

Awaiting Clarity On The Fed Rate

25 January 2024

Economist / Fikri C Permana

Last Week's Economic Update

ECONOMIC CALENDAR

(18 TO 24 JAN 2024)

Thursday, Jan 18, 2024			
US 20-Year Bond Auction	4.42%		4.21%
US Atlanta Fed GDP Now (Q4)	2.40%	2.20%	2.20%
GE Buba President Nagel Speaks			
US Beige Book			
US FOMC Member Williams Speaks			
US API Weekly Crude Oil Stock	0.483M	-2.400M	-5.215M
GB RICS House Price Balance (Dec)	-30.00%	-34.00%	-41.00%
JP Industrial Production (MoM) (Nov)	-0.90%	-0.90%	1.30%
US IEA Monthly Report			
GB BoE Credit Conditions Survey			
US FOMC Member Bostic Speaks			
EU ECB Publishes Account of Monetary Policy Meeting			
US Building Permits (Dec)	1.495M	1.480M	1.467M
Continuing Jobless Claims	1,806K	1,845K	1,832K
US Initial Jobless Claims	187K	207K	203K
US Housing Starts (MoM) (Dec)	-4.30%		10.80%
US Housing Starts (Dec)	1.460M	1.426M	1.525M
US Philadelphia Fed Manufacturing Index (Jan)	-10.60	-7.00	-12.80
US Philadelphia Fed Employment (Jan)	-1.80		-2.50
EU ECB President Lagarde Speaks			
US Crude Oil Inventories	-2.492M	-0.313M	1.338M
US Cushing Crude Oil Inventories	-2.099M		-0.506M
US FOMC Member Bostic Speaks			
Friday, Jan 19, 2024			
US FOMC Member Bostic Speaks			
US 10-Year TPS Auction	1.81%		2.18%
US Fed's Balance Sheet	7,674B		7,687B
JP National Core CPI (YoY) (Dec)	2.30%	2.30%	2.50%
GB Core Retail Sales (YoY) (Dec)	-2.10%	1.30%	0.50%
GB Core Retail Sales (MoM) (Dec)	-3.30%	-0.60%	1.50%
GB Retail Sales (MoM) (Dec)	-3.20%	-0.50%	1.40%
GB Retail Sales (YoY) (Dec)	-2.40%	1.10%	0.20%
GE PPI (MoM) (Dec)	-1.20%	-0.50%	-0.50%
EU ECB McCaul Speaks			
EU ECB President Lagarde Speaks			
US Existing Home Sales (MoM) (Dec)	-1.00%	0.30%	0.80%
US Existing Home Sales (Dec)	3.78M	3.82M	3.82M
US Michigan 1-Year Inflation Expectations (Jan)	2.90%	3.10%	3.10%
US Michigan 5-Year Inflation Expectations (Jan)	2.80%	3.00%	2.90%
US Michigan Consumer Expectations (Jan)	75.90	67.00	67.40
US Michigan Consumer Sentiment (Jan)	78.80	70.00	69.70

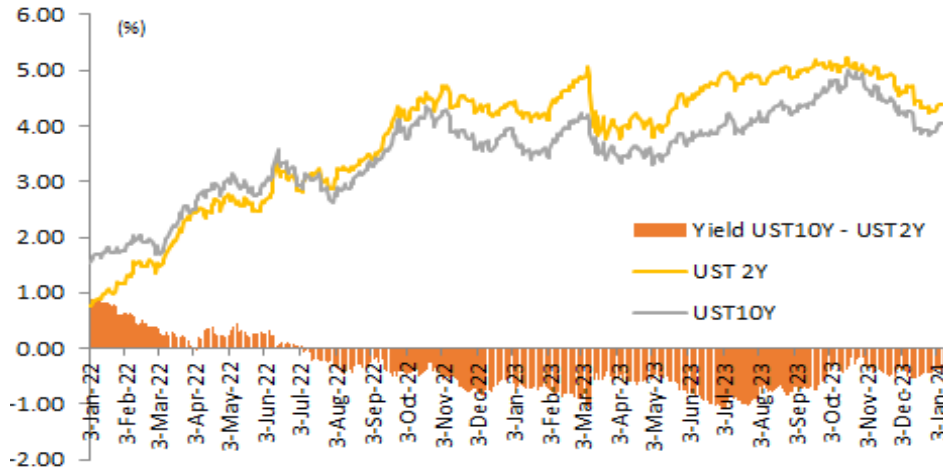
Sources : Investing and KBVS Research-treated (2024)

