

Morning Briefing

Daily | September 10, 2024

Today's Outlook:

MARKET SENTIMENT: US INFLATION data including CPI and PPI for August is scheduled to be released on Wednesday and Thursday. This duo of inflation updates is the last high-end economic data before the September 18th FOMC MEETING. UBS said they see risk of an upside surprise in CORE CPI for August, especially if hospital prices rebound. However, with the labor market now the main factor for monetary policy, and after last week's weak NONFARM PAYROLLS report, it's safe to say the market is fully priced-in the Fed will cut rates at its meeting next week, it's just a matter of magnitude. Investors are betting that the odds of the Fed cutting rates by 25 basis points stands at 73% as of Monday morning (given the falling Unemployment Rate numbers), according to the CME FedWatch Tool. While the probability of a 50 basis point cut stood at 27% after spiking above 50% immediately after the jobs data was released.

ASIA & EUROPE MARKETS: JAPAN reported 2Q GDP at 2.9% yoy, lower than expectations of 3.1% but a welcome improvement from the -2.4% recessionary position in the previous quarter. CHINA had earlier released their INFLATION data where prices of goods & services at consumer & producer level still struggled to perform above estimates, indicating weak purchasing power there. Speaking of which, INDONESIA also released its Motor & Car Sales growth percentage for Aug, where the data showed a downward trend from the previous month. But on the one hand, our Consumer Confidence (Aug) seemed to improve to 124.4, from 123.4 in July.

WHAT TO EXPECT TODAY:

- **CHINA Trade Balance and their Export - Import growth for Aug which has been forecast low. Weaker export activity amid the prospect of rising trade barriers and tariffs would be a cause for concern, but sluggish import growth also reflects weak domestic demand.** Both could portray a Chinese economy that is struggling to generate solid and sustainable growth.

- **INDONESIA Retail Sales (Jul)**

- **UK Labor data (Jul-Aug) such as: Average wages, Unemployment Rate.**

- **GERMANY Consumer-level inflation (Aug) with forecast: 1.9% yoy (slower than July's 2.3%)**

COMMODITIES: OIL prices stabilized in early trade on Tuesday as traders weighed supply disruptions from Tropical Storm Francine and the potential for further production cuts as Chinese demand continues to weaken. BRENT crude oil prices rose 0.22%, to USD 72.00/barrel; while US WTI prices rose 0.17%, to USD 68.83/barrel. The US Coast Guard ordered the closure of all operations in Brownsville and other small Texas ports on Monday night, as Tropical Storm Francine made landfall in the Gulf. At least 125k bpd of oil production was disrupted due to this natural disaster, the National Hurricane Center (NHC) reported.

Corporate News

HRTA: Hartadinata Abadi Releases IDR 1 T Bonds, with 6.75-7.5% Interest Rate

PT Hartadinata Abadi Tbk (HRTA) plans to issue Sustainable Bonds 1 Year 2024 worth IDR 1 trillion. Funds from this bond issuance will be used to expand the retail store network and gold bullion sales, as well as pay off part of the maturing bond principal. In a brief prospectus quoted on Monday (9/9), these bonds will be issued in two series, namely Series A with a three-year tenor and Series B with a five-year tenor. Interest rates for Series A range from 6.75% to 7.50% per year, while for Series B range from 7% to 7.5% per year. From the proceeds of this bond issuance, around IDR 480 billion will be used to pay off part of the principal of Shelf Registration Bond I Phase I 2019. The rest will be allocated for working capital, including the purchase of gold raw materials and the expansion of retail gold stores in several cities. (Emiten News)

Domestic Issue

Indonesia's Global Bond Issuance is Still Within Safe Limits, Analysts Say

The government issued government bonds (SUN) denominated in two foreign currencies (dual currency), namely in US dollars (USD) and euros (EUR) on Wednesday (4/9). BCA Chief Economist David Sumual observed that the issuance of debt securities amid rising debt is indeed risky, one of which is the risk of refinancing. However, he sees that Indonesia's economic conditions are still stable, namely strong growth and maintained inflation. In addition, Indonesia's debt-to-GDP ratio is also still within reasonable limits at 38.68% of GDP in July 2024. Thus, according to David, the risk of issuing debt securities is still within manageable limits. Meanwhile, when compared to peers such as Malaysia and Thailand, historically they offer lower yields than Indonesia. David pointed out that Malaysia's 10-year Government bond yield is currently around 3.8%, Thailand is around 2.96%, and Vietnam is around 2.73%. Thus, the debt securities issued by the government are currently more attractive to investors who are looking for higher yields. As for the 10-year SUN, David predicts that it will be in the range of 6.2% to 7%. Meanwhile, MAMI Director & Chief Investment Officer Fixed Income Ezra Nazula said that the risk of debt securities is still relatively manageable for investors. However, he emphasized that in the 2025 Draft State Budget, the budget deficit is set at 2.53% of GDP, lower than this year's estimate of 2.7% of GDP. Therefore, the government's debt-to-GDP ratio is still in a safe range below the 3% limit. "In addition, the expectation of a Fed rate cut will push US Treasury yields down. This condition is a positive sentiment for Indon global bonds, as evidenced by the oversubscribed orderbook," said Ezra KONTAN, Monday (9/9). Ezra also estimates that SBN yields can fall to 6% to 6.25%. (Kontan)

