

Anticipating Clarity on Central Bank Stance

14 December 2023

Research / Fikri C Permana

Last Week's Economic Update

Economic Calendar

(6-12 Dec 2023)

Wednesday, Dec 6, 2023			
US API Weekly Crude Oil Stock	0.549M	-2.267M	-0.817M
US Treasury Secretary Yellen Speaks			
GE Factory Orders (MoM) (Oct)	-3.70%	0.20%	0.70%
GB S&P Global/CIPS Construction PMI (Nov)	45.50	46.30	45.60
GB BoE Financial Stability Report			
GB BoE Gov Bailey Speaks			
GE Buba Maudeer Speaks			
US ADP Nonfarm Employment Change (Nov)	103K	130K	106K
US Exports	258.80B		261.10B
US Imports	323.00B		322.70B
US Nonfarm Productivity (QoQ) (Q3)	5.20%	4.90%	3.50%
US Trade Balance (Oct)	-64.30B	-64.20B	-61.20B
US Unit Labor Cost (QoQ) (Q3)	-1.20%	-0.90%	2.20%
GE Buba President Nagel Speaks			
US Crude Oil Inventories	-4.632M	-1.354M	1.609M
US Cushing Crude Oil Inventories	1.829M		1.854M
US Atlanta Fed GDP Now (Q4)	1.30%	1.20%	1.20%
Thursday, Dec 7, 2023			
CN Exports (YoY) (Nov)	0.50%	-1.10%	-6.40%
CN Imports (YoY) (Nov)	-0.60%	3.30%	3.00%
CN Trade balance (USD) (Nov)	68.39B	58.00B	56.53B
ID FX Reserves (USD) (Nov)	138.10B		133.10B
GB Halifax House Price Index (YoY) (Nov)	-1.00%		-3.10%
GB Halifax House Price Index (MoM) (Nov)	0.50%	0.30%	1.20%
GE Industrial Production (MoM) (Oct)	-0.40%	0.20%	-1.30%
GE Buba Wuermeling Speaks			
GB Mortgage Rate (GBP)	8.03%		8.05%
EU Eurogroup Meetings			
EU GDP (YoY) (Q3)	0.00%	0.10%	0.60%
EU GDP (QoQ) (Q3)	-0.10%	-0.10%	0.10%
US Continuing Jobless Claims	1.861K	1,910K	1,925K
US Initial Jobless Claims	220K	222K	219K
EU ECB's Elderson Speaks			

Friday, Dec 8, 2023			
US Consumer Credit (Oct)	5.13B	9.00B	12.22B
US Fed's Balance Sheet	7,737B		7,796B
JP Household Spending (MoM) (Oct)	-0.10%	-0.20%	0.30%
JP Household Spending (YoY) (Oct)	-2.50%	-3.00%	-2.80%
JP Adjusted Current Account (Oct)	262.17T	1.85T	2,01T
JP Current Account n.s.a. (Oct)	2.583T		2,724T
JP GDP (YoY) (Q3)	-2.90%	-2.10%	4.80%
JP GDP (QoQ) (Q3)	-0.70%	-0.50%	1.20%
JP GDP Price Index (YoY) (Q3)	5.20%	5.10%	5.10%
ID Consumer Confidence (Nov)	123.60		124.30
GE CPI (MoM) (Nov)	-0.40%	-0.40%	0.00%
GE CPI (YoY) (Nov)	3.20%	3.20%	3.80%
US Average Hourly Earnings (YoY) (Nov)	4.00%	4.00%	4.00%
US Average Hourly earnings (MoM) (Nov)	0.40%	0.30%	0.20%
US Nonfarm Payrolls (Nov)	199K	180K	150K
US Participation Rate (Nov)	62.80%	62.70%	62.70%
US Private Nonfarm Payrolls (Nov)	150K	153K	85K
US U6 Unemployment Rate (Nov)	7.00%		7.20%
US Unemployment Rate (Nov)	3.70%	3.90%	3.90%
US Michigan 1-Year Inflation Expectations (Dec)	3.10%	4.30%	4.50%
US Michigan 5-Year Inflation Expectations (Dec)	2.80%	3.10%	3.20%
US Michigan Consumer Expectations (Dec)	66.40	57.00	56.80
US Michigan Consumer Sentiment (Dec)	69.40	62.00	61.30