Event	Actual	Forecast	Previous
Monday, Jan 22, 2024			
CN PBoC Loan Prime Rate	3.45%	3.45%	3.45%
ID M2 Money Supply (YoY) (Dec)	3.50%		3.40%
EU ECB President Lagarde Speaks			
US Leading Index (MoM) (Dec)	-0.10%	-0.30%	-0.50%
Tuesday, Jan 23, 2024			
JP BoJ Monetary Policy Statement			
JP BoJ Interest Rate Decision	-0.10%	-0.10%	-0.10%
JP BoJ Outlook Report (YoY)			
JP BoJ Core CPI (YoY)	2.60%	2.80%	2.70%
JP BoJ Press Conference			
Wednesday, Jan 24, 2024			
US 2-Year Note Auction	4.37%		4.31%
US API Weekly Crude Oil Stock	-6.674M	-3.000M	0.483M
JP Adjusted Trade Balance	-0.35T	-0.45T	-0.41T
JP Exports (YoY) (Dec)	9.80%	9.10%	-0.20%
JP Imports (YoY) (Dec)	-6.80%	-5.30%	-11.90%
JP Trade Balance (Dec)	62.10B	-122.10B	-780.40B
JP Au Jibun Bank Japan Services PMI	52.70		51.50
GE Buba Balz Speaks			
ID Foreign Direct Investment (YoY)	5.30%		16.20%
GE HCOB Manufacturing PMI (Jan)		43.70	43.30
GE HCOB Services PMI (Jan)		49.50	49.30
EU HCOB Manufacturing PMI (Jan)		44.80	44.40
EU HCOB Composite PMI (Jan)		48.00	47.60
EU HCOB Services PMI (Jan)		49.00	48.80
GB S&P Global/CIPS Composite PMI		52.20	52.10
GB S&P Global/CIPS Manufacturing PMI		46.80	46.20
GB S&P Global/CIPS Services PMI		53.20	53.40
US S&P Global Manufacturing PMI (Jan)		47.90	47.90
US S&P Global Composite PMI (Jan)			50.90
US S&P Global Services PMI (Jan)		51.00	51.40
US Crude Oil Inventories		-2.150M	-2.492M
US Cushing Crude Oil Inventories			-2.099M

- The statement from the Fed's John Williams, asserting that the central bank is not currently discussing rate cuts, alongside Fed's Raphael Bostic's expectation of rate cuts occurring in 3Q23, significantly influenced the movement of UST yields last week.
- During the same period, housing market releases (building permits, housing starts, and existing home sales) played a pivotal role in shaping market sentiment, complemented by labor market releases (Initial Jobless Claims), and inflation expectations.
- Regionally, attention is focused on the outcomes of PBoC loan prime rate and the BoJ interest rate decision.
- Meanwhile, the M2 domestic money supply, which has increased by 3.5% YoY (previously 3.4% YoY), is garnering attention domestically..

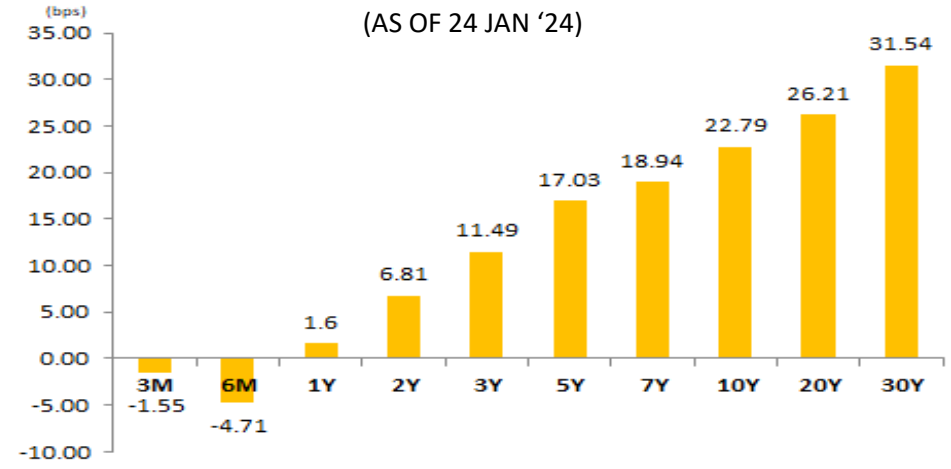
The Movement of UST Yields

YIELD UST2Y VS UST10Y



Sources : Bloomberg and KBVS Research-treated (2024)

DEVELOPMENT OF YIELD UST SINCE 1 JAN



Sources : Bloomberg and KBVS Research-treated (2024)

FED PROBABILITIES

(AS OF 24 JAN '24)

