

The Rally Continues In The Fixed Income Market

6 December 2023

Research / Fikri C Permana

Last Week's Economic Update

Economic Calendar

(27 Nov – 1 Des 2023)

Event	Actual	Forecast	Previous
Monday, Nov 27, 2023			
ID M2 Money Supply (YoY) (Oct)	3.40%		6.00%
US Building Permits (MoM)	1.80%	1.10%	-4.50%
US Building Permits	1.498M	1.487M	1.471M
GE Buba Balz Speaks			
EU ECB President Lagarde Speaks			
US New Home Sales (Oct)	679K	721K	719K
US New Home Sales (MoM) (Oct)	-5.60%	-4.50%	8.60%
US 2-Year Note Auction	4.89%		5.06%
Tuesday, Nov 28, 2023			
US 5-Year Note Auction	4.42%		4.90%
GB CFTC GBP Speculative Net Positions	-26.10K		-27.70K
US CFTC Crude Oil Speculative Net Positions	207.30K		215.70K
US CFTC Gold Speculative Net Positions	171.70K		155.40K
US CFTC Nasdaq 100 Speculative Net Positions	5.00K		0.30K
US CFTC S&P 500 Speculative Net Positions	-80.10K		-52.80K
JP CFTC Speculative Net Positions	-105.10K		-130.20K
EU CFTC Speculative Net Positions	129.70K		108.90K
GB MPC Member Ramsden Speaks			
JP BoJ Core CPI (YoY)	3.00%	3.40%	3.40%
GE Gfk Consumer Climate (Dec)	-27.80	-27.90	-28.30
GE Buba President Nagel Speaks			
EU ECB McCaul Speaks			
US S&P/CS HPI Composite - 20 n.s.a. (MoM) (Sep)	0.20%		0.30%
US S&P/CS HPI Composite - 20 n.s.a. (YoY) (Sep)	3.90%	4.00%	2.10%
US CB Consumer Confidence (Nov)	102.00	101.00	99.10
US Fed Waller Speaks			
US FOMC Member Bowman Speaks			
EU ECB President Lagarde Speaks			

Wednesday, Nov 29, 2023			
GB MPC Member Haskel Speaks			
US 7-Year Note Auction	4.40%		4.91%
EU ECB's Lane Speaks			
US API Weekly Crude Oil Stock	-0.817M	-2.000M	9.047M
JP BoJ Board member Adachi Speaks			
EU Central Bank Non-Monetary Policy Meeting			
GE 10-Year Bund Auction	2.45%		2.64%
GE CPI (YoY) (Nov)	3.20%	3.50%	3.80%
GE CPI (MoM) (Nov)	-0.40%	-0.20%	0.00%
US GDP (QoQ) (Q3)	5.20%	4.90%	2.10%
US GDP Price Index (QoQ) (Q3)	3.50%	3.50%	1.70%
US Goods Trade balance (Oct)	-89.84B	-86.70B	-86.84B
US Retail Inventories Ex Auto (Oct)	-0.90%		-0.40%
GB BoE Gov Bailey Speaks			
US Crude Oil Inventories	1.609M	-0.933M	8.701M
US Cushing Crude Oil Inventories	1.854M		0.858M
Thursday, Nov 30, 2023			
US FOMC Member Mester Speaks			
US Beige Book			
JP Industrial Production (MoM) (Oct)	1.00%	0.80%	0.50%
JP BoJ Board Member Nakamura Speaks			
CN Composite PMI (Nov)	50.40		50.70
CN Manufacturing PMI (Nov)	49.40	49.70	49.50
CN Non-Manufacturing PMI (Nov)	50.20	51.10	50.60
GE Retail Sales (MoM) (Oct)	1.10%	0.40%	-0.80%
GE Unemployment Change (Nov)	22K	22K	31K
GE Unemployment Rate (Nov)	5.90%	5.80%	5.80%
US OPEC Meeting			
EU Core CPI (YoY)	3.60%	3.90%	4.20%
EU CPI (YoY) (Nov)	46.70	45.00	44.80
GB S&P Global/CIPS Services PMI	50.50	49.50	49.50
GE Buba Vice President Buch Speaks			
EU ECB Publishes Account of Monetary Policy Meeting			