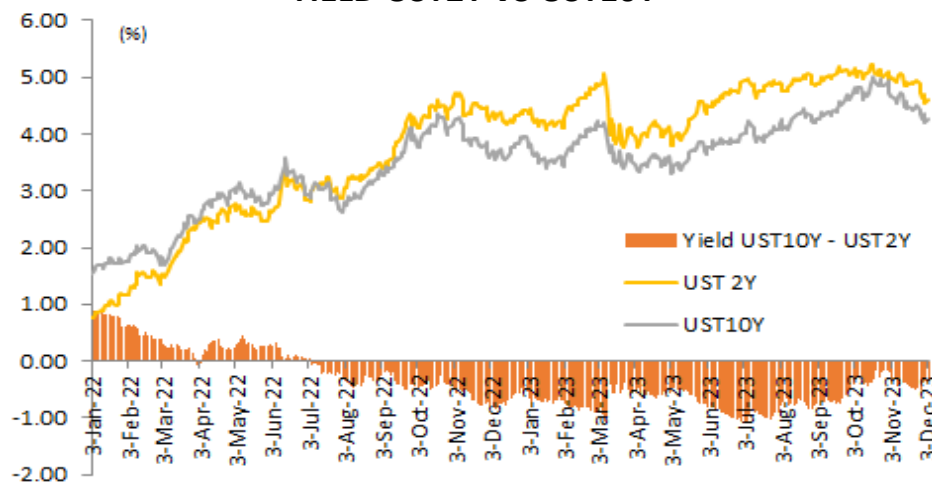
Event	Actual	Forecast	Previous
Monday, Dec 11, 2023			
JP BSI Large Manufacturing Conditions (Q4)	5.70	5.60	5.40
ID Motorbike Sales	-2.80%		-4.00%
ID Retail Sales (YoY)	2.40%		1.50%
US NY Fed 1-Year Consumer Inflation Expectatio	3.40%		3.60%
US 3-Year Note Auction	4.49%		4.70%
Tuesday, Dec 12, 2023			
US 10-Year Note Auction	4.30%		4.52%
EU ECB McCaul Speaks			
GB Average Earnings Ex Bonus (Oct)	7.20%	7.70%	8.00%
GB Claimant Count Change (Nov)	16.00K	15.00K	8.90K%
GB Employment Change 3M/3M (MoM) (Oct)	50K		52K
GB Unemployment Rate (Oct)	4.20%	4.20%	4.20%
GE ZEW Current Conditions (Dec)	-77.10	-76.00	-79.80
GE ZEW Economic Sentiment (Dec)	12.80	8.80	9.80
EU ZEW Economic Sentiment (Dec)	23.00	11.20	13.80
US Core CPI (YoY) (Nov)	4.00%	4.00%	4.00%
US Core CPI (MoM) (Nov)	0.30%	0.30%	0.20%
US CPI (MoM) (Nov)	0.10%	0.00%	0.00%
US CPI (YoY) (Nov)	3.10%	3.10%	3.20%

Sources : Investing and KBVS Research-treated (2023)

- Last week, global market attention was focused on the awaited US labor data and inflation figures.
- The Non-Farm Payrolls for Nov '23 rose to 199K, while the Participation Rate increased to 62.80%, and the Unemployment Rate dropped to 3.7%. Additionally, Core CPI remained stable at 4.0% YoY, while the headline CPI stood at 3.1% YoY, becoming the focal point over the past week.
- These conditions have restrained the anticipated swifter decline in the median Fed Rate compared to earlier projections.
- On the domestic front, the release of FX Reserves, which surged by USD5.0 bn in Nov '23, stood out as a positive factor for the development of the Rupiah this week.
- Furthermore, the consumer confidence in Nov '23, still at an expansive level (at 123.60), coupled with the improved retail sales index in Oct '23 by +2.9% YoY, alongside the decline in motor vehicle sales to 46,020 units in Nov '23, have also influenced sentiment in the domestic market.

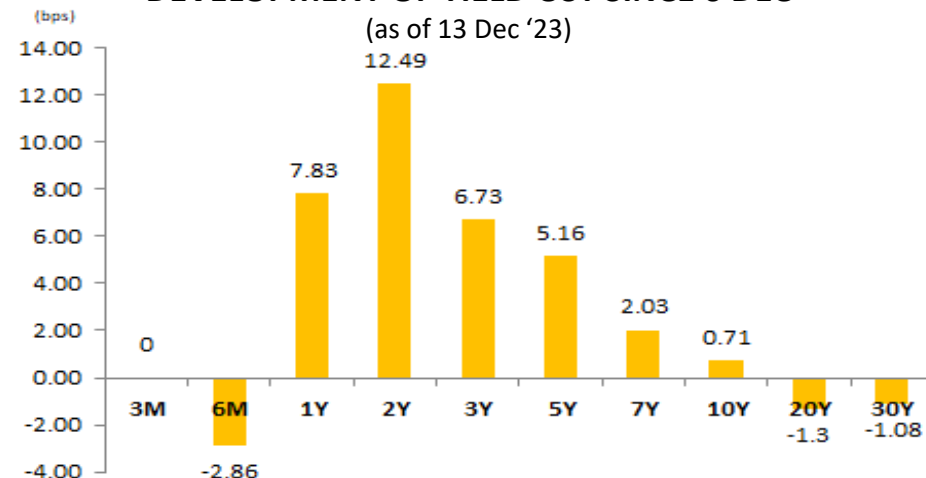
The Movement of UST Yields

YIELD UST2Y VS UST10Y



Sources : Bloomberg and KBVS Research-treated (2023)

DEVELOPMENT OF YIELD UST SINCE 6 DEC



Sources : Bloomberg and KBVS Research-treated (2023)