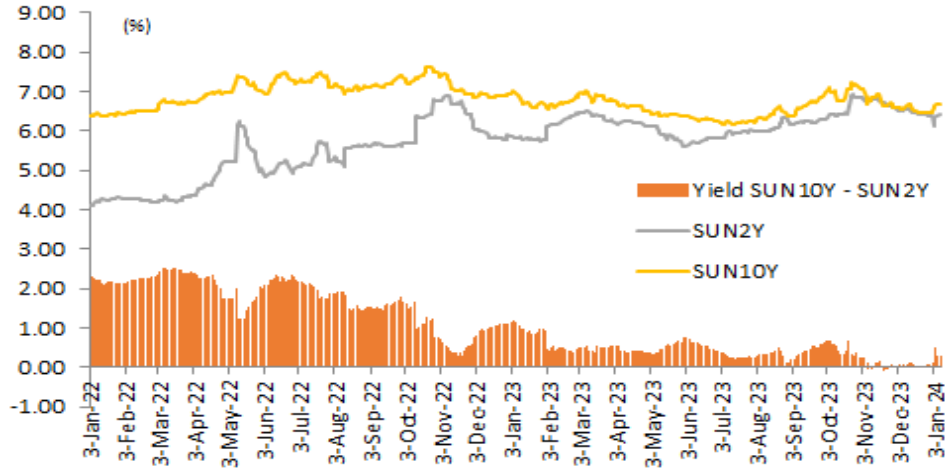
MEETING DATE	MEETING PROBABILITIES								
	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550
31-Jan-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%	97.4%
20-Mar-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%	50.0%	48.7%
1-May-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	36.5%	49.1%	13.5%
12-Jun-24	0.0%	0.0%	0.0%	0.0%	2.3%	36.9%	47.7%	13.0%	0.0%
31-Jul-24	0.0%	0.0%	0.0%	2.1%	33.5%	46.6%	16.5%	1.3%	0.0%
18-Sep-24	0.0%	0.0%	2.0%	31.6%	45.8%	18.3%	2.2%	0.1%	0.0%
7-Nov-24	0.0%	1.2%	20.1%	40.3%	29.0%	8.5%	0.9%	0.0%	0.0%
18-Dec-24	1.0%	17.0%	37.0%	30.8%	11.8%	2.1%	0.2%	0.0%	0.0%

Source : CME Group (2024)

- Statements from Williams and Bostic, along with last week's US data releases, have fostered expectations for a potential restraint on Fed Rate cuts this year.
- This sentiment is reflected in the Fed Probabilities as of 20 Mar '24, where initially 90% of investors anticipated the occurrence of the first rate cut. However, as of 24 Jan '24, these expectations have decreased to 50%.
- Consequently, this has constrained the decline in short-term UST yields, while conversely, longer-term UST yields have experienced an ascent.
- Despite these dynamics, signals of UST yield curve normalization remain apparent.