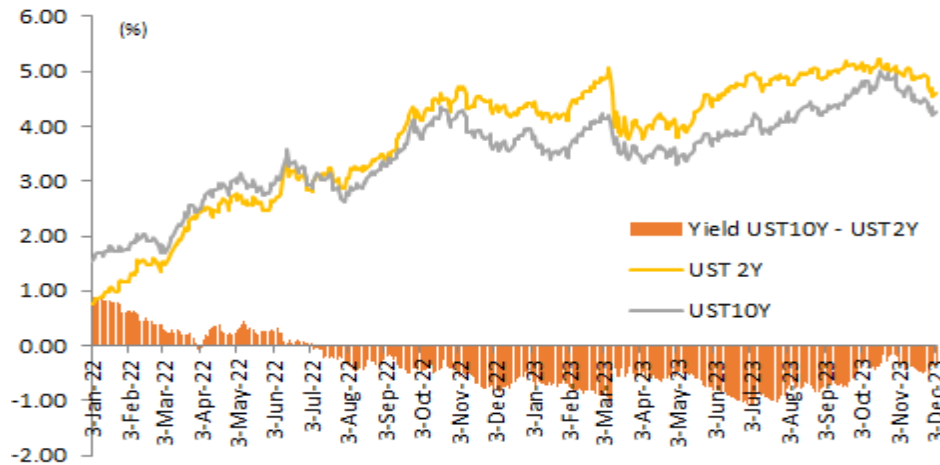
Friday, Dec 1, 2023			
GE Buba President Nagel Speaks			
GE Buba Balz Speaks			
US Fed's Balance Sheet	7,796B		7,811B
JP Capital Spending (YoY) (Q3)	3.40%	3.40%	4.50%
ID Nikkei Manufacturing PMI (Nov)	51.70		51.50
CN Caixin Manufacturing PMI (Nov)	50.70	49.30	49.50
ID Core Inflation (YoY)	1.87%	1.97%	1.91%
ID Inflation (YoY)	0.38%	0.22%	0.17%
GB Nationwide HPI (MoM) (Nov)	0.20%	-0.40%	0.90%
GB Nationwide HPI (YoY) (Nov)	-2.00%	-2.30%	-3.30%
GE HCOB Manufacturing PMI (Nov)	42.60	42.30	40.80
EU HCOB Manufacturing PMI (Nov)	44.20	43.80	43.10
EU ECB's Elderson Speaks			
EU ECB President Lagarde Speaks			
EU ECB Enria Speaks			
US S&P Global Manufacturing PMI (Nov)	49.40	49.40	50.00
US ISM Manufacturing Employment (Nov)	45.80		46.80
US ISM Manufacturing PMI (Nov)	46.70	47.60	46.70
US ISM Manufacturing Prices (Nov)	49.90	46.20	45.10
US Fed Chair Powell Speaks			
US Atlanta Fed GDPNow (Q4)	1.20%	1.80%	1.80%

Sources : Investing and KBVS Research-treated (2023)

- The statements made by several officials of The Fed - Waller, Bowman, and Powell - conveying a less-hawkish (or somewhat dovish) tone last week, served as the primary driver of sentiment in the global fixed income market.
- This sentiment shift was accompanied by worsened data regarding new home sales in the US, as well as the release of lower-than-expected US ISM Manufacturing PMI data for Nov '23. Additionally, the US GDP data for 3Q23, revised upward to 5.2% YoY, and the US GDP Price Index returning to the anticipated economic levels, played significant roles.
- Meanwhile, domestically, aside from the impact of global sentiment, the release of the Manufacturing PMI recording 27 consecutive months in the expansion zone and the rise in headline inflation to 0.38% MoM or 2.86% YoY were contributing factors influencing movements in the domestic fixed income market last week.