Recommendation

US10YT: based on RSI POSITIVE DIVERGENCE indication, US10YT which is currently hanging on to the Support from the previous Low level around 3.67% yield, might experience a technical rebound to test the Resistance range: 3.80% - 3.864%. A break of that level will break the downtrend in yield that has been keeping bond prices up since April. ADVISE: reduce bonds position if yield breaks Resistance.

ID10YT: if this is a pattern (bullish reversal) DOUBLE BOTTOM being formed (based on RSI POSITIVE DIVERGENCE indication), then the first step is to maintain the Support yield area of 6.60%; then break MA10 & MA20 Resistance to the top of 6.653% up to Neckline area of 6.683%; then it will open the way to TARGET yield: 6.772% - 6.82%. ADVISE: anticipate technical rebound on yield (= weakening on bond prices).

PRICE OF BENCHMARK SERIES

FRO090 : 97.02 (+0.00%)

FRO091 : **98.54 (-0.04%)**

FRO094 : 96.80 (+0.00%)

FRO092 : 103.12 (+0.04%)

FRO086 : 98.58 (+0.01%)

FRO087 : **99.45 (-0.17%)**

FRO083 : 106.34 (+0.16%)

FRO088 : **96.64 (-0.34%)**

CDS of Indonesia Bonds

CDS 2yr: **-1.62% to 31.26**

CDS 5yr: **-0.88% to 70.80**

CDS 10yr: **-1.34% to 120.29**

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.63%	0.014%
USDIDR	15,455	0.59%
KRWIDR	11.53	0.39%

Global Indices

Index	Last	Chg.	%
Dow Jones	40,829.59	484.18	1.20%
S&P 500	5,471.05	62.63	1.16%
FTSE 100	8,270.84	89.37	1.09%
DAX	18,443.56	141.66	0.77%
Nikkei	36,215.75	(175.72)	-0.48%
Hang Seng	17,196.96	(247.34)	-1.42%
Shanghai	2,736.49	(29.32)	-1.06%
Kospi	2,535.93	(8.35)	-0.33%
EIDO	21.94	(0.01)	-0.05%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,506.4	9.0	0.36%
Crude Oil (\$/bbl)	68.71	1.04	1.54%
Coal (\$/ton)	141.65	0.15	0.11%
Nickel LME (\$/MT)	15,903	10.0	0.06%
Tin LME (\$/MT)	30,818	(206.0)	-0.66%
CPO (MYR/Ton)	3,895	(3.0)	-0.08%

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.25%	6.25%	Real GDP	5.05%	5.11%
FX Reserve (USD bn)	150.24	145.40	Current Acc (USD bn)	-3.02	-2.16
Trd Balance (USD bn)	0.47	2.39	Govt. Spending Yoy	1.42%	19.90%
Exports Yoy	6.46%	1.17%	FDI (USD bn)	4.89	6.03
Imports Yoy	11.07%	7.58%	Business Confidence	104.82	104.30
Inflation Yoy	2.12%	2.13%	Cons. Confidence*	123.40	123.30

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	JP	06.50	GDP Annualized SA QoQ	2.9%	2Q F	3.2%	3.1%
09 – September	JP	06.50	BoP Current Account Balance	¥3193.0	2Q F	¥2496.0	¥1533.5
Tuesday	GE	13.00	CPI MoM	-	Aug F	-0.1%	-0.1%
10 – September	GE	13.00	CPI YoY	-	Aug F	1.9%	1.9%
Wednesday	US	18.00	MBA Mortgage Applications	-	Sep 6	-	1.6%
11 – September	US	19.30	CPI MoM	-	Aug	0.2%	0.2%
	US	19.30	CPI YoY	-	Aug	2.6%	2.9%
Thursday	US	19.30	PPI Final Demand MoM	-	Aug	0.2%	0.1%
12 – September	US	19.30	Initial Jobless Claims	-	Sep 7	-	227k
Friday	JP	11.30	Industrial Production MoM	-	Jul F	-	2.8%
13 – September	US	21.00	University of Michigan Sentiment	-	Sep P	69.0	67.9

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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