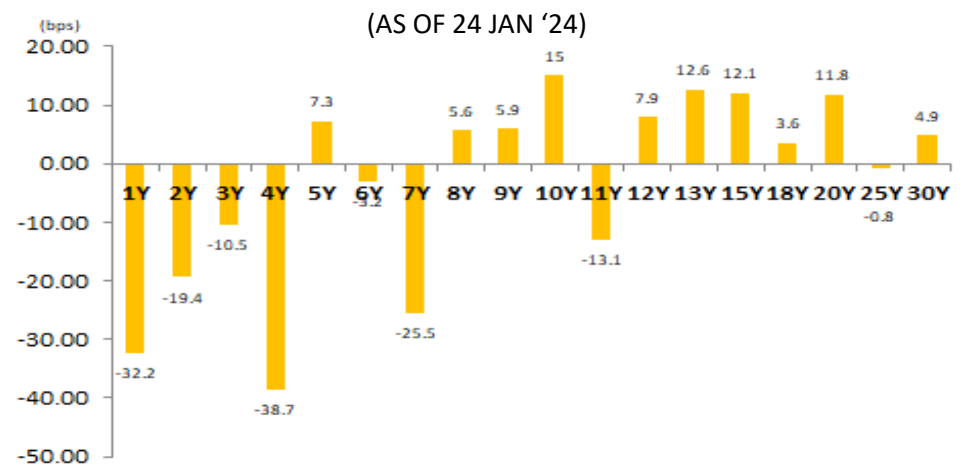
The Movement SUN Yields

YIELD SUN2Y VS SUN10Y



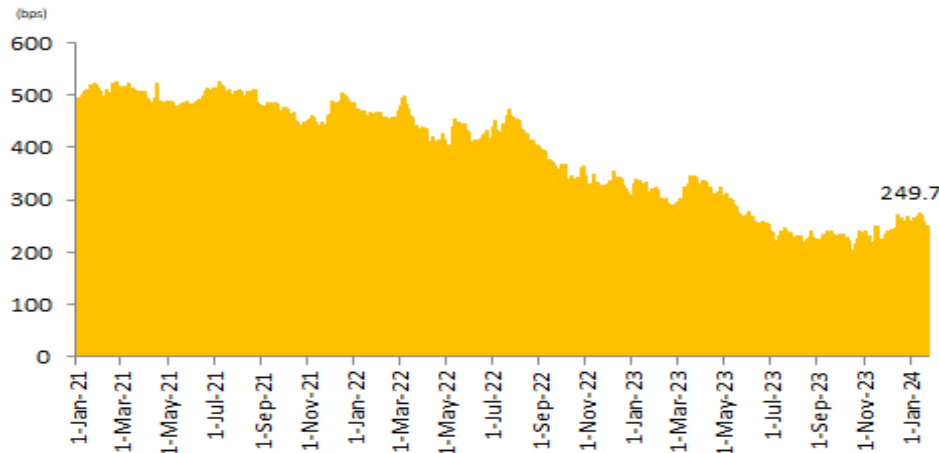
Sources : Bloomberg and KBVS Research-treated (2024)

DEVELOPMENT OF YIELD SUN SINCE 1 JAN



Sources : Bloomberg and KBVS Research-treated (2024)

YIELD SPREAD SUN10Y-UST10Y



Source : Bloomberg and KBVS Research-treated (2024)

- Meanwhile, the increasing uncertainty surrounding the Fed Rate cut has led the global market to adopt a wait-and-see approach.
- Simultaneously, the yield spread between SUN10Y and the UST10Y has begun to narrow to 245.88 bps, down from 260.97 basis points at the beginning of 2024.
- This trend is influenced by the decline in short-term SUN yields, coupled with long-term SUN yields experiencing a more restrained increase compared to the rise in UST yields.

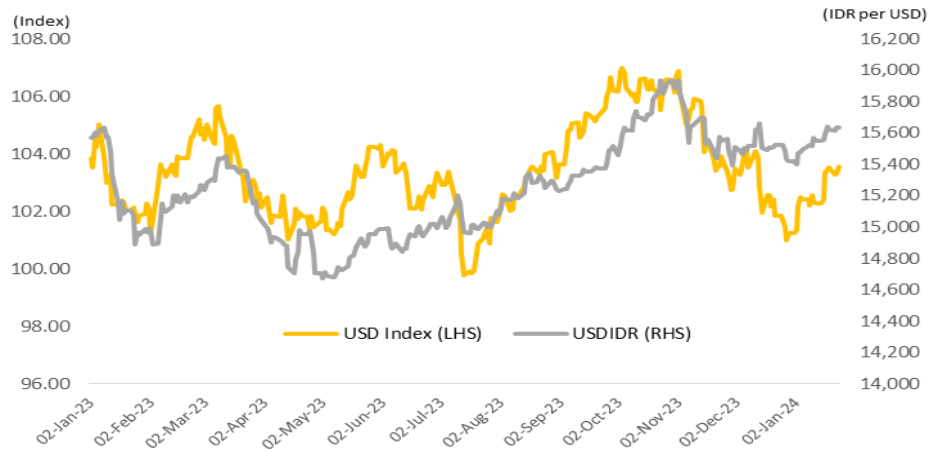
The Results of The Latest SBSN Auction, on 23 Jan '24.

Keterangan	Surat Berharga Syariah Negara						
	SPNS09072024	SPNS07102024	PBS032	PBS030	PBSG001	PBS004	PBS038
Jumlah penawaran yang masuk	Rp2,530 tn	Rp5,5095 tn	Rp7,078 tn	Rp3,697 tn	Rp2,231 tn	Rp1,4145 tn	Rp1,308 tn
Yield tertinggi yang masuk	6.700%	6.770%	6.670%	6.600%	6.650%	6.750%	7.100%
Yield terendah yang masuk	6.550%	6.430%	6.400%	6.440%	6.450%	6.560%	6.920%
Yield rata-rata tertimbang yang dimenangkan	-	6.465%	6.500%	6.470%	6.538%	6.668%	6.979%
Tanggal pembayaran imbalan	Akhir Periode	Akhir Periode	15 Jan & 15 Jul	15 Jan & 15 Jul	15 Mar & 15 Sep	15 Feb & 15 Agt	15 Jun & 15 Des
Tingkat imbalan	Diskonto	Diskonto	4.875%	5.875%	6.625%	6.100%	6.875%
Tanggal jatuh tempo	9 Juli 2024	7 Oktober 2024	15 Juli 2026	15 Juli 2028	15-Sep-29	15 Februari 2037	Desember 2049
Jumlah nominal dimenangkan	-	Rp1,850 tn	Rp5,100 tn	Rp0,450 tn	Rp2,200 tn	Rp1,300 tn	Rp1,100 tn
- Nominal kompetitif yang dimenangkan	-	Rp0,4625 tn	Rp4,545 tn	Rp0,315 tn	Rp1,839 tn	Rp1,275 tn	Rp1,091 tn
- Nominal non-kompetitif yang dimenangkan	-	Rp1,3875 tn	Rp0,555 tn	Rp0,135 tn	Rp0,361 tn	Rp0,025 tn	Rp0,009 tn
<i>Bid-to-cover-ratio</i>	-	2.98	1.39	8.22	1.01	1.09	1.19
Tanggal setelmen/penerbitan	25 Januari 2024						