The Movement of UST Yields

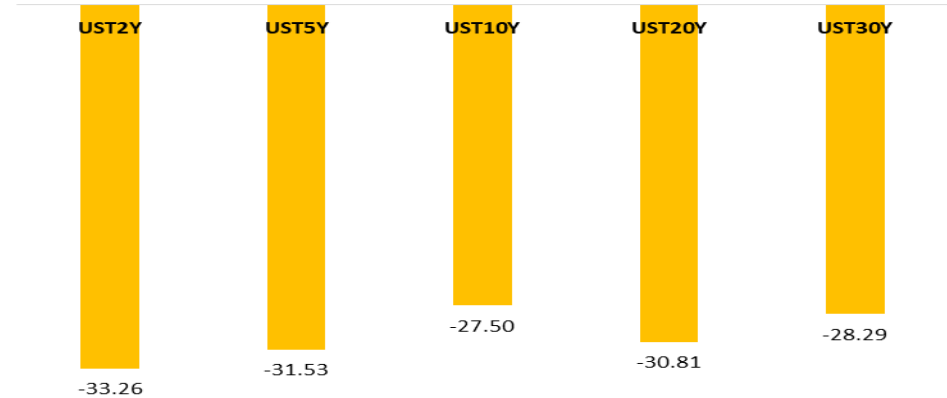
YIELD UST2Y VS UST10Y



Sources : Bloomberg and KBVS Research-treated (2023)

DEVELOPMENT OF YIELD UST SINCE 27 NOV

(as of 6 Dec '23)



Sources : Bloomberg and KBVS Research-treated (2023)

FED PROBABILITIES

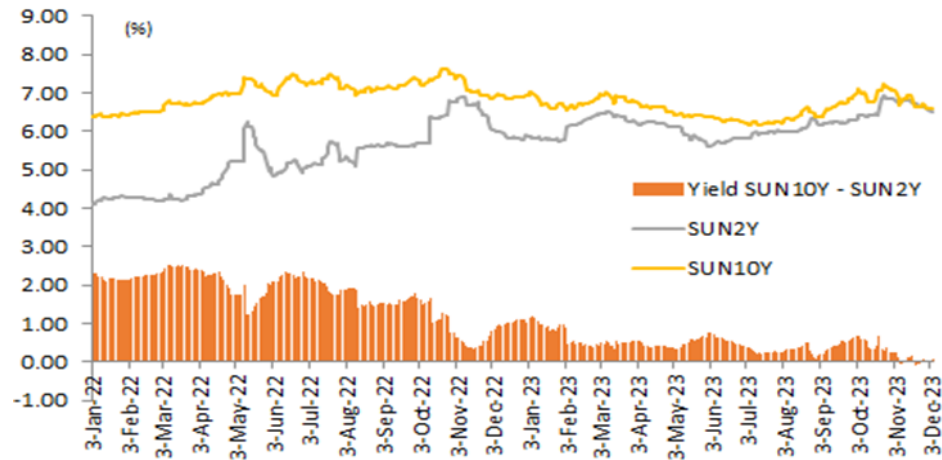
CME FEDWATCH TOOL - MEETING PROBABILITIES									
MEETING DATE	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
12/13/2023				0.0%	0.0%	0.0%	0.0%	0.3%	99.7%
1/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.6%	87.4%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.8%	53.0%	40.2%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.0%	4.7%	38.4%	44.2%	12.7%
6/12/2024	0.0%	0.0%	0.0%	0.0%	3.5%	30.0%	42.8%	20.5%	3.2%
7/31/2024	0.0%	0.0%	0.0%	2.7%	23.8%	39.8%	25.8%	7.2%	0.7%
9/18/2024	0.0%	0.0%	2.1%	19.1%	36.3%	28.9%	11.3%	2.2%	0.2%
11/7/2024	0.0%	1.3%	12.9%	30.0%	31.6%	17.8%	5.5%	0.9%	0.1%
12/18/2024	1.0%	10.0%	25.6%	31.2%	21.3%	8.6%	2.1%	0.3%	0.0%

Source : CME Group (2023)

- The conditions in the US during the past week have heightened market expectations for an earlier Federal Reserve rate cut.
- Presently, 53.0% of investors anticipate a 25 bps reduction in the Fed Rate by 20 Mar '24.
- Consequently, this has driven a more substantial decline in the UST 2-year yield compared to other tenors.