FED PROBABILITIES

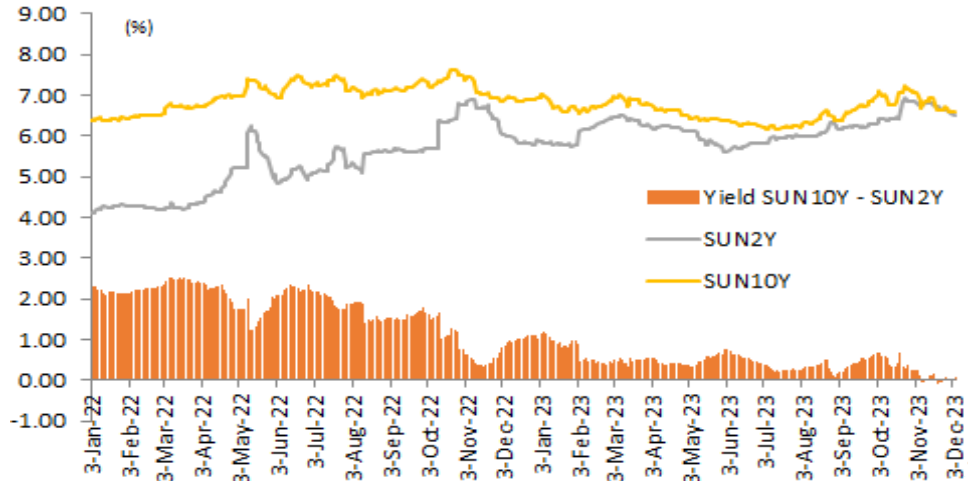
MEETING DATE	MEETING PROBABILITIES									
	325-350	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575
13-Dec-23	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	98.2%	1.8%
31-Jan-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.1%	92.2%	1.7%
20-Mar-24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.6%	42.3%	54.2%	1.0%
1-May-24	0.0%	0.0%	0.0%	0.0%	0.0%	1.4%	24.6%	48.9%	24.6%	0.4%
12-Jun-24	0.0%	0.0%	0.0%	0.0%	1.0%	18.4%	42.4%	31.1%	6.9%	0.1%
31-Jul-24	0.0%	0.0%	0.0%	0.7%	12.5%	34.3%	34.9%	15.1%	2.4%	0.0%
18-Sep-24	0.0%	0.0%	0.5%	9.2%	28.2%	34.8%	20.7%	6.0%	0.7%	0.0%
7-Nov-24	0.0%	0.3%	5.7%	20.6%	32.1%	26.3%	11.9%	2.8%	0.3%	0.0%
18-Dec-24	0.2%	4.0%	16.0%	28.6%	28.1%	16.3%	5.6%	1.1%	0.1%	0.0%

Source : CME Group (2023)

- The significant decline in UST yields observed in the previous week came to a halt this week.
- UST2Y saw a resurgence by +12.49 bps after reaching the level of 6.52% on 4th and 6th Dec '23, marking the lowest point since 20 Oct '23.
- Meanwhile, UST10Y yields increased by +0.71 bps last week, reflecting a stable inflationary environment.
- Moreover, the anticipation of a 125 bps reduction in the Fed Rate until the end of 2024 contributed to the decrease in UST20Y and UST30Y yields by -1.30 bps and -1.08 bps, respectively, in the preceding week.

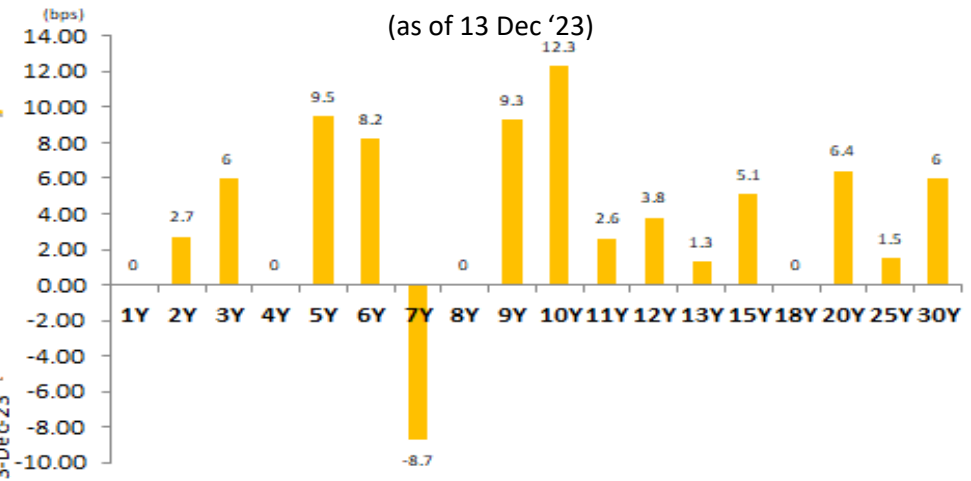
The Movement SUN Yields

YIELD SUN2Y VS SUN10Y



Sources : Bloomberg and KBVS Research-treated (2023)

