

Indonesia Market Daily

May 3, 2024

Market Review

JCI weakened following the release of corporate financial performance which was below expectations.

Stocks in the US closed higher at the end of trading Thursday (2/5), as investors considered the Federal Reserve's stance more dovish than expected in the latest FOMC meeting. Meanwhile, data released on Thursday included muted jobless claims, a decline in planned layoffs, a jump in quarterly labor costs, and a sharp decline in productivity, bringing investor focus to the April employment report on Friday. In Europe, shares closed mixed amid the busy day for earnings releases. This morning, shares in Asia climbed ahead of US job data, Thai inflation, and retail sales in Hong Kong and Singapore.

JCI plunged by -116.77 points (-1.61%) to 7,117.42 led by the decline in the Financials (-2.78%) along with the lower closing of BBCA (-2.55%), BBRI (-3.64%), BBNI (-8.00%), and BMRI (-8.33%) shares. BMRI stocks dropped after the bank missed 1Q24 profit estimates as higher costs hit margins. BMRI expects that the cost of funds in the next quarter to remain challenging with some deposit competition, especially on the Rupiah but the situation will get better in 2H24 with possible better liquidity coming from both fiscal and relaxation of reserve requirements that have been happening. Meanwhile, the Indonesian Manufacturing PMI index in April 2024 was recorded at 52.9 points or down compared to the previous month which was 54.2 points, but still in the expansion zone or above 50 points. On the other hand, Indonesia's annual inflation rate cooled slightly in April as pressure from some food prices eased as the harvest season began, staying within the central bank's 1.5% to 3.5% target range. The Consumer Price Index rose 3.00% YoY in April, compared with the 3.06% YoY forecast and March's 3.05% YoY. The annual core inflation rate, which strips out volatile food prices and prices controlled by the government, accelerated slightly to 1.82% YoY in April, from 1.77% YoY in March. Volatile food inflation was recorded at 9.63% YoY last month, down from 10.33% YoY the previous month, with rice stocks improving at the start of the harvest season.

Trading Value: IDR 16.76tn
Foreign Net Sell: IDR 2.59tn

Foreigners poised to reenter the bond market as clarity emerges on the Federal Reserve's outlook.

2Y:6.954%(-4.19bp)/10Y:7.109%(-1.47bp)

The Federal Reserve offered reassurance by indicating a cautious stance on interest-rate hikes, although it appeared reluctant to implement rate cuts in the near future. This suggests that central banks will likely postpone policy easing efforts and continue to uphold currency defenses. Should currency depreciation persist, entities like Bank Indonesia may find themselves compelled to implement further rate hikes. Moreover, the Indonesia bond market may witness a resurgence in foreign investor interest as bond yields approach six-month highs, especially with the possibility of another interest-rate hike in the offing. Concurrently, local investors, who represent approximately two-thirds of the domestic bond market, are exhibiting signs of reengagement. Notably, Tuesday's debt sale garnered approximately IDR 50 trillion (USD 3.1 billion) in bids, surpassing expectations by more than twice over, with most of the demand originating from domestic sources. In the previous month, Bank Indonesia defied predictions by raising its benchmark rate to a historic 6.25%. It is anticipated that BI will maintain a hawkish stance throughout 2024, as evidenced by the persistently wide gap between two-year yields and the central bank's policy rate, a trend observed since late last year.

Rupiah strengthened after Powell's dovish remarks.

FX: USD/IDR: 16,185 (-0.46%)

The Indonesian Rupiah saw appreciation against the US Dollar, driven by a weaker US Dollar influenced by comments from Fed Chair Powell indicating a reluctance towards interest rate hikes. Federal Reserve officials maintained optimism regarding a potential interest rate reduction this year, although they acknowledged that recent inflationary pressures have somewhat tempered the central bank's confidence in the easing of price pressures. Additionally, the prospect of accelerating global growth, particularly led by the United States, bodes well for Asian economies and currencies. Furthermore, the International Monetary Fund (IMF) has expressed confidence in Indonesia's economic strength, projecting a robust growth trajectory. According to IMF forecasts, the Indonesian economy is expected to expand by 5% in 2024 and 5.1% in 2025. Indonesia's macroeconomic fundamentals, including the fiscal deficit, remain within manageable levels.