The Movement SUN Yields

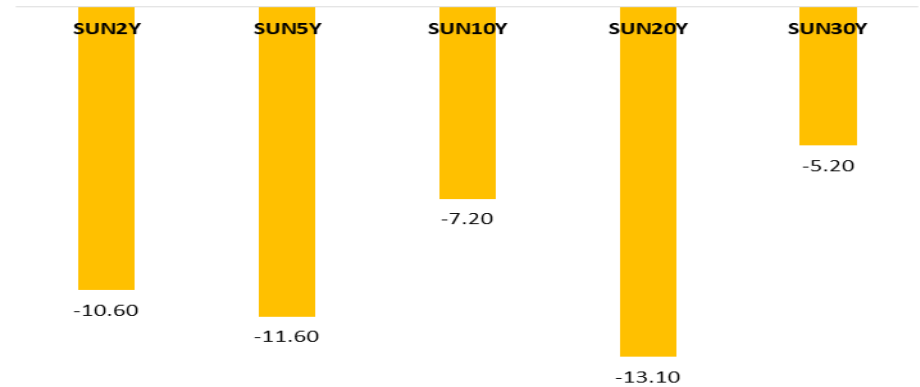
YIELD SUN2Y VS SUN10Y



Sources : Bloomberg and KBVS Research-treated (2023)

DEVELOPMENT OF YIELD SUN SINCE 27 NOV

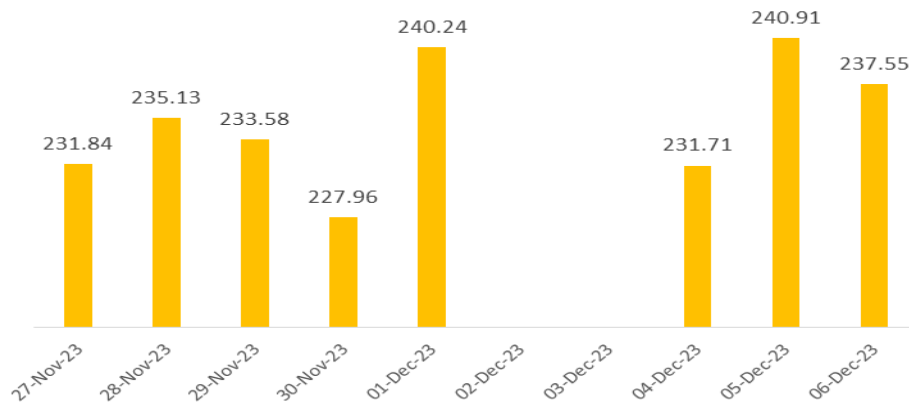
(as of 6 Dec '23)



Sources : Bloomberg and KBVS Research-treated (2023)

YIELD SPREAD SUN10Y-UST10Y SINCE 27 NOV

(as of 6 Dec '23)

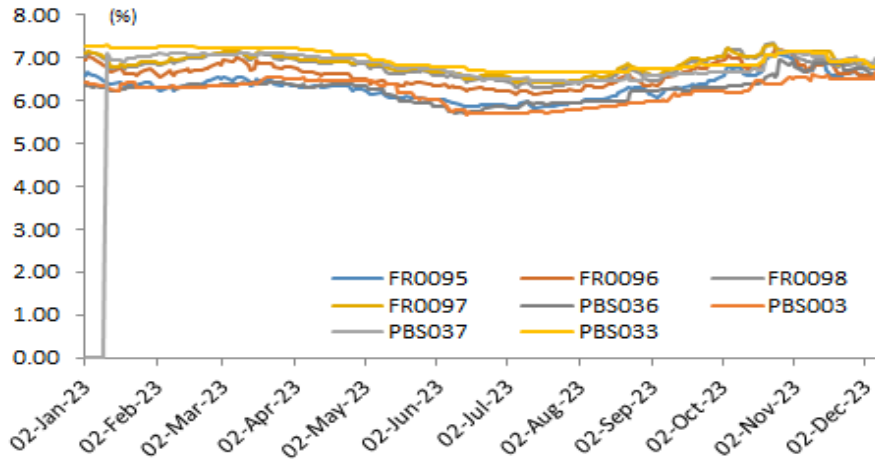


Source : Bloomberg and KBVS Research-treated (2023)