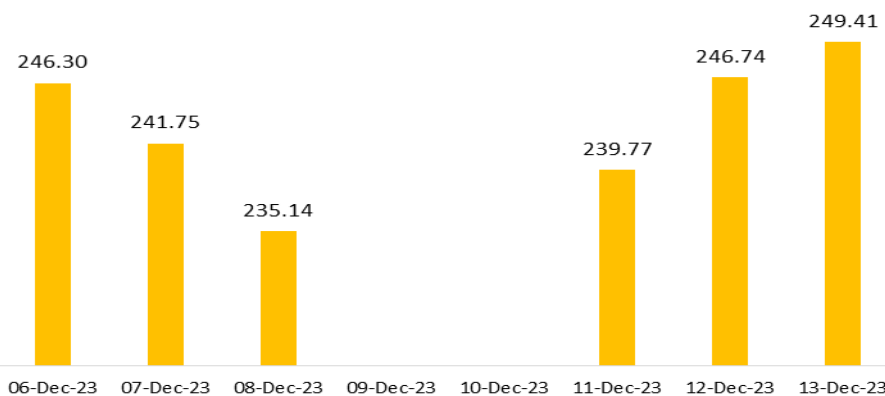
DEVELOPMENT OF YIELD SUN SINCE 6 DEC



Sources : Bloomberg and KBVS Research-treated (2023)

YIELD SPREAD SUN10Y-UST10Y SINCE 6 DEC

(as of 13 Dec '23)

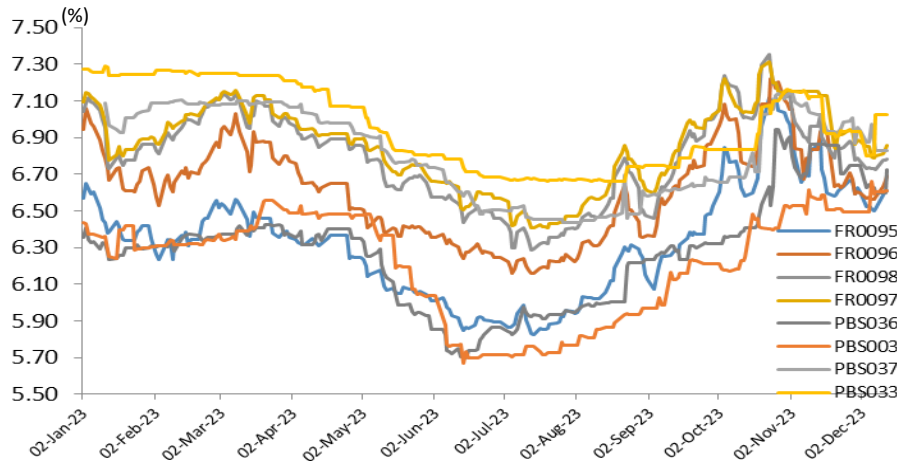


Source : Bloomberg and KBVS Research-treated (2023)

- The halt in the decline of UST yields exerted limited upward pressure on SUN yields, which tended to increase last week.
- Unlike UST, the most significant uptick in SUN yields was recorded by SUN10Y, rising by +12.3 bps, followed by SUN5Y with a +9.5 bps. Meanwhile, SUN2Y only saw a modest uptick of +2.7 bps.
- Consequently, the yield spread between SUN10Y and SUN2Y expanded to 13.2 bps after experiencing inversion from 20 Nov to 23 Nov '23.
- Simultaneously, the yield spread between SUN10Y and UST10Y also rose to 249.41 bps.

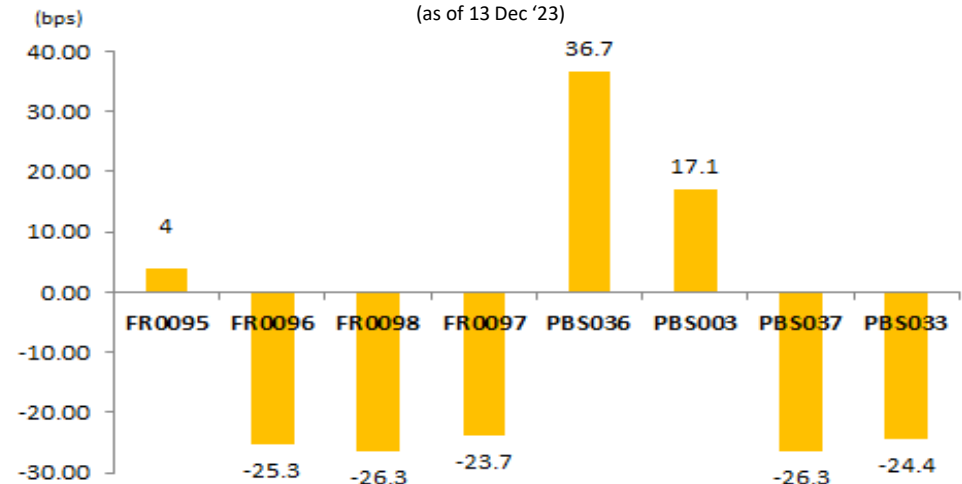
Development of SBN & SBSN Benchmark Series

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



Sources : Bloomberg and KBVS Research-treated (2023)

