

Market update 18 February 2020

What happened last week and what to expect this week?

- **Coronavirus**

Based on Johns Hopkins University CSSE's site which tracks the Coronavirus, as of 18 February 2PM, Jakarta time, there has been 73,335 total confirmed case of Coronavirus across the globe. The figure has tripled from the figure 2 weeks ago. 72,438 case were in Mainland China, while the remaining 454 were Diamon Princess Cruise ship riders and 443 cases were spread out across the globe as follows:

77 Singapore	22 Taiwan	9 United Arab Emirates	2 Spain
66 Japan	16 Germany	9 UK	1 Nepal
60 Hong Kong	16 Vietnam	8 Canada	1 Cambodia
35 Thailand	15 Australia	3 Italy	1 Belgium
31 South Korea	15 US	3 Philippines	1 Finland
22 Malaysia	12 France	3 India	1 Sweden
22 Taiwan	10 Macau	2 Russia	1 Egypt
			1 Sri Lanka

By far, 1,873 deaths has been reported with 1,789 deaths in Hubei mainland China. The remaining 79 deaths are in China Mainland too while 1 death each was reported in France, Hong Kong, Japan, Philippines and Taiwan. Nonetheless, 12,842 people has been reported to recover from the virus. You may access the realtime data on the link below:

<https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6>

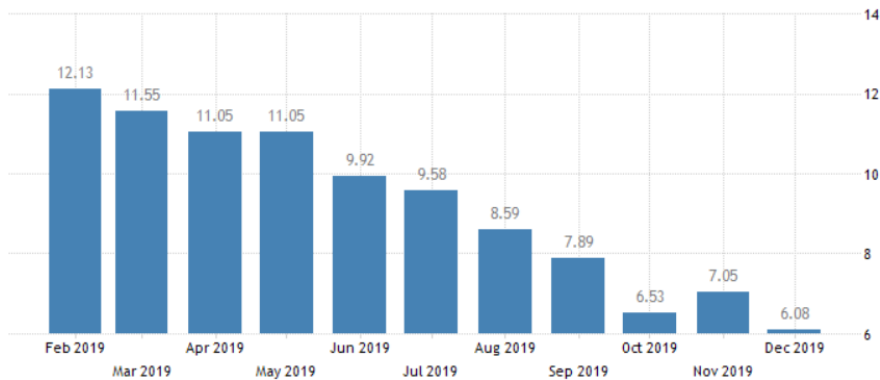
- **Indonesia Trade Balance** in January 2020 was reported a deficit of USD 0.86bn (from USD 1.1bn in January 2019 and deficit USD 0.03bn in December 2019). The figure was much higher than market consensus at USD 0.38bn deficit. Exports dropped by 3.71% YoY and 7.16% MoM mainly toe to O&G exports which declined 28.73% MoM as well as non O&G exports which were down 5.33% MoM. Imports dropped by 4.78% YoY and 1.60% MoM with O&G imports down by 6.85% MoM and non O&G were down by 0.69%.

Economics data to be expected this week and next week:

- **The Federal Reserve** will conduct its monthly meeting on the 20th February. During their last month's meeting, they kept the target range for the federal funds rate at 1.5-1.75 percent. During 2019, the Fed has delivered three rate cut in July, September and October amid muted inflation pressure and concerns about the economic outlook. During their last meeting, they stated that they are focusing on combating potential "Japanification" i.e. weak growth and tepid inflation of the US economy. This might mean that the FED is unlikely to hike rates for the foreseeable future and rate cut might be more likely. The FED also announced that they might gradually reduce asset purchases and would adopt yield capping on US treasuries.
- Bank Indonesia will conduct its monthly meeting on 20th February. It is widely expected that the bank might cut the **7 Days Reverse Repo Rate**. Last year, the central bank has delivered 4 consecutive rate cut since July to October, bringing its benchmark rate to 5%. This rate cut means that BI has lowered the key interest rate by a cumulative 100bps. We believe that the central bank might follow the 2020 rate-cutting cycle already undertaken by Russia, Turkey, Brazil, South Africa, Thailand and Malaysia's central banks. With the coronavirus outbreak impacting the economies of China as Indonesia's largest trading partner and the rest of Asia, BI could not afford to lag behind the easing curve.

• **Indonesia Loan Growth**

Indonesia **loan growth** in January is expected to be released on 28th February. Loan growth has been deteriorating since October 2018 and reaching a weak 6.08% in December 2019. Indonesia loan growth in December was the slowest since November 2009.



Market Indexes (10 February - 14 February 2020)

- During the period, JCI depreciated by 2.26% from 5,999 points on 7 February's closing to 5,866 points on 14 February's closing. YTD until today, JCI registered 7.02% loss after it closed at 6,300 points last year and closed at 5,887 points today.
- During the period, in sectoral basis the index was dragged down mainly by Agriculture sector which were down by approximately 5%, followed by Miscellaneous Industry and Consumer sector which were down by approximately 4% each. Infrastructure sector came right after by losing approximately 3%. Property sector was the only sector booking approximately 1% gain during the period.

YTD until today, all sectors were also in negative territory with Agriculture sector leading the loss (-15%) followed by Miscellaneous sector (-12%), Infrastructure sector (-11%), Basic Industry (-11%), Property sector (-9%), Trade sector (-9%), Mining sector (-8%), Consumer sector (-7%) and Finance sector (-1%).



Figure 1. JCI last 1 year as of 18 February 2020 (Source: Yahoo Finance)

- MSCI Asia ex-Japan was up by 2.34% or 1.71 points from 7 February 2020 closing to 14 February 2020 closing (YTD to 14 February -0.39 points or -0.53% from 73.50 points at December 2019 closing).

- IDR depreciated during the same period by 0.13%, but still appreciated YTD to 18 February by 1.43% to IDR 13,671/USD today from IDR 13,866/USD on its closing in 30 December 2019.

External factors, specifically on geopolitical issues which is centered at the U.S. as well as worries on the recession issues surrounding the global economies and central banks' responses to it are still stood as some of the main catalysts to watch out for which may move our index and currencies. Additionally, the latest black swan, that is the coronavirus, has also become the market's focus. From internally perspective, we are keeping our focus on Rupiah, Indonesia CAD and trade balance which all in all is a crucial factor in our investment strategy.

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