- The decrease in UST yields has contributed to a decline in global government bond yields, including SUN.
- However, the decrease in SUN yields hasn't been as significant as observed in UST yields.
- Consequently, the yield spread between SUN10Y and UST10Y has widened to 237.55 bps (as of 6 Dec '23).
- This widening yield spread has further led to an increase in non-resident ownership of tradable SBN by IDR28.95 tn from 27 Nov to 5 Dec '23.

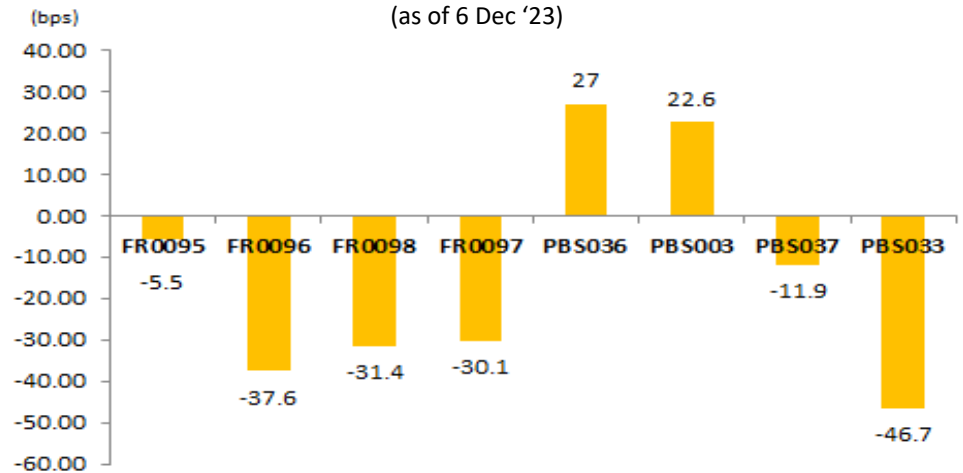
Development of SBN & SBSN Benchmark Series

MOVEMENT OF YTM SBN & SBSN BENCHMARK SERIES SINCE 2 JAN '23



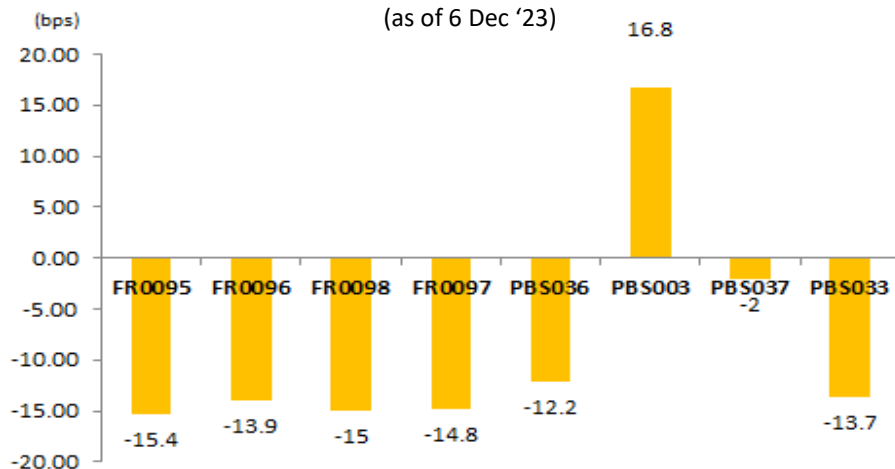
Sources : Bloomberg and KBVS Research-treated (2023)

DEVELOPMENT OF YIELD SBN & SBSN BENCHMARK SERIES SINCE 2 JAN '23



Sources : Bloomberg and KBVS Research-treated (2023)