Source : DJPPR, KBVS Research-treated (2024)

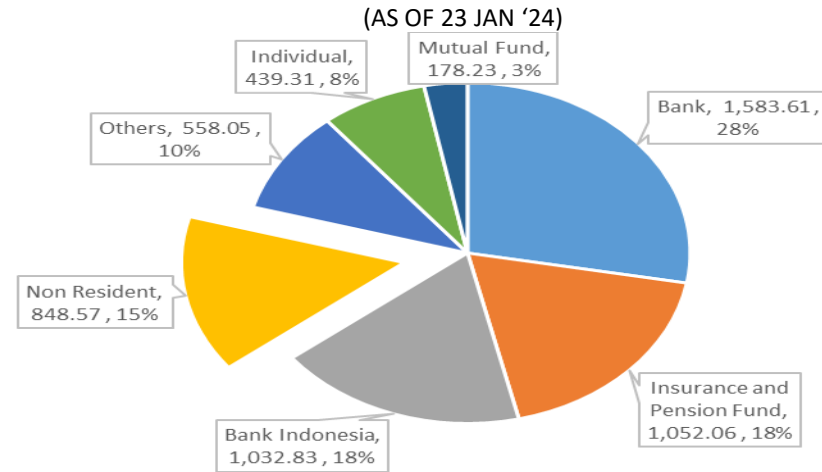
Capital Flow in Indonesia's Portfolio

DEVELOPMENT OF DXY and USDIDR



Sources : Bloomberg and KBVS Research-treated (2024)

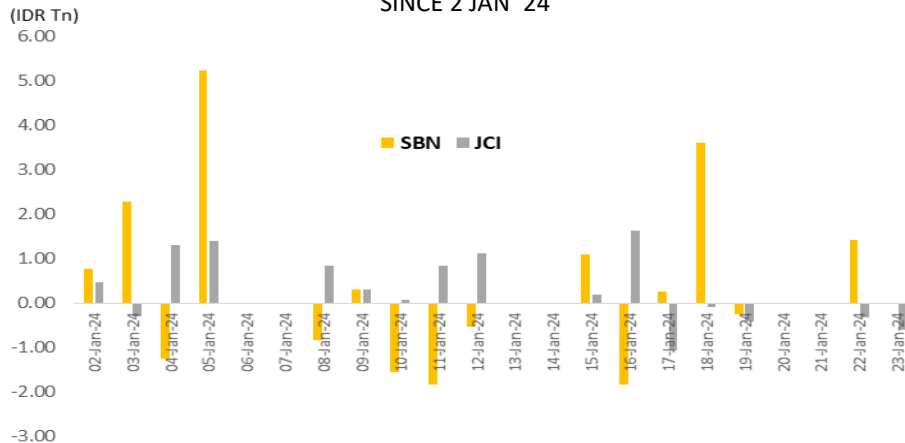
OWNERSHIP OF TRADABLE SBN



Sources : DJPPR and KBVS Research-treated (2024)

CAPITAL FLOW IN SBN and JCI

SINCE 2 JAN '24

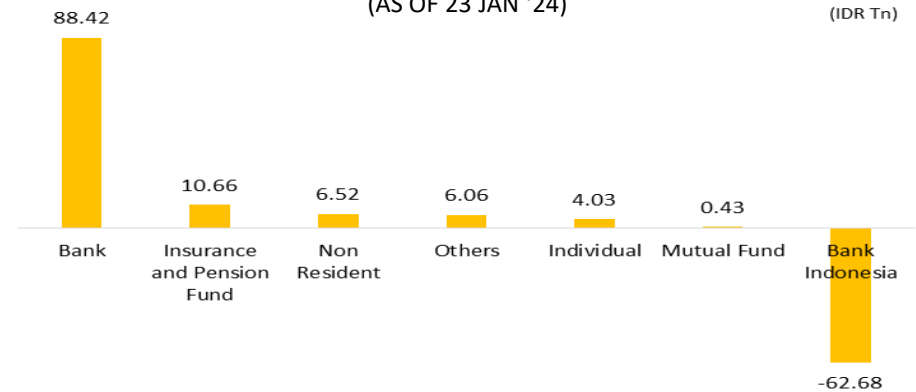


Sources : Bloomberg and KBVS Research-treated (2024)

