

# Morning Briefing

Daily | November 14, 2024

## Today's Outlook:

**ECONOMIC INDICATORS:** On the economic front, the October producer price index will be released Thursday, and the retail sales report is due out Friday. On Thursday, the US' October producer price index will be released. And The International Energy Agency, which has a much lower demand growth forecast than OPEC's, is set to publish its updated estimate.

- Oil rebounded on Wednesday on short-covering after prices fell near a two-week low in the prior session on OPEC's demand forecast cut, while the dollar hit a seven-month high, capping crude's gains. Brent crude futures rose 39 cents, or 0.54%, to close at USD 72.28 a barrel, while U.S. West Texas Intermediate crude futures gained 31 cents, or 0.46%, to settle at USD 68.43. The benchmarks closed at their lowest level in nearly two weeks on Tuesday after the Organization of the Petroleum Exporting Countries lowered its global oil demand growth forecasts for 2024 and 2025 amid demand concerns in China. OPEC cited weakness in China, India, and other regions for its decision, which marked the producer group's fourth straight downward revision for 2024.

**FIXED INCOME & CURRENCY:** The 10-year Treasury yield was little changed Wednesday as investors assessed a key inflation reading that came in as expected. The yield on the 10-year Treasury climbed less than 2 basis point to 4.451%. The 2-year Treasury yield fell about 7 basis points to 4.275%. One basis point is equal to 0.01%. Yields and prices move in opposite directions. Those moves come after the October consumer price index, which measures the cost of a basket of goods and services, showed an uptick in the annual inflation rate but nevertheless came in line with expectations. The reading increased 0.2% and 2.6% on a monthly and yearly basis, respectively. Core CPI, which excludes volatile food and energy prices, gained 0.3% for the month and was at 3.3% annually, also as expected. The tame inflation print puts the Federal Reserve on course to lower interest rates next month, with markets last pricing in a 79% likelihood of a quarter-percentage-point cut, according to the CME FedWatch Tool.

- The U.S. dollar advanced to one-year high against major currencies on Wednesday powered by so-called Trump trades and after U.S. inflation for October came in as expected, suggesting the Federal Reserve will continue lowering interest rates. The greenback hit its highest level since November 2023, buoyed by Donald Trump's victory in last week's U.S. presidential election, which sparked expectations of potentially inflationary tariffs and other measures by his incoming administration. Trump's Republican Party will also control both houses of Congress when he takes office in January, Edison Research projected on Wednesday, enabling him to push an agenda of cutting taxes and shrinking the federal government. The dollar index, which measures the greenback against a basket of currencies including the yen and the euro, rose 0.43% to 106.44 after reaching as high as 106.53.

- The yen broke through 155 per dollar, the Japanese currency's weakest level since late July. It was last at 155.46 yen per dollar. Japan's wholesale inflation accelerated in October at the fastest annual pace in more than a year, complicating the Bank of Japan's decision on how soon to raise interest rates.

- The euro was down 0.51% at USD 1.0569. It had dropped to as low as USD 1.05575, its lowest level since November 2023. The euro continued its descent amid expectations of potential Trump tariffs. Political uncertainty in Germany, the bloc's biggest economy, has also weighed on the currency following the collapse of Chancellor Olaf Scholz's governing coalition last week and with snap elections set for Feb. 23.

**INDONESIA:** Continuing on his tour in America after his China visit, Prabowo has signalled he wants to have deeper diplomatic and business cooperation with the two major world powers. With the weakening optimism portrayed by the lowering Consumer Confidence Index, Car Sales, and Retail Sales numbers posted earlier this week, more FDI and Net Export is needed to boost economic strength and offset the waning household spending as we approach the dawn of 2025.

