

Market update 7 April 2020

What happened last week and what to expect this week?

Coronavirus/COVID-19

Based on Johns Hopkins University CSSE's site which tracks the Coronavirus, as of 7 April 12:23 PM, there has been 1,348,184 total confirmed case of Coronavirus across the globe with 368k cases reported in the US, followed by 136k in Spain, 132k in Italy and 103k cases in Germany. Total Deaths from across the globe is reported at 74,816 and 284,802 cases is reported to recover. These escalation of cases outside China, and in the US in particular, has triggered global financial market's volatility even further.

Indonesia reported its first two cases on 2nd March, as of yesterday, the number of confirmed case in the country has reached 2,491 cases.

You may access the realtime data on the COVID-19 across the globe through the link below:

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

Indonesia's Economic Data

- **Indonesia's Foreign exchange reserve** in March was recorded at USD 121bn, down from 130.4bn in February. This figure was the least reserve since May 2019. The decrement was mainly triggered by government stepping in to rescue the IDR which has been black-and-blue. We believe that the reserve balance might go down even further as BI will take the necessary steps to stabilize Indonesia's currency. The government has just issued 3 USD denominated bonds with total issuance of USD 4.3bn. The bond is rather attractive considering the coupon pay-out (approximately 300bps higher than the US Treasury yield) and foreign investors would be very attracted to the securities as it allows them to invest in Emerging Market country with attractive yield while at the same time protect themselves against the fluctuation of the IDR by having USD as the denominator.
- **Indonesia's annual inflation** in March went down slightly to 2.96% from 2.98% in February. The March were pushed down by prices of housing & utilities, recreation, sport & culture, furnishings, transport, information, communication & financial services. However, prices escalated for food, drinks, tobacco especially due to shortages of garlic and sugar, also reflecting the recent increment in tobacco products' excise tax. In addition, price also went up for personal care & other services, food services & restaurant. Annual core inflation rose to 2.87% from 2.76%.
- **Indonesia's Consumer Confidence Index** for March period was reported to be down to 113.8, higher than market consensus at 101. March's figure was the weakest reading since September 2016 as five of the six main sub-indices fell; economic outlook, current economic conditions, job availability compared to six months ago; job availability expectations; and income expectations for the next six months. Meanwhile, the sub-index of current income was unchanged. The decline in Indonesia's CCI is expected considering the spreading of COVID-19 impact. We believe that March's decrement was only the beginning of consumers' anxiety, assuming the current situation remains or worsen.

- The HIS Markit **Indonesia Manufacturing PMI** fall to 45.3 in March 2020 from 49.3 in January. As we know, reading above 50 indicates an expansion of the manufacturing sector compared to the previous month while below 50 represents a contraction. The latest reading marked the steepest contraction on record as measures to contain the COVID-19 outbreak hit the sector with output and new orders tumbled together with export, and firms cut back on purchasing activity and output inventories.
- **Indonesia's loan growth** in February is reported at 5.93% YoY, slightly slower than in January 2020 at 6.1%. The growth rate in February was the lowest in 11 years. Indonesia's loan growth might be even further compromised with the current issue on COVID-19. The Indonesian government has taken steps which are hoped to stabilize the financial sectors, including by pushing the Financial Service Authority (OJK) to restructure and merge troubled banks. The government has also pushed Indonesian Banks to allow their borrowers to restructure their loan in response to the COVID-19 outbreaks which has forced some businesses to cut production, or even worse close their businesses for uncertain length of time.



- Next week on the 14th, we will get to witness Bank Indonesia's meeting for this month and get to see what further steps that they will take in order to stabilize Indonesia's economy from the COVID-19 outbreak that has impacted businesses. So far this year the Central Bank has cut its benchmark rate twice in February and March, each by 25bps, leaving the benchmark rate to 4.5%.

On the next day on 15th April, Indonesia's Trade Balance in March 2020 will be published. In February Indonesia reported a trade surplus of USD 2.34bn, the largest surplus since 2011 as exports unexpectedly surged by 11% due to higher sales of non-oil and gas, while oil and gas products tumbled by 27%. On the other hand, imports dropped by 5% YoY mainly with the decrease in non-oil and gas by 7% while oil and gas import rose by 10%. Consensus estimated that March Trade Balance will post lower surplus of USD 0.3bn.

Market Indexes (30 March 2020 - 7 April 2020)

- During the period, JCI appreciated by 5.13% from 4,546 points on 27 March's closing to 4,779 points on 7 April's closing. YTD until today, JCI registered 24.15% loss after it closed at 6,300 points last year and closed at 4,779 points today.
- During the period, all sector booked positive return with Basic Industry sector booked the most substantial gain of approximately 16%, followed by Agriculture sector, Consumer sector, Infrastructure sector each of which gained approximately 8%. Property and Finance sector each gained the least by appreciating by approximately 1% each. Miscellaneous sector remained stagnant.

YTD until today, all sectors were also in negative territory with Miscellaneous sector leading the loss (-36%) followed by Agriculture sector (-34%), Property sector (-28%), Basic Industry (-28%), Infrastructure sector (-22%), Finance (-21%), Trade (-20%), Mining sector (-17%) and Consumer sector (-11%).



JCI last 1 year as of 7 April 2020 (Source: Yahoo Finance)

- MSCI Asia ex-Japan was down by 4.65% or 2.71 points from 27 March 2020 closing to 6 April 2020 closing (YTD to 6 April -12.50 points or -17.00% from 73.50 points at December 2019 closing).
- IDR remained relatively stagnant during the same period by depreciating by only 0.19% as it relatively recovered today to 16,200/USD level, but still depreciated YTD to 7 April by 16.83% from IDR 13,866/USD on its closing in 30 December 2019.

Coronavirus progression as well as worries on the recession issues surrounding the global economies and due to the outbreaks as well as 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. 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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