CHANGE IN OWNERSHIP of TRADABLE SBN

SINCE 29 DEC '23

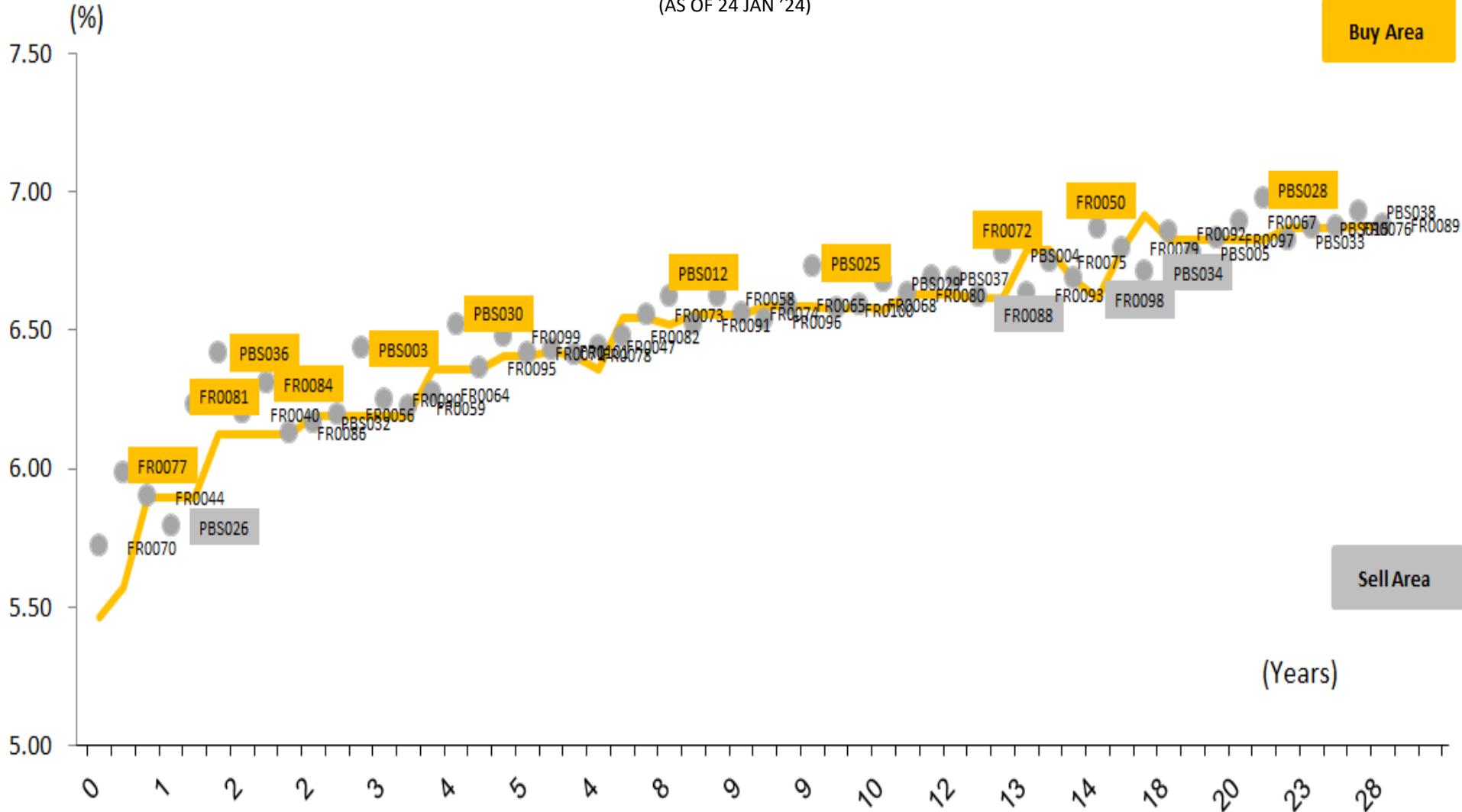
(AS OF 23 JAN '24)



Sources : DJPPR and KBVS Research-treated (2024)

Yield Curve SUN

YIELD CURVE
(AS OF 24 JAN '24)



Sources : Bloomberg and KBVS Research-treated (2023)