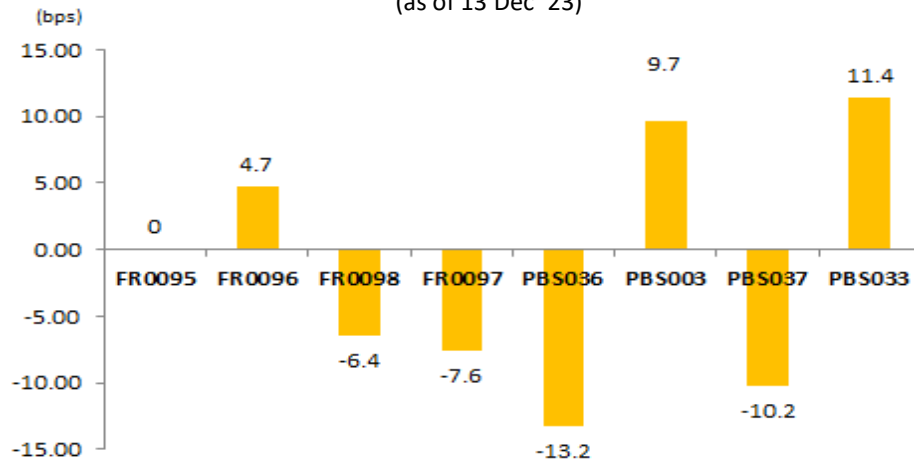
DEVELOPMENT OF YIELD SBN & SBSN BENCHMARK SERIES SINCE 2 JAN '23



Sources : Bloomberg and KBVS Research-treated (2023)

DEVELOPMENT OF YIELD SBN & SBSN BENCHMARK SERIES SINCE 6 DEC '23

(as of 13 Dec '23)



Sources : Bloomberg and KBVS Research-treated (2023)

- Mixed movements in SUN yields were also evident in the SBN and SBSN benchmark series.
- Last week, the most significant decreases in yields were observed in PBS036 (2Y tenor) with a decline of -13.2 bps, PBS037 (12Y tenor) with a decrease of -10.2 bps, followed by FR0097 (20Y tenor) with a decrease of -7.6 bps.
- Conversely, the most substantial increases in yields were recorded in FR0096 (10Y tenor) with an uptick of +4.7 bps, PBS003 (3Y tenor) with an increase of +9.7 bps, and PBS033 (24Y tenor) with an increase of +11.4 bps.

Last Auction Result

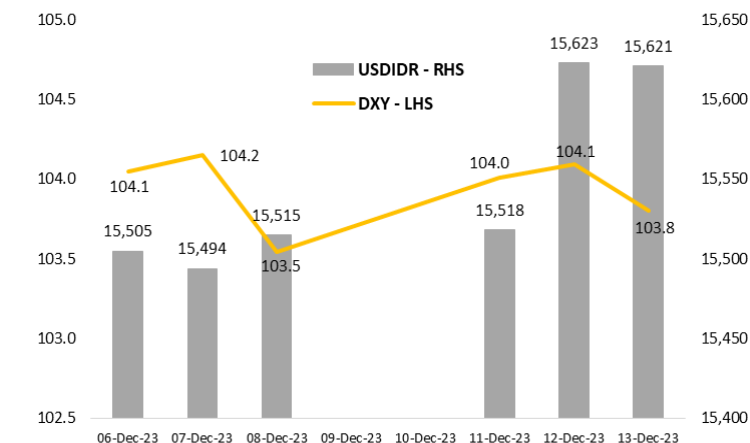
LAST SUN AUCTION RESULTS

Auction Date	Total Incoming Bids (IDR Tn)	Total Awarded (IDR Tn)	Yield Awarded						
			SPN03240313	SPN12241212	FR0101	FR0100	FR0098	FR0097	FR0089
12 Dec '23	41.18	19.0	6.34%	6.70%	6.71%	6.74%	6.83%	6.88%	7.00%
28 Nov '23	48.71	19.15	-	-	6.74%	6.75%	6.90%	6.99%	6.99%
Maturity Date			13 Mar '24	12 Dec '24	15 Apr '29	15 Feb '34	15 Jun '38	15 Jun '43	15 Aug '51

Sources : DJPPR, MoF-RI (2023)

- Mixed movements in secondary market yields were not mirrored in the primary market.
- In the most recent SUN auction conducted on 12 Dec '23, yields decreased across almost all series, with increases only noted in FR0089, rising by +1.0 bps. Conversely, decreases were observed in other series:
 - FR0101 decreased by -3.0 bps,
 - FR0100 decreased by -7.0 bps, and
 - FR0097 decreased by -11.0 bps.
- However, it appears that investors are adopting a *wait-and-see* approach, not only due to global conditions but also owing to the Rupiah performance and ongoing presidential&legislative campaign period that commenced on 28 Nov '23, with the first presidential debate held on 12 Dec '23.
- Nevertheless, we anticipate that SBN and SBSN auctions will continue, serving as a buffer for the 2023 state budget and potentially contributing to SILPA that can be utilized in the upcoming years.

