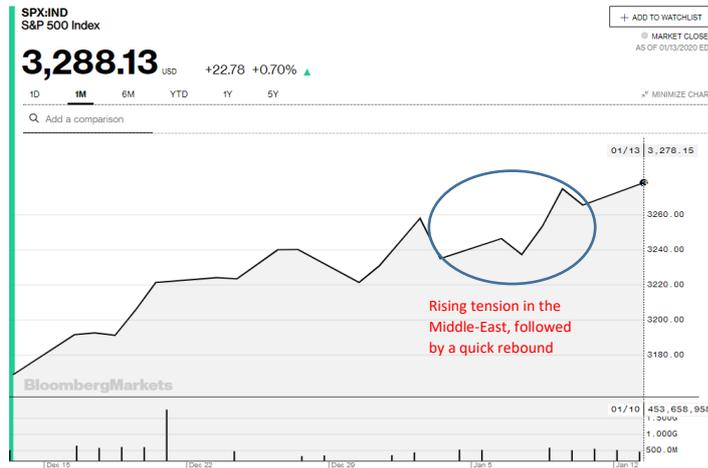


Market update 14 January 2020

**What happened last week and what to expect this week?**

**Back to Trade War**

Investor's attention went to the Middle-East after the US made an airstrike which killed Qasem Soleimani, Iranian Maj. General. However, it was only for a brief moment since both parties seems unwilling to prolong the tension. S&P 500 back to recording all time high after it had a 2-day correction when the world is expecting a World War III. Currently all eyes are back on the trade one 'phase one' which will be signed on 15<sup>th</sup> of January.



Formal details are yet to be provided but some insights from people familiar with the matter give key points as follows:

- China said it will increase imports from the U.S. and other countries and the deal will remove tariffs on Chinese goods in phases.
- China will make corresponding moves to U.S. tariff reductions.
- The deal, after proofreading and legal checks, will be signed in the first week of 2020
- It also reduces tariffs on \$120B of imports to 7.5% from 15%.
- The so-called phase one deal covers agricultural, intellectual property protection, tech transfer, opening China's financial industry and currency, the Chinese Commerce Vice Minister Wang Shouwen said.
- China plans to import U.S. wheat, rice and corn within quotas, but officials didn't answer a question on the size of the purchases.

## India's Inflation

India's headline inflation surged to a more than five-year high in December, breaching the central bank's 6% tolerance limit and will likely keep monetary policy makers in pause mode for longer. Consumer prices rose 7.35% in December from a year earlier, the Statistics Ministry said in a statement on Monday. That's faster than the 6.7% median estimate in a Bloomberg survey of 37 economists and the steepest gain since July 2014. The gains were driven by rising cost of everything from food to fuel and medicines to mobile tariffs. Food price inflation accelerated 14.1%, led by a surge in vegetable costs

### Tolerance Breached

India inflation exceeds upper end of RBI's 6% limit



Source: Statistics Ministry

If Central Bank of India decides to hike interest rate to combat inflation, it might trigger capital outflow in Indonesia bond market since the yield will become more competitive.

## Indonesia economics data

- Indonesia's **retail sales** grew positively in November 2019 in spite of having slowed down in comparison with a month earlier, according to the central bank. The retail sales index (RSI) in November 2019 grew 1.3% YoY, plummeting from 3.6% YoY a month before. The positive growth in retail sales was fuelled by the sales of spare parts, accessories, and other household utensils as well as foods, beverages, and tobacco.
- Indonesia's **foreign exchange reserves** has strengthened by USD 8.5bn (IDR 118.3trn) accumulatively throughout 2019. A higher figure occurred amid the deficit of trade balance, while the exchange rate of Rupiah currency was steady against the US Dollar. Bank Indonesia announced that Indonesia's foreign exchange reserves in December 2019 amounted to USD 129.18bn, increased by USD 2.5bn compared to the previous month which was recorded at USD 126.63bn.
- Indonesia's tax revenue throughout 2019 is way below the target. The realization of tax revenue only reached IDR1,577.56tn or **84.4% of the target**. Meanwhile, **budget deficit** in 2019 reached IDR353tn or **2.2% of GDP**. It was larger than 1.84 initial target of 1.84% of GDP.

**Market Indexes (2 January - 14 January 2020)**

- During the period, JCI appreciated by 0.41% ytd from 6,299 to 6,325. The appreciation of JCI was supported by strong rally in rupiah which appreciated by 1.53% ytd to IDR 13,670 and foreign net buy USD 230 million or equivalent to IDR 3,220 billion
- By sector, consumer goods became the best performer with 3.02% ytd which supported by rebound of cigarette's stock prices (HMSP and GGRM), followed by miscellaneous industry which went up by 2.28% ytd. The laggard came from agricultural and basic (AALI, LSIP and TPIA) after a stellar performance in the last trading day of 2018.



Figure 3. JCI last YTD as of 14 January 2020 (Source: Yahoo Finance)

--- End of report ---

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