Bonds Data, as of 24 Jan '24

TTM	Series	Coupon	Price	Benchmark Price	Yield	Benchmark Yield	Maturity	Notes
0	FR0070	8.38	100.50	99.07	5.71	5.46	15 Mar 2024	Fair
0	FR0077	8.13	100.56	97.69	5.98	5.57	15 May 2024	Fair
1	FR0044	10.00	102.41	102.52	5.90	5.90	15 Sep 2024	Fair
1	PBS026	6.65	100.35	102.52	5.79	5.90	15 Oct 2024	Fair
1	FR0081	6.50	100.27	102.52	6.25	5.90	15 Jun 2025	Discounted
2	PBS036	5.38	98.40	98.71	6.42	6.13	15 Aug 2025	Discounted
2	FR0040	11.00	107.19	98.71	6.20	6.13	15 Sep 2025	Fair
2	FR0084	7.25	101.65	98.71	6.30	6.13	15 Feb 2026	Fair
2	FR0086	5.50	98.58	98.71	6.13	6.13	15 Apr 2026	Fair
2	PBS032	4.88	96.71	105.23	6.16	6.19	15 Jul 2026	Fair
3	FR0056	8.38	105.09	105.23	6.19	6.19	15 Sep 2026	Fair
3	PBS003	6.00	98.59	105.23	6.43	6.19	15 Jan 2027	Discounted
3	FR0090	5.13	96.51	105.23	6.25	6.19	15 Apr 2027	Discounted
3	FR0059	7.00	102.11	105.23	6.22	6.19	15 May 2027	Discounted
4	FR0064	6.13	99.31	100.05	6.27	6.36	15 May 2028	Fair
4	PBS030	5.88	97.30	100.05	6.51	6.36	15 Jul 2028	Discounted
5	FR0095	6.38	99.94	100.05	6.36	6.36	15 Aug 2028	Fair
5	FR0099	6.40	99.52	108.16	6.47	6.41	15 Jan 2029	Discounted
5	FR0071	9.00	111.01	108.16	6.41	6.41	15 Mar 2029	Fair
5	FR0101	6.88	101.86	101.96	6.42	6.42	15 Apr 2029	Fair
5	FR0078	8.25	108.03	108.16	6.41	6.41	15 May 2029	Fair
4	FR0047	10.00	112.48	100.05	6.44	6.36	15 Feb 2028	Fair
7	FR0082	7.00	102.70	99.75	6.47	6.54	15 Sep 2030	Premium
7	FR0073	8.75	112.41	99.75	6.55	6.54	15 May 2031	Fair
8	PBS012	8.88	113.04	117.38	6.62	6.52	15 Nov 2031	Discounted
8	FR0091	6.38	98.96	106.09	6.52	6.56	15 Apr 2032	Fair
8	FR0058	8.25	110.17	106.09	6.61	6.56	15 Jun 2032	Fair
9	FR0074	7.50	105.83	106.09	6.56	6.56	15 Aug 2032	Fair
9	FR0096	7.00	103.00	113.05	6.53	6.59	15 Feb 2033	Fair
9	FR0065	6.63	100.05	113.05	6.59	6.59	15 May 2033	Fair
9	PBS025	8.38	111.00	113.05	6.72	6.59	15 May 2033	Discounted
10	FR0100	6.63	100.27	100.36	6.57	6.57	15 Feb 2034	Fair
10	FR0068	8.38	112.89	113.05	6.59	6.59	15 Mar 2034	Fair
10	PBS029	6.38	97.69	100.36	6.67	6.57	15 Mar 2034	Discounted

TTM	Series	Coupon	Price	Benchmark Price	Yield	Benchmark Yield	Maturity	Notes
11	FR0080	7.50	106.66	106.89	6.63	6.63	15 Jun 2035	Fair
12	PBS037	6.88	100.53	106.89	6.69	6.63	15 Mar 2036	Discounted
12	FR0072	8.25	112.79	106.89	6.68	6.63	15 May 2036	Fair
12	FR0088	6.25	96.48	96.93	6.62	6.62	15 Jun 2036	Fair
13	PBS004	6.10	93.89	96.93	6.77	6.62	15 Feb 2037	Discounted
13	FR0093	6.38	97.39	114.86	6.63	6.79	15 Jul 2037	Fair
14	FR0075	7.50	106.69	114.86	6.74	6.79	15 May 2038	Fair
14	FR0098	7.13	103.87	104.05	6.68	6.68	15 Jun 2038	Fair
14	FR0050	10.50	132.56	96.93	6.86	6.62	15 Jul 2038	Fair
15	FR0079	8.38	114.63	114.86	6.79	6.79	15 Apr 2039	Fair
15	PBS034	6.50	97.63	125.80	6.71	6.92	15 Jun 2039	Fair
18	FR0092	7.13	102.63	103.17	6.85	6.83	15 Jun 2042	Discounted
19	PBS005	6.75	99.15	103.17	6.77	6.83	15 Apr 2043	Fair
19	FR0097	7.13	103.00	103.17	6.83	6.83	15 Jun 2043	Fair
20	FR0067	8.75	119.70	103.17	6.89	6.83	15 Feb 2044	Fair
23	PBS028	7.75	108.52	103.17	6.97	6.83	15 Oct 2046	Fair
23	PBS033	6.75	98.42	105.92	6.82	6.87	15 Jun 2047	Fair
23	PBS015	8.00	112.16	105.92	6.87	6.87	15 Jul 2047	Premium
24	FR0076	7.38	105.70	105.92	6.87	6.87	15 May 2048	Fair
26	PBS038	6.88	98.91	99.98	6.93	6.88	15 Dec 2049	Discounted
28	FR0089	6.88	99.76	99.98	6.88	6.88	15 Aug 2051	Fair

