

Morning Briefing

Daily | October 11, 2024

Today's Outlook:

US MARKET: Long-term US Treasury yields edged higher in directionless trade on Thursday (10/10/24) as investors weighed the path of interest rates from the Federal Reserve after US Inflation figures and comments from central bank officials were released.

MARKET SENTIMENT:

- US consumer prices rose slightly higher than expected in September as food costs rose, but the annual increase in inflation was the smallest in more than 3.5 years. The Labor Department said US CPI rose 0.2% mom after rising 0.2% in August, slightly above expectations of economists polled by Reuters for a 0.1% increase. On an annualized basis, US CPI rose 2.4% yoy compared to the estimate of 2.3%, though easing from the previous month's 2.5%. Market analysts such as Morgan Stanley interpreted this data that although Inflation is not yet fully under control, it may not jeopardize the anticipation of a rate cut in November and December. US CPI is still seen accelerating at a mild pace but the cost of shelter, particularly rent, fell significantly. Despite a slight rise in core goods prices, analysts maintain their forecast for a consistent 25 basis point decline until Q1 2025. Following the CPI data, later tonight will be the release of US PPI (Sept) which is expected to ease to 1.6% from 1.7% on an annualized basis; complemented by the next 6 months Inflation & Consumer outlook from the esteemed Univ. of Michigan.

- Other data showed weekly INITIAL JOBLESS CLAIMS jumped 33,000 last week to 258,000, quite materially above the 230,000 estimate, although the rise was partly due to distortions from Hurricane Helene.

- The above jobless claims data initially helped strengthen expectations that the Federal Reserve will cut interest rates next month, but expectations retreated slightly to a nearly 80% chance of a 25 basis points (bps) cut after comments from several Federal Reserve officials, from nearly 90% immediately after the figures were released, according to CME's FedWatch Tool. Expectations for a 25 bp cut then increased again and were last at 86.3%.

CURRENCY & FIXED INCOME: The 10-year US TREASURY YIELD edged up 0.4 basis points to 4.071% after reaching 4.12%, while the 2-year bond yield, which usually moves in line with interest rate expectations, fell 5.6 basis points to 3.962%. The DOLLAR INDEX (DXY) fell 0.03% to 102.85 after earlier rising as much as 0.27%, with the EURO down 0.03% at USD 1.0936. Against the JAPAN YEN, the Dollar weakened 0.51% to 148.53. Bank of Japan Deputy Governor Ryozo Himino said on Thursday that the central bank would consider raising interest rates if the board has "greater confidence" that economic and price forecasts will materialize. On the other hand, POUNDSTERLING 0.07% to USD 1.3061.

ASIA & EUROPEAN MARKETS:

- **BANK OF KOREA:** is expected to cut its first interest rate since the pandemic, starting the easing cycle with a 25 basis point cut to 3.25%, as predicted by 34 out of a total of 37 economists in a Reuters poll, with the rest saying they expected no change. Analysts generally expect the BOK to move more slowly than its peers in the ASIA region in the coming months. SOUTH KOREA inflation eased rapidly to 1.6% in September from 2% in August, the lowest since early 2021 and below the BOK's target of 2%, but household debt and property prices are high.

- Ahead of Saturday, all eyes will be on Beijing, where CHINA'S Finance Minister will detail fiscal stimulus plans to boost the economy. It is unclear whether this means new fiscal measures to revive growth will be taken (the market's preferred option), or that the recently announced stimulus package will be explained in more detail. The astonishing rally in Chinese stocks over the past 2 weeks may react very sensitively and reverse direction significantly early next week.

- In continental EUROPE, GERMAN Retail Sales in Aug soared to the highest level in more than 2 years, at 2.1% yoy. Later in the day, we will look forward to GERMAN CPI (Sep) as well as data from the UK: GDP (Aug), Industrial & Manufacturing Production (Aug).

Corporate News

POWR: Cikarang Litrindo Aims for USD 500 Million from Global Notes

PT Cikarang Litrindo Tbk (POWR) is targeting funds of up to USD 500 million from the issuance of global debt securities for refinancing needs. Cikarang Litrindo's management said that the target is worth more than 50% of the company's equity value, which was recorded at USD 704.12 million in 2023. POWR's global bonds will pay a maximum fixed interest rate of 7.00% per year. "The funds obtained will be used by the company to pay off part or all of the 2026 bonds, including interest and other costs," he wrote in an information disclosure, Thursday (10/10/2024). In more detail, the 2026 bonds were issued by POWR's subsidiary, Litrindo Capital B.V. on September 14, 2016. The bonds were issued for USD 550 million with an interest rate of 4.95%, payable twice a year. POWR's global bond issuance plan is implemented to improve liquidity and to support the company's general financing needs. In addition to maintaining liquidity, POWR hopes that the issuance of debt securities can extend the maturity period of the company's debt with a debt payment scheme at the end of maturity or bullet payment. "The issuance of bonds and the repayment of 2026 bonds will depend on market conditions. The company will pay attention to the best conditions that will be obtained by the company," he explained. (Bisnis)