DEVELOPMENT OF YIELD SBN & SBSN BENCHMARK SERIES SINCE 27 Nov '23



Sources : Bloomberg and KBVS Research-treated (2023)

- The decrease in SUN yields is reflected in the movement of benchmark series SBN and SBSN over the last ten days.
- The most significant declines are indicated by FR0095 (-15.4 bps), followed by FR0098 (-15.0 bps), and FR0097 (-14.8 bps).
- Meanwhile, ytd (as of 6 Dec '23), the most substantial yield decrease is still registered by PBS033, showing a decline of -46.7 bps.

Last Auction Result

LAST SBSN AUCTION RESULTS

Auction Date	Total Incoming Bids (IDR Tn)	Total Awarded (IDR Tn)	Yield Awarded								
			SPNS07052024	SPNS04062024	PBS036	PBS003	PBSG001	PBS037	PBS034	PBS033	PBS038
5 Dec '23	19.75	9.14	-	6.25%	6.66%	6.65%	6.71%	6.85%	6.50%	-	6.97%
21 Nov '23	18.59	9.73	6.25%	-	6.69%	6.70%	6.61%	6.92%	-	6.99%	-
Maturity Date			7 May '24	4 Jun '24	15 Aug '25	15 Jan '27	15 Sep '29	15 Mar '36	15 Jun '39	15 Jun '47	15 Dec '49

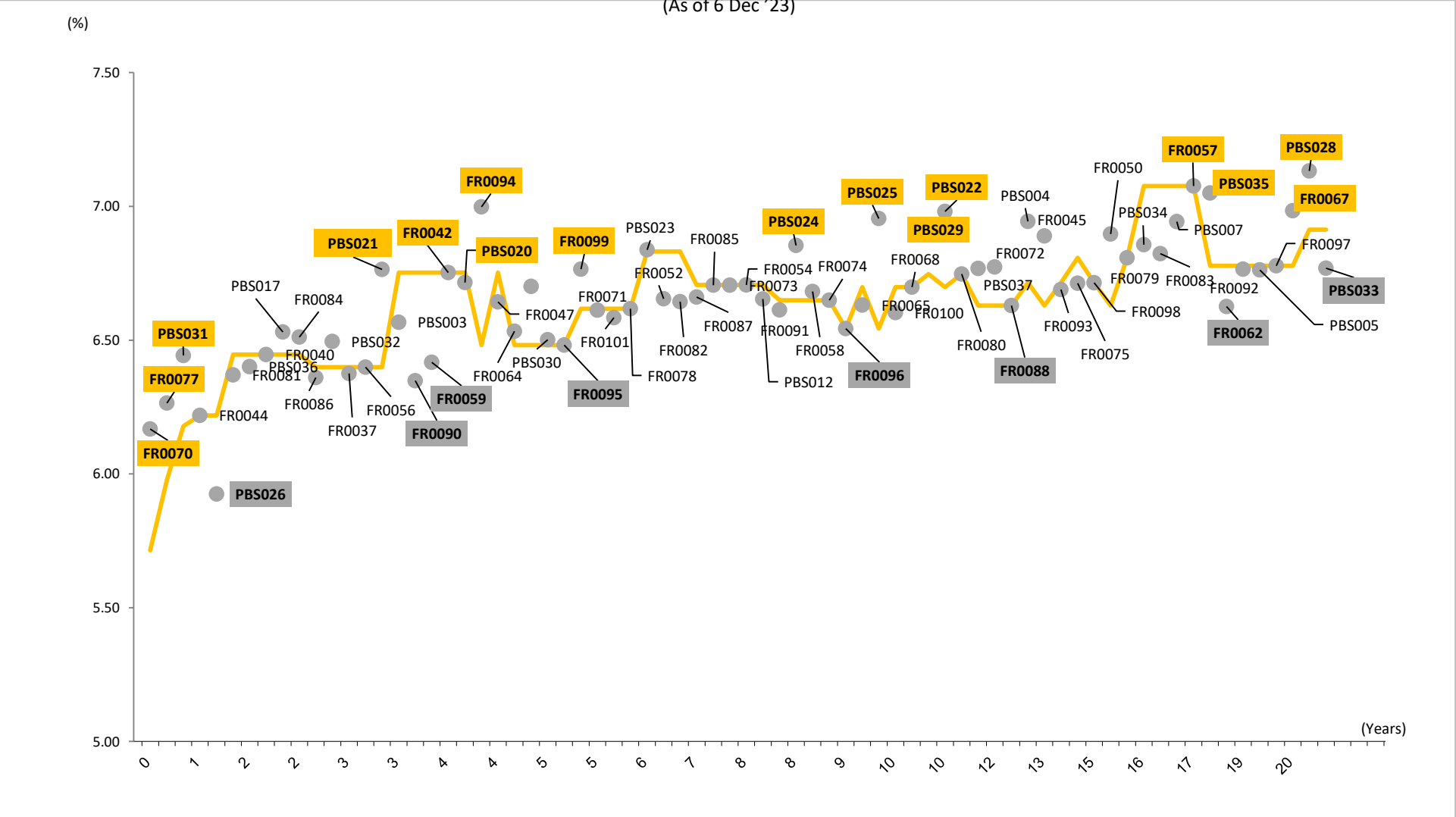
Sources : DJPPR, MoF-RI (2023)