Company News

PT Indofood Sukses Makmur Tbk (INDF)

INDF saw a rebound in 1Q24 following a period of low profitability in 4Q23. However, despite reaching IDR 2.5 trillion, the net profit for 1Q24 experienced a decline of -36% YoY. This downturn was primarily attributed to substantial foreign exchange losses totaling IDR 1.2 trillion. Nonetheless, operationally, INDF demonstrated commendable performance, with its operating profit climbing to IDR 5.9 trillion, marking a 12% YoY increase.

Source: Investor Daily

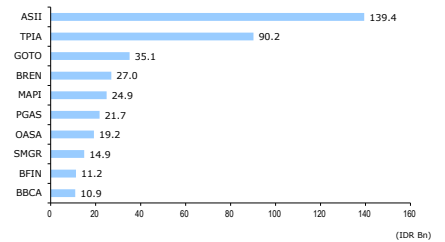
PT Vale Indonesia Tbk (INCO)

Approaching the psychological threshold of USD 20,000 per ton, the rise in nickel price bears favorable implications for INCO. According to data from the London Metal Exchange (LME), the three-month nickel price concluded at USD 18,879 in early May 2024, marking the highest level reached in April at USD 19,739 per ton. INCO channels its nickel production to specific off-takers, including global investors who also hold shares in the company, such as Vale Canada Ltd (VCL) and Sumitomo Metal Mining (SMM), under long-term agreements.

Source: Investor Daily

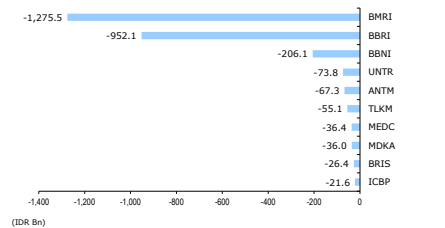
MAJOR MARKET INDICES	CHANGE	(%)
US		
Dow Jones	38,225.66	322.37 0.85%
S&P 500	5,064.20	45.81 0.91%
Nasdaq	15,840.96	235.48 1.51%
Europe		
FTSE 100	8,172.15	50.91 0.63%
CAC 40	7,914.65	-70.28 -0.88%
DAX	17,896.50	-35.67 -0.20%
Asia		
JCI	7,117.43	-116.77 -1.61%
Nikkei	38,236.07	-37.98 -0.10%
Hang Seng	18,207.13	444.10 2.50%
KOSPI	2,683.65	-8.41 -0.31%

FOREIGN MOST BUY (NET)



Source: IDX

FOREIGN MOST SELL (NET)