Domestic News

Government to Auction Seven Series of SUN on October 15

The government is holding another auction of Rupiah-denominated Government Bonds (SUN) to fulfill part of the financing target in the 2024 State Budget. The indicative target for the auction is set at IDR 22 trillion and a maximum of IDR 33 trillion. Citing an official statement from the Directorate of Government Bonds, Directorate General of Financing and Risk Management, Ministry of Finance, Thursday (10/10/2024), there are 7 series of SUN that will be auctioned on Tuesday, October 15, 2024. The SUN series that will be auctioned are as follows: SPN12250116 (Reopening), SPN12251002 (Reopening), FR0104 (Reopening) with a coupon of 6.50000%, FR0103 (Reopening), FR0098 (Reopening), FR0097 (Reopening) and FR0102 (Reopening). (Pasar Dana)

Recommendation

US10YT produces a Shooting Star-like candle when RSI also enters Overbought territory, making the yield of 4.13% the closest Resistance at the moment, and the psychological level of 4.0% is a crucial level that determines whether the yield should pullback for a moment to MA10 Support / 3.90% up to 3.82% (= price has a chance to temporarily strengthen again?). POTENTIAL: The yield uptrend so far has not been disrupted, use yield weakness (if any) to reduce bond positions (sell) at better prices.

We still believe that ID10YT will have a greater chance to hold the yield decline in the range of Moving Average Support: 6.63% - 6.55%, therefore expect the strengthening of bond prices to still run for a while longer to accommodate the reduction of positions (sell) at better bond prices. Resistance: still at the yield level of 6.80%.

PRICE OF BENCHMARK SERIES

FR0090 : 97.45 (+0.03%)

FR0091 : **98.73 (-0.07%)**

FR0092 : 102.12 (+0.09%)

FR0094 : 97.01 (+0.00%)

FR0086 : 98.90 (+0.06%)

FR0087 : **99.88 (-0.14%)**

FR0083 : **105.41 (-0.04%)**

FR0088 : 96.56 (+0.23%)

CDS of Indonesia Bonds

CDS 2yr: **-7.93% to 31.68**

CDS 5yr: +0.51% to 69.23

CDS 10yr: +8.72% to 119.53

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.69%	0.01%
USDIDR	15,665	0.29%
KRWIDR	11.58	-0.22%

Global Indices

Index	Last	Chg.	%
Dow Jones	42,454.12	(57.88)	-0.14%
S&P 500	5,780.05	(11.99)	-0.21%
FTSE 100	8,237.73	(6.01)	-0.07%
DAX	19,210.90	(44.03)	-0.23%
Nikkei	39,380.89	102.93	0.26%
Hang Seng	21,251.98	614.74	2.98%
Shanghai	3,301.93	43.07	1.32%
Kospi	2,599.16	4.80	0.19%
EIDO	21.65	(0.11)	-0.51%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,629.7	22.0	0.84%
Crude Oil (\$/bbl)	75.85	2.61	3.56%
Coal (\$/ton)	148.00	2.55	1.75%
Nickel LME (\$/MT)	17,541	170.0	0.98%
Tin LME (\$/MT)	32,817	332.0	1.02%
CPO (MYR/Ton)	4,233	(19.0)	-0.45%

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	6.00%	6.25%	Real GDP	5.05%	5.11%
FX Reserve (USD bn)	149.92	150.20	Current Acc (USD bn)	-3.02	-2.16
Trd Balance (USD bn)	2.90	0.47	Govt. Spending Yoy	1.42%	19.90%
Exports Yoy	7.13%	6.46%	FDI (USD bn)	4.89	6.03
Imports Yoy	9.46%	11.07%	Business Confidence	104.82	104.30
Inflation Yoy	1.84%	2.12%	Cons. Confidence*	123.50	124.40

Date	Country	Hour Jakarta	Event	Actual	Period	Consensus	Previous
Monday	GE	13.00	Factory Orders MoM	-5.8%	Aug	-2.0%	2.9%
07 – October							
Tuesday	GE	13.00	Industrial Production SA MoM	2.9%	Aug	0.8%	-2.4%
08 – October	US	19.30	Trade Balance	-USD 70.4B	Aug	-USD 70.5B	-USD 78.8B
Wednesday	US	18.00	MBA Mortgage Applications	-5.1%	Oct 04	-	-1.3%
09 – October							
Thursday	JP	06.50	PPI YoY	2.8%	Sep	2.3%	2.5%
10 – October	US	19.30	Initial Jobless Claims	258k	Oct 5	230k	225k
	US	19.30	CPI MoM	0.2%	Sep	0.1%	0.2%
	US	19.30	CPI YoY	2.4%	Sep	2.3%	2.5%
Friday	GE	13.00	CPI EU Harmonized YoY	-	Sep F	1.8%	1.8%
11 – October	US	19.30	PPI Final Demand MoM	-	Sep	0.1%	0.2%
	US	21.00	University of Michigan Sentiment	-	Oct P	70.5	70.1

Source: Bloomberg, NHKSI Research

United States 10 Years Treasury



Indonesia 10 Years Treasury



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