- The decrease in secondary market yields is evident in the reduction of yields in the primary market as well.
- In the latest SBSN auction held on 5 Dec '23, yields decreased across almost all series except for PBSG001 (+10.0 bps), with yield reductions ranging from -3.0 bps (PBS036) to -15.0 bps (PBS003).
- Simultaneously, there has been an improvement in investor appetite to re-enter the primary market, evident in increased incoming bids compared to the SBSN auction two weeks prior.
- However, we anticipate limited government absorption moving forward, given the still-low APBN deficit, standing at only 0.003% of GDP as of October 31st, 2023 (with a target APBN deficit of 2.84% of GDP).

Yield Curve

YIELD CURVE

(As of 6 Dec '23)



Sources : Bloomberg and KBVS Research-treated (2023)

This week's Economic Calendar

Economic Calendar

(4 Dec – 8 Des 2023)

Event	Actual	Forecast	Previous
Monday, Dec 4, 2023			
GE Buba Mauderer Speaks			
EU ECB's Elderson Speaks			
GE Trade Balance (Oct)	17.80B	17.10B	16.70B
EU ECB De Guindos Speaks			
EU ECB President Lagarde Speaks			
US factory Orders (MoM) (Oct)	-3.60%	-2.60%	2.30%
Tuesday, Dec 5, 2023			
JP Tokyo Core CPI (YoY) (Nov)	2.30%	2.40%	2.70%
GB BRC Retail Sales Monitor (YoY) (Nov)	2.60%	2.50%	2.60%
JP Au Jibun Bank Japan Services PMI (Nov)	50.80	51.70	51.60
CN Caixin Services PMI (Nov)	51.50	50.70	50.40
CN Composite PMI	51.60		50.40
JP 10-Year JGB Auction	0.70%		0.91%
GE HCOB Services PMI (Nov)	49.60	48.70	48.20
EU HCOB Composite PMI (Nov)	47.60	47.10	46.50
EU HCOB Services PMI (Nov)	48.70	48.20	47.80
GB S&P Global/CIPS Composite PMI (Nov)	50.70	50.10	48.70
GB S&P Global/CIPS Services PMI	50.90	50.50	49.50
EU ECB Supervisory Board Member Tuominen Speaks			
US S&P Global Composite PMI (Nov)	50.70	50.70	50.70
US S&P Global Services PMI (Nov)	50.80	50.80	50.60
US ISM Non-Manufacturing Employment (Nov)	50.70	51.40	50.20
US ISM Non-Manufacturing PMI (Nov)	52.70	52.00	51.80
US ISM Non-Manufacturing Prices (Nov)	58.30	58.00	58.60
US JOLTs Job Openings (Oct)	8.733M	9.300M	9.350M