Source: IDX

JAKARTA STOCK EXCHANGE INDEX



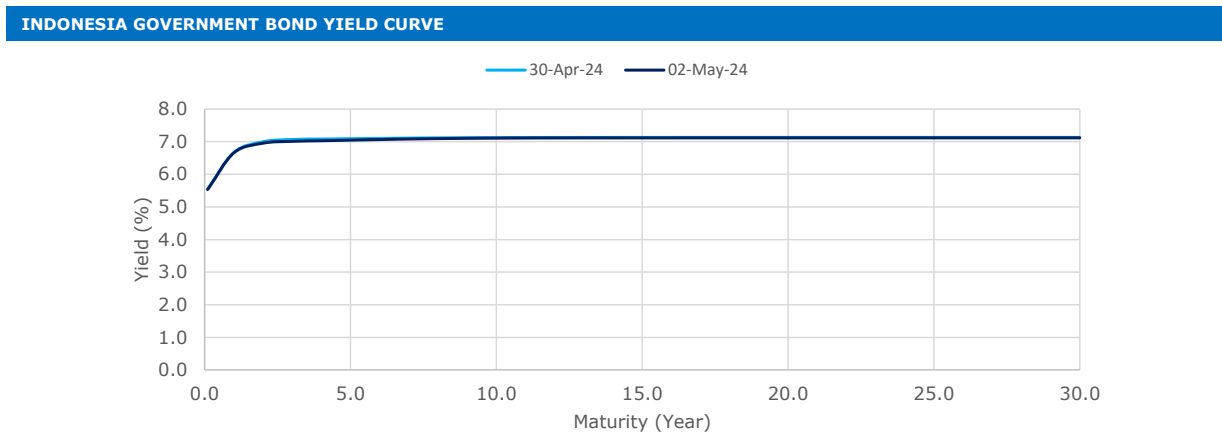
Source: IDX

Pefindo has raised the corporate rating of PT Wijaya Karya (Persero) Tbk (WIKA) to idBBB- with a stable outlook from idSD. The rating action reflects WIKA's recent corporate action of full principal payment of Sukuk Mudharabah I Phase I Serie A of IDR 184 billion on April 29, 2024 which was previously failed to pay on December 18, 2023. This rating action also reflects the recent IDR 6 trillion of capital injection from the government on April 22, 2024 which indicates the government support to WIKA during its financial difficulties. At the same time, Pefindo also raised the ratings of WIKA's Shelf-Registered (SR) Bond I, II, III to idBBB- from idCCC and SR Sukuk Mudharabah I, II, III to idBBB-(sy) from idCCC(sy).

PT Sarana Multigriya Finansial (Persero) (SMF)'s following debt instruments will mature in the near term. The Shelf Registration Bond VI Phase I Year 2021 Series A (rated idAAA) of IDR 200.0 billion maturing on July 8, 2024 and the Shelf Registration Bond VII Phase I Year 2023 Series A (rated idAAA) of IDR 398.0 billion maturing on July 22, 2024. The company plans to repay its maturing debt instruments using internal funds, with cash and equivalents of IDR 2.8 trillion at the end of December 2023. SMF is a state-owned entity that carries a special mission to increase home ownership in Indonesia, through the development of a secondary mortgage market to provide financing to mortgage lenders, such as banks and finance companies, with the mortgage loan and other housing related loans as underlying collateral. SMF is wholly owned by the government.

INDONESIA GOVERNMENT BOND YIELD				
Tenor	Last (%)	Previous (%)	Change	Change (bps)
1.0	6.66	6.67	-0.011	-1.090
2.0	6.95	7.00	-0.042	-4.190
3.0	7.01	7.07	-0.054	-5.380
4.0	7.03	7.08	-0.051	-5.050
5.0	7.05	7.09	-0.042	-4.150
6.0	7.07	7.10	-0.032	-3.220
7.0	7.08	7.11	-0.025	-2.500
8.0	7.10	7.12	-0.020	-2.000
9.0	7.10	7.12	-0.017	-1.670
10.0	7.11	7.12	-0.015	-1.470
15.0	7.12	7.13	-0.012	-1.200
20.0	7.12	7.13	-0.012	-1.190
30.0	7.12	7.13	-0.012	-1.190

BENCHMARK PRICE				
Series	Yield (%)	Change (bps)	Price (%)	Change (bps)
FR0101 (5Y)	7.019	-12.84	99.40	52.67
FR0100 (10Y)	7.126	-9.00	96.50	61.21
FR0098 (15Y)	7.062	-11.91	100.55	105.00
FR0097 (20Y)	7.048	-8.10	100.79	84.40