## Domestic News

### Sri Mulyani Worries that Indonesia Might Face Import Tariffs after Trump Wins US Presidential Election

Finance Minister Sri Mulyani Indrawati is wary of the direction of US president-elect Donald Trump's fiscal policy because it is expected to be quite expansive compared to incumbent Joe Biden. Sri Mulyani said that Trump's policies to watch out for include a reduction in corporate taxes, expansion of strategic spending, and protectionism by increasing tariffs on imported goods. So far, said the State Treasurer, the US has targeted import tariffs only to China because of the surplus trade balance. Going forward, Trump is expected to expand the imposition of import tariffs to Asean countries, which includes Indonesia. "However, just like Trump's first term, everyone is looking at US trading partners with a surplus. So, maybe not only China will be affected, Asean such as Vietnam and several other countries will be used as points of focus and attention to the imposition of these import tariffs," she said at the DPR Commission XI Working Meeting with the Ministry of Finance, Wednesday (13/11/2024). It is not only import policy that Sri Mulyani is wary of, but some changes in the direction of US policy after Trump's victory such as ceasefire and peace action will not be as aggressive as Biden. On the other hand, Trump's commitment to climate change will also not be as focused as Biden. It is known that Trump will allow the production of fossil fuels again. The fear is that this change in policy direction regarding climate change will have an impact on manufacturing, especially on electric vehicles. (Bisnis)

## Corporate News

### MEDC: Medco Energi to Release IDR 2.5T Bonds, Here's the Allocation

PT Medco Energi Internasional Tbk (MEDC) said that it plans to issue bonds next year. MEDC Corporate Secretary, Siendy K. Wisandana, in a written statement, Wednesday (13/11) revealed that the target amount of the issuance of Sustainable Bonds V Phase III Year 2025 is as much as IDR 2.5 trillion. "The purpose of using the funds is to repay the company's Rupiah bonds maturing in 2025, which includes the payment of Sustainable Bonds III Phase III Year 2020 Series B," he explained. In addition, the company is fully committed to repaying the Shelf-Registered Bonds III Phase III Year 2020 Series B on February 20, 2025. (Emiten News)

## Recommendation

US10Y is nearing its major trendline resistance at 4.47% with a negative divergence in RSI forming at the overbought zone; this bodes that US10Y will likely experience a major decline to the strong support at 3.78%. This downtrend in yield will most likely persist until the end of the year and may accelerate nearing Trump's inauguration in 20-Jan-2025. ADVISE: Prepare for a downtrend for US10 Bond Yields from the boost in confidence platformed by Trump's re-election.

ID10Y has continued its rebounded from support 6.76% as a re-action by investors to exit from conservative financial instruments to more aggressive ones in the face of Trump's re-election. ID10Y had a failed breakout of its resistance at 6.90%. We view ID10Y forming a rising wedge pattern with a high-potential to break downwards towards the end of Nov-2024 and beginning of Dec-2024. This upcoming breakdown in yield could revert back to support at 6.62%. ADVISE: Prepare for a downward trend in Indonesia's 10-Year Government Bond Yield to start by late Nov-2024 to early Dec-2024.

## PRICE OF BENCHMARK SERIES

FRO090 : 96.995 (-0.01%)  
FRO091 : 97.493 (-0.29%)  
FRO092 : 101.015 (-0.24%)  
FRO094 : 97.010 (0.00%)

FRO086 : 98.571 (-0.04%)  
FRO087 : 98.554 (-0.20%)  
FRO083 : 104.456 (-0.25%)  
FRO088 : 95.462 (-0.24%)

## CDS of Indonesia Bonds

CDS 2yr: +0.97% to 32.920

CDS 5yr: +0.88% to 71.136

CDS 10yr: +0.57% to 121.630

## Government Bond Yields & FX

|                | Last   | Chg.   |
|----------------|--------|--------|
| Tenor: 10 year | 6.92%  | 0.01%  |
| USDIDR         | 15,775 | -0.03% |
| KRWIDR         | 11.24  | 0.33%  |

## Global Indices

| Index     | Last      | Chg.     | %      |
|-----------|-----------|----------|--------|
| Dow Jones | 43,958.19 | 47.21    | 0.11%  |
| S&P 500   | 5,985.38  | 1.39     | 0.02%  |
| FTSE 100  | 8,030.33  | 4.56     | 0.06%  |
| DAX       | 19,003.11 | (30.53)  | -0.16% |
| Nikkei    | 38,721.66 | (654.43) | -1.66% |
| Hang Seng | 19,823.45 | (23.43)  | -0.12% |
| Shanghai  | 3,439.28  | 17.31    | 0.51%  |
| Kospi     | 2,417.08  | (65.49)  | -2.64% |
| EIDO      | 20.43     | 0.00     | 0.00%  |