GLOBAL BONDS DATA								
TTM	Series	Coupon	Price	Benchmark Price	Yield	Benchmark Yield	Maturity	Notes
4	INDON 2028	3,50	95,395	98,66	4,72	4,05	11 Jan 2028	Discounted
9	INDON 2033	4,85	99,871	102,95	4,84	4,13	11 Jan 2033	Discounted
29	INDON 2053	5,65	104,09	103,64	5,34	4,47	11 Jan 2053	Fair

This Week's Economic Calendar

ECONOMIC CALENDAR

(25 TO 31 JAN 2024)

Thursday, Jan 25, 2024		
US 5-Year Note Auction		3.80%
GE Business Expectations (Jan)	84.90	84.30
GE Current Assessment (Jan)	88.60	88.50
GE Ifo Business Climate Index (Jan)	86.70	86.40
EU Deposit Facility Rate (Jan)	4.00%	4.00%
EU ECB Interest Rate Decision (Jan)	4.50%	4.50%
EU ECB Marginal Lending Facility		4.75%
EU ECB Monetary Policy Statement		
US Building Permits	1.495M	1.467M
US Continuing Jobless Claims	1,840K	1,806K
US Core Durable Goods Orders (MoM) (Dec)	0.20%	0.50%
US Durable Goods Orders (MoM) (Dec)	1.00%	5.40%
US GDP (QoQ) (Q4)	2.00%	4.90%
US GDP Price Index (QoQ) (Q4)	2.20%	3.30%
US Goods Trade Balance (Dec)	-88.70B	-90.27B
US Initial Jobless Claims	200K	187K
US Retail Inventories Ex Auto (Dec)		-0.90%
EU ECB Press Conference		
US New Home Sales (Dec)	650K	590K
US New Home Sales (MoM) (Dec)		-12.20%
EU President Lagarde Speaks		
Friday, Jan 26, 2024		
US 7-Year Note Auction		3.86%
US Fed's Balance Sheet		7.674B
JP Tokyo Core CPI (YoY) (Jan)	1.90%	2.10%
JP Monetary Policy Meeting		
GE Gfk Consumer Climate (Feb)	-24.30	-25.10
US Core PCE Price Index (MoM) (Dec)	0.20%	0.10%
US Core PCE Price Index (YoY) (Dec)	3.00%	3.20%
US PCE Price Index (YoY) (Dec)	2.60%	2.60%
US PCE Price Index (MoM) (Dec)	0.20%	-0.10%
US Personal Spending (MoM) (Dec)	0.40%	0.20%
US Pending Home Sales (MoM) (Dec)	1.60%	0.00%

Event	Actual	Forecast	Previous
Monday, Jan 29, 2024			
Tuesday, Jan 30, 2024			
GE GDP (YoY) (Q4)			-0.40%
GE GDP (QoQ) (Q4)			-0.10%
EU GDP (QoQ) (Q4)			-0.10%
EU GDP (YoY) (Q4)			
US JOLTs Job Openings (Dec)			8.790M
US S&P/CS HPI Composite - 20 n.s.a. (MoM) (Nov)			0.10%
US S&P/CS HPI Composite - 20 n.s.a. (YoY) (Nov)			4.90%
US CB Consumer Confidence (Jan)			110.70
Wednesday, Jan 31, 2024			
US API Weekly Crude Oil Stock			-6.674M
JP Industrial Production (MoM) (Dec)			-0.90%
CN Composite PMI (Jan)			50.30
CN Manufacturing PMI (Jan)			49.00
CN Non-Manufacturing PMI (Jan)			50.40
GE Retail Sales (MoM) (Dec)			-2.50%
GE Unemployment Change (Jan)			5K
GE Unemployment Rate			5.90%
GE GDP (QoQ) (Q4)			-0.10%
GE GDP (YoY) (Q4)			-0.40%
EU GDP (QoQ) (Q4)			-0.10%
EU GDP (YoY) (Q4)			0.50%
GE CPI (MoM) (Jan)			0.10%
GE CPI (YoY) (Jan)			3.70%
US ADP Nonfarm Employment Change (Jan)			164K
US Employment Cost Index (QoQ) (Q4)			1.10%
US Chicago PMI (Jan)			47.20

Sources : Investing and KBVS Research-treated (2024)



 KB Valbury Sekuritas