

Morning Briefing

Daily | November 15, 2024

Today's Outlook:

ECONOMIC INDICATORS: Investors will watch Friday for economic data on retail sales, import prices and industrial production. That caps a busy week for economic data that was punctuated by releases of closely watched inflation gauges focused on consumers and producers.

- Crude oil futures edged higher on Thursday, though the U.S. benchmark closed below \$69 per barrel, as a large surplus is expected in 2025. Global crude supplies are expected to outstrip demand by more than 1 million barrels per day next year led by robust growth in the U.S., according to the International Energy Agency's monthly market report. OPEC on Tuesday cut its demand growth forecast for the fourth month in a row earlier this week. Oil prices have fallen more than 4% since Donald Trump won the U.S. presidential election as the dollar has surged. A stronger greenback can depress oil demand among buyers that hold other currencies.

FIXED INCOME & CURRENCY: The 10-year Treasury yield hovered near a 4-month high on Thursday after Federal Reserve chair Jerome Powell indicated that the central bank is in no hurry to slash interest rates. The 10-year Treasury yield sat near flat at 4.449%, near its highest point since July. The yield on the 2-year Treasury added around 7 basis points to 4.353%. Yields and prices move in opposite directions. One basis point equals 0.01%. The moves followed Fed Chair Jerome Powell's speech in Dallas Thursday, where he told business leaders the central bank doesn't need to quickly cut interest rates. The Fed last week lowered its benchmark borrowing cost a quarter percentage point, and traders see it probably cutting rates a similar amount in December.

- The U.S. dollar strengthened against major peers on Thursday, trading at a one-year high and headed for a fifth straight session of gains, propelled by market expectations since Donald Trump clinched a dramatic return to the White House. Markets anticipate that the incoming Trump administration will impose trade tariffs and tighten immigration as well as deepen the deficit, measures deemed to be inflationary.

- Japanese yen weakened below 156 against the greenback, marking its lowest level in four months. It was last traded at 155.94 against the dollar as The president-elect's Republican Party will control both houses of Congress when he takes office in January, giving him wide powers to push his agenda. The greenback climbed above 156 yen for the first time since July

- The Australian dollar fell to a three-month low after marginally weaker jobs data, weakening to as low as \$0.6453 after Australia's unemployment rate remained steady in October at 4.1%, as economists had expected, while the number of employed people increased 15,900 from a month ago, falling short of the expected 25,000. The participation rate, which measures the share of working-age people currently employed or seeking a job, stood at 67.1%, slightly below an estimated 67.2%.

INDONESIA: After meeting the US and Chinese heads of State, Prabowo met with the Prime Minister of Australia Anthony Albanese in Peru to discuss deepening diplomatic ties with our Pacific neighbors. 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

VAT to Rise to 12% in 2025

Finance Minister Sri Mulyani Indrawati revealed that the government plans to realize an increase in value-added tax (VAT) as mandated by Law No. 7/2021 on Harmonization of Tax Regulations (HPP). As a reminder, Article 7 paragraph (1) of Law No. 7/2021 stipulates an increase in the Value Added Tax (VAT) rate by 1% or from 11% to 12% in 2025. This regulation was previously also the basis for the VAT increase from 10% to 11% in April 2022. As an explanation, this VAT increase will increase the tax burden in the financial statements for taxpayers by 9%, from 11% to 12%. Sri Mulyani, who served as Minister of Finance for 4 separate periods, emphasized that her party would not collect VAT 'blindly'. In terms of the VAT increase, it is a necessity in nourishing the State Budget (APBN), which is not small. The reason is, at the same time the APBN must carry out various functions, including shock absorber in responding to the conditions of global economic turmoil and financial crisis. For this reason, his party will provide explanations to the public and ensure that the increase in VAT to 12% does not occur on all goods and services. (Bisnis)

Corporate News

SMAR: Pay off IDR 625 Billion Bonds, SMAR Rely on This Funding

Sinar Mas Agro Resources and Technology (SMAR) has IDR 625 billion in debt securities. It is in the form of Sustainable Bonds III Phase III Year 2022 Series B with an idAA- rating. Based on the scenario, the bonds will mature on February 16, 2025. The company plans to pay off the maturing bonds using a combination of internal and external funds. As of September 30, 2024, the company's cash and cash equivalents position was recorded at IDR 764.1 billion. Sinar Mas Agro, an integrated oil palm plantation company operates in the upstream, and downstream segments of the palm oil industry. Its plantation areas are located in Sumatra and Kalimantan with a total plantation area (including plasma) of 136,300 hectares (ha) as of September 30, 2024. Downstream activities include palm oil refineries with a total annual capacity of approximately 2.88 million tons producing refined products such as olein, stearin, other derivative products, biodiesel and oleochemical plants. (Emiten News)