## Commodities

| Commodity          | Last    | Chg.    | %      |
|--------------------|---------|---------|--------|
| Gold (\$/troy oz.) | 2,573.0 | (25.4)  | -0.98% |
| Crude Oil (\$/bbl) | 68.43   | 0.31    | 0.46%  |
| Coal (\$/ton)      | 141.50  | (0.75)  | -0.53% |
| Nickel LME (\$/MT) | 15,730  | (167.0) | -1.05% |
| Tin LME (\$/MT)    | 29,663  | (545.0) | -1.80% |
| CPO (MYR/Ton)      | 4,987   | (39.0)  | -0.78% |

## Indonesia Macroeconomic Data

| Monthly Indicators     | Last   | Prev.  | Quarterly Indicators | Last   | Prev.  |
|------------------------|--------|--------|----------------------|--------|--------|
| BI 7 Day Rev Repo Rate | 6.00%  | 6.00%  | Real GDP             | 4.95%  | 5.05%  |
| FX Reserve (USD bn)    | 151.23 | 149.90 | Current Acc (USD bn) | -3.02  | -2.16  |
| Trd Balance (USD bn)   | 3.26   | 2.90   | Govt. Spending Yoy   | 4.62%  | 1.42%  |
| Exports Yoy            | 6.44%  | 7.13%  | FDI (USD bn)         | 4.89   | 6.03   |
| Imports Yoy            | 8.55%  | 9.46%  | Business Confidence  | 104.82 | 104.30 |
| Inflation Yoy          | 1.71%  | 1.84%  | Cons. Confidence*    | 121.10 | 123.50 |

| Date             | Country | Hour Jakarta | Event                       | Actual    | Period | Consensus | Previous  |
|------------------|---------|--------------|-----------------------------|-----------|--------|-----------|-----------|
| <b>Monday</b>    | JP      | 06.50        | BoP Current Account Balance | ¥ 1717.1B | Sep    | ¥ 3432.5B | ¥ 3803.6B |
| 11 – November    |         |              |                             |           |        |           |           |
| <b>Tuesday</b>   |         |              |                             | -         |        |           |           |
| 12 – November    |         |              |                             |           |        |           |           |
| <b>Wednesday</b> | US      | 19.00        | MBA Mortgage Applications   | 0.5%      | Nov 8  | -         | -10.8%    |
| 13 – November    |         |              |                             |           |        |           |           |
|                  | US      | 20.30        | CPI MoM                     | 0.2%      | Oct    | 0.2%      | 0.2%      |
|                  | US      | 20.30        | CPI YoY                     | 2.6%      | Oct    | 2.6%      | 2.4%      |
| <b>Thursday</b>  |         |              |                             |           |        |           |           |
|                  | US      | 20.30        | Initial Jobless Claims      | -         | Nov 9  | -         | 221k      |
| 14 – November    |         |              |                             |           |        |           |           |
|                  | US      | 20.30        | PPI Final Demand MoM        | -         | Oct    | 0.2%      | 0.0%      |
| <b>Friday</b>    |         |              |                             |           |        |           |           |
|                  | ID      | 11.00        | Imports YoY                 | -         | Oct    | 8.20%     | 8.55%     |
| 15 – November    |         |              |                             |           |        |           |           |
|                  | ID      | 11.00        | Exports YoY                 | -         | Oct    | 2.90%     | 6.44%     |
|                  | ID      | 11.00        | Trade Balance               | -         | Oct    | USD 2600m | USD 3257m |
|                  | US      | 20.00        | Empire Manufacturing        | -         | Nov    | 3.5       | -11.9     |
|                  | US      | 22.00        | Retail Sales Advance MoM    | -         | Oct    | 0.3%      | 0.4%      |
|                  | US      | 21.15        | Industrial Production MoM   | -         | Oct    | -0.2%     | -0.3%     |

Source: Bloomberg, NHKSI Research

## United States 10 Years Treasury



## Indonesia 10 Years Treasury



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