Wednesday, Dec 6, 2023			
US API Weekly Crude Oil Stock	0.549M	-2.267M	-0.817M
GE Factory Orders (MoM) (Oct)		0.00%	0.20%
GB S&P Global/CIPS Construction PMI (Nov)		46.90	45.60
GB BoE Financial Stability Report			
GB BoE Gov Bailey Speaks			
GE Buba Mauderer Speaks			
US ADP Nonfarm Employment Change (Nov)		128K	113K
US Exports			261.10B
US Imports			322.70B
US Nonfarm Productivity (QoQ) (Q3)		4.70%	3.50%
US Trade Balance (Oct)		-64.10B	-61.50B
US Unit Labor Cost (QoQ) (Q3)		-0.80%	2.20%
GE Buba President Nagel Speaks			
US Crude Oil Inventories			1.609M
US Cushing Crude Oil Inventories			1.854M
Thursday, Dec 7, 2023			
CN Exports (YoY) (Nov)			-6.40%
CN Imports (YoY) (Nov)			3.00%
CN Trade balance (USD) (Nov)		48.60B	56.53B
ID FX Reserves (USD) (Nov)			133.10B
GB Halifax House Price Index (YoY) (Nov)			-3.20%
GB Halifax House Price Index (MoM) (Nov)		0.30%	1.10%
GE Industrial Production (MoM) (Oct)		0.50%	-1.40%
GE Buba Wuermeling Speaks			
GB Mortgage Rate (GBP)			8.01%
EU Eurogroup Meetings			
EU GDP (YoY) (Q3)		0.10%	0.50%
EU GDP (QoQ) (Q3)		-0.10%	0.10%
US Initial Jobless Claims		223K	218K
EU ECB's Elderson Speaks			

Friday, Dec 8, 2023		
US Fed's Balance Sheet		7,796B
JP Household Spending (MoM) (Oct)	-0.20%	0.30%
JP Household Spending (YoY) (Oct)	-0.30%	-2.80%
JP Adjusted Current Account (Oct)	1.85T	2,01T
JP Current Account n.s.a. (Oct)		2,724T
JP GDP (YoY) (Q3)	-2.10%	4.80%
JP GDP (QoQ) (Q3)	-0.50%	1.20%
JP GDP Price Index (YoY) (Q3)	5.10%	3.50%
ID Consumer Confidence (Nov)		124.30
ID Retail Sales (YoY)		1.50%
GE CPI (MoM) (Nov)	-0.40%	0.00%
GE CPI (YoY) (Nov)	2.30%	3.00%
US Average Hourly Earnings (YoY) (Nov)	4.00%	4.10%
US Average Hourly earnings (MoM) (Nov)	0.30%	0.20%
US Nonfarm Payrolls (Nov)	180K	150K
US Participation Rate (Nov)		62.70%
US Private Nonfarm Payrolls (Nov)	155K	99K
US U6 Unemployment Rate (Nov)		7.20%
US Unemployment Rate (Nov)	3.90%	3.90%
US Michigan 1-Year Inflation Expectations (Dec)		4.50%
US Michigan 5-Year Inflation Expectations (Dec)		3.20%
US Michigan Consumer Expectations (Dec)		56.80
US Michigan Consumer Sentiment (Dec)	61.80	61.30

Sources : Investing and KBVS Research-treated (2023)

- The focus this week will be on US labor market data.
 - The deteriorating US JOLTs Job Openings, released on Tuesday (5 Dec'23),
 - ADP Non-Farm Employment Change on Wednesday (6 Dec '23),
 - Weekly Initial Jobless Claims on Thursday (7 Dec'23), then
 - Nonfarm Payrolls, Participation Rate, and unemployment rate data on Friday (8 Dec '23), alongside inflation expectations.
- Meanwhile, in Indonesia, the release of FX Reserves today, followed by consumer confidence and Retail Sales data tomorrow, will be significant points of attention.
- However, overall, we still anticipate the possibility of a decline in UST and SUN yields this week.



 KB Valbury Sekuritas