Recommendation

US10Y has a failed breakout attempt at 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 : 97.008 (+0.01%)

FRO091 : 97.202 (-0.30%)

FRO092 : 100.876 (-0.14%)

FRO094 : 97.013 (+0.00%)

FRO086 : 98.519 (-0.05%)

FRO087 : 98.220 (-0.34%)

FRO083 : 104.120 (-0.32%)

FRO088 : 95.379 (-0.09%)

CDS of Indonesia Bonds

CDS 2yr: +0.17% to 32.975

CDS 5yr: -0.07% to 71.088

CDS 10yr: +0.07% to 121.710

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.96%	0.04%
USDIDR	15,855	0.51%
KRWIDR	11.30	0.60%

Global Indices

Index	Last	Chg.	%
Dow Jones	43,750.86	(207.33)	-0.47%
S&P 500	5,949.17	(36.21)	-0.60%
FTSE 100	8,071.19	40.86	0.51%
DAX	19,263.70	260.59	1.37%
Nikkei	38,535.70	(185.96)	-0.48%
Hang Seng	19,435.81	(387.64)	-1.96%
Shanghai	3,379.84	(59.44)	-1.73%
Kospi	2,418.86	1.78	0.07%
EIDO	20.00	(0.43)	-2.10%

Commodities

Commodity	Last	Chg.	%
Gold (\$/troy oz.)	2,564.9	(8.1)	-0.32%
Crude Oil (\$/bbl)	68.70	0.27	0.39%
Coal (\$/ton)	141.50	0.00	0.00%
Nickel LME (\$/MT)	15,619	(111.0)	-0.71%
Tin LME (\$/MT)	28,932	(731.0)	-2.46%
CPO (MYR/Ton)	4,964	(23.0)	-0.46%

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
Monday	JP	06.50	BoP Current Account Balance	¥ 1717.1B	Sep	¥ 3432.5B	¥ 3803.6B
11 – November							
Tuesday				-			
12 – November							
Wednesday	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%
Thursday							
	US	20.30	Initial Jobless Claims	217k	Nov 9	-	221k
14 – November							
	US	20.30	PPI Final Demand MoM	0.2%	Oct	0.2%	0.0%
Friday							
	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



Research Division

Head of Research

Liza Camelia Suryanata

Equity Strategy, Macroeconomics,
Technical
T +62 21 5088 ext 9134

Analyst

Axell Ebenhaezer

Mining, Property
T +62 21 5088 ext 9133
E Axell.Ebenhaezer@nhsec.co.id

Analyst

Ezaridho Ibnutama

Consumer Goods, Poultry, Healthcare
T +62 21 5088 ext 9126
E ezaridho.ibnutama@nhsec.co.id

Analyst

Richard Jonathan Halim

Technology, Transportation
T +62 21 5088 ext 9128
E Richard.jonathan@nhsec.co.id

Analyst

Leonardo Lijuwardi

Banking, Infrastructure
T +62 21 5088 ext 9127
E leonardo.lijuwardi@nhsec.co.id

Research Support

Amalia Huda Nurfalih

Editor & Translator
T +62 21 5088 ext 9132
E amalia.huda@nhsec.co.id

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PT. NH Korindo Sekuritas Indonesia

JAKARTA (HEADQUARTER):

District 8 Treasury Tower 51st Fl. Unit A, SCBD Lot.28

Jl. Jendral Sudirman Kav. 52-53

Jakarta Selatan 12190

Telp : +62 21 5088 9102

Branch Office BSD:

ITC BSD Blok R No.48

Jl. Pahlawan Seribu Serpong

Tangerang Selatan 15311

Indonesia

Telp : +62 21 509 20230

Branch Office Makassar:

Jl. Gunung Latimojong No.120A

Makassar

Indonesia

Telp : +62 411 360 4650

Branch Office Bandung:

Paskal Hypersquare Blok A1

Jl. Pasirkaliki No 25-27

Bandung 40181

Indonesia

Branch Office Bandengan (Jakarta Utara):

Jl. Bandengan Utara Kav. 81

Blok A No.02, Lt 1

Jakarta Utara 14440

Indonesia

Telp : +62 21 6667 4959

Branch Office Kamal Muara (Jakarta Utara):

Rukan Exclusive Mediterania
Blok F No.2

Jakarta Utara 14470

Indonesia

Telp : +62 24 844 6878

Branch Office Pekanbaru:

Sudirman City Square

Jl. Jend. Sudirman Blok A No.7

Pekanbaru

Indonesia

Telp : +62 761 801 1330

Branch Office Denpasar:

Jl. Cok Agung Tresna

Ruko Griya Alamanda No. 9

Renon Denpasar, Bali 80226

Indonesia

Telp : +62 361 209 4230

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Jakarta