due to an improvement in the company's financial risk profile along with the recovery rate of the amount of passenger traffic handled by the company. (Antara News)

Domestic Issue

Sukuk Auction Demand Surges 23.51% The auction of State Sharia Securities (SBSN) aka sukuk held today received quite warm interest from market participants amid global market sentiment which still tends to be depressed waiting for the Fed's interest rate decision tomorrow. The value of incoming bids in today's sukuk auction reached IDR 21.06 trillion, up 23.51% compared to interest in the previous sukuk auction of IDR 17.05 trillion. The increase in demand was also higher than last week's SUN auction which only increased by 3.6%. The higher demand in today's sukuk auction also took place when the pressure in the domestic debt securities market was relatively lighter even when the rupiah weakened due to the sentiment of the Japanese central bank's (BoJ) decision to end the negative interest regime. Investors were seen chasing short series and longer tenor sukuk. Meanwhile, the medium and long series are not in high demand. The PBS032 series maturing in 2026 became the favorite series of auction participants by posting incoming requests of up to IDR 6.92 trillion, up from the previous auction where this series was also a favorite. In addition, the PBS038 series which pays 6.875% and matures in 2038 also posted the third largest demand in the auction, reaching IDR 4.31 trillion. Meanwhile, the SPNS series which matures in December 2024 is also much targeted with incoming bids reaching IDR 4.4 trillion today. (Bloomberg Technoz)

Recommendation

US10YT needs more motivation to break the 4.351% yield resistance, awaiting the certainty of the Federal Reserve's interest rate setting, and especially the view of Chairman Jerome Powell regarding the direction of the future interest rate path and when the first pivot can be done this year. ADVISE: WAIT & SEE. The third moving average support is located in the yield range: 4.224% - 4.17% .

Similarly, ID10YT also takes the same stance in front of the Resistance yield of 6.652%, ahead of today's BI RDG decision and the Federal Reserve's view going forward. ADVISE: WAIT & SEE. Support: 6.63% - 6.62%.

PRICE OF BENCHMARK SERIES

FR0090	: 96.49 (-0.12%)
FR0091	: 98.69 (-0.09%)
FR0094	: 97.03 (+0.06%)
FR0092	: 102.38 (-0.02%)
FR0086	: 98.42 (+0.02%)
FR0087	: 99.55 (+0.05%)
FR0083	: 105.76 (+0.00%)
FR0088	: 97.00 (+0.18%)

CDS of Indonesia Bonds

CDS 2yr:	-0.58% to 29.28
CDS 5yr:	-0.09% to 67.92
CDS 10yr:	+0.88% to 110.36

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.65%	0.00%
USDIDR	15,715	0.16%
KRWIDR	11.73	-0.29%

Global Indices

Index	Last	Chg.	%
Dow Jones	39,110.76	320.33	0.83%
S&P 500	5,178.51	29.09	0.56%
FTSE 100	7,738.30	15.75	0.20%
DAX	17,987.49	54.81	0.31%
Nikkei	40,003.60	263.16	0.66%
Hang Seng	16,529.48	(207.64)	-1.24%
Shanghai	3,062.76	(22.17)	-0.72%
Kospi	2,656.17	(29.67)	-1.10%
EIDO	22.75	0.06	0.26%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,157.6	(2.8)	-0.13%
Crude Oil (\$/bbl)	83.47	0.75	0.91%
Coal (\$/ton)	129.40	(0.35)	-0.27%
Nickel LME (\$/MT)	17,395	(477.0)	-2.67%
Tin LME (\$/MT)	27,445	(1255.0)	-4.37%
CPO (MYR/Ton)	4,201	(35.0)	-0.83%

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.00%	6.00%	Real GDP	5.04%	4.94%
FX Reserve (USD bn)	144.00	145.10	Current Acc (USD bn)	-1.29	-0.90
Trd Balance (USD bn)	0.87	2.02	Govt. Spending Yoy	2.81%	-3.76%
Exports Yoy	-9.45%	-8.06%	FDI (USD bn)	4.82	4.86
Imports Yoy	15.84%	0.36%	Business Confidence	104.82	104.30
Inflation Yoy	2.75%	2.57%	Cons. Confidence*	123.10	125.00

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Monday 18 – Mar.	CH	19:00	Retail Sales YTD YoY	Feb	5.5%	5.0%	—
	CH	09:00	Industrial Production YTD YoY	Feb	7.0%	5.2%	—
	EC	17:00	CPI YoY	Feb F	2.6%	—	2.6%
Tuesday 19 – Mar.	US	19:30	Housing Starts	Feb	1,521K	1,430K	1,331K
	GE	17:00	ZEW Survey Expectations	Mar	31.7	—	19.9
	JP	11:30	Industrial Production MoM	Jan F	-6.7%	—	-7.5%
	JP	—	BOJ Policy Balance Rate	Mar 19	0.10%	-0.100%	-0.100%
Wednesday 20 – Mar.	ID	14:20	BI-Rate	Mar 20		6.00%	6.00%
	EC	22:00	Consumer Confidence	Mar P		—	-15.5
Thursday 21 – Mar.	US	01:00	FOMC Rate Decision (Upper Bound)	Mar 20		5.50%	5.50%
	US	01:00	FOMC Rate Decision (Lower Bound)	Mar 20		5.25%	5.25%
	US	19:30	Initial Jobless Claims	Mar 16		—	209K
	US	20:45	S&P Global US Manufacturing PMI	Mar P		51.8	52.2
	US	21:00	Leading Index	Feb		-0.2%	-0.4%
	US	21:00	Existing Home Sales	Feb		3.92M	4.00M
	GE	15:30	HCOB Germany Manufacturing PMI	Mar P		—	42.5
	EC	16:00	HCOB Eurozone Manufacturing PMI	Mar P		—	46.5
	JP	07:30	Jibun Bank Japan PMI Mfg	Mar P		—	47.2
Friday 22 – Mar.	GE	16:00	IFO Business Climate	Mar		—	85.5
	GE	16:00	IFO Expectations	Mar		—	84.1
	KR	04:00	PPI YoY	Feb		—	1.3%
	JP	06:30	Natl CPI YoY	Feb		2.9%	2.2%

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury

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Indonesia 10 Years Treasury

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