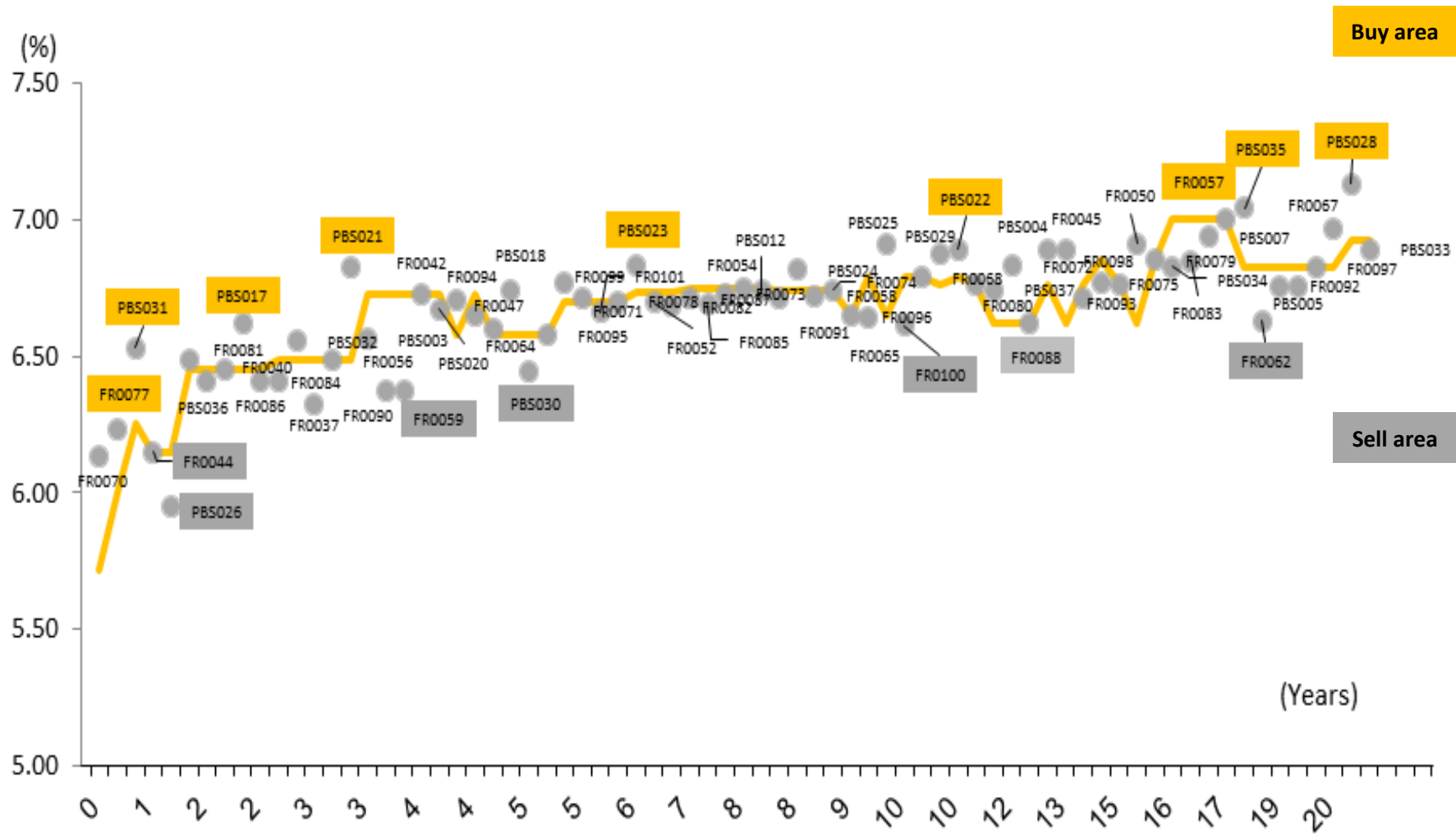
DEVELOPMENT OF DXY and USDIDR
(Between 6 Dec and 13 Dec '23)



Sources : Bloomberg and KBVS Research-treated (2023)

Yield Curve SUN

YIELD CURVE
(As of 13 Dec '23)



Sources : Bloomberg and KBVS Research-treated (2023)

This week's Economic Calendar

Economic Calendar

(13 – 20 Des 2023)

Wednesday, Dec 13, 2023			
US EIA Short-Term Energy Outlook			
US 30-Year Bond Auction	4.34%	4.77%	
US Federal Budget Balance (Nov)	-314.0B	-67.0B	
JP Tankan All Big Industry Capex (Q4)	13.50%	12.40%	13.60%
JP Tankan Big Manufacturing Outlook Index (Q4)	8.00	9.00	10.00
JP Tankan Large Manufacturers Index (Q4)	12.00	10.00	9.00
JP Tankan Large Non-Manufacturers Index (Q4)	30.00	27.00	27.00
ID Car Sales (YoY)	-7.50%	-13.80%	
GB GDP (MoM) (Oct)	0.00%	0.20%	
GB Industrial Production (MoM) (Oct)	-0.10%	0.00%	
GB Manufacturing Production (MoM) (Oct)	0.00%	0.10%	
GB Monthly GDP 3M/3M Change (Oct)	0.10%	0.00%	
GB Trade Balance	-14.30B	-14.29B	
GB Trade Balance Non-EU		-4.45B	
CN New Loans	1,300.0B	738.4B	
EU Industrial Production (MoM) (Oct)	-0.30%	-1.10%	
US OPEC Monthly Report			
GB NIESR Monthly GDP Tracker		0.10%	
US Core PPI (MoM) (Nov)	0.20%	0.00%	
US PPI (MoM) (Nov)	0.10%	-0.50%	
US Crude Oil Inventories	-0.650M	-4.632M	
US Cushing Crude Oil Inventories		1.829M	