Source: PHEI

Government Bond Valuation (NSS) based on Closing Price: 2-May-24

Series	Tenor	Coupon	YTM	Yield Curve	Spread to yield Curve	Mod Dur (Mid)	Convexity	Trading Idea
FR77	0.036	8.125	7.959	7.425	0.535	0.025	0.000	Under value
FR44	0.372	10.000	6.502	7.237	-0.735	0.351	0.002	Over value
FR81	1.120	6.500	7.097	7.065	0.032	1.026	0.016	Neutral
FR40	1.372	11.000	6.749	7.040	-0.292	1.242	0.022	Neutral
FR84	1.791	7.250	6.832	7.015	-0.182	1.620	0.035	Neutral
FR86	1.952	5.500	6.975	7.009	-0.033	1.800	0.042	Neutral
FR37	2.371	12.000	6.919	6.998	-0.079	2.037	0.054	Neutral
FR56	2.371	8.375	7.165	6.998	0.167	2.094	0.056	Neutral
FR90	2.951	5.125	6.994	6.992	0.002	2.663	0.087	Neutral
FR59	3.034	7.000	7.058	6.991	0.067	2.597	0.086	Neutral
FR42	3.201	10.250	6.983	6.991	-0.008	2.653	0.091	Neutral
FR47	3.789	10.000	6.919	6.992	-0.073	3.098	0.122	Neutral
FR64	4.036	6.125	7.057	6.993	0.064	3.395	0.143	Neutral
FR71	4.868	9.000	7.022	7.000	0.022	3.895	0.189	Neutral
FR78	5.035	8.250	7.079	7.001	0.077	3.944	0.198	Neutral
FR52	6.286	10.500	7.049	7.016	0.034	4.628	0.276	Neutral
FR82	6.371	7.000	7.112	7.017	0.096	5.008	0.309	Neutral
FR87	6.790	6.500	7.113	7.022	0.091	5.297	0.347	Neutral
FR85	6.951	7.750	7.087	7.024	0.063	5.316	0.352	Neutral
FR73	7.034	8.750	7.136	7.025	0.111	5.087	0.337	Neutral
FR54	7.201	9.500	7.003	7.027	-0.025	5.184	0.348	Neutral
FR91	7.953	6.375	7.124	7.038	0.086	6.071	0.456	Neutral
FR58	8.120	8.250	6.990	7.040	-0.049	5.775	0.433	Neutral
FR74	8.287	7.500	7.072	7.042	0.030	6.031	0.463	Neutral
FR96	8.791	7.000	7.132	7.049	0.083	6.365	0.516	Neutral
FR65	9.035	6.625	7.135	7.052	0.083	6.446	0.537	Neutral
FR68	9.867	8.375	7.126	7.064	0.062	6.722	0.591	Neutral
FR80	11.118	7.500	7.157	7.082	0.076	7.301	0.714	Neutral
FR72	12.036	8.250	7.173	7.094	0.079	7.482	0.773	Neutral
FR88	12.120	6.250	7.105	7.095	0.009	8.026	0.857	Neutral
FR45	13.035	9.750	6.994	7.108	-0.114	7.633	0.827	Neutral
FR75	14.034	7.500	7.196	7.121	0.074	8.377	0.986	Neutral
FR50	14.201	10.500	7.101	7.123	-0.022	7.993	0.915	Neutral
FR79	14.951	8.375	7.159	7.133	0.026	8.764	1.070	Neutral
FR83	15.953	7.500	7.176	7.146	0.030	9.284	1.205	Neutral
FR57	17.035	9.500	6.965	7.160	-0.195	8.963	1.193	Neutral
FR62	17.952	6.375	7.235	7.171	0.064	10.188	1.471	Neutral
FR92	18.119	7.125	7.156	7.173	-0.017	9.800	1.407	Neutral
FR67	19.789	8.750	7.130	7.193	-0.063	9.938	1.482	Neutral
FR76	24.036	7.375	7.123	7.239	-0.116	10.978	1.909	Neutral
FR89	27.285	6.875	7.212	7.271	-0.059	11.777	2.230	Neutral

Source: Bloomberg, Shinhan Sekuritas Indonesia NSS model Calculation



Research Team		
Helmi Therik, FRM	Head of Research	helmi@shinhan.com
Billy Ibrahim Djaya	Research Analyst	billy.ibrahim@shinhan.com
Anissa Septiwijaya	Research Analyst	anissa.septiwijaya@shinhan.com

Office
<p>PT. Shinhan Sekuritas Indonesia Member of Indonesia Stock Exchange</p>
<p>Head Office : Equity Tower Floor. 50 Sudirman Central Business District Lot 9 Jl. Jend. Sudirman Kav. 52-53 Senayan Jakarta 12920 Indonesia Telp.: (+62-21) 80869900 Fax : (+62-21) 22057925</p>

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