Thursday, Dec 14, 2023			
US Interest Rate Projection - 1st Year (Q4)		5.10%	
US Interest Rate Projection - 2nd Year (Q4)		3.30%	
US Interest Rate Projection - 3rd Year (Q4)		2.90%	
US Interest Rate Projection - Current (Q4)		5.60%	
US Interest Rate Projection - Longer (Q4)		2.50%	
US FOMC Economic Projections			
US FOMC Statement			
US Fed Interest Rate Decision	5.50%	5.50%	
US FOMC Press Conference			
GB RICS House Price Balance (Nov)	-57.00%	-63.00%	
JP Industrial Production (MoM) (Oct)	0.50%	1.00%	
GB BoE MPC Vote Cut (Dec)	0.00	0.00	
GB BoE MPC Vote Hike (Dec)	2.00	3.00	
GB BoE MPC Vote Unchanged (Dec)	7.00	6.00	
GB BoE Interest Rate Decision (Dec)	5.25%	5.25%	
GB BoE MPC Meeting Minutes			
GB BoE Inflation Letter			
EU Deposit Facility Rate (Dec)	4.00%	4.00%	
EU ECB Marginal Lending Facility		4.75%	
EU ECB Monetary Policy Statement			
EU ECB Interest Rate Decision (Dec)	4.50%	4.50%	
US Continuing Jobless Claims		1.861K	
US Core Retail Sales (MoM) (Nov)	-0.10%	0.10%	
US Export Price Index (MoM) (Nov)	-1.00%	-1.10%	
US Import Price Index (MoM) (Nov)	-0.80%	-0.80%	
US Initial Jobless Claims		221K	
US Retail Control (MoM) (Nov)		0.20%	
US Retail Sales (MoM) (Nov)	-0.10%	-0.10%	
EU ECB Press Conference			
US Business Inventories (MoM) (Oct)	0.00%	0.40%	
US Retail Inventories Ex Auto (Oct)	-0.90%	0.40%	
EU ECB President Lagarde Speaks			

Friday, Dec 15, 2023			
US Fed's Balance Sheet			7,737B
JP Au Jibun Bank Services PMI			50.80
CN Fixed Asset Investment (YoY) (Nov)	3.00%	2.90%	
CN Industrial Production (YoY) (Nov)	5.70%	4.60%	
CN Industrial Production YTD (YoY) (Nov)		4.10%	
CN Unemployment Rate (Nov)	5.00%	5.00%	
CN NBS Press Conference			
ID Car Sales (YoY)			-13.90%
ID Export Growth (YoY) (Nov)	-9.40%	-10.43%	
ID Import Growth (YoY) (Nov)	-0.70%	-2.42%	
ID Trade Balance (Nov)	3.20B	3.48B	
GE HCOB Manufacturing PMI (Dec)	43.30	42.60	
GE HCOB Services PMI (Dec)	49.80	49.60	
EU HCOB Manufacturing PMI (Dec)	44.50	44.20	
EU HCOB Composite PMI (Dec)	48.00	47.60	
EU HCOB Services PMI (Dec)	49.00	48.70	
GB S&P Global/CIPS UK Composite PMI	50.90	50.70	
GB S&P Global/CIPS UK Manufacturing PMI	47.50	47.20	
GB S&P Global/CIPS UK Services PMI	51.00	50.90	
GB MPC Member Ramsden Speaks			
EU Leaders Summit			
EU Wages In Eurozone (YoY) (Q3)		4.60%	
EU Trade Balance (Oct)		1,154.15B	
US NY Empire State Manufacturing Index (Dec)	2.00	9.10	
US Industrial Production (YoY) (Nov)		-0.68%	
US Industrial Production (MoM) (Nov)	0.30%	-0.60%	
US S&P Global Manufacturing PMI (Des)	49.10	49.40	
US S&P Global Composite PMI (Dec)		50.70	
US S&P Global Services PMI (Dec)	50.50	50.80	

Event	Actual	Forecast	Previous
Monday, Dec 18, 2023			
GE Business Expectations (Dec)			85.20
GE Current Assessment (Dec)			89.40
GE Ifo Business Climate Index (Dec)			87.30
Tuesday, Dec 19, 2023			
EU Core CPI (YoY) (Nov)			3.60%
EU CPI (YoY) (Nov)			2.40%
EU CPI (MoM) (Nov)			0.10%
US Building Permits (MoM) (Nov)			1.80%
US Building Permits (Nov)			1.498M
US Housing Starts (MoM) (Nov)			1.90%
US Housing Starts (Nov)			1.372M
Wednesday, Dec 20, 2023			
US TIC Met Long Term Transactions (Oct)			-1.70B
JP BoJ Interest rate Decision			-0.10%
JP Exports (YoY) (Nov)			1.60%
JP Imports (YoY) (Nov)			-12.50%
JP Trade Balance (Nov)			-661.00B
GB CPI (YoY) (Nov)			4.60%
GB CPI (MoM) (Nov)			
GB PPI Input (MoM) (Nov)			0.40%
GE PPI (MoM) (Nov)			-0.10%
GE GfK Consumer Climate (Jan)			-27.80
US Current Account (Q3)			-212.10B
US CB Consumer Confidence (Dec)			102.00
US Existing Home Sales (Nov)			3.79M
US Existing Home Sales (MoM) (Nov)			-4.10%

Sources : Investing and KBVS Research-treated (2023)

- This week, a global wait-and-see approach continues to prevail.
- This behavior is primarily driven by the anticipation surrounding the FOMC Meeting on Wednesday (13 Dec '23), expected to not only unveil the current stance of The Fed but also disclose the Fed dot plot and economic projections. Similarly, the awaited outcomes of the BoE and ECB interest rate decisions on Thursday (14 Dec '23), along with the BoJ interest rate decision on Wednesday (20 Dec '23), are pivotal in understanding potential changes in their future stances.
- Additionally, forthcoming data releases including the weekly initial jobless claims, US industrial production, various housing data in the US (Building permits, housing starts, and existing home sales), as well as UK and Germany's CPI inflation, are poised to influence global sentiment as the holiday season approaches.
- Domestic sentiment is expected to be influenced by data on automotive sales and the trade balance, encompassing the export-import conditions in the country.

Fed Economic Projection – Dec '23

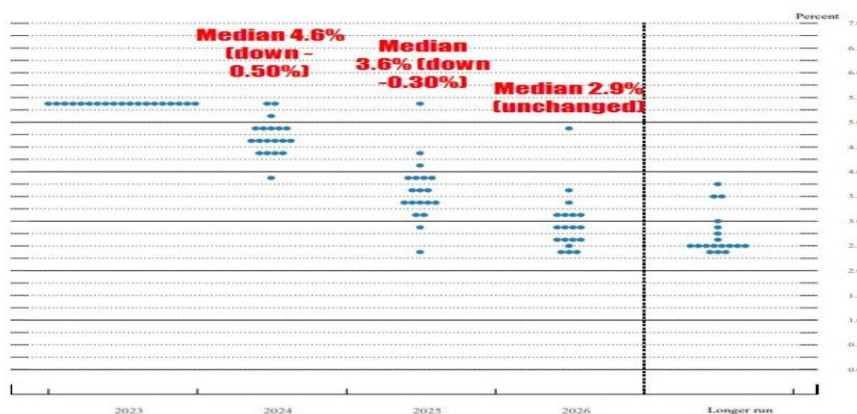
FED ECONOMIC PROJECTION, AS OF FOMC DEC '23

Variable	Median ¹					Central Tendency ²				
	2023	2024	2025	2026	Longer run	2023	2024	2025	2026	Longer run
Change in real GDP	2.6	1.4	1.8	1.9	1.8	2.5–2.7	1.2–1.7	1.5–2.0	1.8–2.0	1.7–2.0
September projection	2.1	1.5	1.8	1.8	1.8	1.9–2.2	1.2–1.8	1.6–2.0	1.7–2.0	1.7–2.0
Unemployment rate	3.8	4.1	4.1	4.1	4.1	3.8	4.0–4.2	4.0–4.2	3.9–4.3	3.8–4.3
September projection	3.8	4.1	4.1	4.0	4.0	3.7–3.9	3.9–4.4	3.9–4.3	3.8–4.3	3.8–4.3
PCE inflation	2.8	2.4	2.1	2.0	2.0	2.7–2.9	2.2–2.5	2.0–2.2	2.0	2.0
September projection	3.3	2.5	2.2	2.0	2.0	3.2–3.4	2.3–2.7	2.0–2.3	2.0–2.2	2.0
Core PCE inflation ⁴	3.2	2.4	2.2	2.0		3.2–3.3	2.4–2.7	2.0–2.2	2.0–2.1	
September projection	3.7	2.6	2.3	2.0		3.6–3.9	2.5–2.8	2.0–2.4	2.0–2.3	
Memo: Projected appropriate policy path										
Federal funds rate	5.4	4.6	3.6	2.9	2.5	5.4	4.4–4.9	3.1–3.9	2.5–3.1	2.5–3.0
September projection	5.6	5.1	3.9	2.9	2.5	5.4–5.6	4.6–5.4	3.4–4.9	2.5–4.1	2.5–3.3

Source : The Fed (2023)

FED DOT PLOT, AS OF FOMC DEC '23

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Source : The Fed (2023)

- The Fed released a Fed dot plot indicating a median expectation of a 75 bps cut in 2024 to 4.6% (VS 5.1% in the Sep '23 projection) by the end of 2024.
- This scenario was supported by the following Fed economic projections:
 - GDP growth 2.6% (VS 2.1%) in 2023 and 1.4% (VS 1.5%) in 2024.
 - PCE inflation 2.8% (VS 3.3%) in 2023 and 2.4% (VS 2.5%) in 2024, along with core PCE inflation 3.2% (VS 3.7%) in 2023 and 2.4% (VS 2.6%) in 2024.
 - Unemployment 3.8% (VS 3.8%) in 2023 and 4.1% (VS 4.1%) for 2024.



 KB Valbury Sekuritas